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ABBREVIATIONS

API - Application Programing Interface
ARA - Assessing Reserve Adequacy
BCBS - Basel Committee on Banking Supervision
BI - Business Intelligence
BIA - Business Impact Analysis
BIS - Bank for International Settlements
BISIP - BIS Investment Pool
BMatch - Bloomberg's foreign exchange trading platform
BSCEE - Banking Supervisors from Central and Eastern Europe
CAREC - Central Asia Regional Economic Cooperation
CBDC - Central Bank Digital Currency
CICR – Currency-Induced Credit Risk
CIF - Cost, Insurance and Freight
CPMI - Committee on Payments and Market Infrastructures
CRA - Credit Risk Adjustment
CRD IV - Capital Requirements Directive (the directive on the activities and prudential regulation of credit institutions operating in the EU)
CRR - Capital Requirements Regulation
CSP - Customer Security Program
CYFI - Child and Youth Finance International
DDoS - Distributed Denial-of-Service attack
DeFi - Decentralized Finance
DPM - Data Point Model (a data dictionary that includes the harmonized data requirements developed by the EBA and is included in its technical standards and guidelines)
EAD - Exposure at Default (the volume of a financial instrument at the time of default)
EBA - European Banking Authority
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EBRD - European Bank for Reconstruction and Development
ECB - European Central Bank
EFSE DF - Development Facility of the European Fund for Southeast Europe
ESG - Environmental, Social, and Governance
ETL - Extract, Transform, Load (a general procedure for importing data from various sources like MS SQL, MS Excel, transforming it, and saving it in the required format)
EVE - Economic Value of Equity
FAO - Food and Agriculture Organization
FATF - Financial Action Task Force
FEA Georgia - Financial Education Association of Georgia
Finedu - The first Georgian educational web portal for financial education (www.finedu.gov.ge)
FINREP - Financial Reporting (a European regulation concerning financial reporting standards that apply to credit institutions)
FOB - Free on Board (Free of obligations once goods are loaded onto water transport)
FRD - Fraud Data (Statistical data of unauthorized operations)
FSAP - Financial Sector Assessment Program
FSI - Financial Stability Indicators
GAN - Generative Adversarial Networks
GET - German Economic Team
GFIN - Global Financial Innovation Network
GGF - Green for Growth Fund
GRAPE - General Risk Assessment Program
GSSS - Georgian Securities Settlement System
HR - Human Resources
HRMS - Human Resource Management System
IFC - International Finance Corporation
IFRS - International Financial Reporting Standards
IFT - Inflation Forecast Targeting (forward-looking inflation targeting)
IIA - Institute of Internal Auditors
IMF - International Monetary Fund
INFE - International Network on Financial Education
IOSCO - Technical Committee of the International Organization of Securities Commissions
IPPF - International Professional Practice Framework
ISO - International Organization for Standardization
IT - Information Technology
LCR - Liquidity Coverage Ratio
LTV - Loan to Value (loan collateral ratio)
NGFS - Network for Greening the Financial System
NII - Net Interest Income
NPL - Non-Performing Loan
NSFR - Net Stable Funding Ratio
OECD - Organization for Economic Co-operation and Development
PTI - Payment to Income ratio
ROA - Return on Assets

ROE - Return on Equity
ROSC - Report on the Observance of Standards and Codes
RTGS - Real Time Gross Settlement
RTP - Request to Pay
SBA - Stand-by Arrangement (IMF supporting program)
SBFN - Sustainable Banking and Finance Network
SDR - Special Drawing Rights (a form of international reserve asset created by the IMF, defined as a weighted average of various convertible currencies)
SECO - State Secretariat for Economic Affairs
SEPA - Single Euro Payments Area
SMEDA - Small and Medium Enterprise Development Association
SWIFT - Society for Worldwide Interbank Financial Telecommunication
TIBR - Tbilisi Interbank Rate
TMS - Taxonomy Management System
UNCTAD - United Nations Conference on Trade and Development (specifically regarding competition and consumer policy)
USAID - United States Agency for International Development
VASP - Virtual Asset Service Provider
XBRL - Extensible Business Reporting Language

INTRODUCTION

The 2025 Annual Report of the National Bank of Georgia (NBG) is prepared in accordance with Articles 60 and 61 of the Organic Law "On the National Bank of Georgia" and includes a review of monetary, exchange rate, and supervisory policies, as well as audited financial statements.

According to the Organic Law of Georgia "On the National Bank of Georgia," the primary objective of the NBG is to ensure price stability, which is a prerequisite for long-term economic prosperity. To achieve this goal, the NBG implements monetary (money and credit) policy under an inflation-targeting regime, where the target level of inflation is predetermined and is currently set at 3%. The NBG conducts monetary policy in such a way that inflation remains close to its target level in the medium term.

The NBG transitioned to the inflation-targeting regime in 2009 and initially set the target level of inflation at 6%. Since then (in 2009-2025), the average annual inflation rate in Georgia has been 4.3%, whereas in the period 2000-2008 it averaged 6.8%. Under the inflation-targeting regime, the primary instrument of the National Bank of Georgia's monetary policy is the monetary policy rate (refinancing rate). In the event that the forecasted inflation rate is higher than the target level, the National Bank of Georgia tightens monetary policy and, conversely, if the forecasted rate is lower than the target level, the NBG eases monetary policy.

It is noteworthy that, against the background of globally increased uncertainty, the National Bank of Georgia entered the next stage in the development of its monetary policy framework from the beginning of 2025. Specifically, it introduced a new, scenario-based approach to monetary policy communication. Under this approach, when setting the monetary policy rate, the NBG considers not only a single baseline forecast but also the risks associated with alternative scenarios. Consequently, when implementing monetary policy, the NBG aims to choose a policy stance that minimizes economic losses should any of the identified risks materialize. In a dynamic economic environment, such a risk-management-oriented approach to monetary policy is crucial for achieving optimal results. It is important that these scenarios are published and made publicly available. Through this communication approach, the risk management and decision-making process and the monetary policy reaction function become more transparent, thereby strengthening the effectiveness of policy transmission channels. It is important to note that, under the conditions of increased uncertainty, central banks globally have been developing new monetary policy strategies and are actively moving towards a similar scenario-based approach (including the Central Bank of Sweden, the Bank of England, the European Central Bank, and the Central Bank of Canada).

In 2025, the average annual inflation was 3.9%, which is moderately high compared to the 3% target figure. The deviation from the target level was primarily caused by an increase in food inflation. This was driven by several factors, including the low base effect of 2024, the increase in prices of food raw materials on international markets, and a one-time correction of prices for certain products on the local market. However, it is significant that indicators reflecting long-term inflation expectations, such as core inflation and services inflation, remained low during the year. Specifically, core inflation, which excludes the most volatile components from the consumer basket (food, energy, and tobacco), remained below the target throughout 2025 and averaged 2.2%. And in the services sector, where price changes tend to be relatively rigid, inflation averaged 2.7%. This indicates that, as a result of the monetary policy implemented by the NBG, inflation expectations remained stable and inflationary processes were less broad-based.

Based on domestic economic trends and existing global risks, the National Bank of Georgia opted for a cautious approach and maintained a moderately tight monetary policy stance throughout 2025. Specifically, the monetary policy rate remained unchanged and amounted to 8.0%, which exceeds the long-term neutral rate (currently estimated at 7%). Since the deviation from the target inflation rate was driven by temporary factors, such as food price volatility and base effects, according to the assessment of the NBG, inflation was expected to gradually decrease as these factors were exhausted. At the same time, inflation expectations were maintained at a stable level, indicating the effectiveness of the monetary policy. Nevertheless, under conditions of increased uncertainty, the National Bank of Georgia adopted a more cautious policy stance. Global geopolitical tensions and the risks of economic fragmentation increased the likelihood of a high inflation environment

worldwide. Furthermore, there was a risk that if inflation remained above the target level locally for an extended period, inflation expectations would increase, and thereby exacerbate the threat of so-called "second-round" effects. To minimize these risks and guide expectations, and in line with the scenario-based approach, the NBC considered it optimal to maintain a moderately tight monetary policy throughout the year. In 2025, economic activity remained strong. According to preliminary data, real GDP growth amounted to 7.5%. The main driver of economic growth continued to be highly productive sectors, which reflected an improvement in the overall production potential of the economy. Specifically, against the background of structural changes, service-oriented and relatively less import-intensive sectors - such as information and communication (ICT) and education - continued to grow at a high pace. However, in other sectors, including construction and transportation, a gradual normalization of the pace of growth was observed. Besides the structural changes in the economy, real GDP growth was also supported by strong aggregate demand, stemming from both domestic and external demand. However, signs of normalization also emerged in the direction of domestic demand, which, against the background of the growth of the overall potential of the economy, was reflected in the weakening of inflationary pressure from aggregate demand.

The less import-intensive growth of the economy also had a positive impact on the current account balance. Specifically, in 2025, the ratio of the current account deficit to GDP almost halved and stood at 2.6%, and if reinvested earnings (which reflects the portion of profit from foreign direct investments that is not distributed as dividends and is reinvested in the economy) are excluded, the current account balance was in surplus and amounted to 0.2%. The trade balance of goods and services and the primary income account made a significant contribution to the improvement of the current account deficit. At the same time, the ratio of the services balance to GDP also improved. Specifically, the sectors that positively affected economic growth were those linked to the export of services. Among these, revenues generated from the export of information and communication (ICT) services increased 1.5 times relative to GDP, reaching 3.0%. Additionally, the ratio of revenues generated from the export of transportation to GDP remained at a high level, standing at 4.6%. Moreover, revenues generated from travel increased by 6% annually, while workers' remittances grew by 6.6%. In 2025, foreign direct investments remained one of the most important sources of financing the current account, increasing by 7.6% annually and amounting to 4.4% of GDP.

International reserves play a critical role in safeguarding the country's macroeconomic stability. Accordingly, the long-term policy of the NBC is always directed toward accumulating international reserves and effectively managing reserve assets. In 2025, total international reserves increased by USD 1,710.7 million and amounted to USD 6,159.3 million. During the year, net foreign exchange purchases by the NBC had a significant impact on the upward trend of international reserves. When the situation on the foreign exchange market allows it, the NBC concentrates on accumulating reserves and maintaining them at an adequate level. Against the background of strong macroeconomic fundamentals and favorable conditions in the foreign exchange market, the NBC purchased USD 2,432.5 million through rules-based Bmatch interventions. The sharp increase in the price of gold also contributed to the growth of total reserves. In March 2024, monetary gold was added to the international reserves, following the NBC's purchase of USD 500 million worth of monetary gold from the Bank for International Settlements (BIS). Against the backdrop of rising gold prices, the valuation effect on these holdings reached USD 502.3 million as of December 2025. As a result, the share of monetary gold in total international reserves increased and amounted to 16.3% (approximately USD 1.0 billion).

Alongside ensuring price stability, promoting financial stability is one of the most important tasks of the NBC. To this end, the NBC implements macroprudential policy and supervises the financial sector. By identifying, assessing, and monitoring systemic risks, the NBC develops policy responses aimed at mitigating these risks and enhancing the resilience of the financial system.

The countercyclical capital buffer is used as the primary instrument of the NBC's macroprudential policy. Its purpose, where necessary, is to restrain excessive lending to the economy that might cause an increase in systemic risks. Under the updated framework for setting the countercyclical buffer, the neutral rate of the buffer is set at 1%, and commercial banks are required to accumulate this gradually, according to a schedule determined by the NBC, by March 15, 2027. As for the cyclical component of the countercyclical capital buffer, no need for adjustment emerged in 2025.

The NBC actively continues to work on mitigating the structural risks arising from the high level of financial

dollarization in the economy. Against the background of measures taken by the NBG, dollarization has significantly decreased; however, dollarization, along with the risks associated with it, remains one of the main challenges for the financial sector. In order to mitigate these risks, in 2025, the NBG continued implementing its long-term de-dollarization plan. Specifically, based on the decision of the Financial Stability Committee, the GEL 500,000 limit for unhedged foreign currency loans, which had been effective from January 2025, was increased to GEL 750,000 starting from 1 August 2025.

Against the background of the normalization of economic activity, in order to promote sustainable activity in the real estate market, the NBG updated certain requirements of the regulation on responsible lending in 2025. Specifically, the maximum Loan-to-Value (LTV) ratio for real estate-backed loans issued in GEL to individuals was temporarily increased by 5 percentage points, up to 90%; while the LTV ratio for mortgage loans for income earners from outside Georgia increased by 10 percentage points, up to 80%. These changes will help increase access to mortgage loans during the transitional stage of economic normalization.

A sustainable financial system—one that effectively manages environmental and social risks—is crucial for financial stability and serves as a key driver of sustainable development. The National Bank of Georgia has been actively working on developing a sustainable finance framework since 2017. In 2025, following the successful implementation of the first Sustainable Finance Roadmap, the National Bank of Georgia published its second roadmap, which outlines the main priorities and action plan for the NBG for the period 2025-2028.[1] Additionally, in 2025, the NBG published its fifth Sustainable Finance Status Report, which provides an overview of the current trends, implemented regulatory policies and initiatives, and future plans regarding sustainable finance in Georgia.[2] In 2025, in cooperation with the Investors Council, commercial banks, and the Banking Association, the NBG developed a definition and reporting format for women entrepreneurs (women-owned and women-led enterprises). This initiative aims to systematically collect gender-disaggregated data on enterprise financing from banks. During the year, commercial banks prepared the first of such reports based on 2024 data, and regular quarterly reporting will commence in 2026, ensuring continuous monitoring and the availability of gender-disaggregated enterprise data.[3]

In parallel, to reflect developments in international sustainability reporting standards, the NBG initiated an update of its existing Environmental, Social, and Governance (ESG) disclosure form in 2025. The updated disclosure form aligns with leading international standards and frameworks. Reporting under the updated form will commence in 2026, with the reports published on the website of the National Bank of Georgia. Furthermore, throughout 2025, the NBG worked on developing a Green Loans Dashboard. This initiative will enhance the accessibility and usability of green loan data for a broad range of stakeholders, including policymakers, financial institutions, and researchers. The Green Loans Dashboard will be published on the official website of the National Bank of Georgia in January 2026.

Notably, in 2025, the NBG approved the regulation on assigning, maintaining, and canceling the status of Green, Social, Sustainability, and Sustainability-Linked (GSS+) bonds.[4] Additionally, within the framework of the Financial Collateral Management Regulation,[5] the NBG added green assets to the collateral framework for monetary policy operations.[6]

Following the legislative amendments related to the Resolution Fund approved by the Parliament of Georgia in December 2023, the NBG developed corresponding secondary legislation throughout 2024. This included drafting, with the involvement of public consultations, the regulation on the establishment, administration, and investment of the Resolution Fund, as well as the criteria for imposing and the procedures for making ex-ante contributions to the fund.

1. Sustainable Finance Roadmap, 2025-2028. See: https://nbg.gov.ge/page/mdgradi-dapinansebis-gzamkvlevi

2. 2025 Sustainable Finance Report. See: https://nbg.gov.ge/page/mdgradi-dapinansebis-angarishi

3. "The National Bank of Georgia Initiates Data Collection and Publication to Support Women Entrepreneurs' Access to Finance". See: https://nbg.gov.ge/media/news/sakartvelos-erovnuli-banki-kali-metsarmeebis-pinansebze-khelmisatsvdomobis-mkhardacheris-m

4. Decree of the Governor of the National Bank of Georgia "On the Approval of the Regulation on Assigning, Maintaining, and Canceling the Status of Green, Social, Sustainability, and Sustainability-Linked Bonds". See: https://nbg.gov.ge/legal-acts/projects/mtsvane-sotsialuri-mdgradi-da-mdgradobastan-dakavshirebuli-obligatsiebis-statusis-minichebis

5. Financial Collateral Management Regulation of the National Bank of Georgia. See: https://shorturl.at/q6uKD

6. Decree No. 197/04 of the Governor of the National Bank of Georgia, dated 21 August 2025.

Consequently, in line with that regulation, commercial banks began making ex-ante contributions to the Resolution Fund in 2025. Under this framework, the target level for the Resolution Fund to be reached by 2033 was set at GEL 302,387,263, while the annual target contribution for 2025 amounted to GEL 37,798,407. This annual contribution was fully paid into the Resolution Fund by commercial banks over the course of 2025.

In 2025, the primary focus of the Supervisory Policy Department of the National Bank of Georgia was directed towards improving the supervisory framework for banking and non-banking institutions and further aligning it with best international practices. Significant emphasis was placed on the banking sector's compliance with corporate governance standards and capital adequacy ratios, as well as on the development of a consolidated supervisory framework and the assessment of group structure risks. Additionally, special attention was given to the licensing of banking institutions and fit-and-proper assessment processes for administrators and significant shareholders.

Similar to previous years, in 2025, the NBG published its annual edition of the Supervisory Strategy for 2023-2025. The supervisory priorities of the National Bank of Georgia remained unchanged, while detailed information on the tasks already accomplished and the ongoing work were reflected in the annual publication. The annual strategy document placed special emphasis on the main tasks and action plan changes scheduled for 12 months ahead, while simultaneously incorporating updated information regarding the execution of activities throughout 2024. In 2025, the NBG continued to conduct its activities guided by the following supervisory priorities:

- Improvement of financial sector risk management framework and proactive response to outcomes;
- Promotion of competition in the financial sector;
- Promotion of financial innovation and development of supervisory technologies;
- Approximation to international standards;
- Strengthening the supervisory function of the National Bank and increasing transparency.

In addition, the NBG initiated work on a new three-year supervisory strategy, which will define the supervisory priorities and the corresponding action plan of the National Bank of Georgia for 2026-2028. Furthermore, the new strategy will summarize the execution status and progress of the activities envisaged by the 2023-2025 supervisory strategy. Similar to previous years, the NBG plans to develop the new strategy document through a public consultation format, ensuring the active involvement of stakeholders.

As a result of the policies implemented by the National Bank of Georgia, the financial sector remains resilient and continues to lend to the economy without interruption.

As of 31 December 2025, the total loan portfolio of the banking system reached GEL 71.3 billion, and its annual growth, excluding the exchange rate effect (at the exchange rate prevailing at the end of 2025), was 14%. The composition of the credit portfolio (excluding interbank loans) experienced slight changes across segments; specifically, the share of the corporate segment in the total portfolio increased during the year, while the share of the micro-, small-, and medium-sized enterprise (MSME) segment decreased.

The loan portfolio remains sectorally diversified. Notably, at the end of December 2025, the combined share of cyclical sectors (real estate development, real estate management, hotels and tourism, restaurants and food service activities, and auto dealers) in the portfolio amounted to 17.8%, which is 0.4 percentage points (pp) lower than the corresponding figure from December of the previous year.

In 2025, the overall non-performing loan (NPL) ratio did not change significantly compared to 2024. However, unlike the retail segment, which recorded a decline, the share of non-performing loans increased slightly across the other three segments. It is noteworthy that, to compensate for the one-off portfolio quality improvement effect following the transition to IFRS provisioning, banks are required to maintain an additional CRA (Credit Risk Adjustment) buffer on their capital.

Regarding the retail credit portfolio, the share of non-performing loans in the total retail product portfolio declined slightly, driven by portfolio growth and an improvement in the quality of mortgage loans. The percentage share of expected credit losses in the portfolio for all retail products—except for auto loans, instant installment loans, and student loans—has decreased, factoring in the effects of portfolio write-offs and growth.

Lending activity and low losses have contributed to the profitability of banks. In 2025, the return on equity

(ROE) stood at 22.3%, which is 1.6 percentage points lower than the previous year.

Dollarization in the Georgian banking system remains high; as a result, foreign exchange risk continues to be significant for Georgian banks. The National Bank of Georgia continues to take supervisory measures aimed at improving existing approaches to foreign exchange risk management. Throughout the year, banks continued to operate with stable foreign exchange positions and were in compliance with the 20% limit for the overall open foreign exchange position set by the National Bank of Georgia. At the end of 2025, the overall open foreign exchange position of all banks was closed, and its ratio to regulatory capital stood at 0%.

Based on 2025 data, banks show sound liquidity indicators. During the year, the volume of liquid assets relative to total assets remained broadly unchanged compared to the previous year, and banks operated with adequate liquidity buffers. As of the end of the year, liquid assets accounted for approximately 26% of total assets and 41% of non-bank deposits. The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) were maintained at high levels. While the minimum regulatory requirement for both is 100%, the banks' ratios at the end of the year stood at 139% and 130%, respectively.

The National Bank of Georgia is actively working with commercial banks and microbanks to assess and improve their operational risk management processes. Inspections have continued regarding their compliance with the framework of the NBG's Regulation on Operational Risk Management. Significant attention was paid to the comprehensive execution of business continuity testing by commercial banks under various scenarios, the assessment and monitoring of outsourced processes, risk assessment and mitigation tools, and the institutionalization of a risk profile and sound risk culture.

To strengthen operational risk management in financial institutions and promote international best practices, an International Monetary Fund (IMF) technical assistance mission was conducted in 2025. Discussions focused on the compliance of operational risk management regulations with the latest Basel principles, as well as on matters related to operational risk stress testing and effective data aggregation and reporting. The shared recommendations of the mission will be incorporated into the execution of the operational risk management supervisory process.

The National Bank of Georgia devotes significant attention to raising awareness about operational risks in the financial sector and establishing a principles-based standard for operational risk management. This promotes the development of an organizational risk culture and the improvement of operational resilience. Commercial banks and microbanks were advised to implement awareness-raising activities for both their employees and customers. Furthermore, as part of the effort to support the digitalization of various non-banking financial institutions, startups, and financial technology providers, recommendations are actively being shared regarding the implementation of operational risk management and assessment practices.

In 2025, the NBG's Operational Risk Supervision Division was actively involved in supporting the safe and sustainable development of financial technologies, innovative banking products, process digitalization, and digital banking within the Georgian financial sector from an operational risk perspective. Throughout the year, the NBG continued to analyze and assess the operational risks associated with innovative financial technology products, open banking, digital banking, and remote person identification processes presented by supervised entities.

In the area of cyber risk supervision, throughout the year, the National Bank of Georgia actively continued working on the implementation of recommendations received within the framework of the International Monetary Fund's technical assistance mission, as well as on examining and assessing commercial banks' compliance with the regulatory framework. Consequently, the main areas highlighted during the assessment period included increasing the effectiveness of processes ensuring cyber and information security, the classification and reporting of cybersecurity incidents to the NBG, the effective use of technological security tools, strengthening risk management practices—especially regarding supply chain security risk management—and reinforcing human resources with appropriate competencies.

The dynamics of artificial intelligence utilization and its associated cyber threats are noteworthy, as are developments in quantum computing and related projections. Supervised entities periodically report on these and other issues to the National Bank of Georgia, which will be taken into account in the development of relevant regulatory rules.

The periodic execution of cybersecurity audits and penetration testing remains important for the cyber

and information security of the financial sector. The National Bank of Georgia attaches great importance to conducting appropriate sectoral testing and audits and to quality control; for this purpose, the "Guideline for the Audit of Information Systems and Cybersecurity Management Frameworks in Commercial Banks" was approved in 2022.

The National Bank of Georgia monitors ongoing events in the banking sector to ensure that, in the event of a cyberattack, relevant information can be instantly provided to the entire sector. The preparation of quarterly reports on cyber incidents allows the analysis of evolving trends. Phishing and system disruptions were again recorded as significant incidents in 2025. Furthermore, as in previous years, Distributed Denial of Service (DDoS) attacks were recorded in the banking sector, including against critical third parties.

The National Bank of Georgia closely monitors ongoing technological innovations in the financial sector, which, in turn, are associated with cyber and information security challenges. During 2025, non-banking institutions were also added to the supervisory scope of the NBG in terms of cyber risk supervision.

Similar to previous years, the protection of consumer rights remained a priority area for the National Bank of Georgia in 2025. In this regard, a number of significant activities were implemented throughout the year, including the approval of the Market Conduct Supervisory Strategy, which was aimed at raising the standard of consumer rights protection in the financial sector, developing market conduct supervision, and refining a consumer-oriented environment. In addition, the existing legislative framework was refined; specifically, following amendments to the Organic Law of Georgia "On the National Bank of Georgia", the NBG was granted the authority to extend consumer protection regulatory requirements to virtual asset service providers (VASPs), and certain requirements have already been extended to payment service providers as well. Furthermore, relevant consultations and working meetings with the financial sector continued throughout the year.

During 2025, the NBG took significant steps to improve transparency in the securities market, protect investors, and support sustainable market development. Moreover, the market itself grew significantly.

In 2025, the licensing/registration of three Asset Management Companies, one Brokerage Company, and two Investment Funds was completed, while 14 companies publicly issued bonds on the local market based on a prospectus approved by the National Bank of Georgia. Throughout the year, fines were also imposed on supervised entities for individual violations of regulatory requirements.

In 2025, through the efforts of the National Bank of Georgia and in cooperation with the Service for Accounting, Reporting and Auditing Supervision, the reporting portal (www.reportal.ge) was updated. As a result, securities issuers were given the opportunity to disclose a wider variety of information through a one-stop-shop approach.

To strengthen analytical communication regarding ongoing processes in the capital market, the interactive statistics platform for the securities market introduced in 2024 was further updated and expanded. Specifically, statistical data on bonds issued by international financial institutions on the local market were added to the interactive statistics for corporate bonds.

Significant measures were taken to refine the regulatory framework of the securities market and align it with best international practices. Among these changes, the "Regulation on Assigning, Maintaining, and Canceling the Status of Green, Social, Sustainability, and Sustainability-Linked Bonds" was approved.

As a result of legislative amendments, the supervisory role of the National Bank of Georgia with respect to the Pension Fund increased significantly in 2025. Specifically, in addition to the investment activities of the Pension Fund, the supervisory mandate of the NBG was expanded to include the supervision of its administrative, operational and other functions. In connection with this, the National Bank of Georgia approved a unified rule regulating the activities of the Pension Fund in 2025, which defines the main regulatory framework for the Pension Fund's operations.

In parallel with the implemented supervisory and regulatory measures, a positive market growth dynamic was maintained.

In 2025, excluding the exchange rate effect, the total value of assets held in clients' accounts at brokerage companies increased by 19% and amounted to GEL 14.6 billion. Additionally, the total number of clients receiving brokerage services from brokerage companies and banks increased by 53% compared to 2024, reaching 215,920 as of the end of 2025.

The total volume of assets under management by investment funds was characterized by significant growth, increasing 2.3 times compared to 2024 and reaching GEL 459 million.

In 2025, the upward trend in the market for bonds issued by international financial institutions and local companies was maintained. Compared to 2024, excluding the exchange rate effect, this market grew by 10.2% and exceeded GEL 5.87 billion in 2025. Regarding the corporate bond market segment, the annual growth rate, excluding the exchange rate effect, amounted to 33.2%. On average, over the last five years, the annual growth rate of the corporate bond market, excluding the exchange rate effect, reached 31.2%.

As for the investment performance of the Pension Fund, as of 31 December 2025, the volume of the Pension Fund amounted to GEL 8.23 billion. In 2025, the net return of the Pension Fund was GEL 796 million, while net contributions stood at GEL 1.37 billion. Regarding the 2025 returns by individual portfolios, the real return for the conservative portfolio was 7.53%, the balanced portfolio saw a return of 8.97%, and that of the dynamic portfolio was 10.78%.

As in previous years, in 2025, the National Bank of Georgia continued to monitor the financial sector's compliance with legislative requirements through both off-site monitoring and on-site inspections. Additionally, to promote and strengthen market competition, a World Bank technical assistance project was implemented, which is planned to be completed in 2026.

Supervisory measures implemented in accordance with the "Supervisory Framework for Anti-Money Laundering and Combating the Financing of Terrorism" were based on the process of off-site identification and assessment of risks, both at the sectoral level and for each individual financial institution. The supervisory measures conducted during 2025 included comprehensive, thematic, special, follow-up, and rapid on-site inspections.

In 2025, various methodological guidelines were developed and updated to enhance the compliance culture in supervised sectors, share supervisory expectations, and improve the risk perception process. It should also be emphasized that work continued on the further development and refinement of the supervisory framework for virtual asset service providers.

Payment systems represent one of the most important components of the financial infrastructure, ensuring the efficient, safe, and uninterrupted circulation of funds within the economy. Their proper functioning is critical for the stability of the financial system and the sustainable development of the economy, as it mitigates systemic risks and increases the reliability of financial transactions.

Payment systems are of exceptional importance to a central bank. An efficient and reliable payment infrastructure ensures the timely distribution of liquidity within the financial system and facilitates the smooth functioning of the monetary policy transmission mechanism. At the same time, one of the primary tasks of central banks is to ensure the safety and efficiency of payment systems, exercise oversight over them, and promote their development in compliance with local legislation and international standards.

Furthermore, like many central banks, the National Bank of Georgia recognizes that the goal of developing payment systems is not solely concerned with technical reliability, but also the provision of a flexible, innovative, and safe basic infrastructure and legislative framework for retail payments—which are fundamentally important for daily economic activities and for increasing financial inclusion.

Under the current conditions, particular importance is attached to the development of the retail payments sector, as that is directly linked to the daily economic activities of consumers (both natural and legal persons). Efficient and consumer-oriented retail payment systems, increase financial inclusion, build trust in the national currency and payment instruments, and represent a significant prerequisite for the uninterrupted functioning of economic activity.

The National Bank of Georgia plays a significant role in ensuring the safety and efficiency of payment systems. In this regard, it acts simultaneously as an overseer—defining the relevant regulatory framework, ensuring increased transparency of payment services, and strengthening trust in them—and as an operator, ensuring the functioning of the core payment infrastructure, the Real-Time Gross Settlement (RTGS) system, and facilitating the smooth operation of the financial market. Additionally, the NBG works on the creation and development of new payment infrastructure.

During 2025, significant work was carried out on the update of the NBG's own payment infrastructure. Specifically, the new RTGS system transitioned into an ac-

tive testing phase. This system will elevate payment systems in Georgia to a qualitatively new level, simplify access to the payment systems of the National Bank of Georgia for non-bank payment service providers, and ensure the full adaptation of modern international standards (ISO 20022). This will promote the interoperability of the country's payment system both domestically and with global payment infrastructures. The operation of the new RTGS system in a live environment is scheduled for the second quarter of 2026. Furthermore, the entirely new instant payments system of the National Bank of Georgia moved into an intensive development phase. This represents a significant step forward for the development of the retail payment system in Georgia and will facilitate the development of new, innovative payment services. It will increase the effectiveness and efficiency of payments, which will have a positive impact on both consumers and businesses.

Given the importance of payment systems, their oversight is continuous, aimed at ensuring the compliance of the payment infrastructure with international standards, effectively managing existing risks and risks acting upon payment systems, and strengthening the overall reliability and trustworthiness of the country's payment system. The oversight framework for payment systems is established by the "Rule on the Oversight of Payment Systems and Payment System Operators", adopted in 2023. This applies to both important and all other payment systems and is in compliance with the Principles for Financial Market Infrastructures of the Committee on Payment and Settlement Systems and the International Organization of Securities Commissions, as well as the payment system oversight requirements of the European Central Bank. In 2025, similar to the previous year, based on the criteria established by normative acts, the NBG granted the status of an important payment system to six systems. One of these—the Real-Time Gross Settlement (RTGS) system of the National Bank of Georgia—was recognized as a systemically important payment system, while the remaining five systems were recognized as prominently important payment systems.

Along with the development of digital payment channels and instruments, their use by consumers has increased and has become an integral part of everyday life. Alongside the development of digital payments, the National Bank of Georgia has actively supported several directions aimed at strengthening consumer confidence, preventing threats, and ensuring the efficiency of payment systems. Such activities include the introduction of modern payment methods, such as payments by mobile number and using QR codes; the development of fraud prevention mechanisms, including the implementation of the Verification of Payee mechanism; and the creation of an analytical system for fraudulent operations at the payment-system level, which will assist payment service providers in the timely identification of suspicious or fraudulent transactions. To support consumers, the NBG has created a special platform for tariff transparency and comparison, which allows consumers to easily compare the prices of different services and choose the most favorable one for them. This represents the implementation of part of the European Union's Payment Accounts Directive. In December 2023, within the framework of the implementation of the European Directive (PSD2), a dispute resolution commission was launched in Georgia, which continues to ensure the fast, efficient, and free resolution of disputes for consumers of payment services. The combination of these measures promotes the development of innovative, safe, and consumer-oriented payment services, enhances financial inclusion, and helps ensure uninterrupted economic activity.

During 2025, the Payment Service Providers Supervision and Virtual Asset Service Providers Registration Department actively carried out its supervisory functions, which include the registration of interested parties as payment service providers and VASPs, the registration of legislative changes, and the prudential supervision of such providers. Alongside its supervisory activities, the National Bank of Georgia continuously supports the development of new payment services and innovative products. In this regard, it maintains constant communication with market participants and studies their needs. Within the framework of this relationship, a project for integrating payment service providers into the Real-Time Gross Settlement (RTGS) service began during 2025. Following its implementation, providers will be given the opportunity to execute transfers among system participants without the assistance of a commercial bank. The RTGS system represents an interbank settlement mechanism within the country, the participants of which currently include only commercial banks and the State Treasury.

Recognizing the need to expand its supervisory mandate, in September 2025, the NBG initiated a draft law in the Parliament of Georgia concerning the expansion of the supervisory framework for Virtual Asset Service Providers. In December 2025, Article 525 of the Organic Law of Georgia "On the National Bank of Georgia", which regulates the supervision of Virtual Asset Ser-

vice Providers, was reformulated in a manner similar to that of the regulatory norms of other entities subject to NBG supervision. With this amendment, the NBG was granted the authority not only to inspect and regulate VASPs for the purpose of facilitating the prevention of money laundering and terrorism financing, but also to exercise full supervision over this type of entity. This includes prudential supervision, as well as regulation in other areas such as consumer rights protection, operations and cybersecurity.

During 2025, the National Bank of Georgia actively cooperated with international partners. Specifically, support was provided to a team at the Central Bank of Azerbaijan working on the development of a legislative framework for payment services. Additionally, within the framework of a memorandum of mutual cooperation, technical assistance was provided to specialists of the Central Bank of Kazakhstan, while joint work was conducted with the Bank of Korea to assess the role of cashless payments in Georgia's payment system and the mechanisms for their promotion.

01.

MACROECONOMIC ENVIRONMENT

1.1. GLOBAL ECONOMY

In 2025, global economic growth continued at a moderate pace and, according to the International Monetary Fund's April 2026 estimates,[7] amounted to 3.4 percent, which still fell short of the pre-pandemic average. Inflation maintained a downward trend, although central banks implemented the easing of monetary policy cautiously and gradually, as price pressures in a number of countries had not yet been fully neutralized. The global economic environment in 2025 was characterized by high uncertainty, which negatively affected economic growth prospects. This was partially driven by trade policy changes at the beginning of the year. The announcement of tariff policies by the new US administration significantly worsened business and consumer sentiment and increased the risk of global economic fragmentation. This had a negative impact on economic growth and increased the risks of rising inflationary pressure and inflationary expectations. Another source of global economic uncertainty related to the acute geopolitical situation, including the ongoing conflicts in Ukraine and the Middle East. These factors posed a significant risk to both supply chains and energy markets, which increased the risks of price volatility, reduced investor confidence, and worsened the global economic outlook. At the same time, the maintenance of a relatively tight monetary policy stance in several countries somewhat hindered the growth of economic activity. In advanced economies, against the backdrop of tightened financial conditions, the rise in fiscal deficits further exacerbated fiscal sustainability risks. However, regional differences persisted: growth in advanced economies was relatively weak, whereas economic activity in developing and emerging market economies remained more resilient. In 2025, the food commodity price index on international markets increased by an average of 4.3 percent compared to the previous year and reached 127.2.[8] As for the international price of oil, a barrel of Brent oil averaged approximately USD 69 in 2025, which is 15 percent lower compared to 2024. Such price changes in international commodity markets had a significant impact on global inflation dynamics. Ultimately, according to IMF estimates, inflation globally was 4.1 percent in 2025.[9]

According to IMF estimates, the US economy grew by 2.1 percent in 2025, reflecting a gradual normalization of the economy following the strong post-pandemic recovery of recent years and tightened monetary policy. A strong labor market and relatively stable consumer spending continued to make a positive contribution to economic activity; however, their growth slowed compared to the previous year. Inflation remained above the target level, averaging approximately 2.7 percent. Consequently, the US faced the challenge of maintaining a short-term balance between price stability and maximum employment. The Federal Reserve began a cautious easing of monetary policy in order to keep inflationary risks under control and to avoid an excessive slowdown in economic growth. Additionally, the new administration's review of tariff policy increased uncertainty, placing further pressure on investor confidence and the global economic environment. Under these conditions, the dollar exchange rate was characterized by volatility; it weakened at the beginning of the year and maintained a weak position throughout the year.

In 2025, compared to the previous year, the economies of the Eurozone and the United Kingdom grew at a moderate pace, affected by various economic and external factors. The Eurozone faced economic challenges as global trade tensions and the weakening of the industrial sector hindered growth. On the other hand, labor market activity improved and wages increased, against which consumption remained at a high level. According to the IMF, the Eurozone economy grew by 1.4 percent in 2025, indicating a slightly improved dynamic compared to the previous year. Inflation averaged around 2.1 percent, which is close to the European Central Bank's (ECB) target level. This was facilitated by low energy prices, although a rise in food and service prices exerted some pressure. Against the backdrop of stabilizing inflation, the ECB continued a cautious easing of monetary policy and reduced the interest rate several times in small steps. According to IMF estimates, the United Kingdom's economy grew by 1.3 percent in 2025. This was primarily driven by the stabilization of investments, the relative resilience of the labor market, and the strengthening of consumer spending; however, global uncertainty and trade bar-

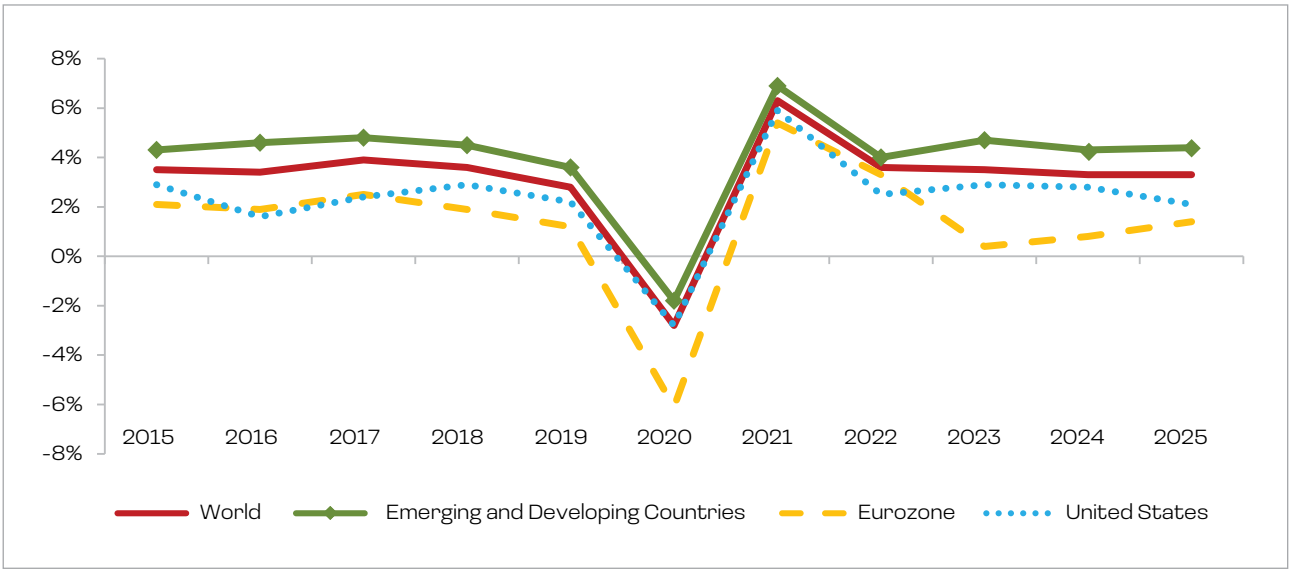
7. International Monetary Fund. (2026). *The World Economic Outlook [WEO]: Global Economy in the Shadow of War*. Washington, D.C., April. The economic growth estimates presented here are based on this IMF report, while inflation data are taken from the official statistical sources of the respective countries.

8. FAO Food Price Index.

9. WEO, April 2026.

riers remained negative factors throughout the year. The inflation rate remained high compared to the target of 2 percent and averaged 3.4 percent annually. The rise in inflation was driven by increased prices in the service sector, labor shortages, and the growth of labor costs (wages). Under conditions of low economic activity and higher-than-target inflation, the Bank of England only moderately reduced the interest rate during the year.

DIAGRAM N 1.1. GLOBAL REAL GDP GROWTH



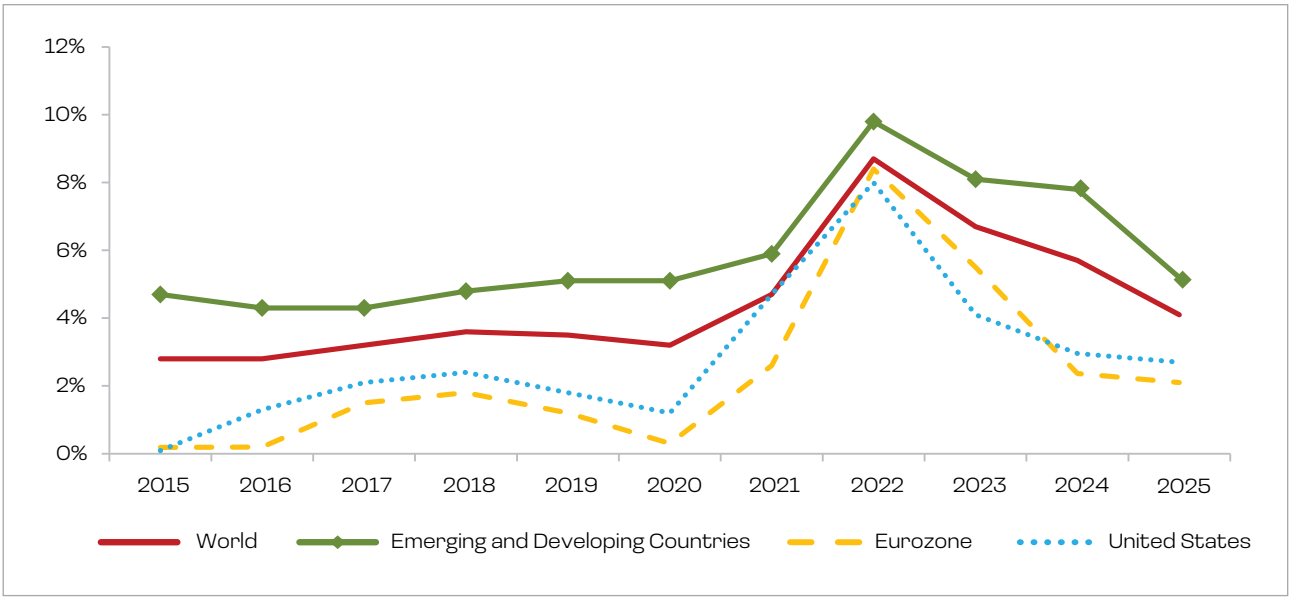
Source: IMF

The complex global trade conditions and geopolitical uncertainty also presented significant challenges to the economies of other advanced countries. In Germany, against the backdrop of a deteriorating manufacturing sector and high energy costs, the economy grew by only 0.2 percent. Economic activity was also low in Italy, where economic growth amounted to 0.5 percent. This was mainly driven by weak activity in the industrial sector and a decrease in external demand. The French economy grew by 0.9 percent, to which increased consumer spending and service sector activity made a significant contribution. Compared to other European countries, Spain experienced a high rate of economic activity, which is linked to strong external demand as a result of increased activity in the tourism sector. Domestic demand was also strong, which ultimately increased Spain's real economy by 2.8 percent in 2025. Activity was also relatively high in Greece, where the economy grew by 2.1 percent - the tourism sector and the growth of domestic consumption making a significant contribution.

In 2025, on a global scale, emerging and developing economies, according to IMF estimates, continued to face significant difficulties in maintaining rapid and sustainable economic growth. Heightened exchange rate volatility, still relatively tight financial conditions, as well as high uncertainty in the political and global trade environment, hindered investment activity and the efficient allocation of resources. These factors negatively affected the dynamics of economic activity.

In 2025, the pace of economic activity in Türkiye was moderate against the backdrop of existing regional and macroeconomic risks, and, according to IMF estimates, real GDP growth amounted to 3.6 percent. This was driven by domestic demand and the partial stabilization of the labor market, although tightened financial conditions had a negative impact on activity. Inflation in 2025 remained high and averaged 35.2 percent, which still significantly exceeded the central bank's target level. Despite this, the central bank implemented an easing policy during the year and reduced the monetary policy rate from 47.5 percent to 38 percent.

DIAGRAM N 1.2. GLOBAL CPI INFLATION



Source: IMF

In 2025, according to IMF estimates, Russia's economic activity remained at a low level, and its growth amounted to only 1 percent. This was primarily driven by high levels of defense-related state spending and military-industrial production, reflecting the economy's growing dependence on fiscal stimulus and the public sector, especially under the conditions of the ongoing war in Ukraine and the economic sanctions imposed by the West. At the same time, the macroeconomic environment continued to be characterized by significant challenges: against the backdrop of economic sanctions, investment activity remained limited, and the business environment and external sector prospects remained deteriorated, which reduces the potential for economic growth in the medium term. Inflation in 2025 remained at a relatively high level and averaged 8.7 percent. In response to rising inflationary pressure and expectations, the Central Bank of Russia generally maintained a tight monetary policy.

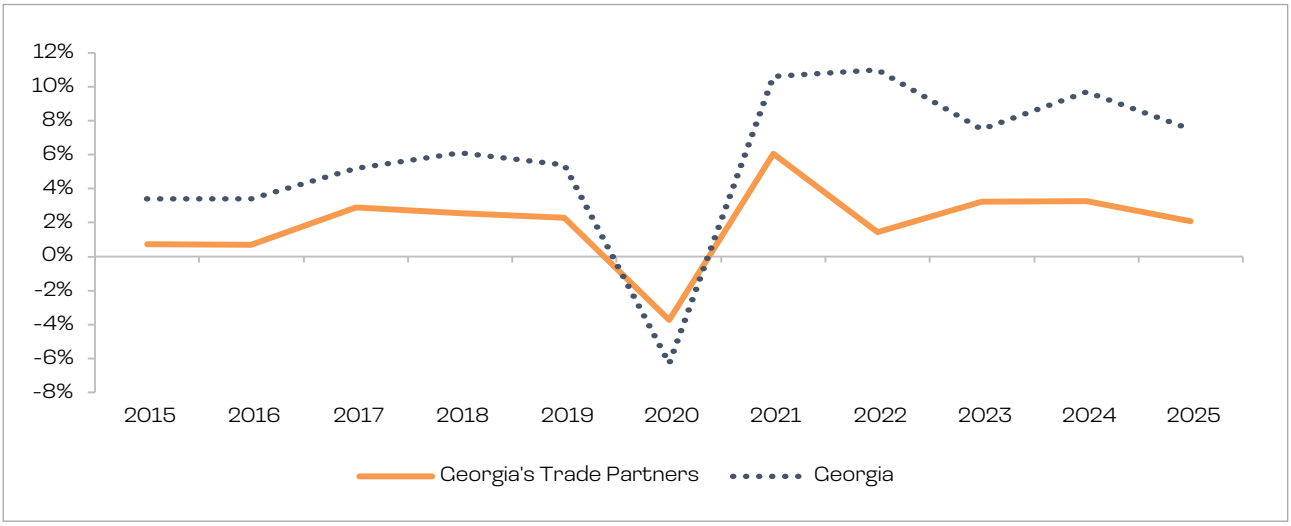
The war waged by Russia has had a severe impact on Ukraine from both a humanitarian and economic perspective. Many critical infrastructure facilities have been destroyed, which reduces the economy's potential. According to IMF estimates, Ukraine's real economic growth in 2025 was 1.8 percent, while the average inflation rate was 12.7 percent.

In 2025, economic growth in Armenia was higher than expected and, according to the International Monetary Fund's estimates, real GDP growth amounted to 7.2 percent. The high economic activity was significantly driven by strong growth in the construction sector, as well as high growth in the service sector, particularly in information technology and financial services. It is noteworthy that the external sector remained moderately stable, and the accumulation of international reserves continued, partly reflecting the inertia of increased inflows in previous years. Additionally, annual inflation averaged 3.3 percent, while the central bank reduced the monetary policy rate several times.

As for Azerbaijan, economic activity was low in 2025 and, according to IMF estimates, amounted to 1.4 percent. This dynamic primarily reflected the impact of weak activity in the oil sector, which was partly related to both global demand and production factors. Nevertheless, moderate growth was maintained in the non-oil sector. At the same time, the annual inflation rate increased and averaged 5.7 percent.

Ultimately, the economies of Georgia's trading partner countries grew by an average of 2.1 percent in 2025, which is 1.2 percentage points lower than the previous year's figure. As for Georgia, according to preliminary data, real GDP grew by 7.5 percent in 2025, coming in the wake of similarly high growth of 9.7 percent in 2024 (see Diagram N 1.3). Inflation averaged 3.9 percent in 2025.

DIAGRAM N 1.3. REAL GDP GROWTH IN GEORGIA AND WEIGHTED AVERAGE GROWTH OF TRADING PARTNER COUNTRIES



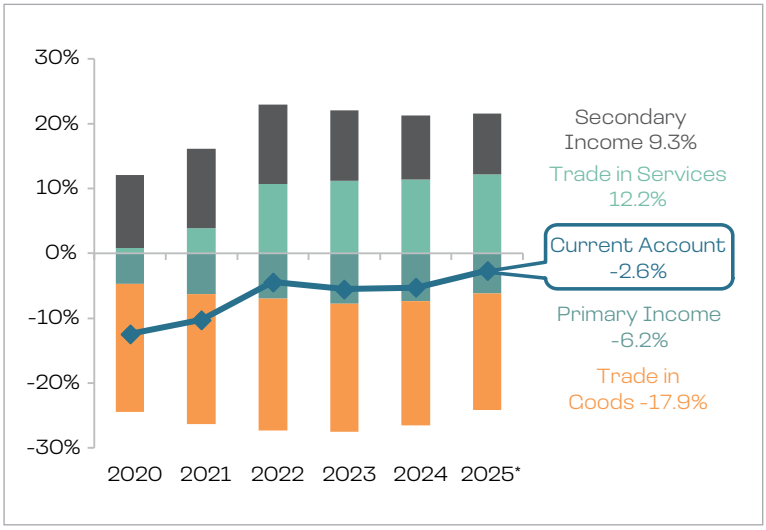
Source: IMF; NBG calculations

The central banks of most of Georgia's trading partner countries reduced their monetary policy rates several times during 2025. Specifically, the US Federal Reserve lowered the federal funds rate to a range of 3.5-3.75 percent, while the European Central Bank reduced the deposit facility rate level to 2 percent. As for the Central Bank of the Republic of Türkiye, at its final meeting of 2025, it made the decision to reduce the monetary policy rate to 38 percent. While the Central Bank of Russia reduced its monetary policy rate to 16 percent.

1.2 EXTERNAL SECTOR AND BALANCE OF PAYMENTS

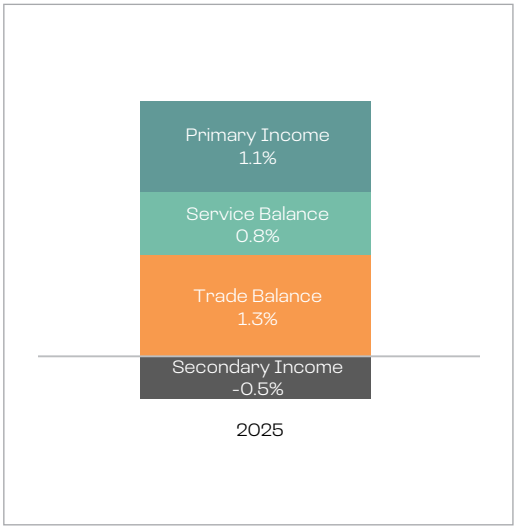
In 2025, the current account deficit improved significantly compared to the previous year and amounted to 2.6% of GDP, representing a historically low figure for Georgia. This improvement was primarily driven by a reduced deficit in the ratio of the goods trade balance to GDP. In addition, an improvement in the ratio of the services and primary income balance to GDP also made a positive contribution (see Diagram N 1.4). Notably, within the primary income component, the improvement in the reinvested earnings deficit was significant. This reflects the portion of profit generated from foreign direct investments that is not distributed as dividends and is reinvested back into the economy. For this reason, from an analytical perspective, it is interesting to review the current account excluding reinvested earnings, as this better reflects the fundamental processes of the current account balance. If this exclusion is made, the current account balance turned into a surplus compared to the previous year, amounting to 0.2% of GDP in 2025. It should be noted that the strengthening of the external position largely reflects structural changes taking place in the economy. In recent years, including 2025, the main drivers of economic growth have been service-oriented sectors with relatively high-productivity and lower import intensity. Particularly noteworthy are the information and communication and education sectors, which have played a significant role in real GDP growth. The growth of these sectors reduces the growth rate of imports and improves the goods trade balance, while also increasing revenues generated from service exports. In 2025, the improvement of the goods trade balance was additionally influenced by a decrease in prices for imported goods, which, all else being equal, reduces the nominal volume of imports. This factor further contributed to the improvement of the current account deficit.

DIAGRAM N 1.4. DECOMPOSITION OF CURRENT ACCOUNT TO GDP



Source: NBG

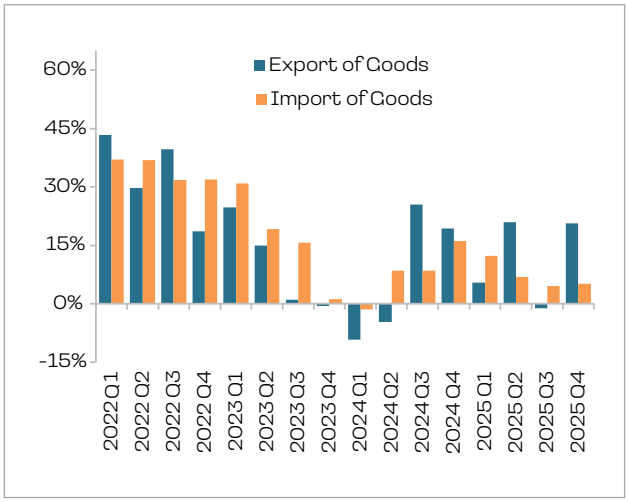
DIAGRAM N 1.5. DECOMPOSITION OF THE CHANGE IN THE CURRENT ACCOUNT/GDP RATIO FOR 2025



Source: NBG

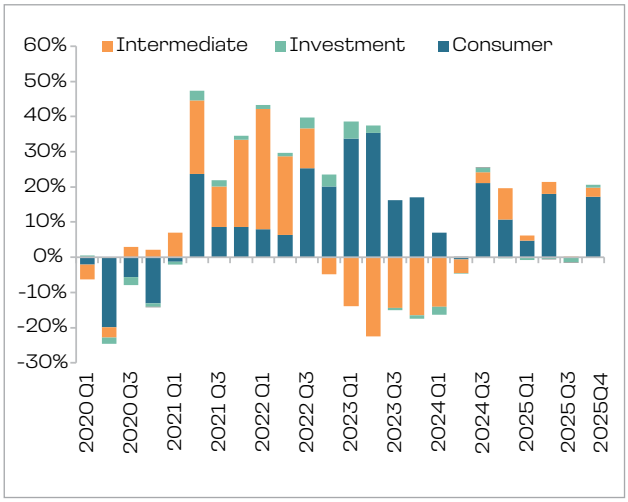
In 2025, the goods trade balance - the largest deficit-generating component of the current account - improved relative to GDP, contributing to an improvement in the current account balance. Specifically, the trade deficit-to-GDP ratio declined by 1.3 percentage points, down to 17.9% (see Diagram N 1.5). This was driven by both strong export growth and relatively weak import growth. According to the balance of payments, the annual growth rate of goods exports in 2025 was 11.6%, while the growth rate of imports was 8.4%.

DIAGRAM N 1.6. ANNUAL CHANGE IN COMMODITY EXPORTS AND IMPORTS[10]



Source: GeoStat

DIAGRAM N 1.7. DECOMPOSITION OF THE ANNUAL CHANGE IN COMMODITY EXPORTS BY CATEGORY



Source: GeoStat

10. GeoStat's external trade statistics and the balance of payments trade in goods are different concepts that rely on different conceptual frameworks. While the principle of border crossing is the determining factor for external trade, the determining principle for the balance of payments trade in goods is the change of ownership rights between a resident and a non-resident. In addition, in external trade statistics, exports are given in FOB (Free on Board) prices, and imports in CIF (Cost, Insurance, Freight) prices, whereas in the balance of payments trade in goods, both exports and imports are given in FOB prices.

In 2025, the high growth of goods exports was driven by robust increases in both re-exported goods and domestically produced goods. The re-export of motor cars made a significant contribution to the growth of goods exports in 2025 (see Table 1.1). Similar to the second half of 2024, the re-export of motor cars was primarily directed to Central Asian countries. The high pace of growth in exports of domestically produced goods was also noteworthy. The annual growth of domestic exports amounted to 12.5%, with exports of key commodities—precious metal ores, hazelnuts, and lemonades—growing steadily throughout the year.

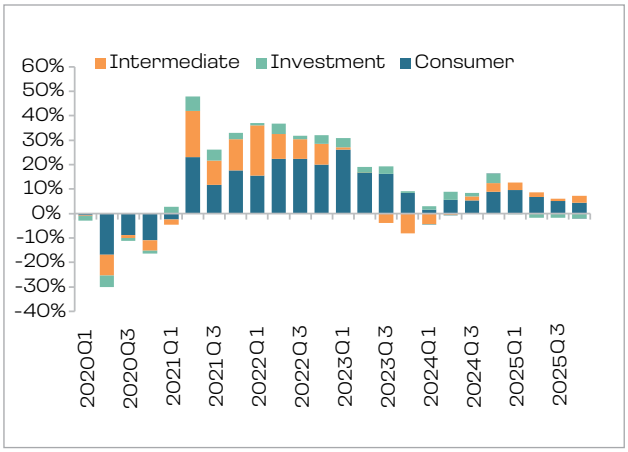
TABLE 1.1. EXPORT STRUCTURE FOR 2025 BY TOP 5 COUNTRIES AND GOODS

Top 5 Goods	**million USD**	**Top 5 Countries**	**million USD**
Motor cars	2,814.4	Kyrgyzstan	1,498.8
Precious metal ores	378.9	Kazakhstan	910.0
Alcoholic beverages	282.5	Russia	749.3
Wine	267.9	Azerbaijan	697.3
Ferroalloys	225.8	Armenia	552.9

Source: GeoStat

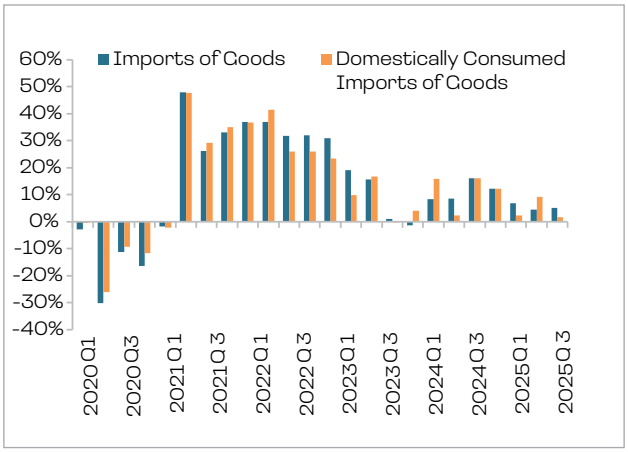
In 2025, the growth rate of goods imports slowed down, which was linked to several factors. As already noted, structural changes in the economy and the strengthening of less import-intensive sectors contributed to the slowdown in the growth rate of imports. On the other hand, the decrease in oil prices on international markets exerted a downward pressure on the nominal value of energy resource imports. Additionally, the decline in investment goods made a significant contribution to the slowdown in import growth. This is partly explained by the high base effect as the contribution of investments to economic growth was high in 2024, which was also reflected in the growth of investment goods imports. Furthermore, this dynamic reflected both volume and price effects, including a decrease in prices for machinery and equipment. In parallel, the positive contribution of consumer goods imports also decreased in 2025 (see Diagram N 1.7), which is linked to the decline in vehicle imports in the fourth quarter. The growth rate of imports of locally consumed products also slowed down compared to previous years, which is explained by both structural changes in the economy and signs of a normalization of consumption in 2025 (see Diagram N 1.8).

DIAGRAM N 1.8. DECOMPOSITION OF ANNUAL CHANGE IN IMPORTS OF GOODS BY CATEGORY



Source: GeoStat

DIAGRAM N 1.9. ANNUAL GROWTH OF REGISTERED IMPORTS OF GOODS AND DOMESTICALLY CONSUMED IMPORT



Source: GeoStat

In 2025, the US accounted for the largest share of goods imports, with motor cars representing the dominant imported commodity. As in previous years, Türkiye also maintained a leading position among trading partners, largely driven by the import of medical products, as well as petroleum and petroleum products (see Table 1.2). These products are classified under the consumer goods category and made a positive contribution to the growth of imports during the past year (see Diagram N 1.8).

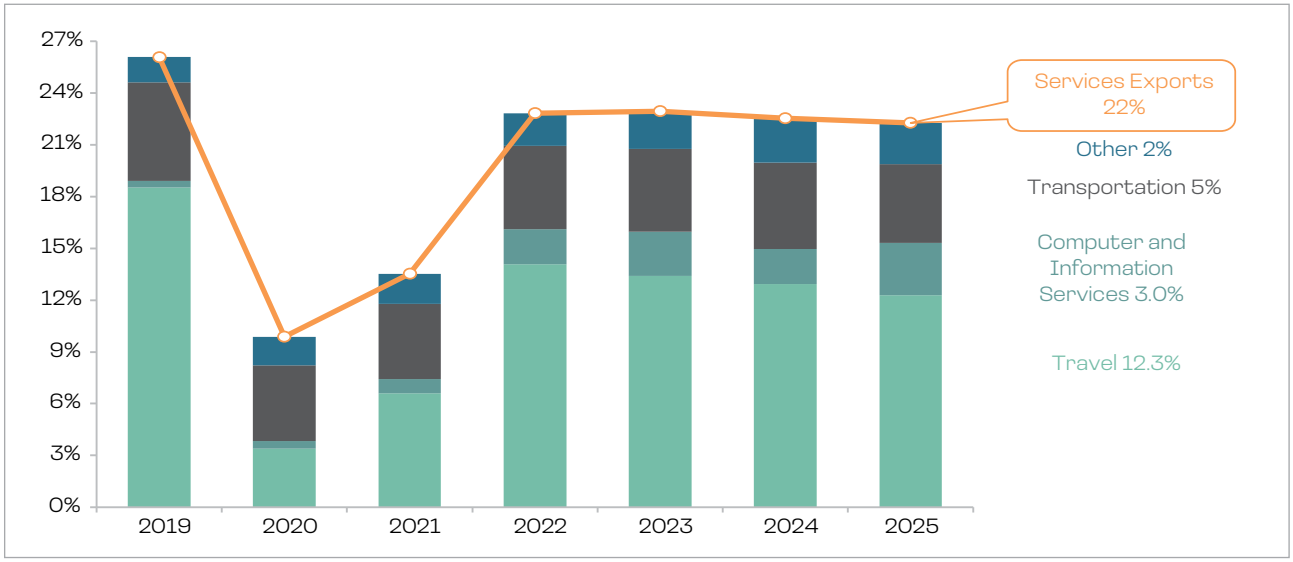
TABLE 1.2. IMPORT STRUCTURE FOR 2025 BY TOP 5 COUNTRIES AND PRODUCTS

Top 5 Goods	Million USD	Top 5 Countries	Million USD
Motor cars	3,963.3	USA	2,779.9
Petroleum products	1,358.8	Türkiye	2,776.9
Medicines	680.4	China	1,986.6
Petroleum gases	444.1	Russia	1,939.4
Telephone sets and apparatus ...	343.1	Germany	1,306.1

Source: GeoStat

Along with the goods trade balance, the services balance continued to have a positive impact on the improvement of the current account. Specifically, revenues generated from computer and information services (ICT), which have increased sharply since 2022, grew even further in 2025, and the ratio of ICT sector exports to GDP amounted to 3.0% (see Diagram N 1.10). At the same time, the ratio of revenues generated from transportation exports to GDP also remained at a high level and amounted to 4.6% of GDP in 2025. Furthermore, in annual terms, revenues generated from travel also increased by 6% and amounted to 12.3% of GDP.

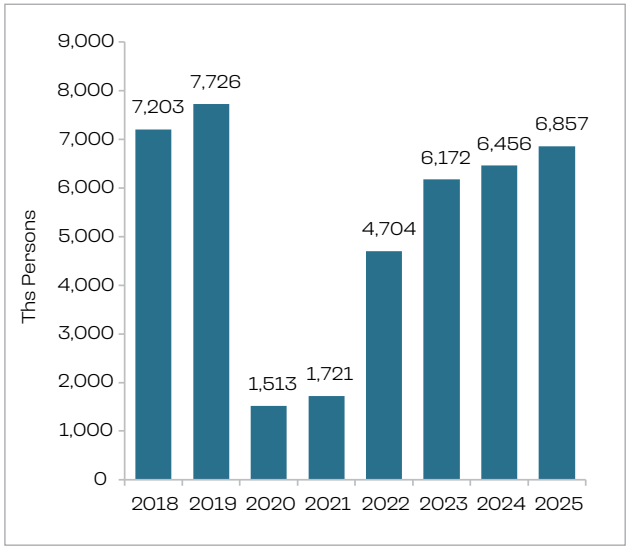
DIAGRAM N 1.10. SERVICE EXPORT COMPONENTS (AS % OF GDP)



Source: NBG; GeoStat

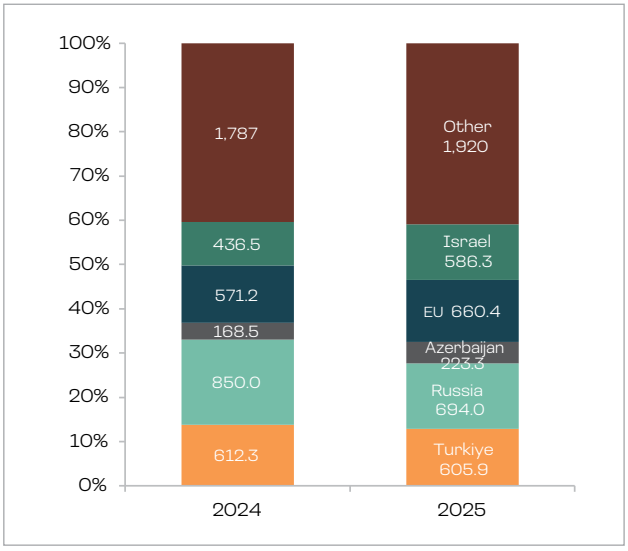
The growth in revenues generated from travel is also explained by the increase in the number of international visitors (see Diagram N 1.11). In 2025, the number of tourists and revenues generated from Israel grew steadily, making a leading contribution to the growth of generated revenues. European Union countries remained one of the main sources of revenues generated from travel, with such revenues growing throughout the year. Furthermore, revenues from Azerbaijan and Saudi Arabia also increased. It is important to note that the diversification of revenues generated from travel improved, with the growth of visitors from other countries also making a significant contribution to the growth of revenues in 2025. On the other hand, revenues generated from travel from Russia and Belarus continued to decrease (see Diagram N 1.12).

DIAGRAM N 1.11. VISITS BY INTERNATIONAL VISITORS



Source: Georgian National Tourism Administration

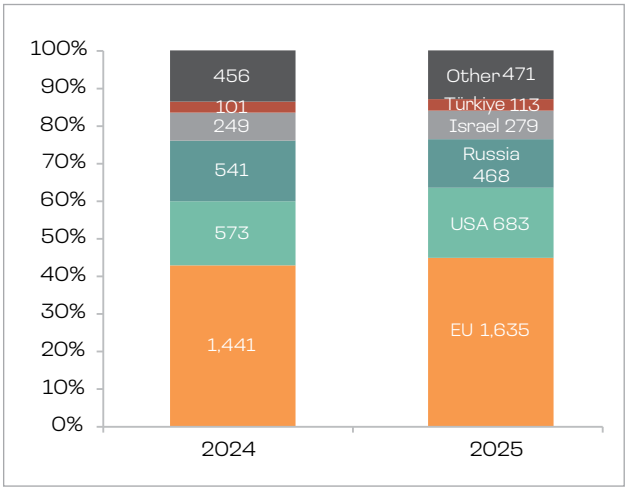
DIAGRAM N 1.12. TRAVEL REVENUES



Source: NBG

In 2025, money transfers increased by 8.6% annually, which was mainly driven by the growth of transfers from the European Union and the US. Transfers from Israel also continued to grow. Remittances from Russia continued to decrease; however, it is noteworthy that in the second half of the year, the negative base effect was exhausted, and its contribution shifted

DIAGRAM N 1.13. REMITTANCES BY COUNTRY



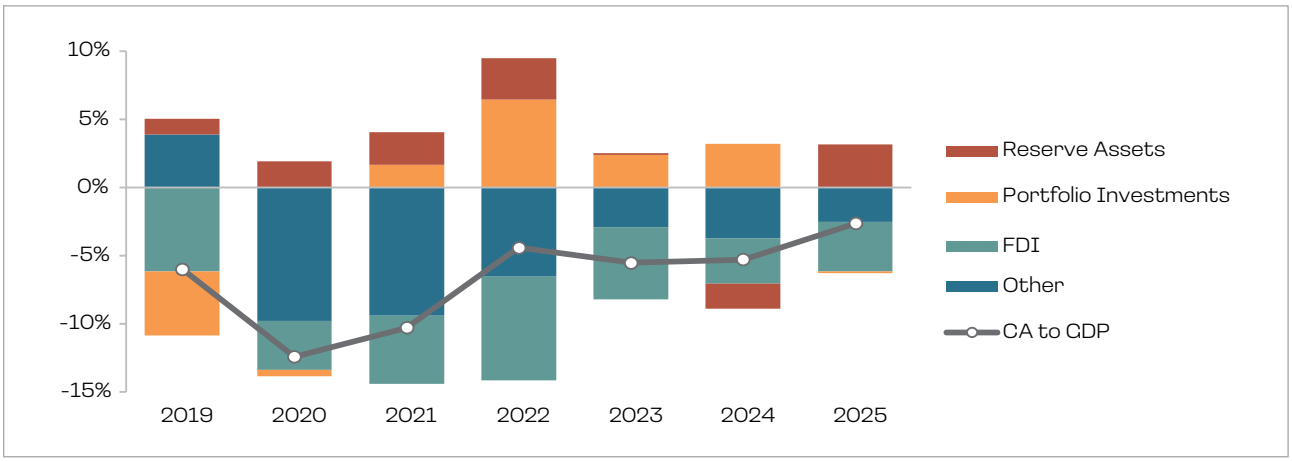
Source: NBG

Foreign direct investments continued to be a significant source of financing for the current account (see Diagram N 1.14). In 2025, foreign direct investments made in Georgia increased by 7.6% annually and amounted to 4.4% of GDP. Both the reinvestment (3.3 pp) and equity capital (5.1 pp) components contributed to this growth. Meanwhile, the decrease in debt liabilities reduced investments. The largest share of foreign direct investments continued to flow into the financial sector; however, it is noteworthy that the sectoral diversification of foreign direct investments has increased.

In 2025, the net inflow of portfolio investments amounted to USD 53.7 million, which was driven by a higher growth in liabilities compared to assets. The external assets of residents increased by USD 369.2 million, which was primarily related to the acquisition of short-term debt instruments by the banking sector. At the same time, liabilities increased by USD 423.0 million, the main part of which was linked to long-term securities issued by the non-banking private sector in the third quarter. Additionally, the issuance of GEL-denominated long-term securities by the banking sector in the fourth quarter also contributed to the growth of liabilities.

Alongside direct investments, other investments also represented a significant source of financing. The net inflow of this category in 2025 amounted to USD 751.2 million, which was primarily driven by a decrease in assets, although the growth of liabilities was an additional contributing factor. The most significant factor in the decrease in assets was the decline in deposits in the fourth quarter. Overall, financial account inflows exceeded the current account deficit, which facilitated the accumulation of international reserves.

DIAGRAM N 1.14. SOURCES OF FINANCING THE CURRENT ACCOUNT DEFICIT (AS % OF GDP)



Source: NBG

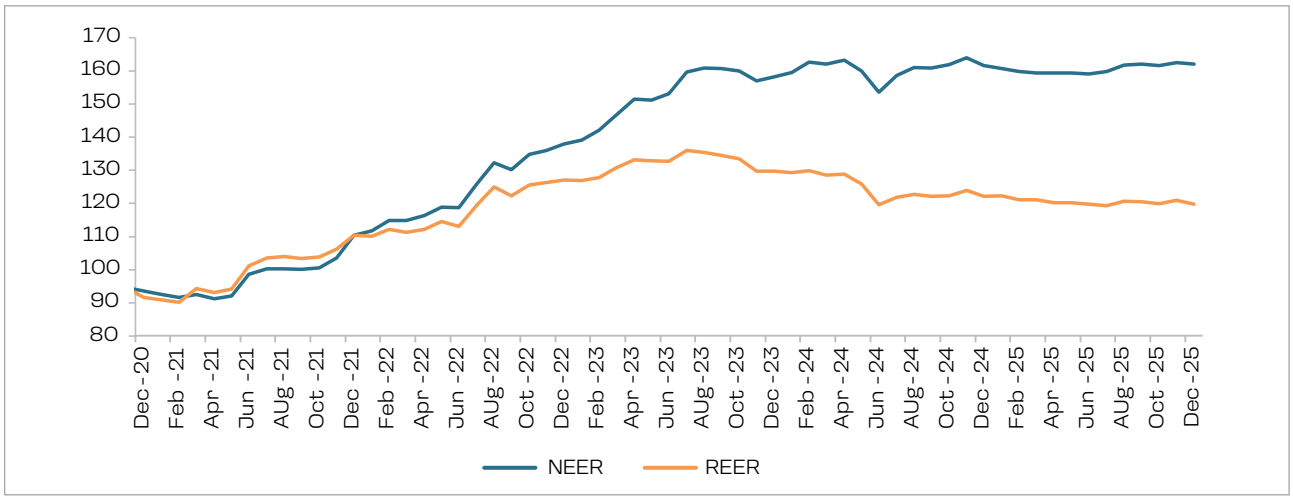
As a result of the aforementioned trends, in 2025, gross international reserves increased by USD 1,710.7 million and amounted to USD 6,159.3 million. During the year, net foreign currency purchases conducted by the NBG significantly impacted international reserves in an upward direction. Specifically, through rules-based Bmatch interventions, the NBG purchased USD 2,432.5 million. Additionally, a significant increase in the price of gold influenced the growth of total reserves. Monetary gold was first added to the international reserves in March 2024, when the NBG purchased gold worth USD 500 million from the Bank for International Settlements (BIS). Against the backdrop of the rising price of gold, the valuation gain on the NBG's gold holdings amounted to USD 502.3 million as of December 2025 compared with the time of purchase, and to USD 403.6 million compared with December 2024. As a result, the share of monetary gold in gross international reserves increased and amounted to 16.3% (approximately USD 1.0 billion). It should be noted that certain factors acted towards reducing international reserves during the year, including government conversions and foreign currency expenses related to debt servicing.

Gross international reserves serve as the most important buffer a country has against external shocks. Accordingly, the NBG is always focused on maintaining international reserves at an adequate level. According to the reserve adequacy assessment using the IMF's ARA methodology,[11] by the end of 2025, Georgia's international reserve level equaled approximately 104.8%, which, according to this methodology, meets the level required (from 100% to 150%) to insure against external and liquidity shocks. The import coverage ratio, another key measure of reserve adequacy, improved significantly in 2025. By the end of the year, international reserves provided coverage equivalent to 3.6 months of imports.

The reserve accumulation policy was significantly supported by the stable position of the lari exchange rate. Against the backdrop of maintaining the stable position of the lari's nominal effective exchange rate (NEER), the real effective exchange rate (REER), according to NBG estimates, approached its long-term equilibrium level. In annual terms, the depreciation dynamics of the REER are primarily driven by the inflation differential between Georgia and its trading partner countries. Specifically, inflation in Georgia's trading partner economies remained, on average, higher than in Georgia, with Türkiye's high inflation making a particularly significant contribution. On average, as of 2025, the annual real effective exchange rate depreciated by 3.4%, while the nominal effective exchange rate depreciated by 0.1%.

11. For more details, see: https://www.imf.org/external/np/spr/ara/

DIAGRAM N 1.15. INDICES OF REAL AND NOMINAL EFFECTIVE EXCHANGE RATES OF THE GEL (JAN. 2020=100)

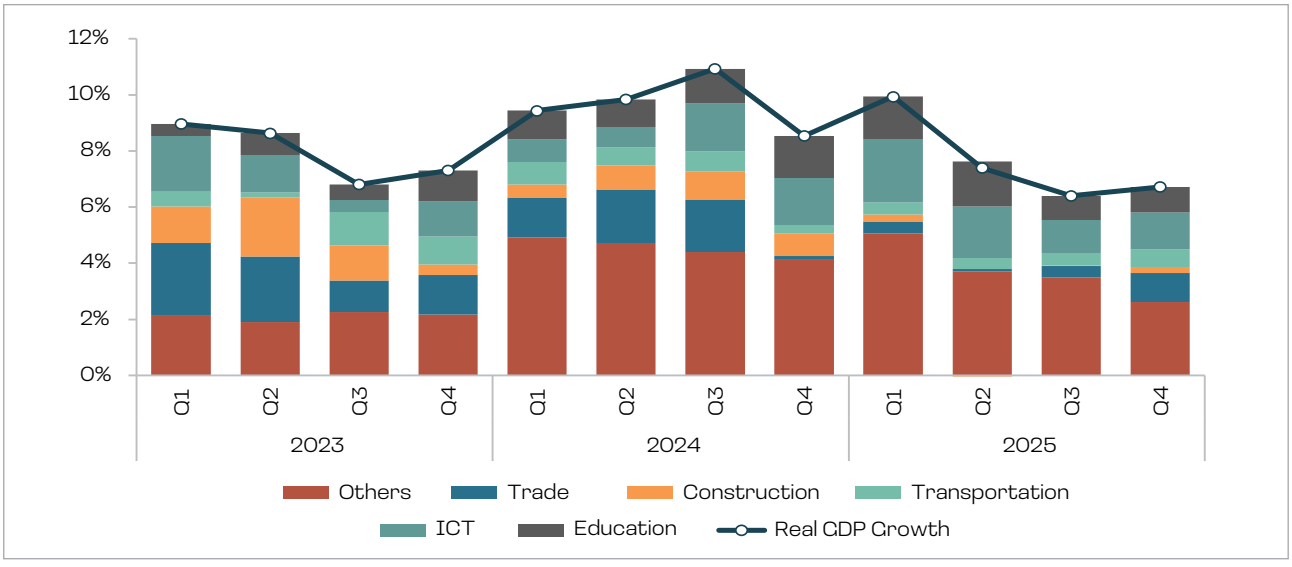


Source: NBG

1.3. ECONOMIC GROWTH

In 2025, the growth of Georgia's real Gross Domestic Product (GDP) remained at a high level and, according to preliminary data, increased by 7.5% compared to the previous year. However, the real GDP growth rate showed some signs of normalization from the second half of the year. The main drivers of the high economic growth were again the service-oriented, less import-intensive sectors. Specifically, the relatively high-productive ICT and education sectors contributed 2.8 percentage points (pp) to the 7.5% economic growth. Since 2022, the ICT sector has been the leading sector in real GDP growth. Since 2020, the number of business entities operating in this sector increased 8.5 times, while the real value added created during the same period increased 4.3 times. In 2025, high growth of 24.5% was recorded in the education sector, making a 1.2 pp contribution to growth. One of the explanatory factors for the increasing value added in this sector is the growing number of students (see Diagram N 1.16).[12] At the same time, compared to previous years, signs of a normalization of growth emerged in the construction and transportation sectors, which is one of the determining factors for the economy approaching its long-term growth rate.

DIAGRAM N 1.16. REAL GDP GROWTH BY SECTOR (CONTRIBUTION TO THE GROWTH)



Source: GeoStat; NBG

12. See https://www.geostat.ge/ka/modules/categories/193/ganatleba

On the other hand, high economic activity was driven by strong aggregate demand, which was also reflected in the high growth of specific service sectors, including the accommodation services and the arts, entertainment, and recreation sectors, whose combined contribution in 2025 was 0.6 pp (see Table 1.3).

TABLE 1.3. GDP BY SECTOR

	Real Growth					Contribution to Growth (pp)				
	2025Q1	**2025Q2**	**2025Q3**	**2025Q4**	**2025**	**2025Q1**	**2025Q2**	**2025Q3**	**2025Q4**	**2025**
Agriculture, forestry and fish farming	-7.5%	-7.0%	-5.4%	-2.9%	-0.3%	-0.3	-0.5	-0.4	-0.1	-0.3
Mining industry	-2.9%	-5.8%	-8.7%	4.8%	0.0%	0.0	-0.1	-0.1	0.0	0.0
Manufacturing industry	0.0%	6.6%	2.5%	6.2%	0.3%	0.0	0.5	0.2	0.5	0.3
Supply of electricity, gas, steam and air conditioning	-4.8%	-4.5%	-3.3%	-5.5%	-0.1%	-0.1	-0.1	-0.1	-0.1	-0.1
Water supply; Sewerage, waste management and pollution control	9.8%	5.7%	-0.8%	3.4%	0.0%	0.1	0.0	0.0	0.0	0.0
Construction	4.0%	-3.0%	0.2%	2.5%	0.1%	0.3	-0.2	0.0	0.2	0.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	3.4%	0.9%	3.0%	7.4%	0.5%	0.4	0.1	0.4	1.0	0.5
Transportation and storage	8.4%	7.5%	8.1%	11.0%	0.5%	0.4	0.4	0.4	0.6	0.5
Accommodation and food service activities	1.5%	7.2%	8.4%	4.0%	0.2%	0.0	0.3	0.3	0.1	0.2
Information and communication	41.7%	35.9%	21.1%	22.0%	1.6%	2.3	1.8	1.2	1.3	1.6
Financial and insurance activities	13.9%	14.3%	14.7%	9.1%	0.6%	0.7	0.6	0.6	0.4	0.6
Real estate activities	14.7%	4.2%	2.6%	-0.3%	0.4%	1.4	0.3	0.2	0.0	0.4
Professional, scientific and technical activities	13.7%	9.5%	3.8%	7.5%	0.2%	0.3	0.2	0.1	0.2	0.2
Administrative and support service activities	30.5%	13.1%	9.6%	3.3%	0.1%	0.3	0.1	0.1	0.0	0.1
Public administration and defense; compulsory social security	11.2%	8.0%	9.7%	8.4%	0.6%	0.7	0.5	0.5	0.5	0.6
Education	28.7%	32.9%	20.7%	17.1%	1.2%	1.5	1.6	0.9	0.9	1.2
Human health and social work activities	16.0%	15.4%	10.4%	7.2%	0.4%	0.6	0.5	0.3	0.2	0.4
Arts, entertainment and recreation	7.8%	13.3%	13.0%	14.3%	0.4%	0.3	0.4	0.4	0.5	0.4
Other service activities	-3.2%	-2.6%	-1.7%	0.8%	0.0%	0.0	0.0	0.0	0.0	0.0
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	-3.3%	-44.7%	0.3%	4.4%	0.0%	0.0	-0.1	0.0	0.0	0.0
(+) Taxes on products	9.0%	7.7%	9.9%	2.5%	0.9%	1.3	1.0	1.3	0.3	0.9
(-) Subsidies on products	2.2%	10.1%	7.6%	6.0%	0.0%	0.0	-0.1	0.0	0.0	0.0
GDP	**9.9%**	**7.4%**	**6.4%**	**6.7%**	**7.5%**	**9.9**	**7.4**	**6.4**	**6.7**	**7.5**
Of which:										
Agriculture	-0.3%	-0.5%	-0.4%	-0.1%	-0.3%	-0.3	-0.5	-0.4	-0.1	-0.3
Industrial Sectors	0.2%	0.2%	0.1%	0.7%	0.3%	0.2	0.2	0.1	0.7	0.3
Services	10.1%	7.6%	6.7%	6.1%	7.5%	10.1	7.6	6.7	6.1	7.5

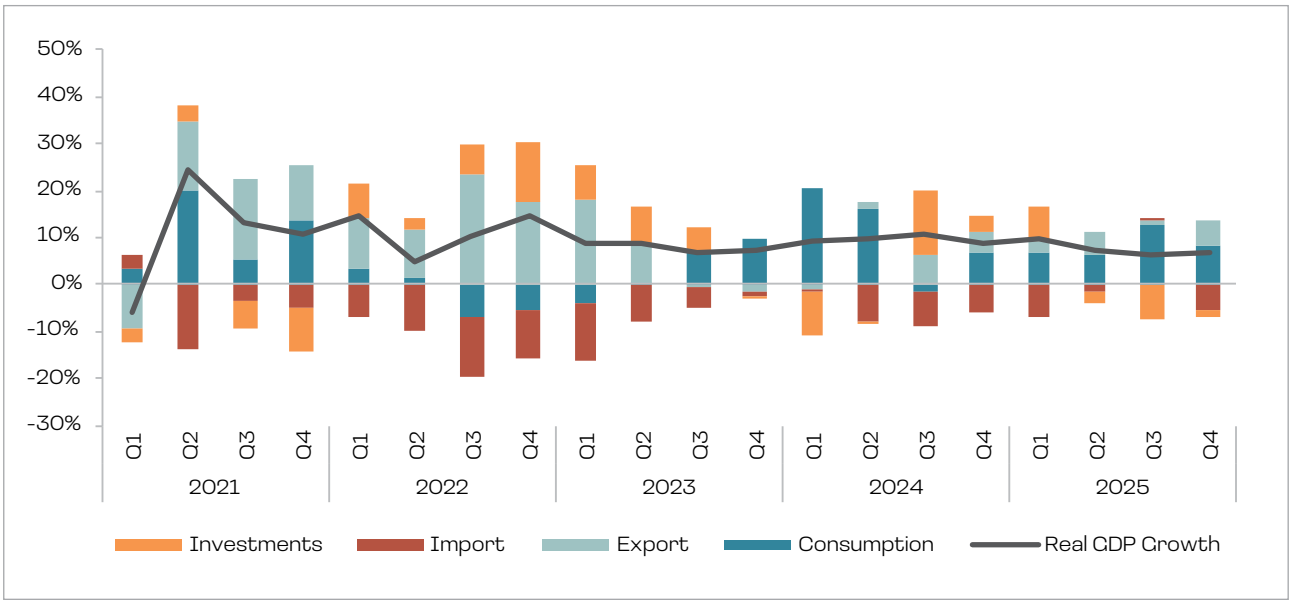
Source: GeoStat; NBG calculations

In 2025, domestic demand also had a positive impact on real GDP growth; however, its growth rate normalized compared to previous years. The normalization of domestic consumption was supported by the growth rates of wages and credit activity approaching their equilibrium levels. Specifically, the contribution

of consumption to growth amounted to 8.6 pp. In contrast, the contribution of investments, considering the high base effect of 2024, decreased and amounted to a negative 1.3 pp.

On the other hand, external demand had a positive impact on aggregate demand. In particular, against the backdrop of less import-intensive growth, the contribution of imports to economic activity in 2025 was less negative, while export of goods and services contributed to real GDP growth. Specifically, the real growth of goods exports in 2025 amounted to 7.1%, while real revenues generated from the exports of the services sector grew by 6.9% annually. Ultimately, external demand improved growth, and its positive contribution amounted to 0.2 pp.

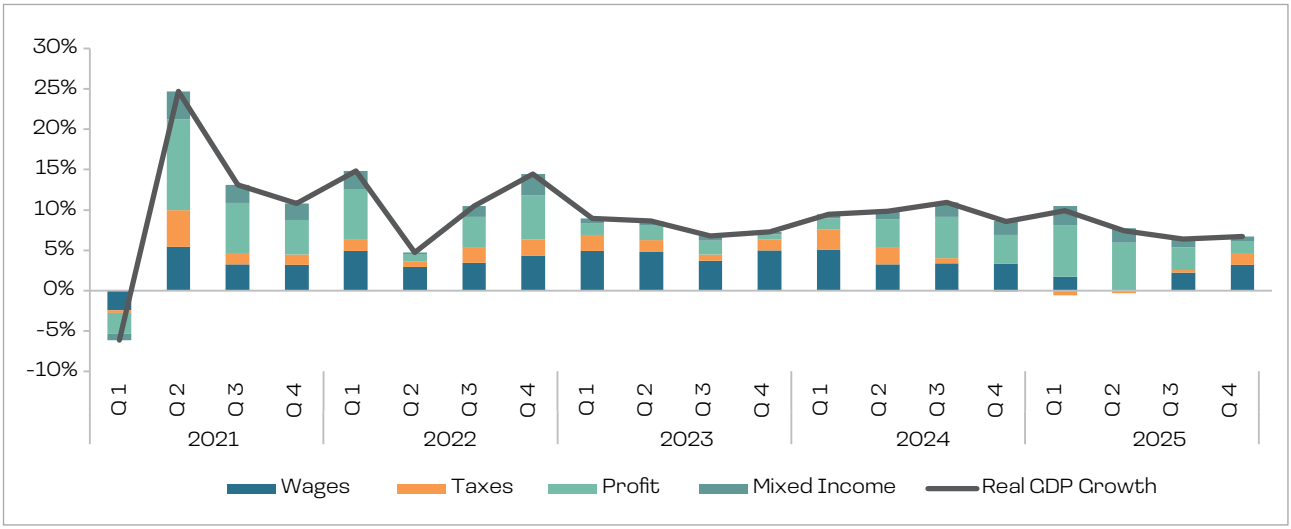
DIAGRAM N 1.17. REAL GDP GROWTH BY EXPENDITURES (CONTRIBUTION TO GROWTH)



Source: CeoStat; NBC calculations

As noted, a normalization of the wage growth rate became apparent in 2025. As a result, in the income-based decomposition of economic growth, the contribution of wages declined and amounted to 1.8 pp. It is noteworthy that the relatively high contribution of wages in previous years was largely a reflection of compensating for high inflation. On the other hand, in 2025, against the backdrop of high economic growth, profits made the leading contribution to GDP growth by income (3.9 pp). The contribution of mixed income was 1.4 pp.

DIAGRAM N 1.18. REAL GDP GROWTH BY REVENUES (CONTRIBUTION TO GROWTH)



Source: CeoStat; NBC calculations

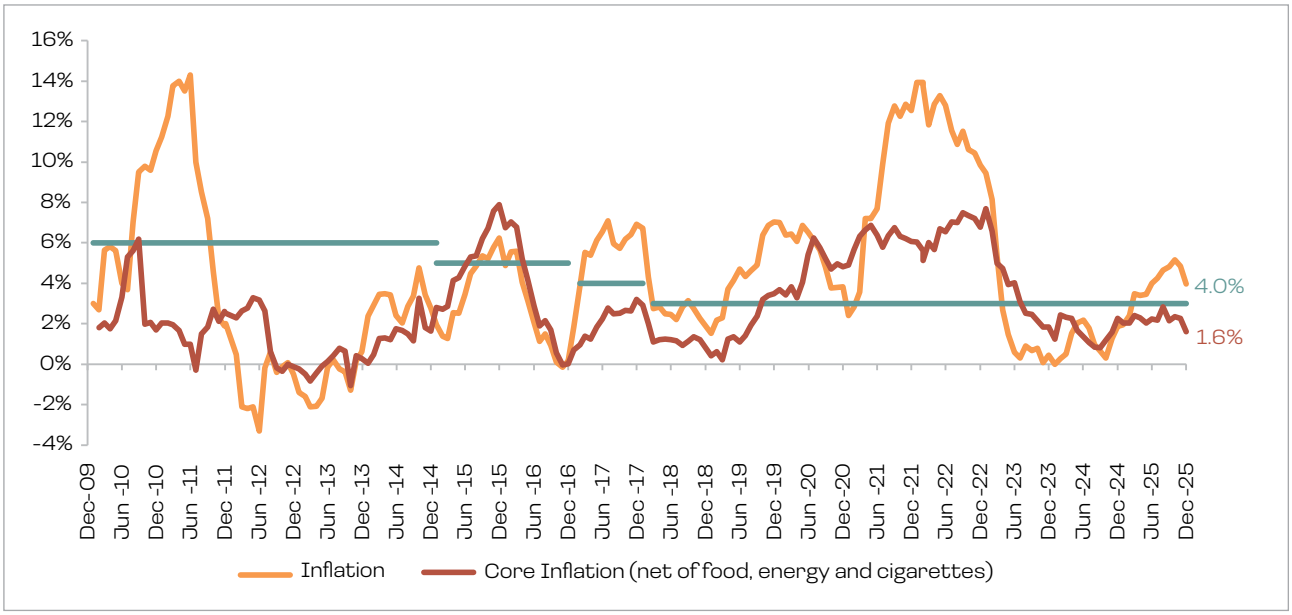
1.4.
CHANGE IN CONSUMER PRICES

The low-inflation environment that was maintained in 2023–2024 continued until February 2025; however, from March 2025 onwards, headline inflation rose above the 3% target and remained at a higher level until the end of the year. On average, headline inflation amounted to 3.9% in 2025. This deviation was primarily driven by the increase in food inflation, which was caused by several factors, including the low base effect from the previous year, rising prices for food commodities on international markets, and one-time price adjustments for certain products on the local market. At the same time, it is important to note that measures of relatively sticky inflation, which better reflect fundamental inflation trends and long-term expectations, remained below the target level.

As noted, one of the reasons for the moderately high inflation in 2025 was the low base effect from the previous year, and this was most strongly associated with food prices. Specifically, in 2024, food was mostly deflationary (averaging -0.4%), and its impact on inflation averaged -0.2 pp. However, in 2025, average food inflation increased to 8.4%, and its impact on inflation rose to 2.6 pp. In addition, the base effect was accompanied by other exogenous factors independent of monetary policy. Specifically, in 2025 compared to the previous year, prices for certain food items (e.g., meat, dairy products, and vegetable oil) increased on international markets[13], which were also transmitted to the local market. The global price increases for specific products are mostly explained by structural factors, such as reduced supply amidst sustained demand. However, mixed dynamics were observed on international markets, with a downward trend being recorded in specific segments (for example, sugar), which was also reflected in the local market. These international factors were coupled with one-time price adjustments for significant products on the local market. For example, the increase in bread prices added an average of 0.5 pp to inflation during the year. Given that food has a large weight in Georgia's consumer basket (31.7% as of 2025), the impact of changes in food prices on inflation is significant.

At the same time, core inflation -which excludes highly volatile food, energy, and cigarettes prices from the consumer basket, remained stable below the 3% target level throughout the year, averaging 2.2%. Core inflation is a good indicator of the stability of relatively long-term inflationary expectations.

DIAGRAM N 1.19. HEADLINE AND CORE (EXCLUDING FOOD, ENERGY AND TOBACCO) INFLATION MEASURES

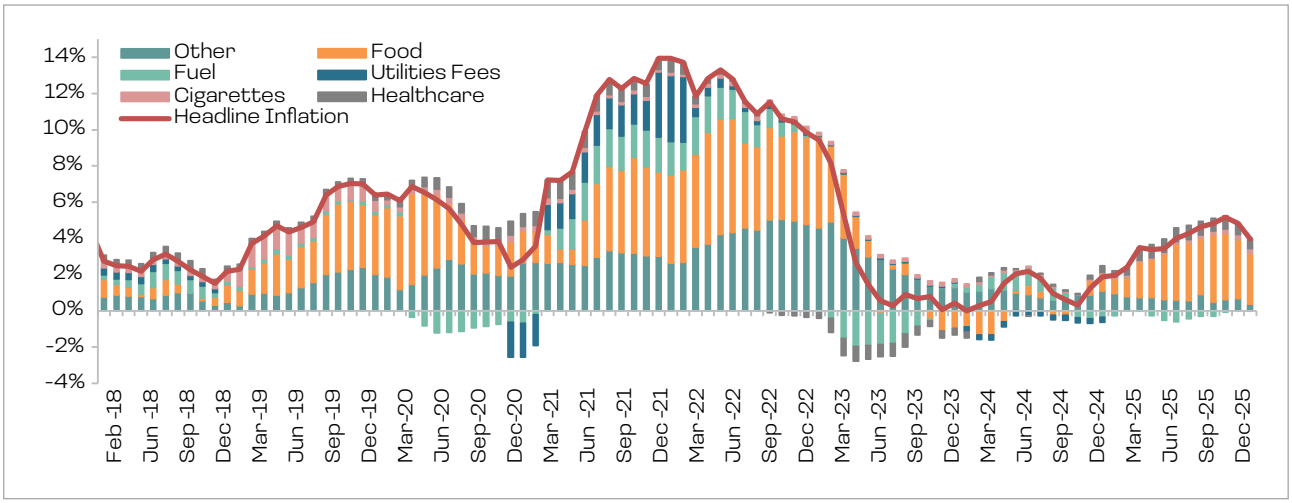


Source: GeoStat

13. FAO Food Price Index: https://www.fao.org/worldfoodsituation/foodpricesindex/en/

In 2025, alongside food, the healthcare group also exerted upward pressure on inflation. The contribution of healthcare products to inflation averaged 0.6 pp, which was more or less evenly distributed between medications and medical services. On the other hand, global oil prices exhibited a downward dynamic in 2025; consequently, against the backdrop of maintaining a stable exchange rate position, fuel prices in Georgia were primarily deflationary (averaging -0.2 pp) (see Diagram N 1.20). Deflationary trends were also observed in durable goods, including electronics and appliances, which contributed to a decrease in imported inflation.

DIAGRAM N 1.20. HEADLINE INFLATION DECOMPOSITION BY MAJOR CATEGORIES

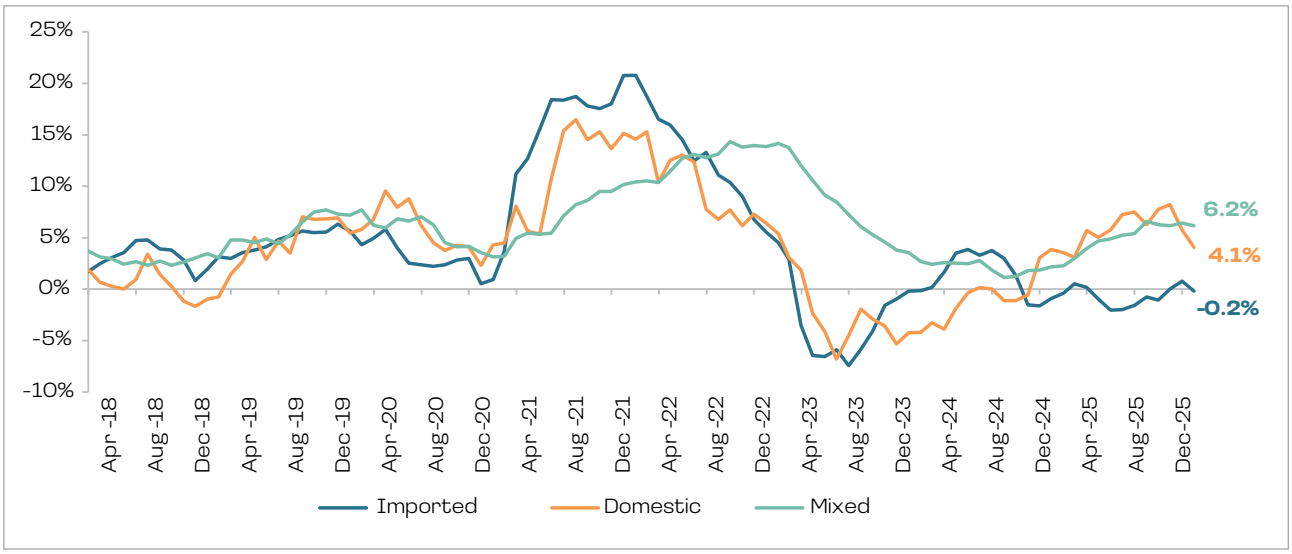


Source: GeoStat; NBG calculations

Another good measure of relatively long-term inflationary expectations is service inflation, as price adjustments in this sector occur relatively rarely, and long-term inflationary expectations are more heavily factored into the pricing process. Service inflation remained stable in 2025 and averaged 2.7%. The below-target level of core and service inflation is an indicator that the inflationary processes were less broad-based. In turn, the stability of relatively sticky prices was significantly supported by both the structural changes taking place in the economy and the monetary policy approach based on risk minimization. Furthermore, against the backdrop of the increased productivity of production factors, the labor market was largely disinflationary. Specifically, the growth of unit labor costs averaged 1.5% in 2025. At the same time, against the backdrop of increased productivity, aggregate demand was also less inflationary. This, in turn, was facilitated by the moderately tightened stance of monetary policy.

It is noteworthy that service inflation is the main component of domestic inflation. However, in 2025, domestic inflation averaged 5.1%, largely as a result of price adjustments for food (mainly bread, meat, and dairy products). At the same time, the inflation of mixed-produced goods was higher on average (5.8%), which was also linked to the inflation of food (mainly oil, potatoes, chocolate, etc.) and medications (see Diagram N 1.21). The prices of imported products primarily showed a downward trend during the year, which, against the backdrop of the stable position of the exchange rate, was largely driven by a decrease in fuel and appliance prices. As a result, inflation in this segment averaged -0.6%.

DIAGRAM N 1.21. IMPORTED, DOMESTIC AND MIXED INFLATION INDICATORS



Source: GeoStat

TABLE 1.4. INFLATION INDICATORS BY INDIVIDUAL COMPONENTS, THEIR WEIGHT IN THE CONSUMER BASKET AND IMPACT ON INFLATION

	Weights for 2025	Dec. 25/Dec. 24		2025 average/2024 average	
		Inflation	Share	Inflation	Contribution
Total	**100.0%**	**4.0%**	**4.0%**	**3.9%**	**3.9%**
Food and Non-Alcoholic Beverages	**34.5%**	**8.8%**	**3.0%**	**8.4%**	**2.9%**
Food	**31.7%**	**8.9%**	**2.8%**	**8.3%**	**2.6%**
Bread and Bakery	6.9%	14.3%	1.0%	8.4%	0.6%
Meat and Meat Products	7.0%	7.6%	0.5%	3.3%	0.2%
Fish Products	0.5%	18.4%	0.1%	9.2%	0.0%
Milk, Cheese, and Eggs	6.1%	7.0%	0.4%	6.6%	0.4%
Oil and Fats	2.9%	10.1%	0.3%	15.8%	0.4%
Fruits, grapes	1.7%	15.0%	0.3%	6.6%	0.1%
Vegetables, Melons, Potatoes and other Tubers	3.0%	0.1%	0.0%	15.1%	0.4%
Sugar, Jams, Honey, Syrups, Chocolate, Pastry	2.9%	8.2%	0.2%	9.6%	0.3%
Other Food Products	0.6%	2.5%	0.0%	3.6%	0.0%
Non-alcoholic beverages	2.8%	7.4%	0.2%	9.8%	0.3%
Alcoholic Beverages, Tobacco	**6.4%**	**4.4%**	**0.3%**	**4.4%**	**0.3%**
Clothing and Footwear	**4.7%**	**0.0%**	**0.0%**	**-0.7%**	**0.0%**
Housing, Water, Electricity, Gas and other Fuels	**9.8%**	**-0.3%**	**0.0%**	**0.7%**	**0.1%**
Furnishings, household equipment and maintenance	**5.3%**	**-1.6%**	**-0.1%**	**-1.9%**	**-0.1%**
Healthcare	**8.1%**	**7.0%**	**0.6%**	**8.1%**	**0.6%**
Transport	**10.9%**	**-0.6%**	**-0.1%**	**-1.9%**	**-0.2%**
Communication	**3.2%**	**-4.7%**	**-0.1%**	**-8.5%**	**-0.3%**
Recreation and Culture	**3.8%**	**-1.6%**	**-0.1%**	**-0.6%**	**0.0%**
Education	**5.4%**	**2.1%**	**0.1%**	**4.0%**	**0.2%**
Hotels, Cafes and Restaurants	3.1%	6.9%	0.2%	6.7%	0.2%
Miscellaneous Goods and Services	**4.7%**	**5.1%**	**0.2%**	**5.8%**	**0.3%**
Consumer goods	60.8%	5.9%	3.6%	5.5%	3.3%
Average consumer goods	8.1%	-1.4%	-0.1%	-1.6%	-0.1%
Durable goods	5.2%	-2.7%	-0.1%	-0.8%	0.0%
Service	25.9%	2.5%	0.6%	2.7%	0.7%

Source: GeoStat

02.

MONETARY AND EXCHANGE RATE POLICY

2.1. MONETARY POLICY

In accordance with Article 3 of the Organic Law of Georgia, the primary objective of the National Bank of Georgia is to ensure price stability.[14] This implies maintaining inflation at a level in the medium term that is optimal for high and sustainable economic growth over the long term.

To ensure price stability, the NBG conducts its monetary policy under an inflation-targeting regime. This framework is currently recognized as best international practice. The inflation-targeting regime entails pre-determining an inflation target and subsequently implementing monetary policy in a way that keeps inflation close to that target in the medium term. In the short term, deviations of inflation from the target are primarily driven by exogenous factors.[15] Monetary policy is primarily a tool for influencing aggregate demand; therefore, central banks typically only respond to demand shocks as, according to the traditional approach, reacting to supply shocks (such as increases in excise taxes, global commodity prices, or international transportation costs) is associated with high macroeconomic costs and may lead to economic growth volatility and a decline in employment in the long run. Exceptions to this occur when the duration and/or magnitude of a supply shock also impacts inflation expectations.

In accordance with the Main Directions of Monetary and Exchange Rate Policy developed by the National Bank of Georgia and approved by the Parliament of Georgia,[16] the inflation target in Georgia has been set at 3% since 2018. This target is sufficiently low so as not to adversely affect the decisions of economic agents, while not being so low as to hinder economic growth. Estimating the optimal level of inflation depends on various long-term macroeconomic factors and the structural characteristics of the country's economy. In advanced economies, inflation targets are typically set within the 1-2% range, while in developing countries, they fall within the 2-4% range.

The main instrument of the National Bank of Georgia's monetary policy is the monetary policy rate (the refinancing rate). Decisions regarding the monetary policy rate and changes to its future trajectory are made as a result of analyzing the macroeconomic environment, forecasting inflation, reviewing the situation in the financial markets, and assessing various macroeconomic risks affecting inflation as well as inflation expectations. In general, if the forecasted inflation rate is higher than the target level, the National Bank of Georgia tightens monetary policy, and, conversely, if the forecasted inflation rate is lower than the target level, the NBG eases monetary policy.

Against the backdrop of increased global uncertainty, the National Bank of Georgia transitioned to the next stage of developing its monetary policy framework at the beginning of 2025. Specifically, it introduced a new, scenario-based approach to monetary policy communication. According to this approach, when making decisions on the monetary policy rate, the NBG takes into account not only a single baseline forecast scenario but also the risks that could affect inflation and economic activity in various directions. Accordingly, when implementing monetary policy, the NBG aims to choose a policy stance that minimizes economic losses should any of the identified risks materialize. In a dynamic economic environment, such a risk-management-oriented approach to monetary policy is essential for achieving optimal results. It is also important that these scenarios are published and made publicly available. Through this communication approach, the risk management and decision-making process and the monetary policy reaction function become more transparent, thereby strengthening the effectiveness of the policy transmission channels. Under conditions of elevated uncertainty, other central banks are developing new monetary policy strategies and are actively shifting to similar scenario-based approaches (including the Sveriges Riksbank, the Bank of England, the European Central Bank, and the Bank of Canada). As monetary policy instruments and their transmission mechanism continue to evolve, the social costs associated with achieving price stability are reduced. That is why the NBG continuously strives to refine its monetary policy instruments and enhance the effectiveness of the monetary policy transmission mechanism. In 2025, average annual inflation stood at 3.9%, which is moderately higher than the target rate of 3%. However, it is important to note that indicators reflecting long-term inflation expectations remained

14. Organic Law of Georgia "On the National Bank of Georgia", Article 3, Paragraph 1.

15. Exogenous shocks refer to external changes that are independent of monetary policy.

16. Resolution of the Parliament of Georgia "On the Main Directions of Monetary and Exchange Rate Policy of Georgia for 2026-2028", Paragraph 1.

below 3% throughout the year. Specifically, core inflation, which excludes the most volatile components from the consumer basket (food, energy, and tobacco), remained below the target throughout 2025, averaging 2.2%. Meanwhile, in the services sector, where price changes are relatively sticky, inflation averaged 2.7%. This indicates that, as a result of the monetary policy implemented by the NBG, inflation expectations remained stable and inflation was less broad-based.

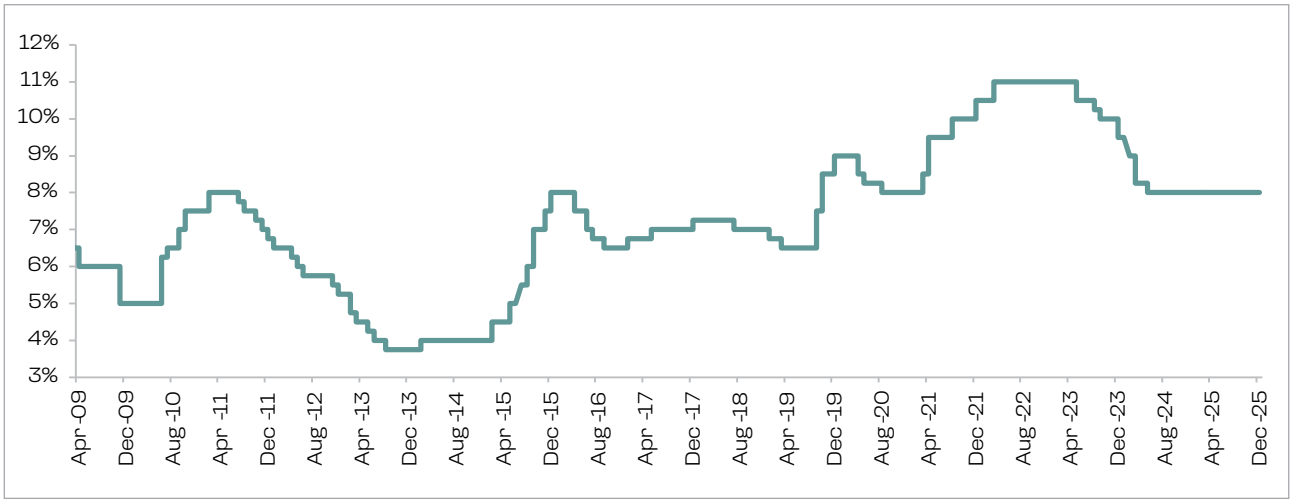
The above-target inflation in 2025 was largely driven by high inflation in the food and non-alcoholic beverages group. Furthermore, price dynamics were additionally influenced by exogenous factors, such as the increase in prices on international commodity markets and one-off price adjustments for specific products on the domestic market. However, over the course of the year, alongside the gradual fading of the base effect, the contribution of food and non-alcoholic beverages to headline inflation gradually decreased. This was also facilitated by a month-on-month decline in the international food price index starting from August 2025, which was reflected in the domestic market across individual products. On the other hand, inflationary pressures persisted for certain commodity groups due to existing structural challenges. Although the inflation indicators that exclude relatively volatile components (food, energy, and tobacco) from the basket remained relatively stable, the high volatility of relative prices continued to pose certain risks of rising inflation expectations, to which the NBG responded by maintaining a moderately tight monetary policy stance. Overall, the global economic environment in 2025 was characterized by high uncertainty, which was linked to tensions in both geopolitical and international trade relations, as well as the heightened risks of geopolitical fragmentation. Georgia is a small open economy, and global trends are transmitted to its local markets. As previously noted, in 2025, geopolitical and global challenges caused price volatility in international commodity markets, particularly for food. Nevertheless, prices for petroleum products on world markets exhibited a downward trend, which, alongside an increase in supply, was facilitated by relatively weak aggregate demand in major economies (including China). As a result, fuel prices exerted a downward impact on imported inflation. Concurrently, uncertainty surrounding US economic policy, related to both tariff policies and fiscal risks, was reflected in a weakening of the dollar index. Consequently, maintaining the lari's relatively strong position against the dollar had a disinflationary effect through the balance sheet channel. Specifically, the burden of dollar-denominated liabilities for producers eased, mitigating production costs and upward price pressures. However, the globally weak position of the dollar also positively affected the exchange rates of the currencies of Georgia's main trading partners, with the exception of Türkiye. As a result, the nominal effective exchange rate of the lari remained stable - largely due to its appreciation against the Turkish lira and the US dollar - and experienced a slight depreciation on an annual average basis. Meanwhile, the real effective exchange rate, following a year-on-year depreciation, gradually returned to its long-term equilibrium level, thereby reducing the existing disinflationary pressures on imported goods.

In 2025, economic activity remained strong, and according to preliminary data, real GDP growth reached 7.5%. The primary driver of economic growth continued to be highly productive sectors, which simultaneously indicated an improvement in the economy's total production potential. Specifically, amid structural changes, service-oriented and relatively less import-intensive sectors -such as information and communication (ICT) and education - continued to grow at a robust pace. However, a gradual normalization of growth rates was observed in other sectors, including construction and transportation. In addition to the structural changes in the economy, real GDP growth was also supported by strong aggregate demand, stemming from both domestic and external sources. Nevertheless, some signs of the normalization of domestic demand emerged, which, against the backdrop of increasing overall economic potential, was reflected in a weakening of inflationary pressures from aggregate demand.

Based on domestic economic trends and existing global risks, the NBG opted for a cautious approach and maintained a moderately tight monetary policy stance throughout 2025. Specifically, the monetary policy rate remained unchanged in 2025 at 8.0%, which is above the long-term neutral rate (currently estimated at 7%) (see Diagram N 2.1). It should be noted that the deviation of inflation from its target was driven by temporary factors, primarily influenced by food price volatility and base effects. According to the NBG's assessment, inflation was expected to gradually decline as these factors were exhausted. At the same time, inflation expectations remained stable, pointing to the effectiveness of the monetary policy. Nevertheless, under conditions of elevated uncertainty, the NBG chose a cautious path. Global geopolitical tensions and the risks of economic fragmentation increased

the likelihood of a globally high-inflation environment emerging. Moreover, there was a risk that a prolonged period of above-target local inflation would cause inflation expectations to rise, exacerbating the risks of so-called second-round effects. To minimize these risks and guide expectations, and in line with the scenario-based approach, the NBG deemed it optimal to maintain a moderately tight monetary policy throughout the entire year.

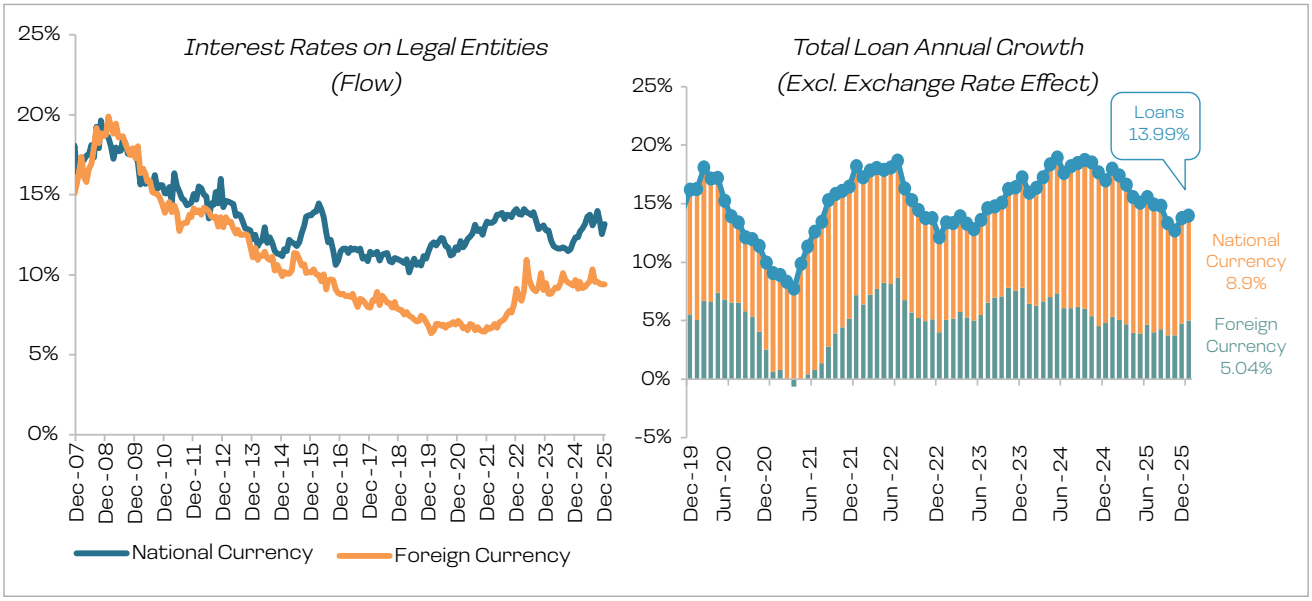
DIAGRAM N 2.1. MONETARY POLICY RATE



Source: NBG

One of the primary mechanisms of monetary policy transmission is the credit channel. At the beginning of 2025, against the backdrop of high uncertainty, financial conditions tightened significantly. However, in the second half of the year, signs of some easing emerged for specific-purpose domestic currency loans and foreign currency-denominated loans, which was also driven by the gradual normalization of monetary policy by leading central banks. Nevertheless, financial conditions in the domestic currency remained relatively tight. As a result, the growth rate of credit activity converged to its equilibrium level (of 13–15%) by the end of 2025. It is noteworthy that, against the backdrop of a slight easing of financial conditions in foreign currency and a relatively stable exchange rate, the contribution of foreign currency loans to overall credit growth increased by the end of the year.

DIAGRAM N 2.2. INTEREST RATE SPREAD AND LENDING ACTIVITY (ANNUAL GROWTH RATE OF LOANS BY CURRENCY)



Source: NBG

Under the inflation-targeting regime, the NBG's operational target for ensuring price stability is the management of short-term interest rates. For monetary policy to be effective, it is essential that changes in the policy rate are reflected in interbank interest rates and, ultimately, impact the real economy. The management of short-term interest rates, in turn, is carried out using the liquidity management framework.

Within the monetary policy operational framework, the National Bank of Georgia utilizes both liquidity-providing and liquidity-absorbing instruments. The primary liquidity-providing instrument for managing the banking sector's liquidity is refinancing loans. The NBG supplies the financial sector with relatively longer-term liquidity through the one-month open market instrument. Since the second half of 2023, the NBG has not provided liquidity through secondary market operations. To effectively manage short-term interest rates, the NBG also employs standing facilities: overnight loans and overnight deposits. In addition, the National Bank possesses certificates of deposit as a liquidity-absorbing instrument.

Using these instruments, the NBG balances the supply and demand for liquidity within the financial system to ensure that interest rates are formed close to the monetary policy rate. Through this approach, the NBG effectively manages market interest rates. Interest rates in the interbank market form close to the monetary policy rate, and market interest rates closely follow the trajectory of the monetary policy rate. This ultimately ensures the strength of monetary policy transmission.

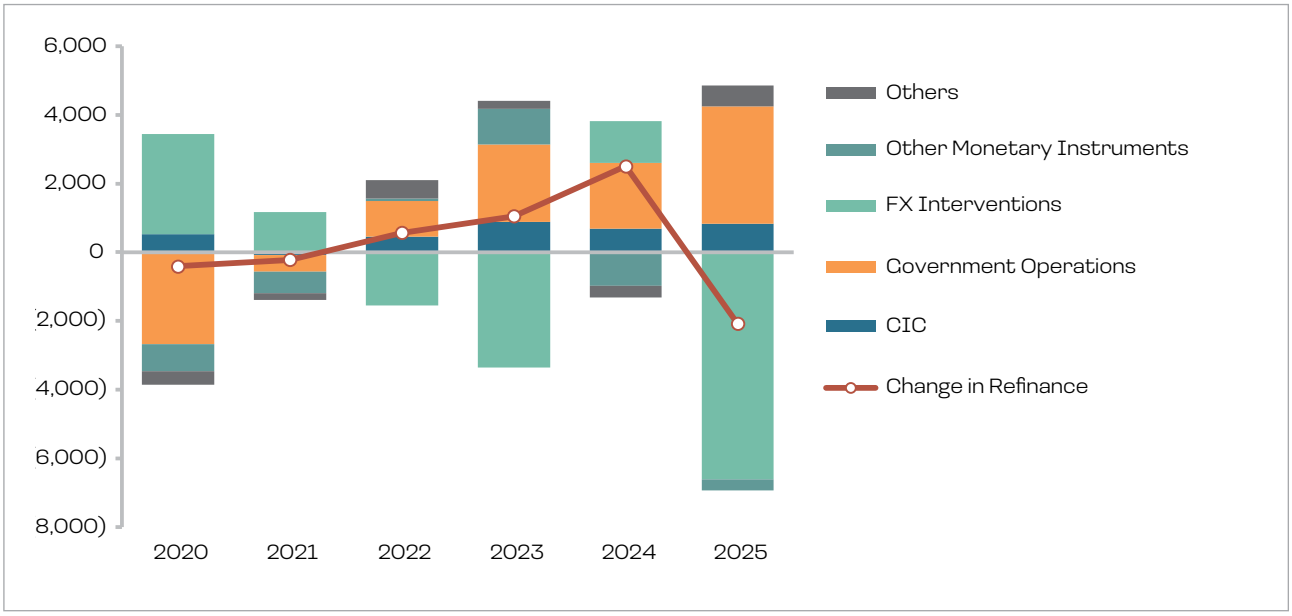
The National Bank of Georgia continued to issue 3-month certificates of deposit throughout 2025, the purpose of which is to shape the short end of the yield curve. As a result of these operations, the NBG maintained the outstanding balance of certificates of deposit at a minimal level, within the range of GEL 60-80 million.

In 2025, to manage liquidity and balance fluctuations arising from other liquidity sources, banks actively utilized refinancing loans. However, compared to the previous year, the demand for refinancing loans decreased by the end of 2025. Over the course of the year, several factors influenced the volume of refinancing loans (see Diagram 2.3).

The decrease in demand for refinancing loans was largely driven by the NBG's reserve accumulation policy. Specifically, throughout 2025, the National Bank of Georgia executed record-high foreign currency purchases utilizing foreign exchange auctions and the rule-based bilateral intervention mechanism (BMatch). Through this channel, gross international reserves were replenished by USD 2.4 billion, which consequently supplied GEL 6.6 billion to the market. As a result of these types of sterilized interventions, the demand for short-term liquidity decreased. Additionally, through open market operations, the NBG increased the volume of its one-month instrument by GEL 1,250 million to GEL 2 billion, which further reduced the demand for one-week refinancing loans.

Conversely, fiscal consolidation and the de-dollarization of government debt had a significant upward impact on liquidity demand. Against the backdrop of strong economic growth, the upward trend in demand for cash continued throughout 2025.

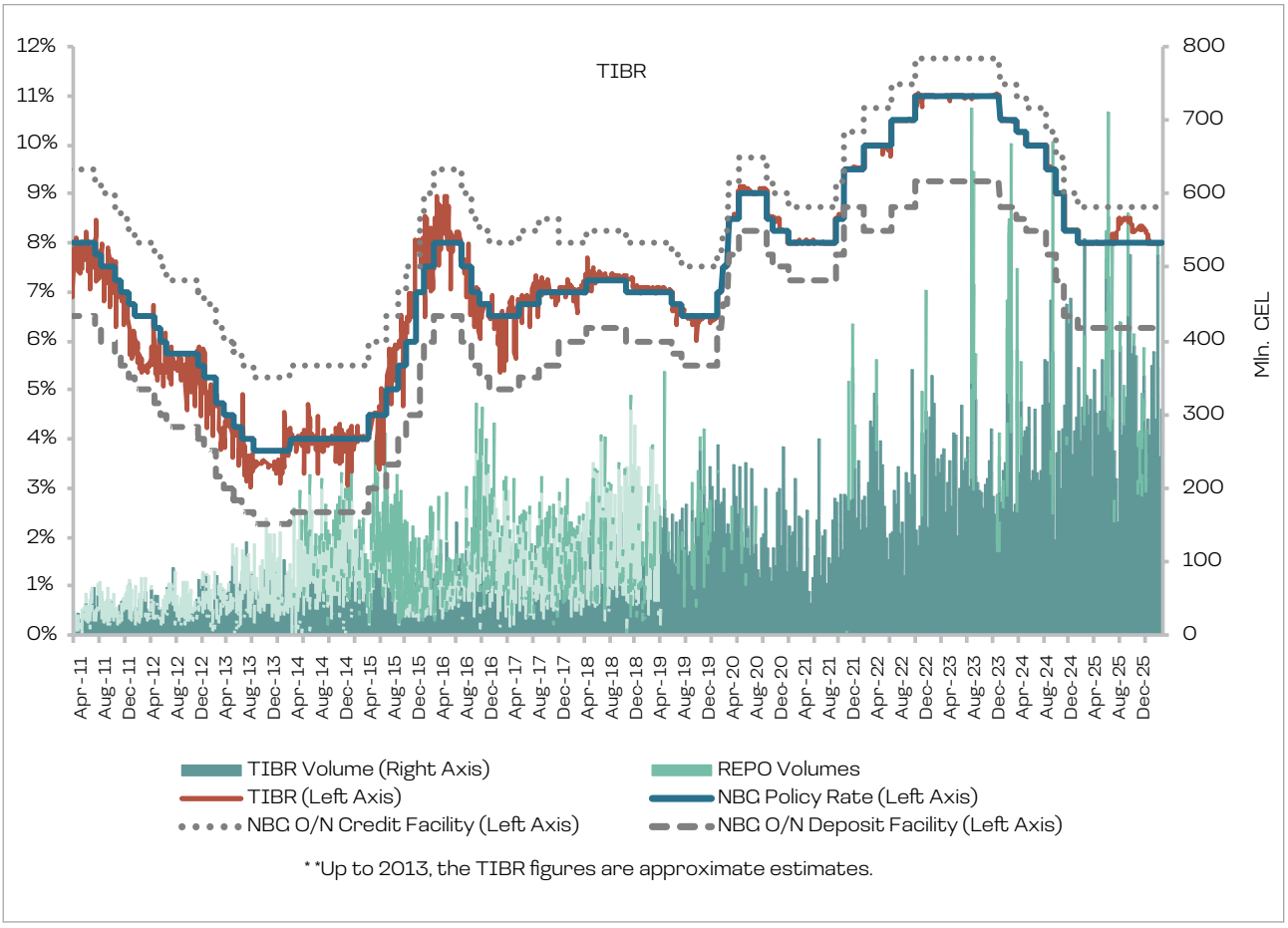
DIAGRAM N 2.3. FACTORS AFFECTING THE ANNUAL CHANGE IN REFINANCING LOANS



Source: NBG

Through the instruments described above, the National Bank of Georgia supplied the financial sector with short-term liquidity using various instruments as required. Within the liquidity framework, short-term interest rates were formed very close to the monetary policy rate (see Diagram N 2.4). This, in turn, was ultimately transmitted to market interest rates.

DIAGRAM N 2.4. INTERBANK MONEY MARKET



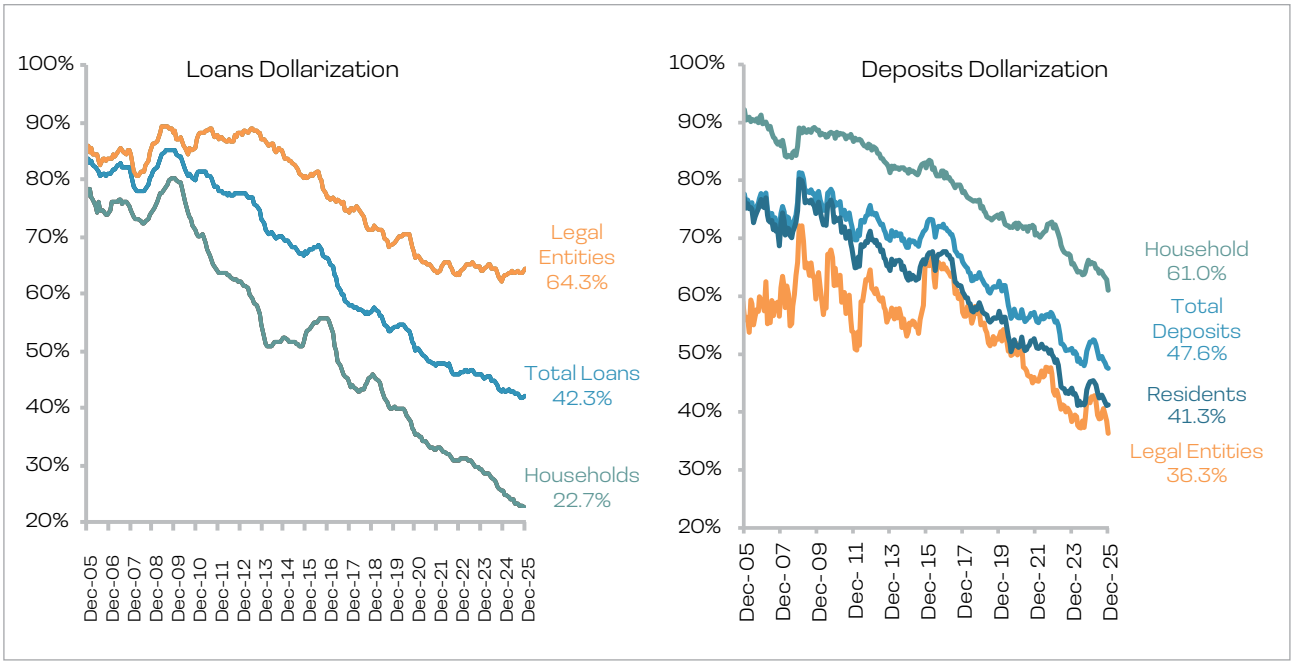
Source: NBG

Promoting larization (de-dollarization) to strengthen the transmission of monetary policy to the economy and to reinforce financial stability is a long-term objective of the National Bank of Georgia. Encouraging larization is a prerequisite for reducing macro-financial risks in the country and increasing resilience against external vulnerabilities. Consequently, increasing larization is one of the priorities of the National Bank of Georgia, and reforms aimed at encouraging it are being implemented in stages.

Larization measures continued actively in 2025; the trend of loan larization increased, and loan dollarization decreased over the course of the year. Taking this trend into account, and with the aim of mitigating the risks caused by loan dollarization, the National Bank of Georgia increased the limit for unhedged foreign currency loans to GEL 500,000 effective from 1 January 2025, and then later raised this limit to GEL 750,000 from August 2025. Foreign currency-denominated loans, which are mostly floating-rate, are accompanied by interest rate and exchange rate risks. The latter is particularly significant given the high share of unhedged borrowers in foreign currency and the elevated volatility of regional exchange rates. Mitigating such risks was precisely the reason for introducing the additional requirement.

As expected, as a result of the implemented measures, loan larization increased. Loan dollarization stood at 42.2% in December 2025, which is 1.0 pp lower than the same period in 2024. Importantly, confidence in the lari is growing, which is reflected in the rapidly increasing rate of deposit larization. Deposit dollarization decreased by 4.6 pp compared to the previous year, amounting to 47.6% at the end of 2025. Furthermore, the dollarization of resident deposits is even lower, standing at 41.3% by the end of 2025. The dollarization of deposits for individuals and legal entities also decreased, by 4.6 pp and 5.3 pp, respectively, amounting to 61.0% and 36.3% at the end of the year.

DIAGRAM N 2.5. BANKING SECTOR DOLLARIZATION (EXCLUDING THE EXCHANGE RATE EFFECT)



** Dollarization indicators are estimated excluding the exchange rate effect of February 2026.*

Source: NBG

2.2. MONETARY POLICY INSTRUMENTS

The implementation of the Monetary Policy Committee's decisions is carried out through monetary operations. The objective of these is to maintain the short-term interest rate of the interbank money market close to the policy rate. To achieve this goal, the National Bank of Georgia uses refinancing loans, the one-month open market instrument, certificates of deposit, open market operations, government securities, overnight loans and deposits, minimum reserve requirements, and other instruments.

The interbank deposit/credit market is a money market where banks trade short-term liquidity. This market is of great interest to the National Bank of Georgia, as it plays a crucial role in the functioning of the monetary policy transmission mechanism. The National Bank of Georgia influences interest rates through the monetary policy rate and the use of monetary policy instruments.

The Tbilisi Interbank Interest Rate (TIBR) index of the money market represents the benchmark for the overnight interest rate. It is based on actual transactions executed in the interbank money market, which increases the credibility of the index. Furthermore, the reliability of the index is ensured by the involvement of the National Bank of Georgia in the data collection and index calculation process. To serve as a benchmark for medium- and long-term instruments in the market (especially in GEL floating-rate instruments), on 14 March 2019, the National Bank of Georgia began publishing the TIBR Term Rates of the money market, based on the TIBR index, which are more effective tools for managing interest rate risks. In a market economy, the interest rates (coupons, interest) of financial instruments have various maturities (one month, a quarter, 6 months, a year). To manage financial risks arising from interest rate fluctuations, hedging mechanisms of appropriate maturities are required, and pricing necessitates indices of corresponding maturities. Such indices, in turn, rely on a transparent methodology, and market participants need to trust these indices as an independent source.

The methodology for calculating and publishing the TIBR index and TIBR Term Rates is based on rules that were developed in close cooperation with money market participants and with the assistance of the EBRD. This methodology also outlines procedures for data control and methodology review. The TIBR indices are published daily on the official website of the National Bank of Georgia at 10:00 am.

In 2025, the volume of transactions executed in the national currency on the interbank market increased by 8.75% compared to the previous year, amounting to GEL 67.23 billion. The monetary policy rate of the National Bank of Georgia remained unchanged throughout 2025, and interbank interest rates did not change significantly either, moving close to the monetary policy rate. Within the framework of the Monetary Policy Committee's decisions and based on the short-term liquidity forecast in the banking system, the National Bank of Georgia determined the volumes for weekly refinancing loans and one-month open market instruments. The NBG managed these processes in a way that ensured the average interest rate recorded at the auction was maintained close to the monetary policy rate.

2.2.1. Refinancing Loans

To provide the banking system with adequate short-term liquidity, the National Bank of Georgia utilized the weekly refinancing loan instrument throughout 2025. Through refinancing loans, the banking sector has reliable and low-risk access to short-term liquidity, which positively impacts the money market and financial stability. Specifically, GEL liquidity risks in the money market and the volatility of market interest rates are reduced, which is clearly visible from the dynamics of TIBR interest rates over the past decade. Since the NBG is the sole provider of short-term liquidity in the GEL market, the refinancing instrument allows it to achieve the target interest rate in the interbank market. The interest rate on refinancing loans issued through auctions is based on the monetary policy rate of the National Bank of Georgia.

In 2025, the collateral base for monetary operations included certificates of deposit of the National Bank of Georgia, Georgian government securities, GEL-denominated debt securities issued by international financial institutions, GEL-denominated debt securities issued by legal entities, and the loan assets of commercial banks. Appropriate criteria (minimum volume, residual maturity, currency, etc.) were defined by the NBG for each type of asset used as loan collateral. Throughout 2025, commercial banks utilized all types of collateral to conduct monetary operations with the National Bank of Georgia.

2.2.2. One-Month Open Market Instrument

Like other monetary instruments, the objective of the one-month instrument is also to manage short-term interest rates in the interbank market. This is in line with best international practice and is in accordance with the recommendations of the International Monetary Fund's technical assistance mission. The liquidity forecasting team assesses the short-term liquidity deficit in the banking system on a weekly and monthly basis and, based on their analyses, an auction is then announced for a specific volume of the one-month open market instrument. The minimum interest rate for this instrument at auction is based on the monetary policy rate. The assets used as collateral are the same types as those used in refinancing loans.

2.2.3. Overnight Loans and Overnight Deposits

To promote the development of the money market, reduce the volatility of interbank interest rates, and increase money market activity, the National Bank of Georgia continued to utilize an interest rate corridor in the interbank market in 2025. In accordance with international best practices, this enabled the interbank market interest rate to be confined within a stable framework. The interest rate corridor was defined using deviations from the monetary policy rate to form upper and lower bounds for interest rates. The upper interest rate was applied to the NBG's overnight loans, while the lower interest rate was applied to the NBG's overnight deposits.

In 2025, the monetary policy interest rate corridor was 2.5 percentage points (pp). The interest rate on overnight loans was defined as the monetary policy rate plus 0.75 pp, and the interest rate on overnight deposits was defined as the monetary policy rate minus 1.75 pp, in order to maintain the advantage of interbank deposits for commercial banks compared to overnight deposits at the National Bank of Georgia. The use of the interest rate corridor mitigates excessive volatility of interest rates in the interbank market and, in turn, facilitates the convergence of the interbank interest rate with the monetary policy rate.

Overnight loans from the National Bank of Georgia represent the fastest means for the banking sector to obtain liquidity, albeit at a higher cost compared to the market interest rate. The same collateral base applied to overnight loans as to refinancing loans.

Through the overnight deposit instrument, commercial banks can place excess national currency liquidity from their correspondent accounts into overnight deposits at the NBG at the end of the day, which is then returned to their correspondent accounts at the very beginning of the subsequent business day. This instrument plays a significant role in stabilizing interest rates in the interbank market.

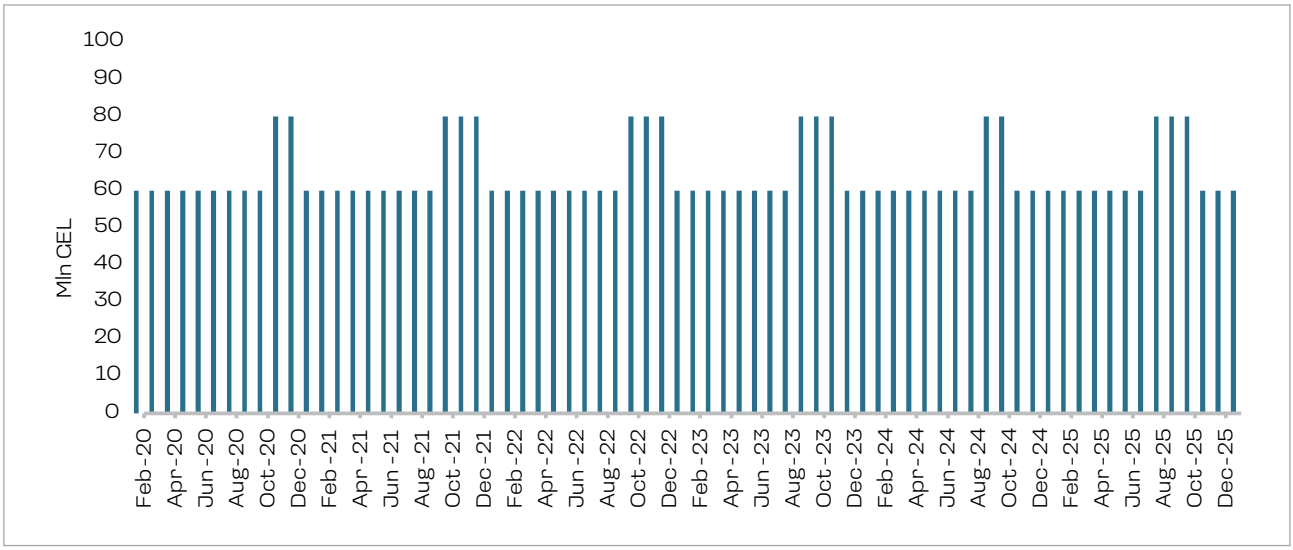
2.2.4. Securities

In 2025, the National Bank of Georgia issued certificates of deposit with a maturity of 3 months, while the Government of Georgia issued treasury securities with maturities of 6 months and 1, 3, 5, 7, and 10 years. These securities enjoyed high demand from commercial banks and facilitated the formation of a stable lari yield curve. This curve provides vital information regarding interest rates across various maturities and helps shape the expectations of financial market participants.

Certificates of Deposit

In 2025, the National Bank of Georgia issued 3-month certificates of deposit, which the banking sector utilized as an attractive and effective short-term liquidity management instrument. Out of the 13 auctions announced during 2025, commercial banks purchased the full amount offered at every auction. In total, certificates of deposit with a nominal value of GEL 260 million were allocated, and the same amount was redeemed. As of 31 December 2025, three commercial banks held the GEL 60 million of certificates of deposit in circulation.

DIAGRAM N 2.6. DYNAMICS OF THE CERTIFICATES OF DEPOSIT PORTFOLIO, 2019-2024



Source: NBG

Government Bonds

As of 31 December 2025, the National Bank of Georgia held government bonds with a nominal value of GEL 152.85 million, which were not utilized for open market operations during the year.

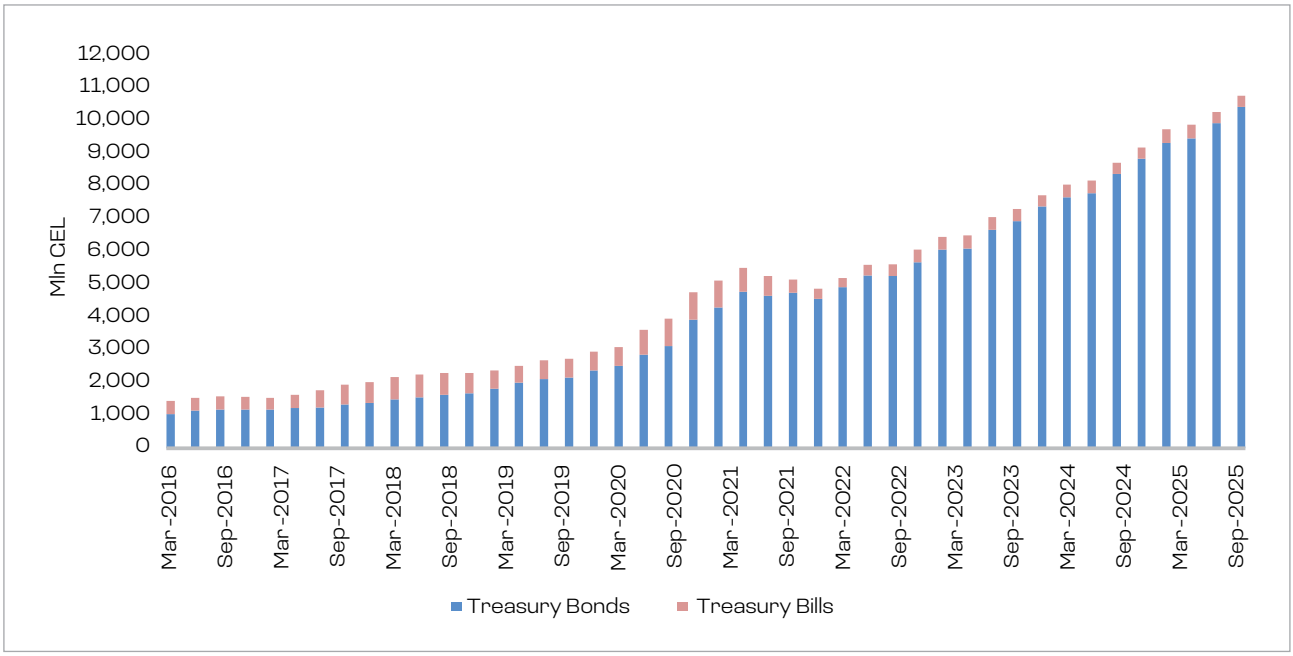
Treasury Bills and Treasury Bonds

To promote the development of the GEL money market, the volume of treasury bills and treasury bonds issued by the Ministry of Finance of Georgia increased significantly. In 2025, the Ministry of Finance of Georgia issued discount securities with residual maturities of 6 months and 1 year (treasury bills) as well as coupon securities with residual maturities of 3, 5, 7, and 10 years (treasury bonds). Their issuance was conducted in the national currency in a dematerialized form. The nominal value of one security is GEL 1,000. The sale of treasury bills and treasury bonds is conducted through auctions organized by the National Bank of Georgia, using a multiple-price method via the Bloomberg system's auction platform. Commercial banks licensed by the National Bank of Georgia can participate in the auctions, and through them, any legal entity or individual can participate.

In 2025, 72 auctions for treasury securities were held, through which securities with a nominal value of GEL 3.44 billion were allocated. As of 31 December 2025, outstanding treasury securities with a nominal value of GEL 11.3 billion were held by 11 commercial banks, the NBG, as well as non-bank investors. Non-bank investors held treasury securities with a nominal value of GEL 2.02 billion.

It is noteworthy that the volume of treasury securities in circulation on the market is still small compared to the size of the economy. To increase market liquidity, the Government of Georgia began issuing 2-, 5-, and 10-year benchmark bonds in 2018. This led to an increase in the issuance of treasury securities, which helped reduce the currency risks arising from external debt accumulated to finance the deficit.

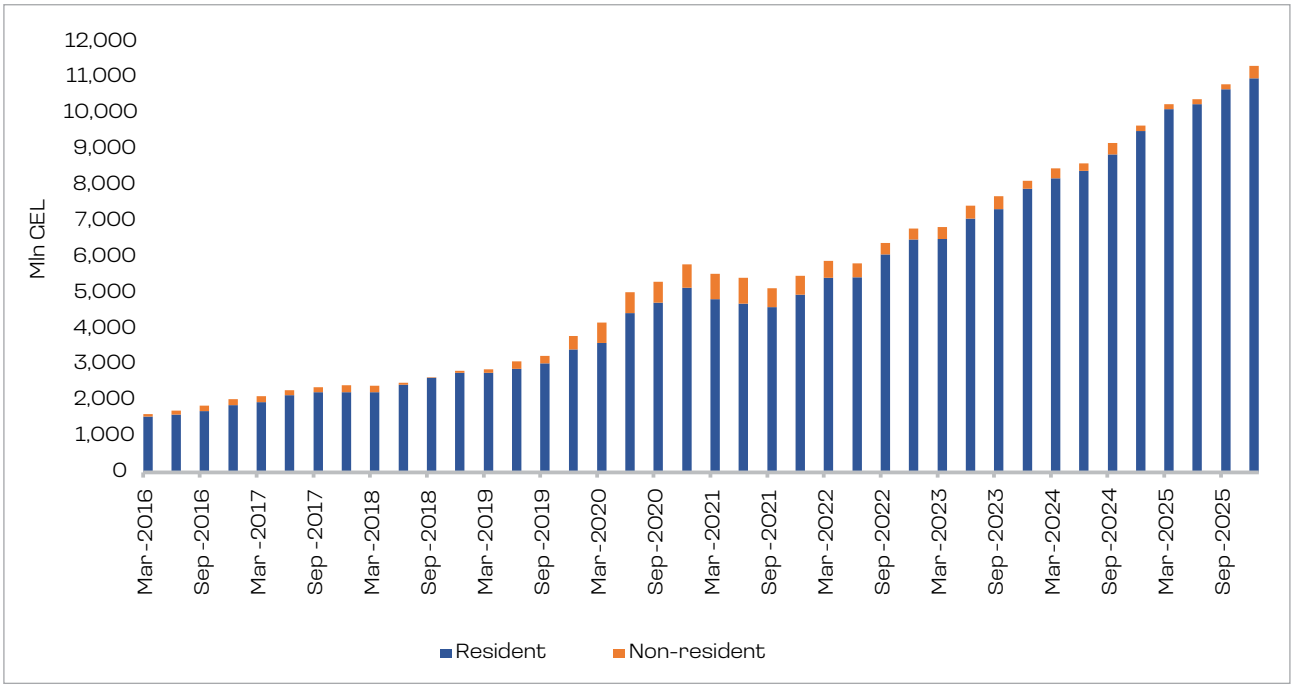
DIAGRAM N 2.7. DYNAMICS OF TREASURY BILLS AND TREASURY BONDS PORTFOLIO, 2016-2025



Source: NBC

Treasury securities are primarily held by residents. As of 31 December 2025, the portfolio of securities held by residents amounted to CEL 10.99 billion, while the portfolio of treasury securities held by non-residents stood at CEL 340.7 million.

DIAGRAM N 2.8. TREASURY BILLS AND TREASURY BONDS PORTFOLIO DYNAMICS BY OWNERSHIP



Source: NBC

To facilitate the activation of the secondary market for securities, the National Bank of Georgia continued to support and ensure the flawless functioning of the modern "Georgian Securities Settlement System" (GSSS) and various integrated systems. In this context, the interbank repo market is particularly noteworthy. Established at the initiative of the National Bank of Georgia and with the participation of commercial banks, this market operates based on a globally tested framework agreement for repo transactions. A repo transaction involves the sale of securities with an obligation to repurchase the same or equivalent securities at a later date under pre-agreed conditions. To execute repo transactions, banks utilized the Bloomberg trading system and the GSSS. Through these systems, 82 repo transactions involving treasury securities, with a nominal value of GEL 4,280.7 million, were executed among commercial banks in 2025.

The existing practice and infrastructure in the securities market provide a solid foundation for the further activation of the secondary securities market, which should lead to increased liquidity in the securities market.

Progress of the Primary Dealer Pilot Program for Securities Market Development

The development of the treasury securities market is one of the strategic directions for the development of Georgia's financial market and public debt management. In recent years, the volume of the securities market has been gradually increasing. Since 2018, the issuance of so-called "benchmark" bonds and the gradual increase of their volumes commenced.

To transition to a new stage of securities market development, aiming to broaden the investor base and facilitate the activation of the secondary market, the National Bank of Georgia and the Ministry of Finance of Georgia deemed it appropriate to establish a primary dealer institution, which is a practice tested internationally. The primary dealer institution can play a significant intermediary role in the securities market between the Ministry of Finance of Georgia—as the issuer of treasury securities—and investors. In turn, a developed government securities market will promote the development of the capital market in the country. Primary dealers will foster the diversification of the investor base and increase secondary market liquidity by regularly updating prices and ensuring an appropriate trading and settlement infrastructure.

The National Bank of Georgia and the Ministry of Finance of Georgia, with technical assistance from the International Monetary Fund and the World Bank, have been actively involved in developing a primary dealer pilot program in recent years. A memorandum of understanding was jointly prepared and discussed with market participants. Ultimately, six commercial banks operating in Georgia expressed their desire to participate in the pilot program, and memoranda of understanding were signed with each of them. The pilot program launched in November 2020, and initially, its approximate duration was set at a minimum of 1-1.5 years. The progress of the pilot program is periodically assessed, and based on its further development, the results will be summarized and future development plans will be outlined. Throughout 2025, four commercial banks continued to participate in the primary dealer pilot program.

2.2.5. Minimum Reserve Requirements

Through the minimum reserve requirements instrument, the National Bank of Georgia creates a prerequisite for the effective use of other monetary instruments. Minimum reserve requirements for funds attracted in GEL have remained unchanged in recent years. The minimum reserve requirements for funds attracted in foreign currency ranged between 10% and 25% during 2025; the required ratio depends on the deposit dollarization coefficient of each commercial bank. Specifically, the higher the deposit dollarization of a bank, the higher the reserve requirement for that bank. On the other hand, based on residual maturities, borrowed funds with a maturity of more than one year in the national currency and more than two years in a foreign currency are exempt from reserve requirements.

During 2025, the NBG remunerated the minimum reserves held by commercial banks at the National Bank of Georgia in the national currency at the prevailing monetary policy rate for the corresponding period (which remained unchanged during the reporting period and amounted to 8% annually). For balances placed in US dollars on reserve accounts at the National Bank of Georgia that exceeded the minimum reserve balance calculated in accordance with the rule existing prior to 19 December 2024, the applicable interest rate was set at 50 basis points lower than the US Federal Reserve System's policy rate or its upper bound (if such exists). Meanwhile, for balances placed in euros on reserve accounts that exceeded the minimum reserve balance calculated in accordance with the rule existing prior to 19 December 2024, the

applicable interest rate was set at 50 basis points lower than the European Central Bank's deposit facility rate.

2.2.6. Development of the Securities Settlement System in Georgia

The securities settlement system has been operating at the National Bank of Georgia since 2010. The modern high-tech system ensured fast and secure management and operations of government securities issued by the Ministry of Finance of Georgia and the NBG.

The upgraded Georgian Securities Settlement System (GSSS) was launched on 3 December 2018 and functioned successfully throughout 2025. Through the new system, both local and international financial market participants are provided with comprehensive, high-standard services. This system facilitates the settlement of both government and private securities. Transactions with securities have become faster, cheaper, more convenient, and fully secure. The project is a clear example of successful cooperation between the National Bank of Georgia and the private financial sector.

The GSSS is innovative in its functions and incorporates modern approaches such as effective liquidity management mechanisms, partial payments, offsetting counter-transactions (on a net settlement basis), and flexible mechanisms for automatic collateralization and intraday loans. Alongside commercial banks, brokerage companies are also integrated into the GSSS, offering them entirely new opportunities. The system is integrated with both the stock exchange and Bloomberg trading platforms, ensuring the automation of the entire trading and settlement cycle. As a result, only a few minutes elapse between the conclusion of a trade and its settlement. With the implementation of the new system, the existing procedures and settlement rules—based on internationally recognized principles—were updated. Investors' securities will be more reliably protected, and monetizing them as needed (through sales, pledging, or repo operations) becomes easier and more convenient. This undoubtedly increases the attractiveness of the Georgian capital market for both local and foreign investors.

The upgraded GSSS also enabled the integration of the Georgian Central Securities Depository, allowing it to provide services to all participants of the Georgian securities market and to register and settle all types of securities in Georgia within a single system (including bonds and shares issued by private companies). As a result, settlement operations related to issuance, redemption, purchase and sale, repo transactions, and coupon and dividend payments for private securities registered in this system, have become fully automated—as has their pledging at the NBG and/or among professional market participants.

Because the local securities market infrastructure has become more reliable and modern, the upgraded GSSS also helps stimulate the interest of foreign financial institutions and investors in Georgia's financial markets.

2.3. EXCHANGE RATE POLICY AND INTERNATIONAL RESERVES MANAGEMENT

Exchange Rate Policy

Georgia, as a small open economy, operates under a floating exchange rate regime. Under this regime, the exchange rate is determined based on supply and demand factors at the market and, accordingly, on macroeconomic fundamentals.

A floating exchange rate is the optimal currency regime for Georgia. According to the "impossible trinity" principle, under the conditions of inflation targeting and free capital mobility, the functioning of a floating exchange rate regime is necessary. On the one hand, free capital mobility is required, as it promotes productivity growth in the country and, consequently, long-term economic growth. On the other hand, it is important to have an independent monetary policy so that monetary policy responses can be conducted in accordance with Georgia's economic cycles. An independent monetary policy is advisable because Georgia's economic cycles do not coincide with those of other advanced economies. An independent monetary policy mitigates the economic fluctuations caused by the business cycle. As a result, inflation and employment are more stable, which is a prerequisite for long-term economic growth and improving the well-being of the population.

Throughout 2025, to replenish international foreign exchange reserves to an adequate level, the NBG utilized rule-based interventions on the foreign exchange market via the BMatch platform.

As international foreign exchange reserves are a key pillar of the country's macroeconomic stability, the National Bank is always focused on accumulating reserves when favorable conditions exist on the foreign exchange market.

During 2025, the less import-intensive growth of the economy led to an improvement in the current account balance, while the upward trend in deposit larization simultaneously increased. These strong macroeconomic fundamentals significantly contributed to the stability of the lari exchange rate. At the same time, against the backdrop of improved fundamentals, the volatility driven by cyclical factors also decreased in the market. As a result, the favorable conditions created on the foreign exchange market allowed the NBG to significantly replenish its gross international reserves. Specifically, from March 2025 and throughout the rest of the year, the NBG utilized the BMatch platform for rule-based interventions, and during the reporting period, the net cumulative volume of the NBG's foreign exchange interventions amounted to USD 2,432.5 million.

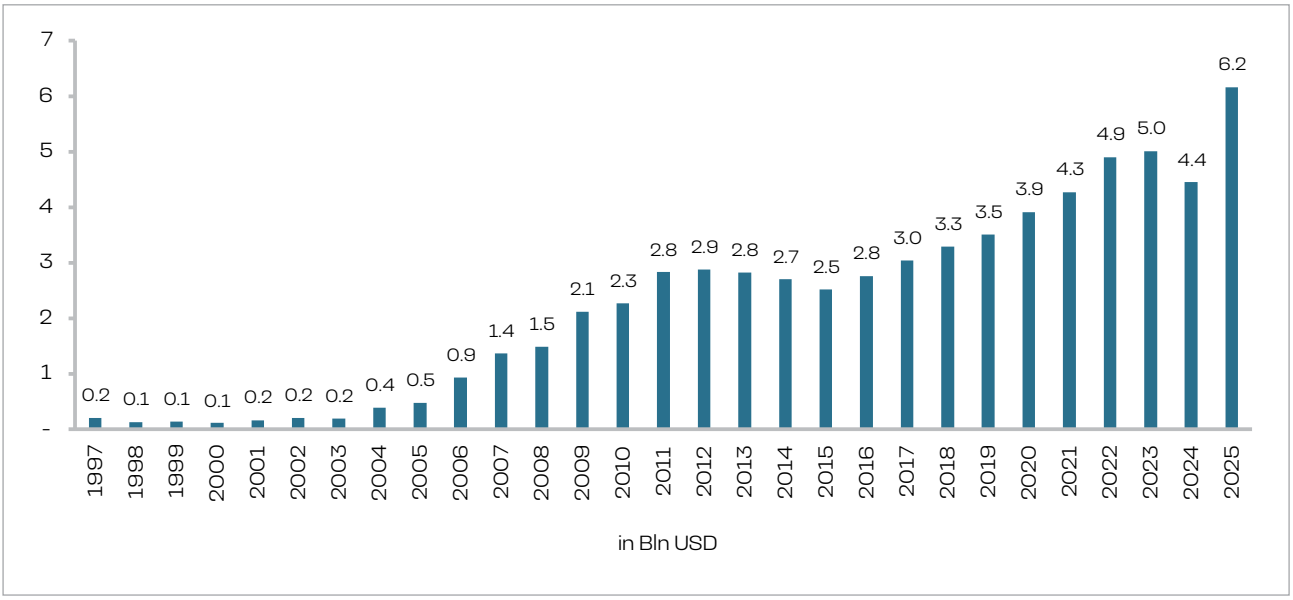
Consequently, the adequacy level of the country's gross international reserves improved significantly. The import coverage ratio, which reflects how many months of imports can be financed by existing international reserves, improved from 2.6 months at the beginning of the year to 3.6 months at the end. Furthermore, the ARA Metric, which is a measure of reserve adequacy used by the International Monetary Fund to assess reserve adequacy in the face of potential external shocks, increased from 82.6% to 104.8%.

The nominal exchange rate of the lari against the dollar appreciated by 4.0% at the end of 2025 compared to the same period of the previous year. The Nominal Effective Exchange Rate (NEER) index depreciated by an annual average of 0.1%, while the Real Effective Exchange Rate (REER) depreciated by 3.4%, as a result of which the latter converged towards its equilibrium level.

International Reserves Management

In 2025, the volume of the gross international reserves of the National Bank of Georgia increased by USD 1.71 billion compared to the previous year, amounting to USD 6.16 billion as of 31 December 2025 (see Diagram N 2.9).

DIAGRAM N 2.9. OFFICIAL INTERNATIONAL RESERVES, 1997-2025 (BILLION USD, YE)



Source: NBG

Several key factors influenced the dynamics of the National Bank of Georgia's international reserves in 2025: foreign exchange interventions by the National Bank of Georgia, Georgian government debt servicing and foreign currency expenditures, credits and grants received from international organizations, and changes in reserve account balances.

Additionally, the approximately 65% increase in the price of gold on the global market during 2025 had

a significant impact on the dynamics of the NBG's international reserve volume. Maintaining a high share of gold in reserves is a growing trend in international practice against the backdrop of geopolitical and inflationary risks. The NBG began investing in gold in 2024, which proved to be a timely strategic decision; this asset not only facilitated the diversification of reserves but also augmented their overall volume and partially mitigated risks associated with financial market volatility.

During 2025, the National Bank of Georgia was a net buyer on the foreign exchange market; net purchases through foreign exchange auctions and Bloomberg's Bmatch platform amounted to USD 2.43 billion. At the same time, state external debt servicing and foreign currency expenditures amounted to approximately USD 1.6 billion. During 2025, the volume of foreign-currency grants and loans received by the state from international financial organizations and donor countries and deposited at the National Bank of Georgia to finance various programs and projects amounted to approximately USD 329.3 million. Overall, taking these factors into account, the NBG's reserves increased by USD 1.71 billion in 2025.

Throughout 2025, the investment policy of the National Bank of Georgia remained conservative and focused on mitigating credit risks. The international reserves of the National Bank of Georgia were invested in US Treasury securities, sovereign securities of Eurozone countries, highly liquid securities of government agencies in these countries and supranational financial institutions, as well as placements with international banking institutions with high credit ratings. During 2025, the revenues generated from the management of the National Bank of Georgia's international reserves amounted to GEL 421.9 million. As a result of the significant decrease in interest rates on financial markets during 2025, the prices of bonds in the NBG's portfolio increased, which positively affected the revenues derived from international reserves. In parallel with the decline in interest rates, capital gains on bonds made a significant contribution to the increase in the NBG's revenues.

In 2025, the National Bank of Georgia continued its cooperation with the World Bank within the framework of the Sovereign Investment Partnerships program. The National Bank of Georgia became a member of this program in 2009, which entails technical support aimed at the further development of international reserve management at the NBG, the creation of relevant infrastructure, and knowledge accumulation. It also includes the sharing of the World Bank's experience in the areas of portfolio and risk management, settlement, accounting, legal matters, and information technology. During 2025, cooperation continued between the National Bank of Georgia and the Bank for International Settlements (BIS). The National Bank of Georgia joined its investment program, the BIS Investment Pool (BISIP), at the end of 2014. This program involves the management of the pooled funds of various central banks and international financial institutions in a single portfolio. The BISIP also encompasses assistance and the sharing of experience in the field of reserve management.

03.

FINANCIAL STABILITY POLICY

Promoting financial stability, as a prerequisite for sustainable economic growth, is one of the fundamental objectives of the National Bank of Georgia. According to the Organic Law of Georgia "On the National Bank of Georgia", promoting financial stability in the country is a key mandate of the NBG, provided it does not conflict with the execution of the NBG's primary mandate of maintaining price stability. Financial stability implies a condition where the financial system has the capacity to seamlessly provide services to market participants during both good times and periods of stress.

To ensure financial stability, the NBG implements macroprudential policy and supervises the financial sector. By identifying, assessing, and monitoring systemic risks, the NBG develops policy responses to mitigate these risks, thereby supporting the growth of the resilience of the financial system. The Financial Stability Committee, headed by the Governor of the NBG, coordinates macroprudential policy within the framework of the NBG's mandate. The Financial Stability Committee assesses and analyzes systemic risks and ways to reduce them, issues recommendations on implementation of appropriate macroprudential measures, and coordinates the necessary measures to ensure financial stability.

The main instrument of the NBG's macroprudential policy is the countercyclical capital buffer. Its objective is to restrict, when necessary, excessive lending to the economy that may lead to an increase in systemic risks. The countercyclical nature of the buffer supports the primary goal of macroprudential policy, which is to reduce systemic risks to financial stability. During adverse shocks, the countercyclical buffer is intended to support the financial system so that credit to the economy is not significantly restricted, thereby preventing a further deterioration in both the financial sector and the overall economy. The Basel Committee considers it appropriate to set a positive neutral countercyclical buffer to cope with unexpected shocks that are not related to credit activity. Consequently, the neutral rate should remain positive even under conditions of normal credit activity, while the cyclical component of the countercyclical capital buffer should be determined according to the credit growth cycle.

By the decision of the Financial Stability Committee, the neutral rate of the countercyclical buffer is set at 1%, which banks are required to accumulate gradually according to a schedule determined by the NBG. As for the cyclical component, it depends on factors such as the credit-to-GDP ratio and its deviation from the long-term trend, credit trends, various metrics of the financial sector's cyclical position, and the characteristics of the country's internal and external macro-financial environment. Currently, banks are continuing the gradual accumulation of the neutral component of the countercyclical capital buffer, and at this stage, the buffer stands at 0.5%. By March 15, 2027, the neutral component of the countercyclical buffer will reach 1%. In 2025, no adjustment to the cyclical component of the countercyclical capital buffer was deemed necessary.

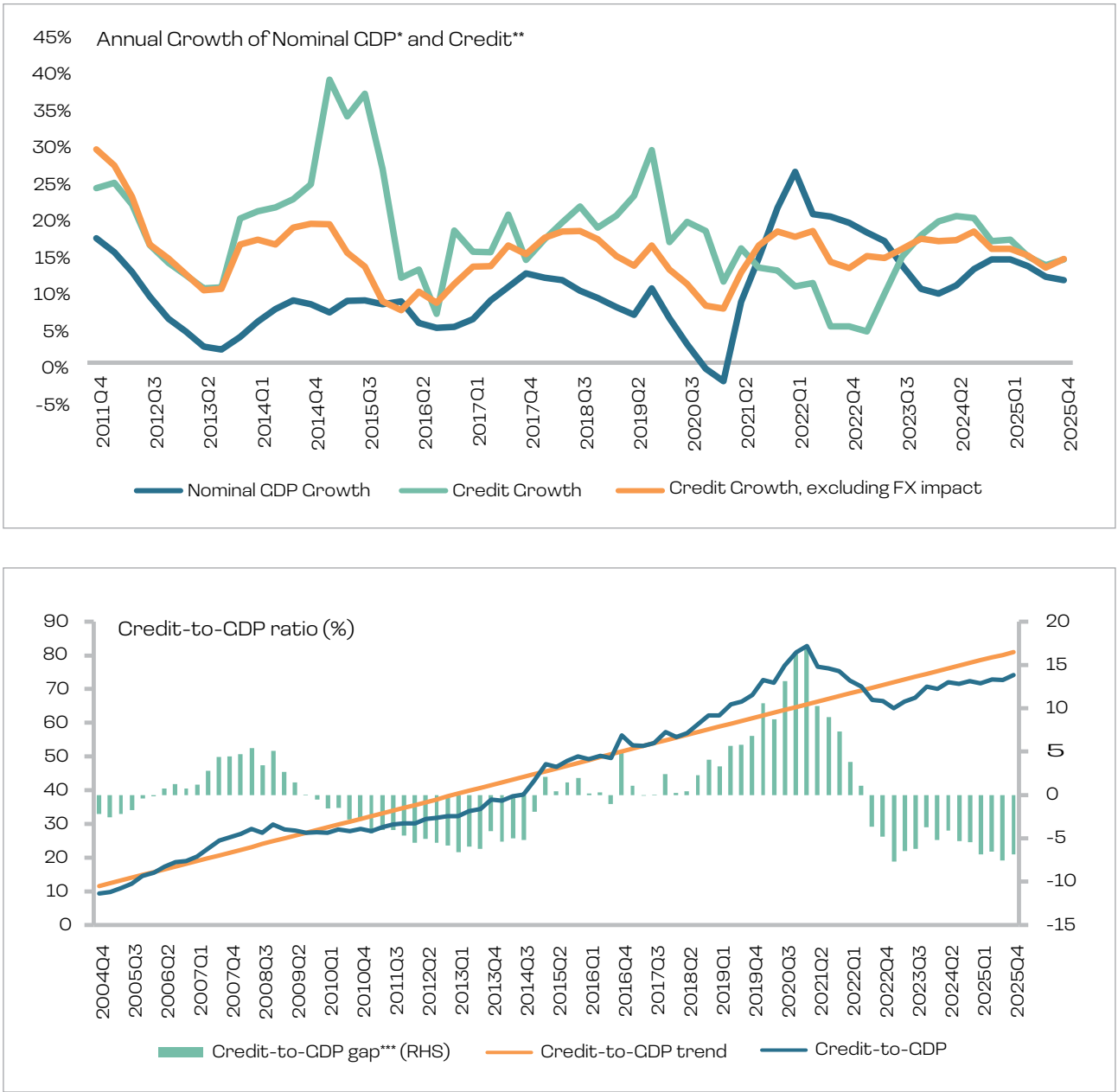
In addition to the countercyclical buffer, to conduct macroprudential policy, the National Bank of Georgia also utilizes other capital buffers that have been implemented as part of the convergence with the Basel III framework. The macroprudential policy toolkit also includes the Payment-To-Income (PTI) and Loan-To-Value (LTV) ratios, sectoral risk weights, and other instruments.

The National Bank of Georgia continues to actively work on mitigating the structural risks stemming from the high level of financial dollarization in the economy. Against the backdrop of the measures implemented by the NBG, dollarization has decreased significantly; however, dollarization, and the risks associated with it, remains one of the main challenges for the financial sector. Foreign currency-denominated loans, which are mostly variable rate, are accompanied by interest rate and exchange rate risks. The latter is particularly noteworthy given the high share of unhedged borrowers in foreign currency and the elevated volatility of regional currency exchange rates. The de-dollarization measures implemented by the National Bank of Georgia serve precisely the purpose of mitigating the risks caused by dollarization. Taking into account the macroeconomic and macro-financial environment and the existing risks in 2025, the NBG continued the implementation of its long-term de-dollarization plan. According to the decision of the Financial Stability Committee, the GEL 500,000 limit for unhedged foreign currency loans, which had been in effect since January 2025, was subsequently increased to GEL 750,000 effective August 1, 2025. It should be noted that deposit dollarization also remains at a high level. To support the larization of liabilities, the National Bank of Georgia applies more favorable liquidity and minimum reserve requirements to the national currency.

The Georgian financial system is resilient and continues lending to the economy without interruption.

According to 2025 data, banks maintain healthy capital and liquidity indicators; furthermore, the share of non-performing loans in the total loan portfolio remains at a low level. In December 2025, the annual growth of loans, excluding the exchange rate effect, stood at 14%, which was largely driven by the growth of business loans. The strong economic growth during 2025 slowed the pace of closing the negative credit-to-GDP gap; however, the credit-to-GDP ratio continues to converge towards its long-term trend. Consequently, no need for an adjustment of the cyclical component of the countercyclical capital buffer for banks was identified. Concurrently, commercial banks continue the gradual accumulation of the neutral component of the countercyclical capital buffer in accordance with the timeline determined by the Financial Stability Committee..

DIAGRAM N 3.1. COMPARISON OF LOAN AND NOMINAL GDP GROWTH RATES



**Nominal GDP growth reflects the annual GDP growth over the last four quarters.*
***Loans include the loans issued by banks and microfinance institutions, as well as bonds issued locally by companies.*
****The gap of loans to GDP ratio is the difference between the ratio of loans to GDP to its long-term trend. An HP filter is used to evaluate the trend according to Basel recommendations.*

Source: National Bank of Georgia; GeoStat

Against the backdrop of the normalization of economic activity, in order to support stable activity in the real estate market, the National Bank of Georgia updated certain requirements of the responsible lending regulation. Specifically, the NBG temporarily increased the maximum loan-to-value (LTV) ratio by 5 percentage points to 90% for local currency loans secured by real estate issued to natural persons. Additionally, for individuals receiving income from abroad, the LTV ratio for mortgage loans will be raised by 10 percentage points to 80%. These changes will facilitate increased access to mortgage loans during the transitional phase of economic normalization.

3.1. DEVELOPMENT OF THE FINANCIAL STABILITY FRAMEWORK

The development of the financial stability framework is a core part of the NBG's financial stability mandate, and financial stability, in turn, is one of the fundamental factors for the development of the country's economy. The relevance of financial stability issues and macroprudential policy have increased globally in recent years. A robust and effective financial stability framework ensures the uninterrupted supply of financial resources even during periods of economic downturn, thereby making a significant contribution to rapid economic recovery. According to best international practice, a complex and in-depth analysis of financial stability should involve not only the assessment of banking sector risks but also pay attention to external factors, which, as recent years have shown, can be sources of significant risks. Financial stability analyses also take into account the macro-financial environment, households, companies, and non-bank institutions.

The National Bank of Georgia is developing and formulating a financial stability policy framework based on the best practices of other central banks, for which the development of analytical capabilities is particularly important. In this regard, taking into account the specific characteristics of Georgia, the first stage of the process involved developing and implementing complex financial stability indicators used to inform the design of macroprudential policy. Information about these indicators and the main principles of macroprudential policy implementation are presented in the Macroprudential Policy Strategy, which aims to improve the bank's decision-making process, communication, and accountability to the public. Furthermore, the National Bank of Georgia continuously works on developing analytical tools that are based on both international experience and country-specific characteristics.

A significant component of the financial stability analysis framework is macrofinancial modeling. The National Bank of Georgia is actively working on the development of a macrofinancial model, whose objectives include analyzing financial and macroeconomic stability risks, generating and analyzing macrofinancial scenarios, and conducting macroeconomic stress tests. Together, these constitute a fundamental analytical cornerstone for formulating appropriate macroprudential policy. The development of the financial system and the associated challenges expand the scope for the application of the macrofinancial model and create increasing demand for it. Consequently, the development and refinement of the macrofinancial model is an ongoing process, in which the technical assistance of partner international organizations is of particular importance.

It should be noted that the National Bank of Georgia has gradually transitioned from local accounting standards to International Financial Reporting Standards (IFRS 9), fully replacing the local standards by July 2023. Taking into account this change, the methodology for top-down stress tests was also updated. Specifically, within the scope of the International Monetary Fund mission at the beginning of 2025, a novel approach to credit risk modeling was introduced to assess expected credit losses in accordance with IFRS 9. This entails modeling the transition of loans between stages based on the methodology of Belkin et al. (1998), as published in an IMF working paper.

Under the new methodology, the first stage involves modeling the transition matrix between loan stages, which ultimately allows for characterizing the matrix with a single number. The second stage involves building a satellite model based on the obtained estimates of historical matrices, which links macrofinancial variables to the matrix estimates. The third stage involves obtaining transition matrices between loan stages corresponding to macro-financial risk scenarios. The models are disaggregated by household and business loans, in both domestic and foreign currencies. The results of the stress test conducted according to this novel approach are published in the 2025 Financial Stability Report.

One of the important components of the financial stability framework is increasing transparency and improving communication. To enhance public awareness regarding financial stability policy, financial stability-related topics are constantly updated on the NBG's website. Specifically, information is provided on the objectives of the Financial Stability Committee and macroprudential policy instruments; the calendar of Financial Stability Committee meetings, committee statements, and decisions; issues related to IFRS 9; information on the sustainable finance framework, and more. Furthermore, to encourage public discussion and increase transparency, the NBG began publishing the Financial Stability Bulletin in 2025, which includes an analysis of various sectoral risks and other topical issues. The first edition covered issues such as an analysis of real estate price dynamics, the Batumi commercial real estate price index, and an analysis of the solvency of non-financial companies.

It should also be noted that the NBG facilitates the effective transition of financial institutions to IFRS 9 standards. To ensure that financial companies prepare their financial statements transparently, consistently, and effectively, as well as to ensure comparability, the NBG elaborates risk scenarios for the macroeconomic and financial environment for IFRS 9 purposes and regularly publishes quantitative assessments of macroeconomic trends, which can subsequently be used by financial institutions when estimating expected credit losses. The macroeconomic scenarios for IFRS 9 purposes are based on a macro-financial model and incorporate additional analysis and expert assessments. It should be noted that the presented scenarios are countercyclical in nature, which helps to mitigate potential financial cycles. Against the backdrop of trade restrictions, unprecedentedly increased tariffs, and geopolitical conflicts, the global economic environment was characterized by high uncertainty in 2025. Taking this into account, and to provide financial institutions with macroeconomic forecast information in a timely manner, the National Bank published two updates to the scenarios in 2025. This enabled financial companies to promptly reflect macroeconomic forecast information in their expected credit loss estimates.

Following the successful implementation of the first Sustainable Finance Roadmap for Georgia (2019–2024), the NBG published the second edition of the roadmap in 2025. The Sustainable Finance Roadmap consolidates all potential measures planned to be implemented by the NBG in the direction of sustainable finance over the next three to four years. The main objective of the roadmap is to create a reliable, predictable, and stable regulatory framework that will prepare the market for the transition to sustainable finance. By implementing consistent and compatible measures and allowing the necessary time for adaptation, the roadmap promotes the integration of sustainable development considerations into the decision-making process. Building upon the first roadmap, the second roadmap encompasses six main directions, which are each divided into primary and supporting directions. The primary directions are: (i) sustainable finance flows; (ii) integration of climate, nature, and Environmental, Social, and Governance (ESG) issues and risk management; and (iii) transparency, reporting, and data collection. It is noteworthy that within the framework of the second roadmap, a new direction was added to these primary directions – the integration of sustainability principles and climate-related issues into the internal operations and working processes of the National Bank of Georgia. The supporting directions—raising awareness and capacity building, and strengthening coordination and cooperation with local and international partners—serve a facilitating function for the implementation of the main activities. Based on the achievements of the first roadmap, the second roadmap, in addition to updating, improving, and strengthening existing regulations, guidelines, and instruments, also includes the development of new instruments. This strategic document aims at the effective implementation of activities, including monitoring, compliance assessment, identification of gaps, and provision of feedback for continuous improvement.

In the second half of 2025, the NBG published its fifth Sustainable Finance Status Report. The report presents an overview of the existing trends, implemented policies, and future plans regarding sustainable finance in Georgia. Specifically, it analyzes the steps taken by the NBG, describes ongoing and upcoming projects, and summarizes the ESG information presented by commercial banks. The report also outlines the trends in Green, Social, Sustainability, and Sustainability-linked (GSS+) bond issuance in Georgia and, in general, capital market trends regarding sustainable finance.

In August 2025, the NBG approved the regulation for granting, maintaining, and revoking the status of Green, Social, Sustainability, and Sustainability-linked (GSS+) bonds. Based on the new rule, the requirements for granting, maintaining, and revoking the right to use the designations "Green Bond", "Social Bond", "Sustainability Bond", and "Sustainability-linked Bond" were defined

for public bonds on the Georgian securities market. The list of eligible economic activities for such a status is determined by the NBG's Sustainable Finance Taxonomy or an equivalent international taxonomy. This regulation prohibits the use of GSS+ labeling for public bonds that do not meet the established criteria. The main objective of the regulation is to prevent so-called "greenwashing" (classifying a non-green project or product as green), protect investors, and ensure market credibility. Furthermore, the regulation will facilitate directing private capital towards sustainable investments. It also ensures greater transparency for financial products with environmental, social, and other sustainable development objectives. The new regulation, prepared by the NBG with the active involvement of international financial institutions (IFC, EBRD, and the World Bank) and local market participants, aims to regulate issues related to the public issuance of bonds with sustainable objectives on the capital market, thereby supporting the social and environmental goals and projects of enterprises. The rule will enter force on 1 January 2026.

Concurrently, in 2025, the NBG added green assets to the collateral for monetary policy operations within the framework of the Financial Collateral Management Regulation. Bonds issued from 1 January 2026 that fully comply with that regulation and simultaneously meet the criteria defined by the Decree of the Governor of the NBG No. 197/04 of 21 August 2025, and the requirements of aforementioned regulation on GSS+ bonds, will benefit from a 2.5 percentage point discount when assessed as collateral for the NBG's refinancing, open market, and overnight loans. This step promotes the greening of the NBG's monetary framework and the development of sustainable finance instruments in Georgia.

To address challenges related to the availability of gender-disaggregated data in Georgia and to systematically collect data on Women-owned and Women-led Micro, Small, and Medium Enterprises (WMSME), the National Bank of Georgia, in cooperation with the Investors Council, the Bankers' Association, and commercial banks, developed a definition and a reporting form for women entrepreneurs (women-owned and women-led enterprises). The reporting form was developed to collect gender-disaggregated data from commercial banks regarding enterprise financing. The first reports by commercial banks were prepared based on 2024 data, while regular quarterly reporting will commence from 2026 to ensure the continuous monitoring and availability of gender-disaggregated MSME data. The reporting form includes key indicators such as the number of MSME business borrowers, the number of loan applications and approved loans, the volume and quality of existing loans, and the volume of deposit accounts. In addition, the form includes supplementary indicators such as the issuance of new loans, the number and volume of secured loans, interest rates, and loan maturities. Detailed results from a study of the 2024 data are presented in the 2025 Financial Stability Report.

In accordance with the requirement established by the Corporate Governance Code, commercial banks disclosed ESG information for the fifth time in 2025 using the NBG's template. The templates completed by financial institutions for the years 2021-2025 are published on the NBG's website. Banks submit these reports annually, which facilitates the provision of information on ESG issues to investors and other stakeholders.

Since the beginning of 2025, the National Bank has been working on updating the ESG issues disclosure form. Since 2021, within the framework of Pillar 3 annual reporting, commercial banks have been publishing information related to ESG issues using the disclosure form developed by the National Bank. In order to reflect on the accumulated experience and developments in international sustainability reporting standards, the National Bank is currently updating the existing form. The updated disclosure form will comply with leading international standards and frameworks, including IFRS S1, S2, ESRS, and GRI standards, the TNFD framework, and the Basel framework for climate-related financial risks. The form includes both qualitative questions regarding governance, strategy, and risk management, as well as quantitative questions for assessing transition and physical risks. The "Metrics and Targets" section of the form is dedicated to updated Key Performance Indicators, which integrate detailed metrics on environmental, social, and governance issues. Reporting using the updated form will commence in 2026, and the reports will be published on the NBG's website.Within the framework of the initial Sustainable Finance Framework, in 2022, the National Bank of Georgia approved the Sustainable Finance Taxonomy and the Regulation on Loan Classification and Reporting according to the Taxonomy (Taxonomy Regulation). Since 1 January 2023, banks have been obliged to submit monthly reports on green loans to the National Bank using the monthly green loan reporting form defined by the Taxonomy Regulation. Furthermore, in accordance with

the Taxonomy Regulation, information related to green, social, and sustainable loans must be disclosed in the ESG reporting and disclosure form of the Pillar 3 annual report. To ensure the accuracy of these reports and to prevent "greenwashing", an assessment of the loan portfolios submitted to the National Bank in December 2025 will be conducted in 2026.

It should be noted that since the second half of 2025, the NBG has been working on updating the green taxonomy and the corresponding regulation. This initiative involves reviewing taxonomy categories and technical criteria and bringing them in line with the country's updated regulations and best international practices. The publication of the updated green taxonomy and corresponding regulation is planned by the end of 2026.

To increase the transparency of sustainable finance data and ensure public access to information, the National Bank of Georgia worked on developing a Green Loans Dashboard in 2025. The dashboard will present detailed data on green loans reported through the monthly green loan reporting form under the Taxonomy Regulation. This initiative will improve the accessibility and usability of green loan data for a broader range of stakeholders, including policymakers, financial institutions, and researchers. The Green Loans Dashboard will be published on the official website of the NBG in the first half of 2026.

In cooperation with the OECD, the NBG launched a project to assess nature-related risks in the Georgian financial sector. This joint initiative includes analytical research, the enhancement of the NBG's risk assessment tools, and collaboration with banks and other stakeholders. The main objective of the project is to assess nature-related risks in the Georgian economy and financial sector. The new analysis builds upon the findings of the NBG's 2023 study and the OECD's supervisory framework to: (i) identify material risk transmission channels; (ii) determine vulnerable economic sectors and critical natural capital assets; and (iii) assess the direct and indirect economic impacts caused by natural shocks using the analysis of nature-related scenarios and input-output tables. Concurrently, to assess nature-related risks, dependencies, and vulnerabilities, the project envisages the development of a nature-related risk scorecard for banks. The risk scorecard will be integrated into the National Bank of Georgia's ESG risk assessment framework and will assist banks in evaluating nature-related risks. The publication of the research results is planned for the second half of 2026. The NBG continues to actively develop the sustainable finance framework and implement the activities planned in this direction.

3.2. RECOVERY AND RESOLUTION FRAMEWORK

Since 2021, the National Bank of Georgia has commenced work on the development and implementation of the Commercial Banks Recovery and Resolution Framework (the Resolution Framework).
Active work continued throughout 2025, during which the National Bank collaborated closely with the International Monetary Fund and the World Bank. Within the scope of their mission, the World Bank team held working meetings with representatives of various structural units of the NBG, including the Resolution and Liquidation Division, as well as the Deposit Insurance Agency, and the Ministry of Finance. These meetings focused on strengthening the resilience of the financial system, enhancing crisis prevention and management capabilities, and perfecting the Resolution Framework.
In 2025, every participant in the banking sector prepared recovery plans, which consolidate the measures to be implemented by a commercial bank to improve its financial condition and restore and maintain critical functions in the event of significant financial difficulties and/or disruption of critical functions. The National Bank examined the documents for each individual bank and provided appropriate feedback based on regulatory rules and good international practice.

A crucial element of the recovery plan developed by a commercial bank is the self-assessment of critical functions and, in the event of their disruption, an assessment of their timely substitutability by other market participants, taking into account the impact on counterparties and the real economy.

The following functions are assessed as critical for the system:

- Deposit taking;
- Lending;
- Payment services, cash services, clearing, settlement services, and custody services;
- Capital market activities;
- Wholesale funding.

The requirements for the recovery plan are governed by the relevant regulation constituting the recovery framework. The document focuses on designating indicators for recovery purposes and calibrating their thresholds, defining recovery measures, testing the scale of financial damage and the effectiveness of the recovery measure(s) by use of severe stress scenarios relevant to the bank, and conducting preparatory work. In addition, the document addresses governance arrangements, with an emphasis on the early identification of potential deterioration in the bank's financial condition and its timely and orderly management.

The mandatory categories for recovery plan indicators are as follows:

- Capital;
- Liquidity;
- Profitability;
- Asset quality.

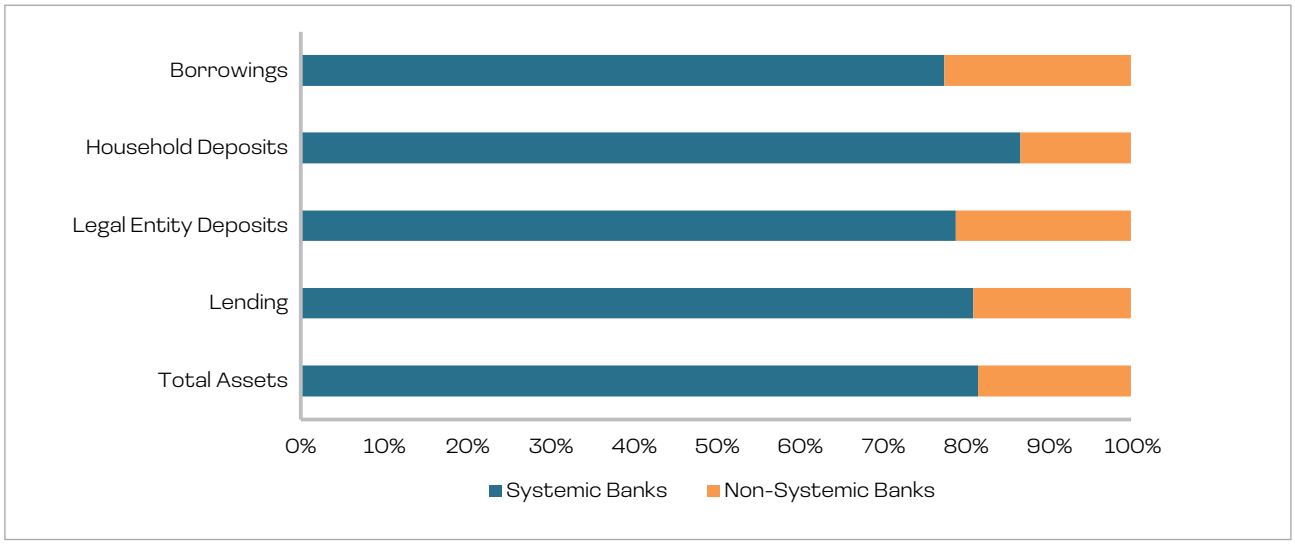
The recovery plans will be updated by commercial banks, and their assessment by the NBC will occur on an annual basis, with the assessment document being integrated into the banks' overall risk management framework.

The resolution mechanism, through the application of appropriate resolution tools, provides an avenue for the rehabilitation of a bank facing a severe financial crisis. It is utilized when the implementation of recovery measures within a reasonable timeframe is highly unlikely (or unsuccessful) and when it is deemed appropriate to maintain the functioning of the financial institution's critical functions to avoid a significant adverse effect on financial sector stability, while also minimizing the need to rely on taxpayer funds.

The resolution powers of the NBC include the individual or combined application of the following resolution tools, without the consent or prior notification of shareholders and/or creditors:

- Merger of a commercial bank;
- Sale of shares, assets, and/or liabilities of a commercial bank;
- Transfer of shares, assets, and/or liabilities of a commercial bank to a bridge bank;
- Recapitalization of a commercial bank through the issuance of new shares;
- Recapitalization of a commercial bank through the write-down or conversion of liabilities (bail-in).

DIAGRAM N 3.2. CONCENTRATION OF SYSTEMIC BANKS IN THE BANKING MARKET (AS OF 31 DECEMBER 2025)



Source: NBC

The dynamics of the banking sector and the high concentration of systemically important (systemic) banks in the banking market underscore the criticality of their economic functions and the necessity of having resolution plans in place. The NBG has thus updated the resolution plans for systemic banks. Additionally, a resolution plan was prepared for one relatively large non-systemic bank. The key elements in the resolution plans are the assessment of resolvability and the determination of the preferred resolution strategy, which encompass the following aspects: plan triggers, qualitative and quantitative analyses of tools, resolution phases, key processes, and others. In the international context, enhancing resolvability and strengthening the operational readiness of resolution tools remain ongoing priorities, including in advanced economies. Significant steps were taken towards the operational readiness of the resolution framework. In particular, taking into account recommendations from the IMF and the World Bank, the NBG developed so-called "playbooks" for resolution tools. The NBG will continue active work on these issues over 2026, including in the direction of improving the resolvability of commercial banks. In 2025, according to the planned schedule under the resolution framework, a meeting of the Resolution Committee was held to discuss thematic issues. Throughout the year, no need for resolution or early warning signs were identified in the banking sector, nor were there any grounds observed for triggering recovery measures.

In 2021, within the framework of the joint Financial Sector Assessment Program conducted in Georgia by the International Monetary Fund and the World Bank, recommendations were issued that the NBG establish a Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for systemically important commercial banks, as envisaged by the existing resolution framework. The requirement is a percentage metric obtained by the ratio of eligible liabilities and capital instruments to supervisory capital and total liabilities.

Furthermore, from December 2023, it became mandatory for commercial banks to include a contractual clause on the use of resolution tools for the write-down or conversion of the bank's liabilities for recapitalization purposes in the contracts of those capital instruments that are fully or partially governed by foreign law. A similar requirement for contracts containing liabilities is covered by the rule approved by Decree No. 241/04 of the Governor of the National Bank of Georgia of 29 December 2020, "On the Approval of the Rule for the Write-down or Conversion of Liabilities of a Commercial Bank for the Purpose of Recapitalization of a Commercial Bank in Resolution", which became effective for commercial banks from 1 April 2024. It should be noted that the inclusion of the clause stipulated by this requirement in a contract does not affect the creditor hierarchy envisaged by law.

It is noteworthy that this regulation is based on the common practice envisaged by the European Bank Recovery and Resolution Directive (BRRD) framework. The aim of the requirement is for systemic banks to create, in advance, a balance sheet structure for crisis situations that will enable the National Bank, within its mandate, to effectively recapitalize a bank under resolution through the write-down or conversion of liabilities.

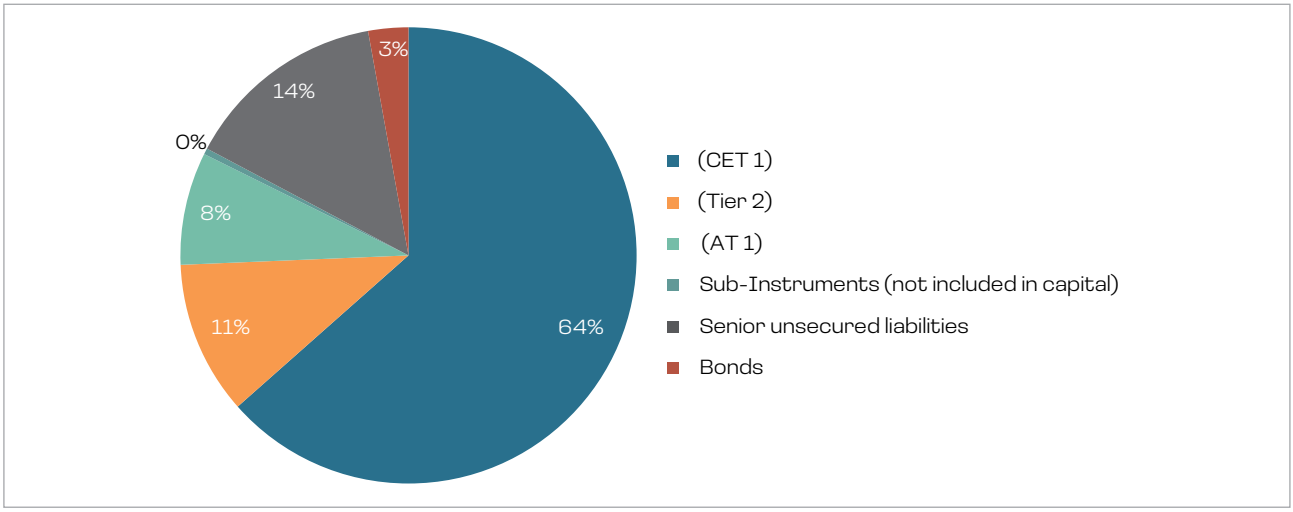
The MREL rate for systemic commercial banks is determined in the following amounts and according to the following deadlines:

- 10% from 1 January 2024;
- 15% from 31 December 2025;
- 20% from 31 December 2027.

To promote financial stability, the NBG enacted this requirement for systemic banks starting in 2024. Since then, in accordance with the requirement, systemic banks have submitted monthly MREL reports to the National Bank in the appropriate format. As of the end of 2025, the MREL adequacy indicators of commercial banks and MREL instruments in the system are as follows:

MREL Recourses (GEL)	**31/12/2025**	**31/12/2025**	**31/12/2025**
Banks	**TBC**	**BOG**	**Liberty**
MREL Resources	8,678,919,525	8,660,240,126	769,731,379
Regulatory capital and total liabilities (TLOF)	38,715,693,719	42,247,911,662	5,932,047,606
%	**22.42%**	**20.50%**	**12.98%**

DIAGRAM N 3.3. MREL RESOURCES BY INSTRUMENT AS OF 31 DECEMBER 2025



Source: NBG

Furthermore, based on the legislative amendments regarding the resolution fund approved by the Parliament of Georgia in December 2023, commercial banks were obliged to make ex-ante contributions to the resolution fund to achieve the target level defined by law. These are as follows:

- **Target level of the fund:** 3% of insured deposits.
- **Contributions:** Banks commenced making contributions from 2025.
- **Timeframe required to achieve the target level:** 8 years (but this may be modified in the event that funds available in the resolution fund are utilized or if the deposit insurance limit is increased).
- **Contribution methodology:** Proportional to the share of commercial banks' assets in the system, taking into account their individual risk profiles.

Following the legislative amendments related to the resolution fund, during 2024, the NBG developed corresponding subordinate normative acts, including, with the involvement of public consultations, the "Rule on the Creation, Administration, and Investment of the Resolution Fund, Criteria for Imposing Ex-ante Contributions to the Resolution Fund, and the Procedure for Making Ex-ante Contributions", which was approved by Decree No. 228/04 of the Governor of the National Bank of Georgia of 2 September 2024. Consequently, the target indicator for the resolution fund to be achieved by 2033 was set at GEL 302,387,263.

Accordingly, the banking sector's total ex-ante contribution for 2025 amounted to GEL 37,798,407. In accordance with the methodology stipulated in Annex No. 1 of the aforementioned rule, this amount corresponds to one-eighth of 3% of the average volume of insured deposits over the four quarters of 2024 (the target indicator to be achieved by 2033). Commercial banks began making individual ex-ante contributions to the resolution fund in accordance with this rule starting in 2025. The contribution of the total ex-ante amount for 2025 (the annual target level) to the resolution fund was fully executed by the commercial banks.

It should be noted that, in accordance with Paragraph 9, Article 555 of the Organic Law of Georgia "On the National Bank of Georgia", the resolution fund is administered by the NBG, which is authorized to transfer the fund to the Deposit Insurance Agency for administration, including the management of the fund's resources for investment purposes. Consequently, in 2025, the funds available in the resolution fund were transferred in this manner based on an agreement concluded with the Deposit Insurance Agency.

In addition to ex-ante contributions by commercial banks, the resolution fund may also accumulate financial resources allocated within the framework of temporary public funding (the so-called ex-post fund) and disburse them according to the established purpose. Upon completion of the resolution regime, and in the event of financial support for the process from the Ministry of Finance, the public funds utilized through the resolution fund shall be reimbursed by operating commercial banks, under the conditions and proportionality determined by the National Bank of Georgia.

In accordance with aforementioned regulation, the audited financial statements of the resolution fund are published annually by 1 July of the following year.

3.3. INTERAGENCY COMMITTEE FOR FINANCIAL STABILITY

To promote the stable functioning of the financial system, and within the scope of the powers granted by Georgian legislation while upholding the principle of independence, a new cooperation platform—the Interagency Financial Stability Committee—was established in 2020. The committee aims to ensure the regular exchange of information, facilitate the development of financial crisis management mechanisms, and strengthen effective coordination.

The committee comprises the Minister of Finance, the Governor of the National Bank of Georgia, the Head of the Deposit Insurance Agency, and the Head of the Insurance State Supervision Service. It is chaired by the Minister of Finance of Georgia, while the National Bank of Georgia performs the functions of the secretariat. According to its statute, the Interagency Committee holds a meeting at least once a year or upon the request of the NBG. The primary task of the committee is to develop mechanisms for managing crisis situations and to promote the stable functioning of the financial system.

In 2025, the mandated annual meeting of the Interagency Financial Stability Committee was held. The members discussed the development of the resolution framework, the avenues for convergence with European practice, and the steps taken in this direction. The discussion also covered joint interagency procedural issues, including established arrangements and those that are still being developed. Furthermore, the members reviewed general indicators related to the resolution fund, including the defined target level, the methodology for commercial banks' contributions, and the administration process. Within the framework of this discussion, the committee also addressed the possibility of the World Bank allocating potential contingent funding for the resolution fund, which would be aimed at strengthening the country's financial resilience.

In addition, the committee members reviewed the status of the implementation of the recommendations of the International Monetary Fund and the World Bank and deliberated on future steps.

3.4. LIQUIDATION OF FINANCIAL INSTITUTIONS

As of 31 December 2025, 17 commercial banks, 29 microfinance organizations, one credit union, 36 payment service providers, and 10 brokerage companies were operating in Georgia. During 2024, no bank liquidation procedures were initiated. The last liquidation in the banking sector was completed in 2019. In executing its liquidation functions with respect to supervised entities, the National Bank of Georgia is guided by relevant laws and decrees. During and following the liquidation process of supervised entities, the NBG records unclaimed funds from creditors on a special account, administers them, and, upon the identification of the rightful owner, ensures the return of these funds. Furthermore, the NBG disposes of assets that may be discovered after the liquidation of a commercial bank (such an occurrence took place following the completion of liquidation processes conducted in earlier years); the funds generated from the realization of these assets are customarily distributed among the remaining creditors of the liquidated bank, in observance of the appropriate priority of claims.[17]

In 2025, proceedings for the disposal of two newly discovered assets of liquidated commercial banks were ongoing under the administration of the NBG; in one of these cases, partially recovered funds distributed to creditors had also been disbursed in previous years. The proceedings regarding these assets will continue in 2026.

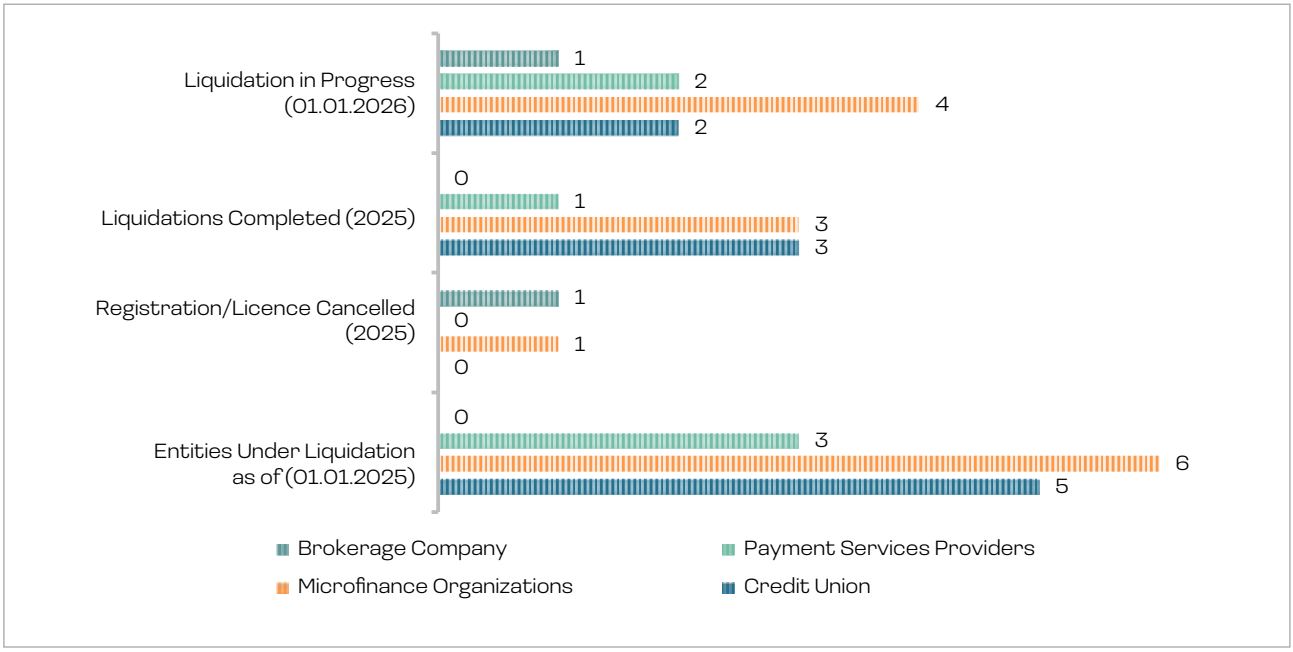
Furthermore, according to Paragraph 16, Article 48 of the Organic Law of Georgia "On the National Bank of Georgia", the supervisory authority of the National Bank of Georgia was expanded. When a supervised

17. In the event of the recovery of an asset that belonged to the commercial bank prior to the issuance of the individual administrative-legal act on the completion of the commercial bank's liquidation process, it shall automatically be considered an asset of the liquidated commercial bank, and the National Bank acquires the right to dispose of it (Paragraph 15, Article 37 of the Law of Georgia "On Activities of Commercial Banks").

entity lacks the funds to cover liquidation expenses, the NBG has become authorized to disburse funds to cover the necessary expenses for the unimpeded execution of the supervised entity's liquidation process. This has facilitated the completion of numerous liquidation projects.

In addition to existing legal acts, the has NBG developed procedures and other technical internal control documents that promote the improvement of managerial issues during the course of liquidation and make the processes more organized and standardized.

DIAGRAM N 3.4. PROGRESS OF LIQUIDATION OF FINANCIAL INSTITUTIONS IN 2025



Source: NBG

Co-authored by the National Bank of Georgia, a package of legislative amendments was developed between 2020 and 2023, which will be submitted to Parliament for approval. Legislative changes are planned to the Organic Law of Georgia "On the National Bank of Georgia", the Laws of Georgia "On Microfinance Organizations", and "On Payment Systems and Payment Services," and several other normative acts.

The objective of these legislative amendments is to expand the authority of the NBG to define, through legal acts, the procedures for the liquidation and insolvency/bankruptcy of microfinance organizations and payment service providers, as well as the introduction and operation of a temporary administration regime for microfinance organizations. These amendments grant the NBG the sole authority to declare microfinance organizations and payment service providers insolvent and/or bankrupt, which will facilitate the timely and effective execution of the process of satisfying the claims of their creditors. The NBG will appoint the liquidators of these supervised entities, as well as the temporary administrators for microfinance organizations, and they will be directly accountable to the NBG. Following the approval of the draft law, the supervisory framework of the NBG regarding the regulation and supervision of microfinance organizations and payment service providers will be further strengthened.

04.

BANKING SUPERVISION

4.1. DEVELOPMENT OF THE SUPERVISORY FRAMEWORK

In 2025, the NBG continued to refine and develop its supervisory framework and, to this end, actively engaged in both research and methodological activities.

During the year, the NBG published the 2025 edition of its 2023-2025 Supervisory Strategy. The NBG's supervisory priorities in the 2025 edition of the strategy remained unchanged, while information on completed tasks and ongoing work was provided in detail in the annual edition. The annual strategy document placed special emphasis on key tasks planned for the next 12-month period and on changes to the action plan, while simultaneously including updated information on the execution of activities in the context of 2024. In 2025, the NBG continued to conduct its activities in line with the following supervisory priorities:

- Improvement of financial sector risk management framework and proactive response to outcomes;
- Promotion of competition in the financial sector;
- Promotion of financial innovation and development of supervisory technologies;
- Approximation to international standards;
- Strengthening the supervisory function of the National Bank and increasing transparency.

The NBG also began working on a new three-year supervisory strategy, within the framework of which the NBG's supervisory priorities and a corresponding action plan for 2026-2028 will be determined. As in previous years, the NBG plans to develop the new supervisory strategy document in a public consultation format, with the active involvement of interested parties. The publication of the new document is planned for the first half of 2026. Furthermore, within the framework of the new supervisory strategy, the execution and statuses of activities envisaged by the 2023-2025 supervisory strategy will be summarized, and interested parties will have the opportunity to review more detailed information about the activities implemented up to and including 2025.

In accordance with the Law of Georgia "On Supplementary Supervision of Regulated Entities within a Financial Conglomerate", the NBG, together with the LEPL Insurance State Supervision Service of Georgia, conducted its annual reassessment of the applicability of supplementary supervision in 2025. The assessment concluded that no group operating in Georgia met the criteria for classification as a financial conglomerate subject to supplementary supervision. Furthermore, throughout 2025, the NBG continued its work on developing a consolidated supervision framework for banking groups, which, like the conglomerate supervision framework, represents international best practice.

In 2025, an amendment was made to Decree No. 242/01 of the Governor of the NBG of 25 December 2009, "On Approving the Rule for Determining and Imposing Monetary Penalties on Commercial Banks and Their Administrators". Applying appropriate supervisory measures and fines for non-compliance or improper compliance of supervised entities with legislation, or the requirements set by the regulatory body, is an established practice in the world's leading countries. According to best practice, any monetary penalty imposed by a regulatory body for a given violation should be effective, proportionate, and have a preventive effect. It is thus important that the penalty be determined in proportion to both the nature of the violation and the size and level of development of the supervised entity.

Taking this into consideration, the aforementioned amendment was aimed at reflecting international best practice and increasing the possible maximum amount of a monetary penalty imposed for significant infractions, such as the violation of the banking license or any condition or restriction attached to a relevant legal act of the NBG; the execution of operations prohibited by current legislation (including NBG instructions, provisions, rules, decrees) or NBG requirements and written directives; or non-compliance with established restrictions, limits, requirements, and prohibitions. In such cases, the NBG is authorized to impose a monetary penalty on a commercial bank in amounts of 0.01%, 0.05%, 0.1%, 0.5%, or 1% of the supervisory capital as of the latest available reporting at the time the violation is identified. The amount of the monetary penalty will continue to be determined based on a case-by-case basis, taking into account the seriousness of the violation, the damage caused to the commercial bank's assets and/or the potential threat posed by the violation.

From January 2025, the Counterparty Credit Risk Management Regulation and corresponding consequential amendments entered into force. The regulation is based on the counterparty risk management framework established by the Basel Committee on Banking Supervision and Regulation

No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The objective of the new regulation is to more accurately reflect and appropriately manage the risks generated by the increased volume of derivatives in the Georgian banking sector. Specifically, with the adoption of this regulation, the principles-based approach to derivatives management was replaced by a risk-based approach. Under the new regulation, in the presence of good quality transaction collateral and counterparties with high credit ratings, banks can reduce the required capital, and vice versa. For the calculation of counterparty risk-weighted assets, based on the share of derivatives relative to assets, banks will be able to utilize three approaches: the Standardized Approach, the Simplified Standardized Approach, and the Original Exposure Method. It should be noted that work on the new regulation was conducted in consultation with the sector and the Banking Association, and banks had more than a year to implement the developed model.

In 2025, amendments were introduced to the real estate appraisal instructions for commercial banks and microbanks. For the purpose of these instructions, the meaning of credit was defined through a novel regulatory arrangement. Furthermore, the amendment clarified that when the credit amount does not exceed GEL 200,000 or the equivalent value in another currency, the inspection of the real estate may be conducted by an authorized person of the commercial bank/microbank, including an appraiser's assistant. However, if the credit amount exceeds GEL 200,000 or equivalent in another currency, it is mandatory that the inspection of the real estate be conducted by the same appraiser responsible for preparing the relevant real estate appraisal. In both cases, the credit amount includes the total volume of all credit within the same bank that is secured by the real estate subject to appraisal. Additionally, when the credit amount exceeds GEL 200,000 or equivalent in another currency, and the inspection of the real estate held as collateral was not conducted directly by the appraiser during the initial appraisal, upon exceeding the specified limit, it is mandatory to conduct a revaluation of the corresponding real estate and an inspection of the real estate by the appraiser.

In 2025, the "Rule for Determining Capital Buffers for Commercial Banks within Pillar 2" was amended. The rule already granted the NBG authority, at its discretion, to periodically adjust the buffers imposed on a commercial bank based on its risk profile and the likelihood of various stress scenarios materializing. This authority enables the NBG to make decisions on a case-by-case basis, taking into account any institution-specific circumstances. Given that the NBG already has the authority, where necessary, to adjust Pillar 2 capital buffers based on an assessment of individual circumstances, the provisions requiring the reduction in Pillar 2 capital requirements to be calculated by a methodology agreed upon between the commercial bank and the NBG were removed from the rule, as they were no longer necessary.

In 2025, a provision of the Corporate Governance Code for Commercial Banks entered into force, according to which the requirement for gender diversity was further increased, and banks became obligated, effective on 1 June 2025, to ensure that at least 40% of their supervisory boards are comprised of the underrepresented gender. Microbanks are obliged to comply with this same 40% requirement from 1 July 2026. However, as an exception, those banking institutions whose supervisory boards consist of three members, taking into account the size and scale of their activities, are required to comply with a 33% requirement for the representation of the underrepresented gender.

Furthermore, amendments were made to the Corporate Governance Codes for Commercial Banks and Microbanks that clarified the requirement related to the remuneration of supervisory board members. Specifically, according to the amendments, for the purpose of calculating the 30% remuneration differential limit, neither the remuneration of the independent chairperson of the supervisory board nor board members receiving no remuneration will be taken into account.

In 2025, the NBG actively worked on preparing draft amendments to the Law of Georgia "On Activities of Commercial Banks" and the Law of Georgia "On Activities of Microbanks". These amendments aim to further align the requirements related to the issuance of a banking or microbanking license, as well as the fit-and-proper criteria applicable to significant shareholders, prospective acquirers, and administrators of commercial banks and microbank, with international best practices. This ensures the refinement of the requirements and provides greater clarity in the assessment process. In addition, a number of issues were clarified, including those concerning the permitted activities of commercial banks and microbanks.

Concurrently, to encourage competition in the banking sector, it is planned to ease and more clearly formulate certain requirements defined for microbanking activities. Microbanks will be granted the right to lease real estate and provide intermediary services on the financial market. Furthermore, a significant change envisaged by the draft law is the abolition of the restriction for microbanks to issue loans exclusively in the national currency—an amendment that will make them even more competitive. It is also determined that no less than 50% of a microbank's credit portfolio must consist of loans issued for entrepreneurial purposes and/or loans whose source of repayment is income derived from entrepreneurial activity, representing a 20% easing of the requirement compared to the current version of the Law of Georgia "On Activities of Microbanks". In addition, the draft laws incorporate a number of provisions focused on promoting competition and the inflow of reliable foreign investments into the country. During the preparation of these amendments, both representatives of the respective sector and the Banking Association were actively involved in a consultative format.

As in previous years, in 2025 the NBG actively continued working on the implementation of recommendations received within the framework of the joint International Monetary Fund and World Bank Financial Sector Assessment Program (FSAP). These efforts focused on the further development and refinement of the NBG's supervisory framework, as well as on convergence with European and best international standards. The NBG's decisions concerning the development of the regulatory framework are fundamentally based on a synthesized analysis of research into these practices and standards taken alongside national requirements.

In addition to the continuous development of the regulatory framework, the NBG actively works on refining supervisory processes and maintaining high standards from both practical and methodological perspectives.

4.2. CORPORATE GOVERNANCE AND GROUP STRUCTURE RISK

During 2025, the NBG continuously monitored and reviewed the compliance of existing corporate governance standards in the banking sector with current regulations. This, among other issues, included the study and assessment of the activities of the governing bodies of banking institutions, which implied both monitoring the proper execution of their assigned duties and verifying the compliance of the composition of the directorates and supervisory boards of the banking institutions with the Corporate Governance Code. Throughout the year, the NBG actively assessed the issue of collective suitability in these bodies, taking into account the competencies and experience of the members of the governing bodies of banking institutions. Furthermore, during the process of assessing the activities of the supervisory boards of banking institutions, the NBG analyzed the supervisory board assessment documents. The conclusions of this assessment, alongside other issues, were taken into consideration within the framework of the General Risk Assessment Program (GRAPE).

Throughout 2025, to monitor compliance with corporate governance requirements, the NBG assessed the lists of material risk takers identified by banking institutions in accordance with the Corporate Governance Code and the corresponding instruction. In this process, the organizational structures of the banks and the functions and duties assigned to individual material risk takers were analyzed in detail. This is critically important for the purpose of monitoring the proper practical implementation of the remuneration policies developed and approved in accordance with the corporate governance codes. During 2025, the NBG actively observed the promotion and monitoring of the sound functioning of existing remuneration systems in banks by their supervisory boards. Additionally, certain amendments were introduced to the corporate governance codes of commercial banks and microbanks, and the requirement related to the remuneration of supervisory board members was clarified. Specifically, according to the amendments, for the purpose of calculating the 30% limit between remunerations, the remunerations of the independent chairperson of the supervisory board and members with zero remuneration will no longer be taken into account. During 2025, the NBG systematically verified the compliance of commercial banks and microbanks with these requirements.

It should be noted that to improve gender diversity in the supervisory boards and directorates of commercial banks, amendments were introduced to the "Corporate Governance Code for Commercial Banks" on 24 August 2022. Under these changes, no later than 1 June 2023, banks became obligated to ensure that the share of the underrepresented gender on supervisory boards was no less than 33%; this increased to no less

than 40% by 1 June 2025. Microbanks are required to comply with the 40% underrepresented gender requirement from 1 July 2026. Following the increase to 40% from 1 June 2025, the NBG actively verified the compliance of commercial banks with this requirement. It should also be noted that in 2025, an amendment was introduced to the corporate governance codes regarding this requirement. This clarified that those banking institutions whose supervisory boards consist of three members, taking into account the size and scale of their activities, are required to comply with a 33% requirement for representatives of the underrepresented gender. Furthermore, it should be noted that the corporate governance codes include a recommendation to staff the directorate with no less than 33% of representatives of the underrepresented gender. As of 31 December 2025, 40% of the members of the supervisory boards of banks, and approximately 20% of the members of the directorates were staffed by representatives of the underrepresented gender.

Furthermore, in 2025, in order to verify banks' compliance with corporate governance requirements, the NBG actively reviewed and examined the reports of banks' internal audit departments. This review revealed challenges existing within the banks and assessed the effectiveness of the internal audit department itself as the third line of defense.

The assessment of banks' corporate governance and group structure risk is part of the NBG's General Risk Assessment Program. The assessment of group structure encompasses the bank's ownership structure, investment-related risks, and transactions executed with members of the banking group, as well as the assessment of the risks of the banks' investments and investment activities. Within the framework of the assessment, the NBG actively monitors processes developing in the parent countries of international banking groups represented in Georgia and assesses investors holding a significant share.

Throughout 2025, the NBG actively conducted an assessment of banking group structures, including monitoring events developing in the parent countries of banks licensed in Georgia and evaluating the extent to which existing risks could be transmitted to the respective banks operating in Georgia.

In 2025, JSC Terabank made an 87% investment, and its underlying leasing portfolio was transferred to JSC Tera Leasing, which is a new legal entity in the financial market. During the same period, JSC Credo Bank increased its investment in Keepz.me LLC, a payment service provider registered in Georgia, and currently holds a 49% stake in the company.

Furthermore, the NBG continues to work on the development of the consolidated supervision framework, the mandate for which was granted to the NBG through legislative amendments made to the Organic Law of Georgia "On the National Bank of Georgia" at the end of 2017. In 2025, the NBG consulted experts from the International Monetary Fund, whose recommendations have continued to help guide the NBG in the process of developing the consolidated supervision framework. The implementation of consolidated supervision, which implies supervision at the banking group level, will significantly help maintain the stability of the banking sector by enabling a comprehensive assessment of risks arising from a banking group and its related parties, as well as their potential impact on the group as a whole.

As of 31 December 2025, 17 commercial banks and two microbanks operated in the Georgian banking sector. Notably, in February 2025, JSC Crystal received a microbank license, becoming the second microbank operating in the sector. During the same period, the participation of non-resident owners in the assets of banks and microbanks, based on ultimate ownership, stood at 88.9%, and in joint-stock capital it stood at 87.8%.

4.2.1. The process of licensing commercial banks/microbanks, and assessing the suitability of administrators and significant shareholders and acquirers

In 2022-2023, three digital banks obtained a banking activity license: JSC Hash Bank, JSC Paysera Bank Georgia, and JSC Pave Bank Georgia. Following the receipt of the license, these banks initially operated under a test regime. Subsequently, in 2023, JSC Paysera Bank Georgia was granted the right to conduct banking activities in a live environment, with JSC Hash Bank and JSC Pave Bank Georgia receiving the same right in 2024. Throughout 2025, these banks continued to operate under a conditional license for banking activity and proceeded to fulfill the requirements set by the NBG, including capital increases. It is noteworthy that JSC Hash Bank aims to function as a digital bank to deliver banking services primarily through electronic channels. It seeks to prepare both traditional and technology-oriented market consumers to transition to a digital strategy. The goal of JSC Pave Bank Georgia is also to operate as a digital bank, intending to integrate financial products and link them with digital

assets and account programmability. The bank aims to serve technologically advanced companies. Meanwhile, the business model of JSC Paysera Bank Georgia is based on integration with the European Union's financial system and involves offering innovative digital products to consumers.

In 2023, entities seeking a microbank license first submitted their corresponding licensing applications to the NBG. On 5 December 2024, the NBG issued the first microbanking activity license to JSC Microbank MBC. In February 2025, another microbanking activity license was issued to JSC Microbank Crystal.

As of 31 December 2025, the total volume of microbanks' assets amount to approximately GEL 867 million. For years, these companies represented leading microfinance organizations, and by obtaining a microbanking activity license, they were given the opportunity to gain increased access to resources in both local and international markets, taking into account significantly reduced costs.

According to the law, the business model of a licensed microbank is based on lending to individuals receiving income from entrepreneurial activities (including agricultural activities), and are aimed at improving the financial inclusion of the population, especially in the regions of the country. It is expected that these developments will significantly promote the process of increasing competition and, consequently, aid the progress of the country's economy.

Throughout 2025, consultations with entities interested in obtaining a banking activity license and the review of licensing applications submitted to the agency were actively ongoing. These will continue into 2026. It should further be noted that interest in the conditional banking activity license (the so-called digital bank license) is growing among entities.

Throughout 2025, the suitability assessment of individuals to be appointed as administrators of commercial banks against the requirements established by the "Regulation on the Suitability Criteria for Administrators of Commercial Banks", as approved by Decree No. 151/04 of the Governor of the NBG of 31 October 2022, actively continued. Within this framework, during the year, the NBG granted consent regarding the suitability of 26 administrators.

Furthermore, to verify the compliance of bank administrators with the criteria and requirements established by current legislation, the NBG actively continued its work to check the compliance of administrators already appointed in commercial banks prior to the enactment of the current regulation against the regulation's requirements. Appropriate feedback was then shared with the commercial banks.

It is also noteworthy that, during 2025, the NBG reviewed the lists of positions classified as administrators in several commercial banks and provided corresponding recommendations. As a result, based on the decision of the respective banks' supervisory boards, the lists of administrators were expanded, and the newly designated individuals were subject to suitability assessments against the requirements defined by legislation and the regulation. This process remains ongoing.

In 2025, the NBG also reviewed the compliance of persons intending to acquire a significant share in a commercial bank against the requirements defined by the Law of Georgia "On Activities of Commercial Banks" and the "Regulation on the Acquisition of a Significant Share of a Commercial Bank", as approved by Decree No. 153/04 of the Governor of the NBG of 31 October 2022. Within this framework, the Japanese social impact holding Gojo & Company, Inc. received the NBG's consent to acquire an additional 16.52% share in Credo Bank. According to data from the end of 2025, Gojo & Company, Inc. holds a total of 33.22% of Credo Bank.

Furthermore, during 2025, for the purpose of verifying compliance with the requirements defined by the two aforementioned regulations, the NBG also conducted work towards assessing the suitability of those significant shareholders of commercial banks who had acquired a significant share in a commercial bank prior to the enactment of the above-mentioned regulations. This process is ongoing.

4.3. CAPITAL ADEQUACY

By the end of 2025, the Georgian banking system continued to maintain an adequate level of capital within the framework of the Basel III-based capital adequacy framework.

In November 2022, taking into account the recommendations of the Basel Committee on Banking Supervision (BCBS),[18] the Financial Stability Committee

of the NBG decided to update the framework for setting the countercyclical buffer. This implied setting a neutral positive countercyclical buffer to accumulate capital buffers for stress periods. In accordance with this updated framework, by 15 March 2025, banks met the requirement of setting the countercyclical capital buffer rate at 0.5%, and in the future, they are obliged to meet a buffer requirement of 0.75% by 15 March 2026 and of 1% by 15 March 2027.

In 2025, the stress test manual was updated, and a stress test exercise was conducted. Although the NBG examined the results of the exercise, at this stage, the stress test buffer has not been set for any bank and remains at 0%.

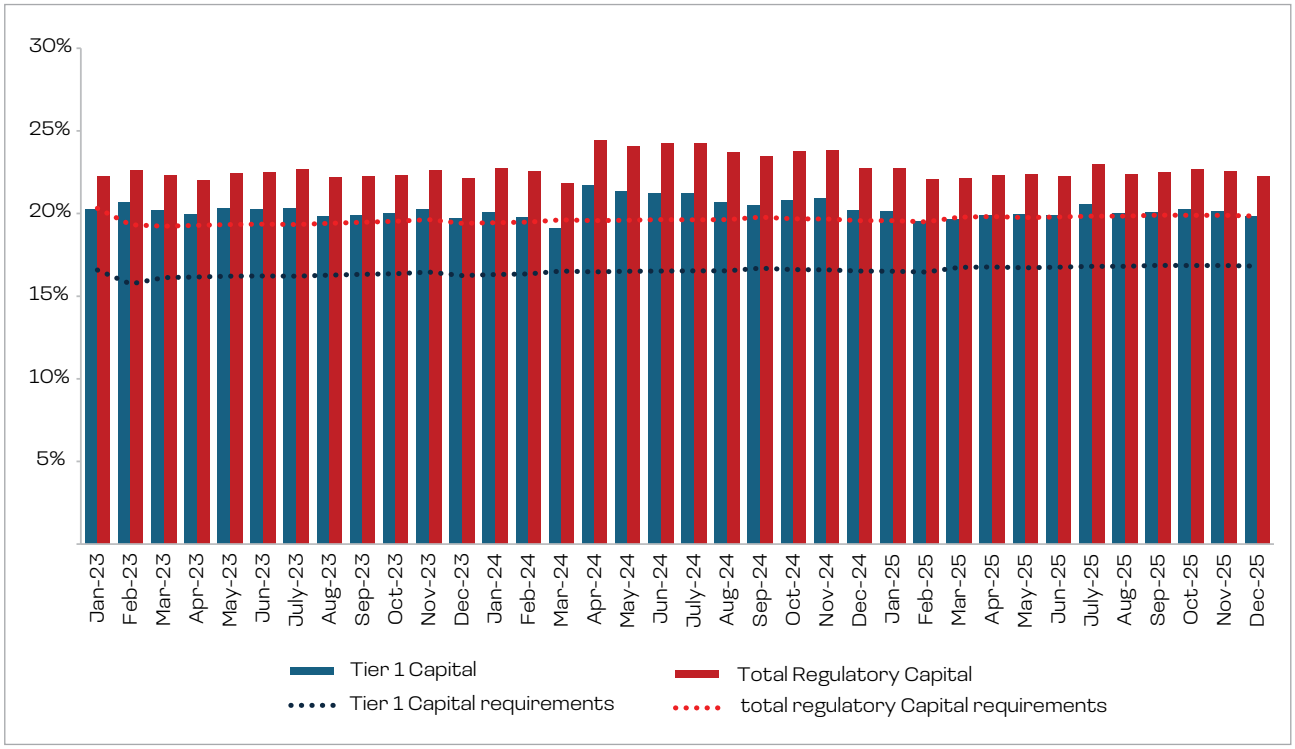
As of December 2025, there are three systemically important commercial banks in the financial sector: JSC Bank of Georgia, JSC TBC Bank, and JSC Liberty Bank. The systemic importance buffer requirement is determined individually for each of those banks. These requirements remained unchanged in 2025 and were maintained at the same levels as in 2024. As of December 2025, these stood at 3% for JSC Bank of Georgia, 2.5% for JSC TBC Bank, and 0.5% for JSC Liberty Bank.

As of 31 December 2025, according to the figures based on International Financial Reporting Standards (IFRS), the Tier 1 capital ratio is 19.9%, and the supervisory capital ratio is 22.2%, which are 3.0 and 2.4 percentage points higher than the total requirements, respectively.

As of December 2025, the total profit of the system amounted to GEL 3.3 billion, exceeding the corresponding figure for 2024 by GEL 213 million. In accordance with the high profit figure, banks' operational risk exposures increased by GEL 1.42 billion in December 2025.

As of 31 December 2025, the leverage ratio (capital to assets) remains high, equaling 15.19% and exceeding the requirement by 10.19 percentage points.

DIAGRAM N 4.1. CAPITAL ADEQUACY RATIOS UNDER BASEL III



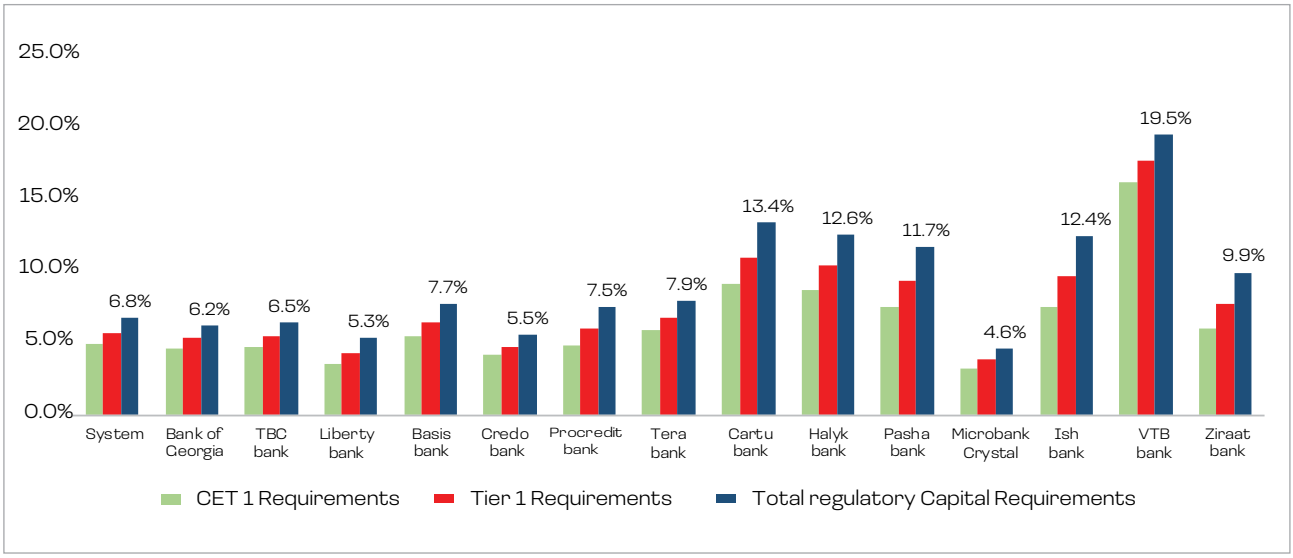
Source: NBG

18. "Buffer usability and cyclicality in the Basel framework", October 2022. See https://www.bis.org/bcbs/publ/d542.pdf

Throughout 2025, banks actively attracted capital instruments in the form of both Tier 2 capital and Additional Tier 1 capital instruments. Specifically, three banks issued Additional Tier 1 capital instruments during the year. Notably, JSC Credo Bank and JSC Pasha Bank Georgia issued such instruments for the first time.

The net CRAPE buffer was enacted in 2018. The buffer is determined within the continuous cycle of risk-based supervision that aims to assess the risks of commercial banks. Based on the General Risk Assessment Program, the risk profile of each commercial bank is evaluated. In November 2025, the NBG once again updated the net CRAPE buffers, after which the volume of individual CRAPE buffers was set within the range of 1.5% to 5.7% of risk-weighted assets.

DIAGRAM N 4.2. TOTAL PILLAR 2 REQUIREMENTS BY BANKS AS OF 31 DECEMBER 2025



Source: NBG

4.4. FINANCIAL REPORTING AND TRANSPARENCY

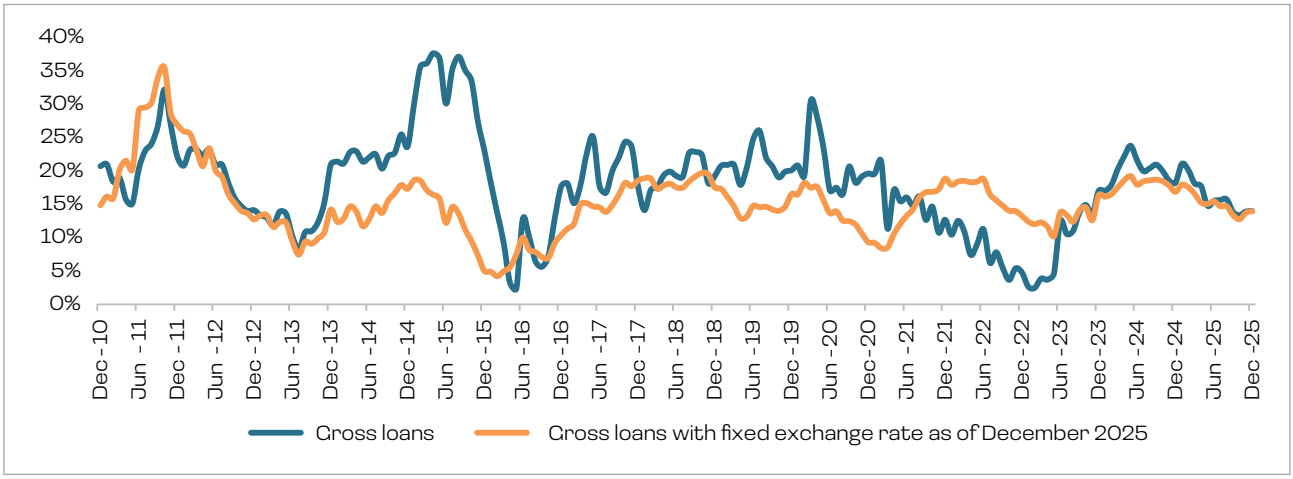
The supervisory reporting of commercial banks relies on International Financial Reporting Standards (IFRS). Throughout 2025, the NBG continuously monitored the quality of supervisory reporting and its compliance with IFRS requirements. In parallel, the NBG further worked on the development of the reporting framework to align it with IFRS, the European reporting framework, and local supervisory requirements. This included, among other things, conducting work for the transition to the latest FINREP taxonomy, under which commercial banks will commence reporting from 2026. Additionally, in 2025, the NBG reviewed the annual audited consolidated financial statements submitted by commercial banks. This encompassed an assessment of compliance with IFRS and the requirements defined by the "Rule on the Mandatory Audit of Consolidated Financial Statements of Commercial Banks and the Disclosure of Information in Explanatory Notes", as approved by Decree No. 284/04 of the Governor of the NBG of 26 December 2018. Appropriate recommendations were subsequently issued based on this assessment.

With regard to the relevant decrees approving the rules on the mandatory audit of the consolidated financial statements of commercial banks and microbanks, as well as the disclosure of information in explanatory notes, the NBG continuously monitored banks' compliance with these requirements throughout the year.

4.5. CREDIT RISK

By 31 December 2025, the total credit portfolio of the banking system reached GEL 71.3 billion, and its annual growth, excluding the exchange rate effect (calculated at the exchange rate prevailing at the end of 2025), stood at 14%.[19]

DIAGRAM N 4.3. CHANGE IN THE TOTAL LOAN PORTFOLIO COMPARED TO THE PREVIOUS YEAR



Source: NBG

In 2025, the composition of the credit portfolio by segment changed slightly. In particular, during the year, the shares of the corporate and retail segments increased, while the share of the micro and the small- and medium-sized enterprise (SME) segments declined.

Over the course of the year, commercial banks also increased their holdings of securities issued by various corporate clients. After accounting for this effect, and excluding reclassification effects, the growth of the corporate segment's portfolio amounted to 16.3%.

TABLE 4.1. COMPOSITION OF THE LOAN PORTFOLIO (EXCLUDING INTERBANK LOANS) BY SEGMENT, WITHOUT THE EXCHANGE RATE EFFECT (EXCHANGE RATE AS OF THE END OF 2025)

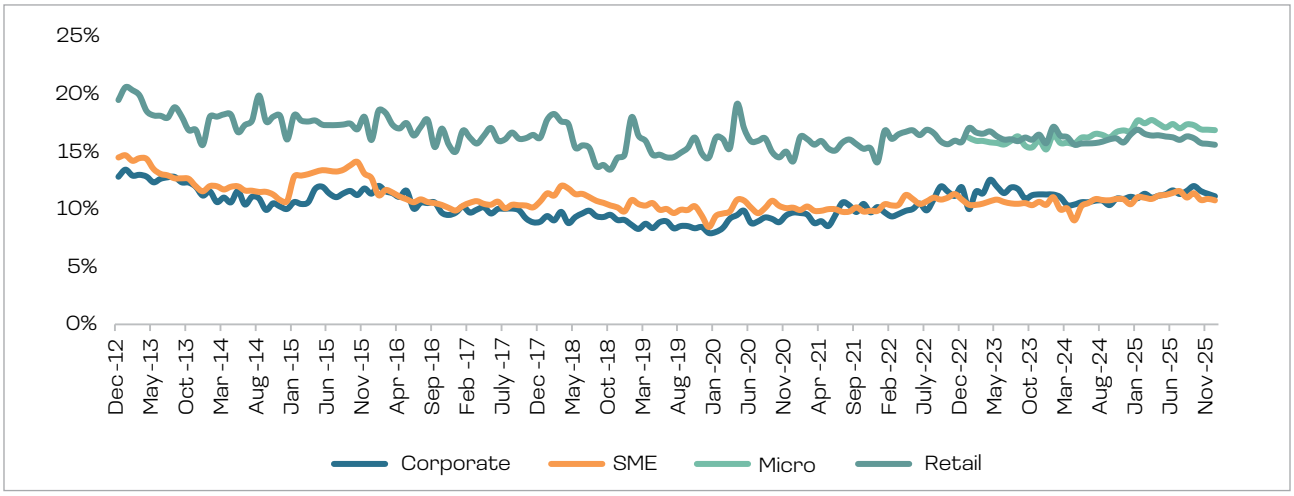
	31-Dec-24		31-Dec-25		YoY change with Fixed exchange rate %	YoY change with Fixed exchange rate and Without Reclassification Effect %
	LP (million GEL)	%	LP (million GEL)	%		
Corporate	22,050	35%	25,505	36%	15.7%	14.9%
SME	9,980	16%	10,630	15%	6.5%	6.3%
Micro	7,942	13%	8,627	12%	8.6%	10.9%
Retail	22,511	36%	26,401	37%	17.3%	17.3%
Total:	62,484	100%	71,164	100%	13.9%	13.9%

Source: NBG

In 2025, interest rates on loans issued within the month increased slightly across almost all segments compared to 2024, with the exception of retail loans issued in the national currency. Moreover, the rise in interest rates on loans issued in the national currency exceeded that of foreign currency loans, primarily reflecting the increased cost of funds attracted in GEL throughout 2025.

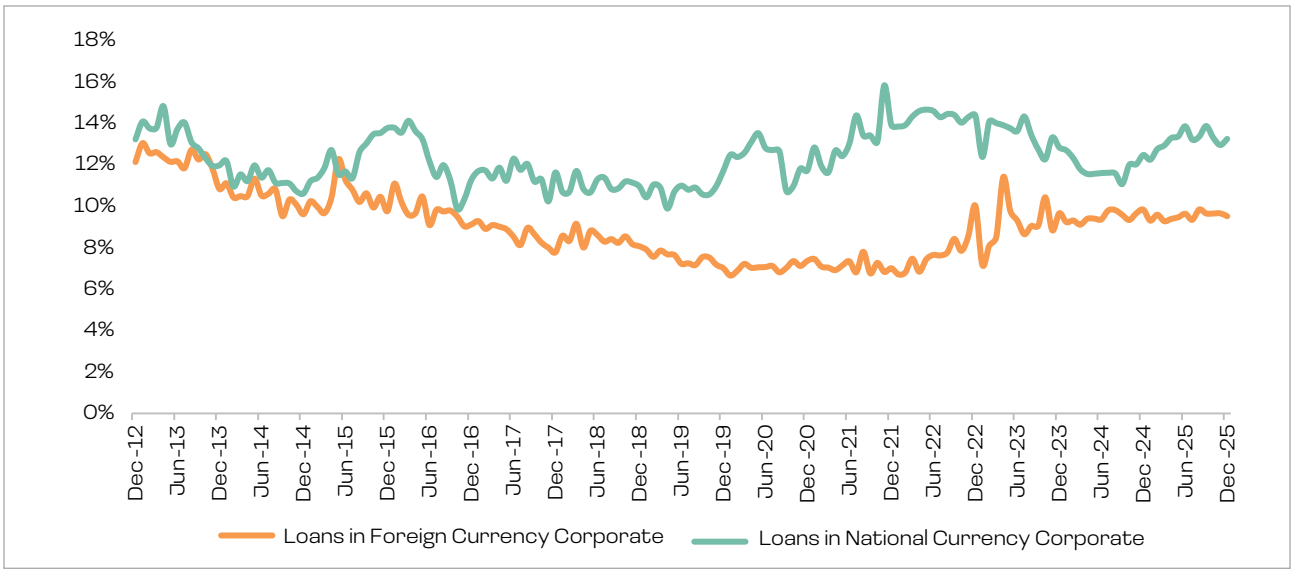
19. The data in this subsection excludes information regarding VTB Bank, Microbank Crystal, and Microbank MBC.

DIAGRAM N 4.4. WEIGHTED AVERAGE INTEREST RATES ON LOANS PER SEGMENT (FLOW)



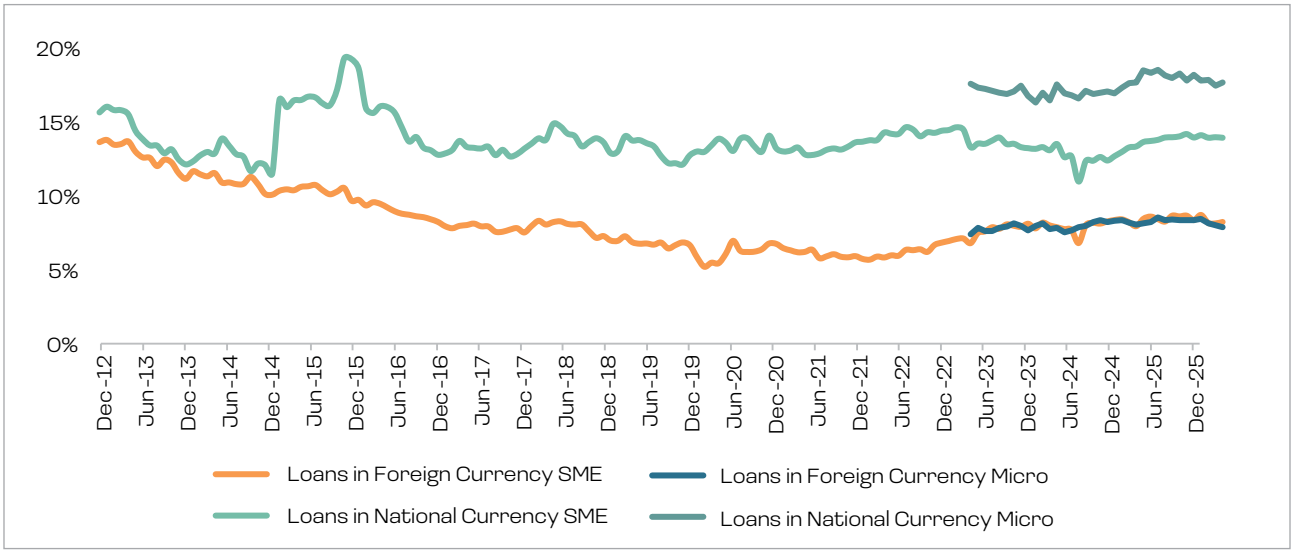
Source: NBC

DIAGRAM N 4.5. WEIGHTED AVERAGE INTEREST RATES ON LOANS IN THE CORPORATE SEGMENT (FLOW)



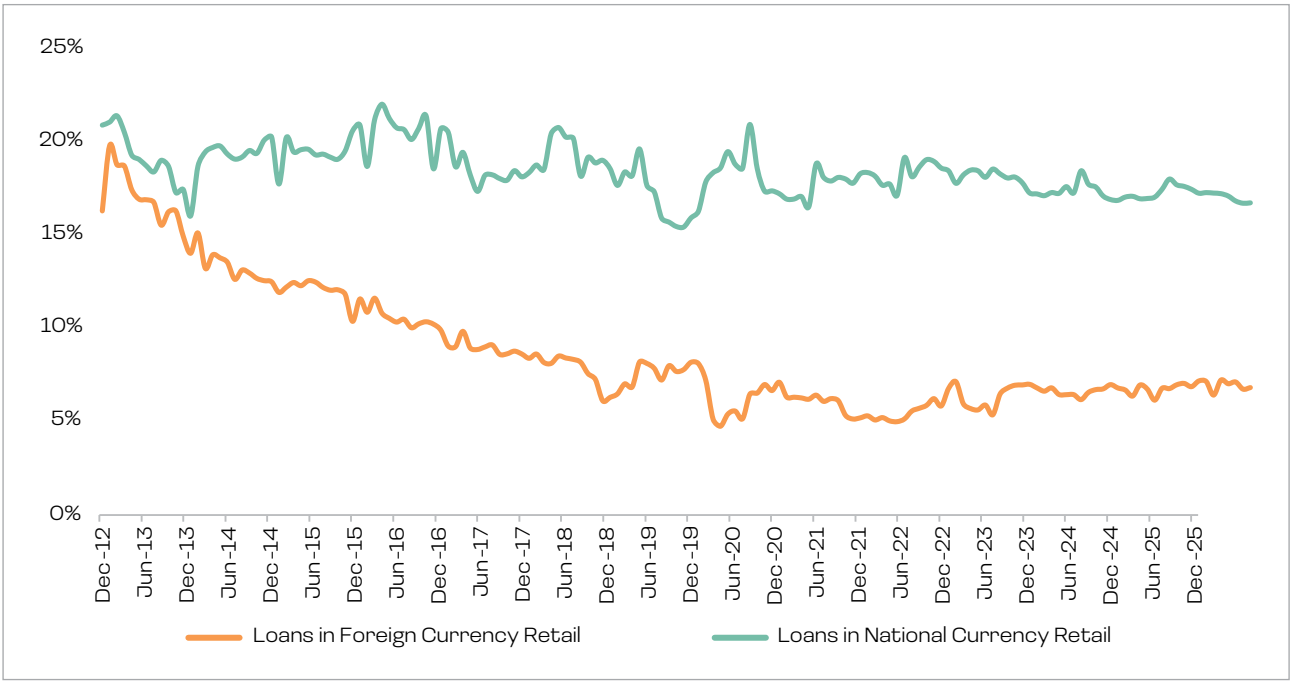
Source: NBC

DIAGRAM N 4.6. WEIGHTED AVERAGE INTEREST RATES ON LOANS IN THE MSME SEGMENT (FLOW)



Source: NBC

DIAGRAM N 4.7. WEIGHTED AVERAGE INTEREST RATES ON LOANS IN THE RETAIL SEGMENT (FLOW)



Source: NBG

The credit portfolio is sectorally diversified. It is noteworthy that, at the end of December 2025, the total share of cyclical sectors (real estate development, real estate management, hotels and tourism, restaurants and food service facilities, and auto dealers) in the portfolio amounted to 17.8%, which was 0.4 percentage points lower than the corresponding figure from December 2024. This was primarily driven by the faster growth of the rest of the credit portfolio compared to the cyclical sectors.

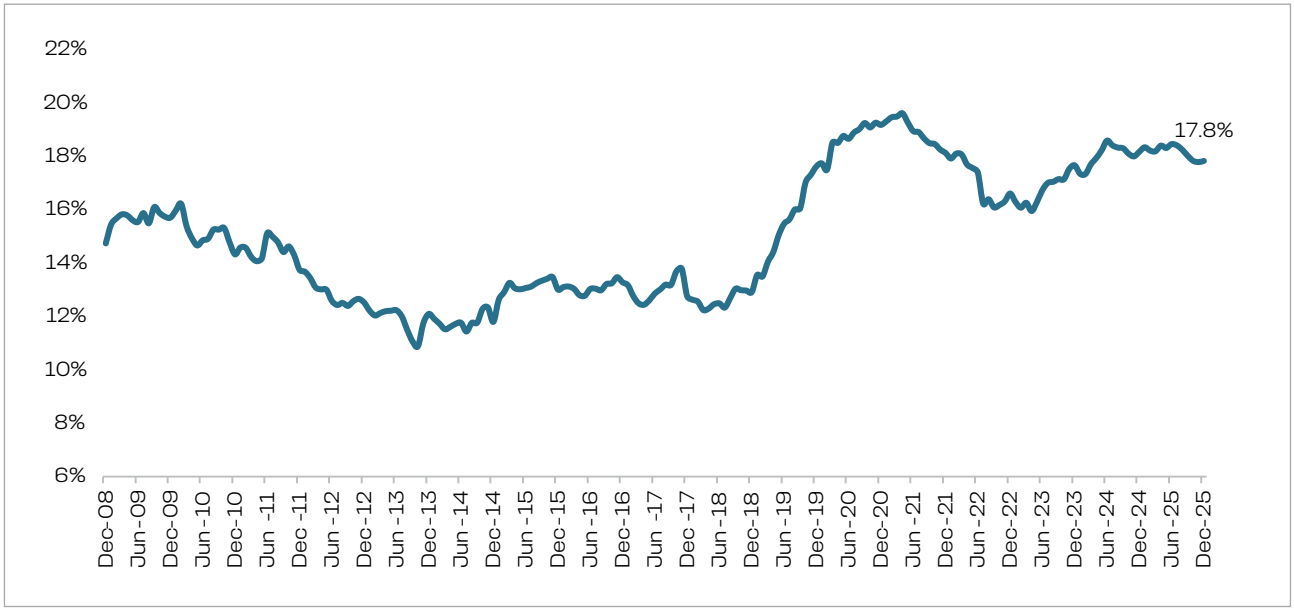
TABLE 4.2. SECTORAL DISTRIBUTION OF THE LOAN PORTFOLIO IN 2025

Sector, excluding interbank loans (million GEL)	**Share in Gross Portfolio**	**Loan Balance**	**Amortized Value of a financial instrument**	**ECL**	**ECL to Portfolio %**
State	0.2%	163	164		0.3%
Financial Institutions	2.4%	1,687	1,698	5	0.3%
Pawn-shop Loans	0.4%	262	263	1	0.3%
Construction Development, Land Development and other Land Loans	6.4%	4,554	4,587	37	0.8%
Real Estate Management	5.5%	3,929	3,980	29	0.7%
Construction Companies	1.7%	1,245	1,260	33	2.6%
Production and Trade of Construction Materials	2.8%	2,008	2,059	23	1.1%
Trade of Consumer Foods and Goods	3.9%	2,779	2,794	23	0.8%
Production of Consumer Foods and Goods	2.6%	1,879	1,895	76	4.0%
Production and Trade of Durable Goods	1.2%	855	860	11	1.3%
Production and Trade of Clothes, Shoes and Textiles	0.9%	605	609	5	0.8%
Trade (Other)	3.0%	2,170	2,201	49	2.2%
Other Production	1.3%	936	944	23	2.4%
Hotels, Tourism	4.2%	2,968	3,017	41	1.4%
Restaurants	1.3%	944	958	13	1.3%
Industry	1.2%	884	899	28	3.1%

Loans to Oil Importers and Retailers	1.2%	828	832	5	0.6%
Energy	3.9%	2,801	2,834	8	0.3%
Auto Dealers	0.4%	286	289	2	0.5%
Health Care	1.5%	1,078	1,087	26	2.4%
Pharmacy	0.3%	246	248	1	0.5%
Telecommunication	0.4%	254	279	1	0.3%
Service	5.7%	4,069	4,109	54	1.3%
Agro	4.7%	3,318	3,405	98	2.9%
Other (Including Scrap-metal)	0.7%	495	510	7	1.3%
Retail Products	**42.0%**	**29,919**	**30,227**	**513**	**1.7%**
Car Loans	0.3%	213	215	4	2.1%
Consumer Loans	20.5%	14,558	14,603	401	2.7%
Pay Day Loans	0.0%			.0	14.1%
Installments	0.9%	662	685	22	3.2%
Payrolls (Overdrafts)	0.1%	69	73	10	13.7%
Credit Cards	0.8%	576	587	25	4.2%
Mortgages - For Completed real estate purchase	14.3%	10,179	10,350	40	0.4%
Mortgages - For Purchase of real estate under construction	3.0%	2,103	2,133	5	0.2%
Mortgages - For Housing Rennovations	1.5%	1,060	1,076	4	0.4%
Retail Pawn-shop Loans	0.7%	490	496	2	0.4%
Student Loans	0.0%	8	9	.2	2.0%
Total Credit Portfolio (Deducted Interbank Loans)	**100.0%**	**71,164**	**72,008**	**1,110**	**1.5%**

Source: NBC

DIAGRAM N 4.8. SHARE OF CYCLICAL SECTORS IN THE TOTAL LOAN PORTFOLIO (EXCLUDING INTERBANK LOANS)



Source: NBC

In 2025, the growth rate of retail products increased compared to 2024. Growth was observed across all products, with the exception of payday loans and overdrafts. Furthermore, considering a fixed exchange rate, the primary driver of the growth in retail products was the increase in lending for mortgage and consumer loans; however, the latter experienced higher growth than total mortgage loans.

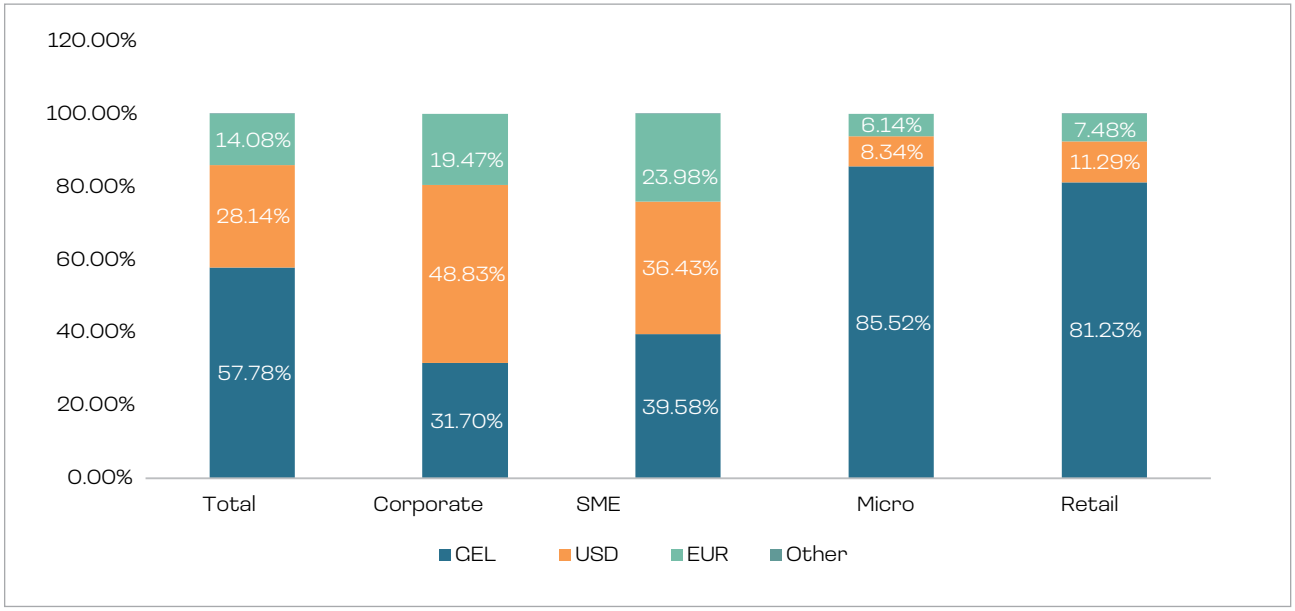
TABLE 4.3. GROWTH IN RETAIL PRODUCTS (EXCLUDING THE EXCHANGE RATE EFFECT, EXCHANGE RATE AS OF THE END OF 2025)

Products	Dec-24		Dec-25		Change (Adjusted by exchange rate), %	CHANGE (ADJUSTED FOR EX-CHANGE RATE), MLN GEL	CHANGE %, (ADJUSTED BY EXCHANGE RATE AND RECLASSIFICATION EFFECTS)
	mln GEL	Share, %	mln GEL	Share, %			
Retail Products	**25,398**	**100%**	**29,919**	**100%**	**17.8%**	**4,521**	**17.8%**
Car Loans	209	0.8%	213	0.7%	1.7%	4	1.7%
Consumer Loans	11,824	46.6%	14,558	48.7%	23.1%	2,734	23.1%
Pay Day Loans		0.0%		0.0%	-69.6%		-69.6%
Installments	530	2.1%	662	2.2%	24.8%	132	24.8%
Payrolls (Overdrafts)	73	0.3%	69	0.2%	-4.7%	-3	-4.7%
Credit Cards	471	1.9%	576	1.9%	22.4%	105	22.4%
Mortgages - For Completed real estate purchase	9,184	36.2%	10,179	34.0%	10.8%	995	10.8%
Mortgages - For Purchase of real estate under construction	1,797	7.1%	2,103	7.0%	17.0%	306	17.0%
Mortgages - For Housing Rennovations	955	3.8%	1,060	3.5%	11.1%	106	11.1%
Retail Pawn-shop Loans	347	1.4%	490	1.6%	41.1%	143	41.1%
Student Loans	8	0.0%	8	0.0%	0.6%		0.6%

Source: NBG

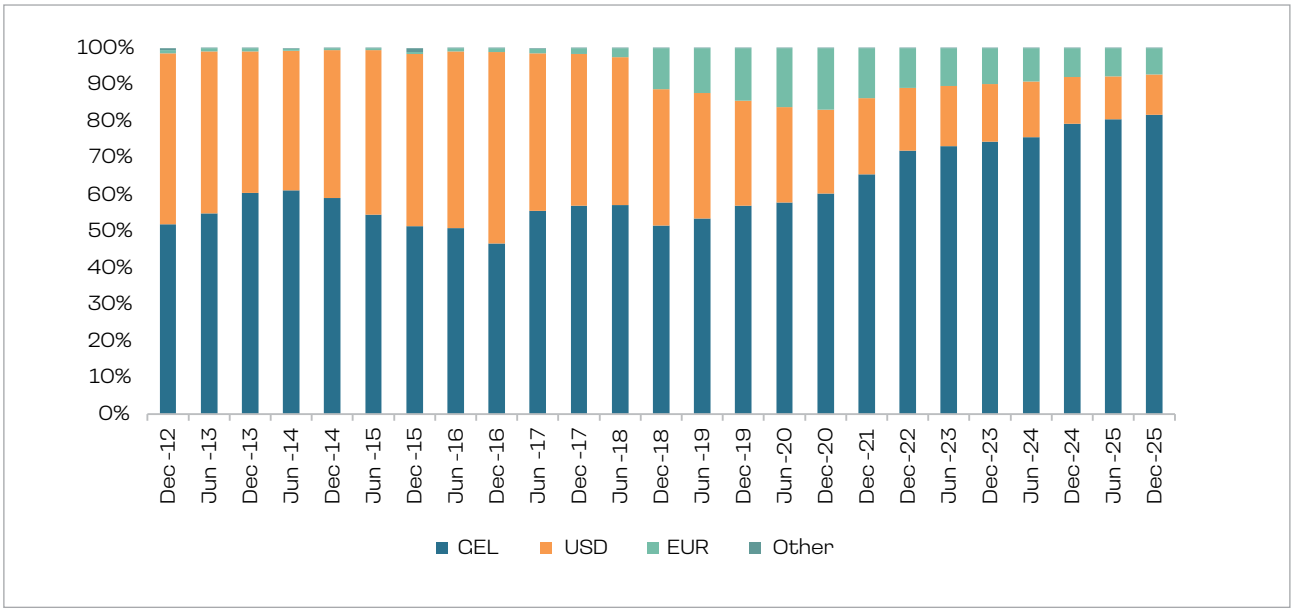
Compared to 2024, the structure of the retail product portfolio changed. This was reflected in an increase in the share of consumer loans and a decrease in the share of mortgage loans. The decline in the share of mortgage loans was primarily driven by the higher growth rate of consumer loans compared to the growth of mortgage loans.

DIAGRAM N 4.9. SEGMENT BALANCES BY CURRENCY AT THE END OF 2025 (EXCEPT INTERBANK LOANS)



Source: NBG

DIAGRAM N 4.10. COMPOSITION OF THE RETAIL PORTFOLIO BY CURRENCY



Source: NBC

In 2025, the aggregate non-performing loan (NPL) ratio remained broadly unchanged relative to 2024. While the retail segment recorded a decline in the NPL ratio, the remaining three portfolio segments experienced an increase in the share of non-performing loans. It should be noted that, following the transition to IFRS-based provisioning, banks are required to maintain an additional CRA capital buffer to offset the one-off improvement in portfolio quality arising from the adoption of the new provisioning framework.

TABLE 4.4. CLASSIFICATION OF LOAN PORTFOLIO BY QUALITY AS OF DECEMBER 2025

Risk category (excluding inter-bank loans)	Loan Amount (million CEL)	Amortized Value of a financial instrument (million CEL)	Share (Loan Amount) %	ECL %
Stage 1	65,404	66,037	91.9%	0.4%
Stage 2	3,978	4,045	5.6%	5.3%
NPL	1,782	1,926	2.5%	32.8%
Total:	**71,164**	**72,008**	**100.0%**	**1.5%**

Source: NBC

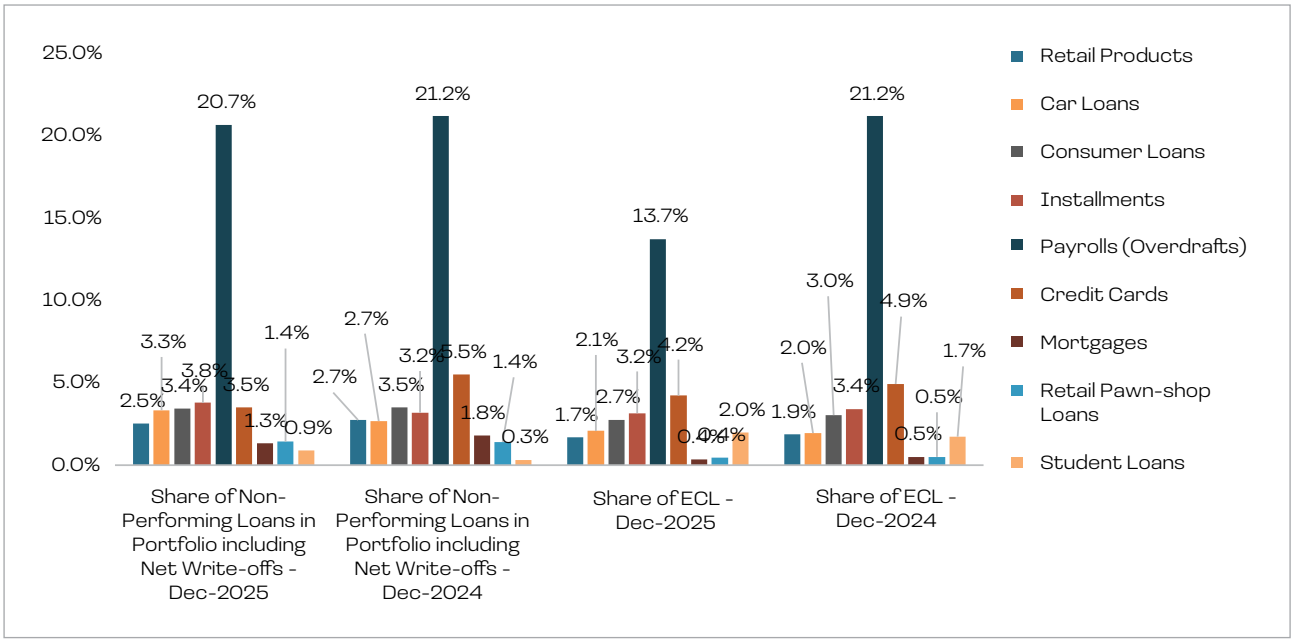
TABLE 4.5. PORTFOLIO QUALITY BY SEGMENT AS OF DECEMBER 2025

Segment	Non-performing Loans	Average ECL %
Corporate	2.16%	1.04%
SME	5.24%	1.80%
Micro	2.40%	2.36%
Retail	1.77%	1.65%

Source: NBC

Regarding the quality of the retail credit portfolio, the share of non-performing loans within the total retail product portfolio decreased slightly, which was primarily driven by portfolio growth and the improved quality of mortgage loans. The percentage share of expected credit loss in the portfolio decreased for all retail products—with the exception of car loans, installments, and student loans—taking into account the effects of portfolio write-offs and growth.

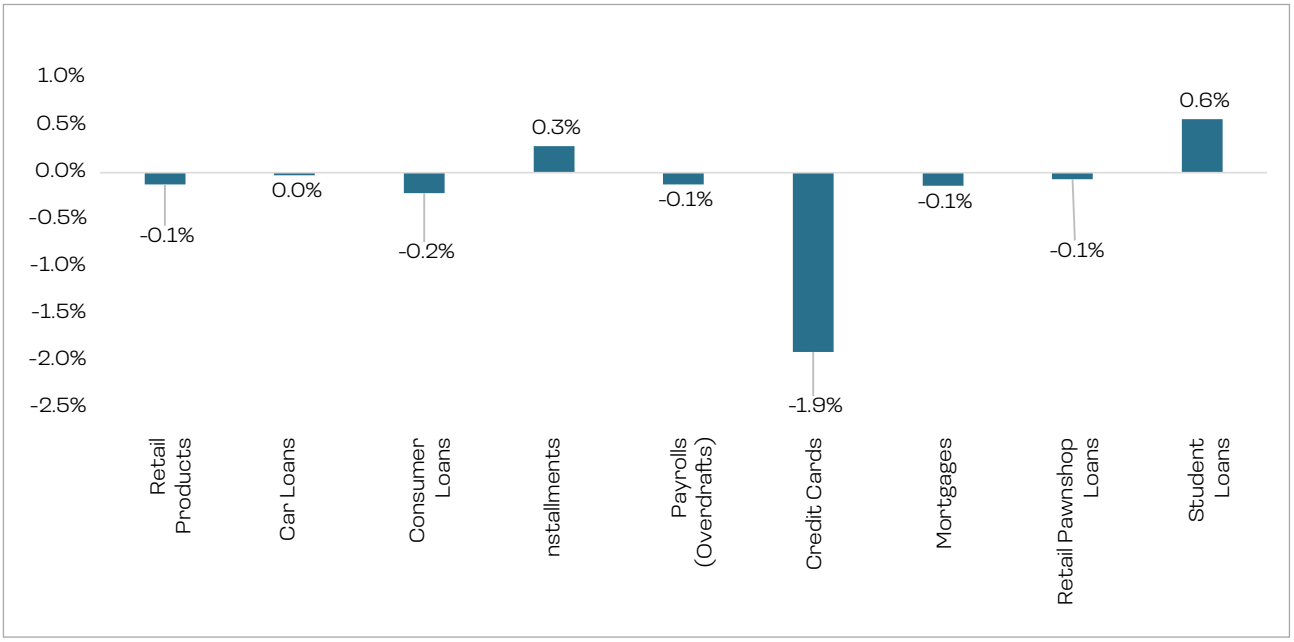
DIAGRAM N 4.11. QUALITY OF THE RETAIL PORTFOLIO AND SHARE OF PROVISIONING BY PRODUCT



Source: NBG

Compared to 2024, the cost of credit risk for the retail product portfolio decreased slightly in 2025, which was largely driven by portfolio growth.

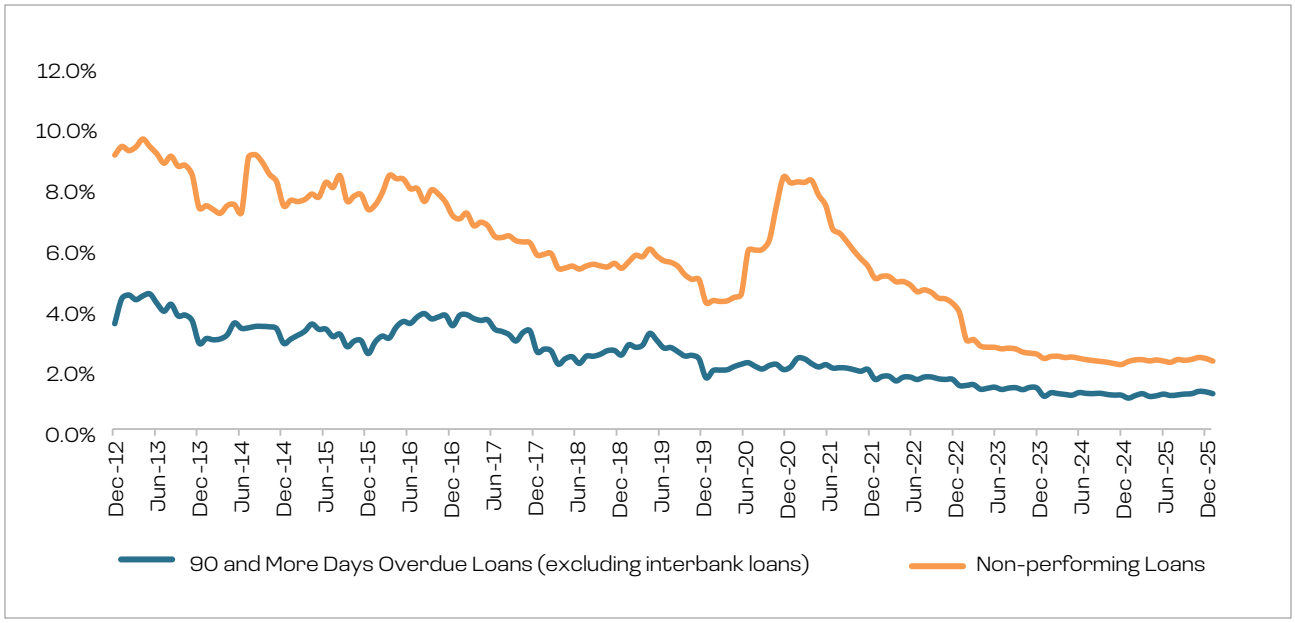
DIAGRAM N 4.12. CHANGE IN THE COST OF CREDIT RISK[20] (DEC. 2024 – DEC. 2025)



Source: NBG

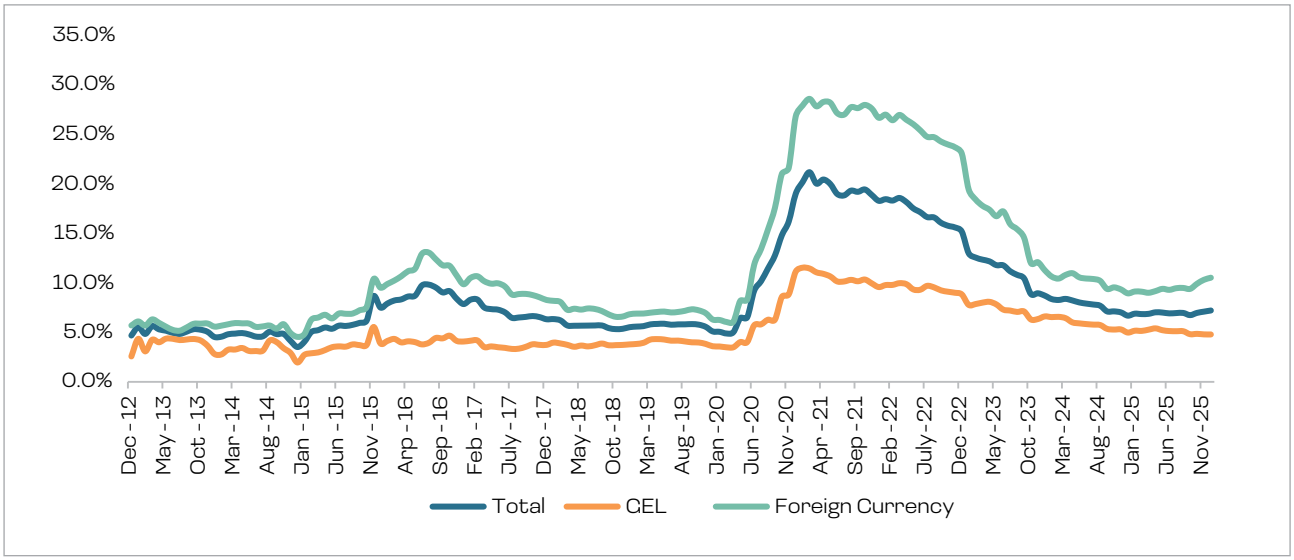
20. The ratio of reserves and net write-offs to the portfolio and total net write-offs.

DIAGRAM N 4.13. CREDIT PORTFOLIO BY QUALITY INDICATORS (EXCEPT INTERBANK LOANS)



Source: NBC

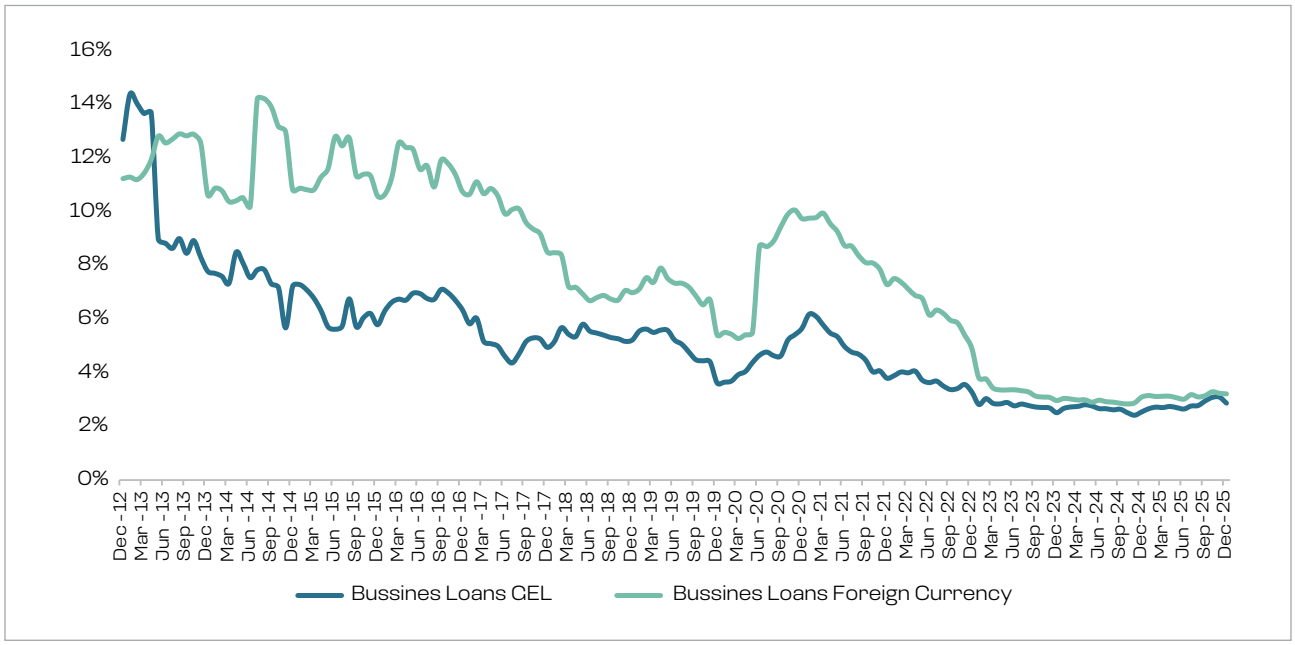
DIAGRAM N 4.14. SHARE OF RESTRUCTURED AND WATCH/MODIFIED LOANS BY CURRENCY IN THE TOTAL LOAN PORTFOLIO (EXCLUDING INTERBANK LOANS)



Source: NBC

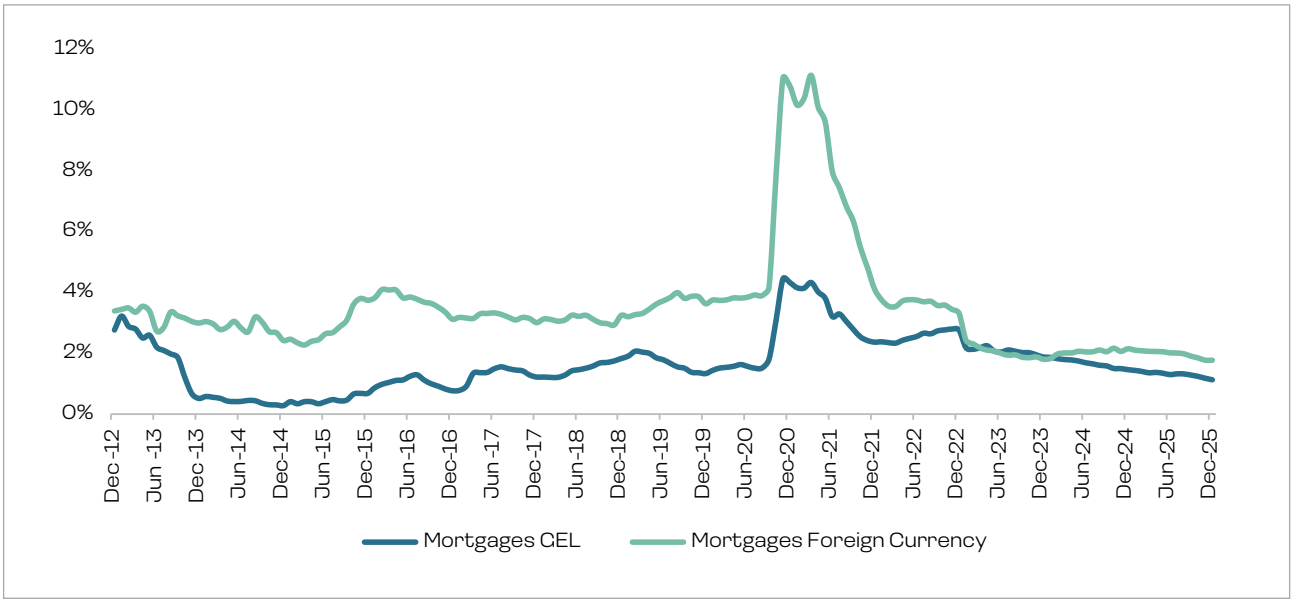
At the end of 2025, the portfolio of restructured and watch/modified loans increased slightly, which was mostly driven by the growth of the corresponding portfolio in corporate loans.

DIAGRAM N 4.15. SHARE OF NON-PERFORMING LOANS IN BUSINESS LOANS BY CURRENCY



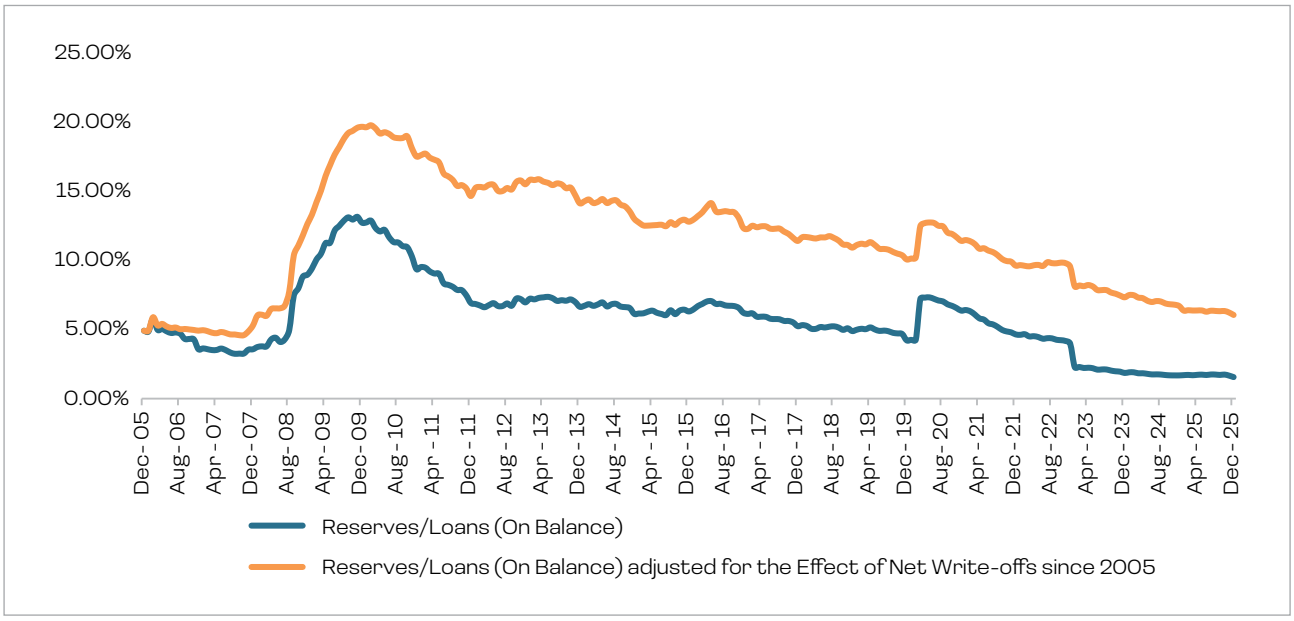
Source: NBG

DIAGRAM N 4.16. SHARE OF NON-PERFORMING LOANS IN MORTGAGE LOANS BY CURRENCY



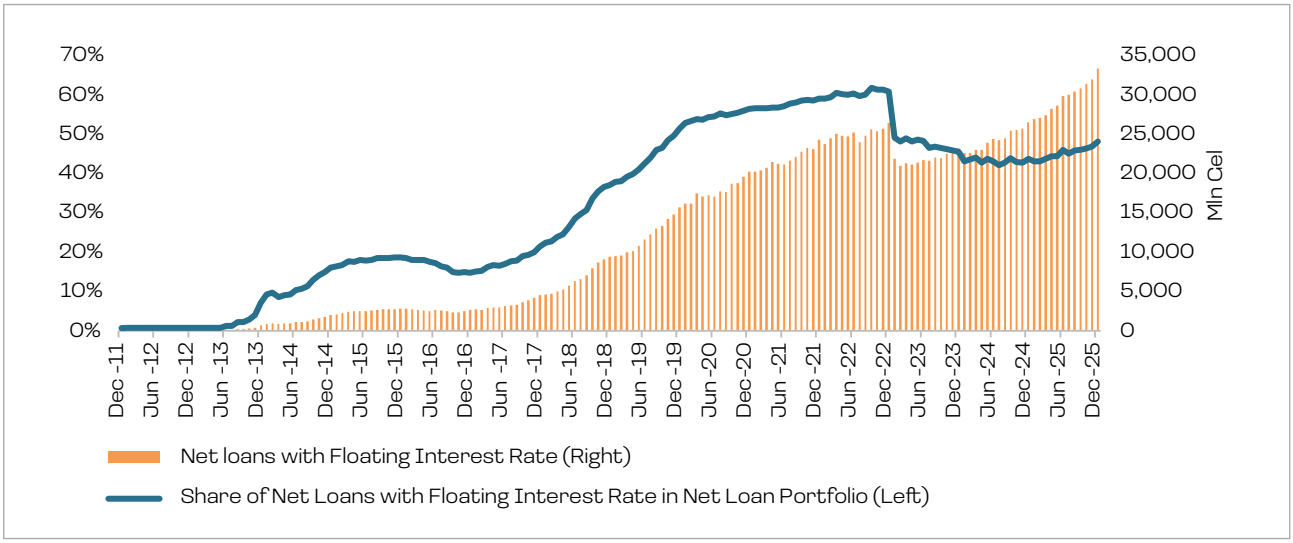
Source: NBG

DIAGRAM N 4.17. LOAN LOSS RESERVES TO THE TOTAL PORTFOLIO[21]



Source: NBC

DIAGRAM N 4.18. VOLUME AND RATIO OF VARIABLE INTEREST RATE LOANS (TO NET LOANS)[22]



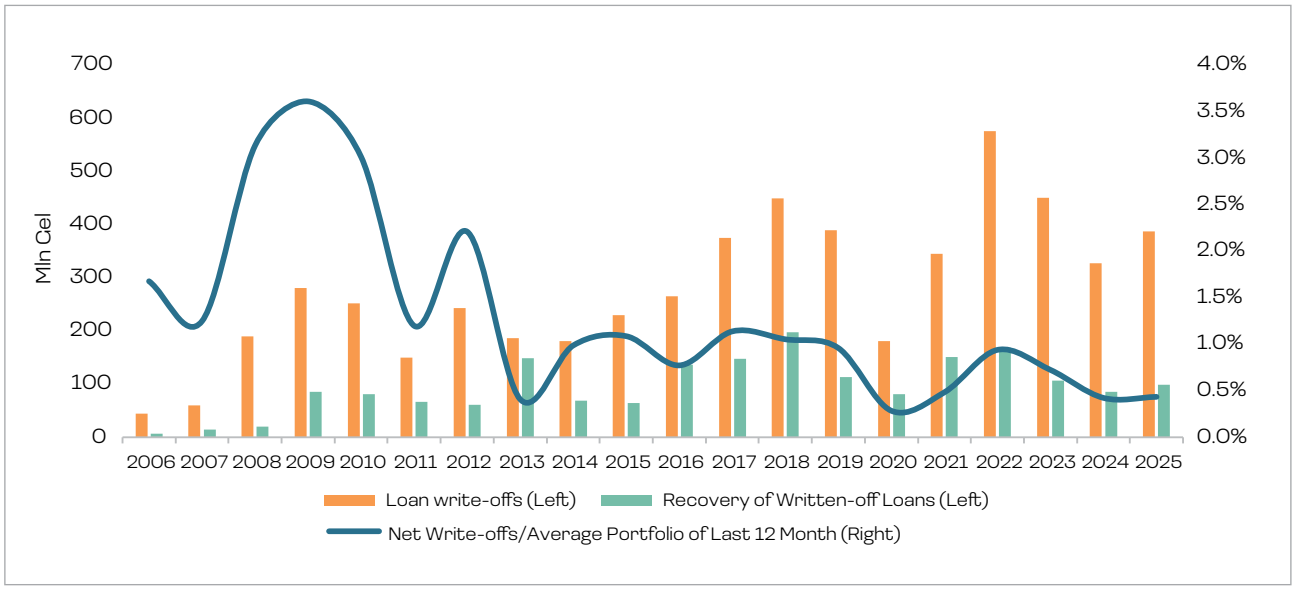
Source: NBC

In 2025, the volume of net written-off loans increased by 19.2% compared to the corresponding figure in 2024. Growth was observed in both written-off assets and the recovery of written-off assets; however, recoveries increased to a lesser extent than the write-offs.

21. Including general provisioning.

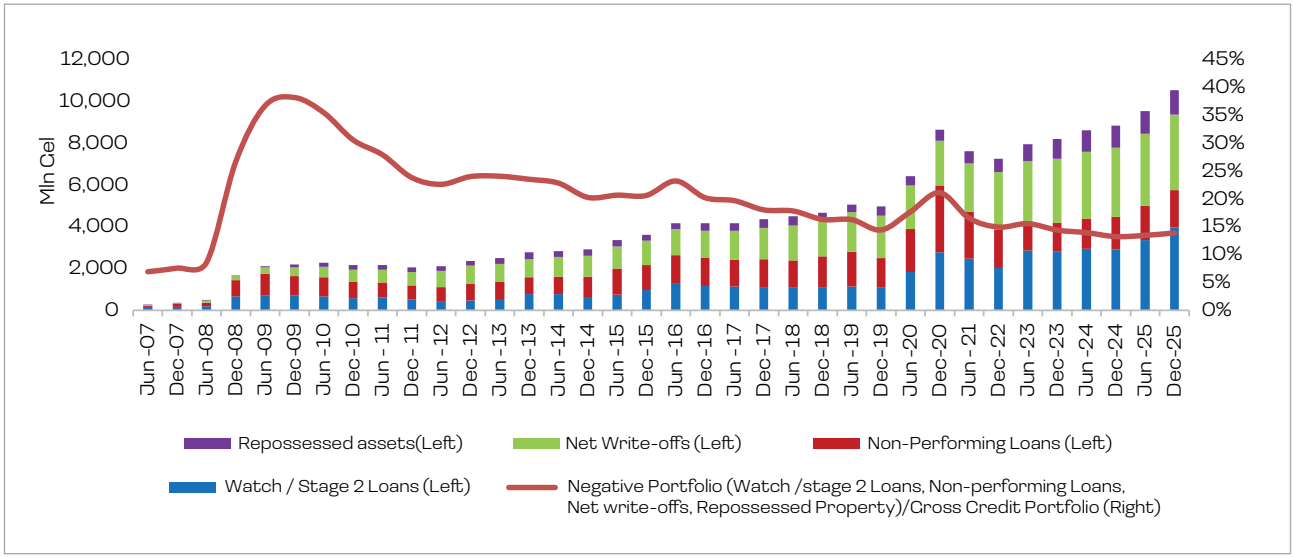
22. Net loans: the loan volume after deducting provisions for possible losses.

DIAGRAM N 4.19. LOAN WRITE-OFFS AND RECOVERIES



Source: NBG

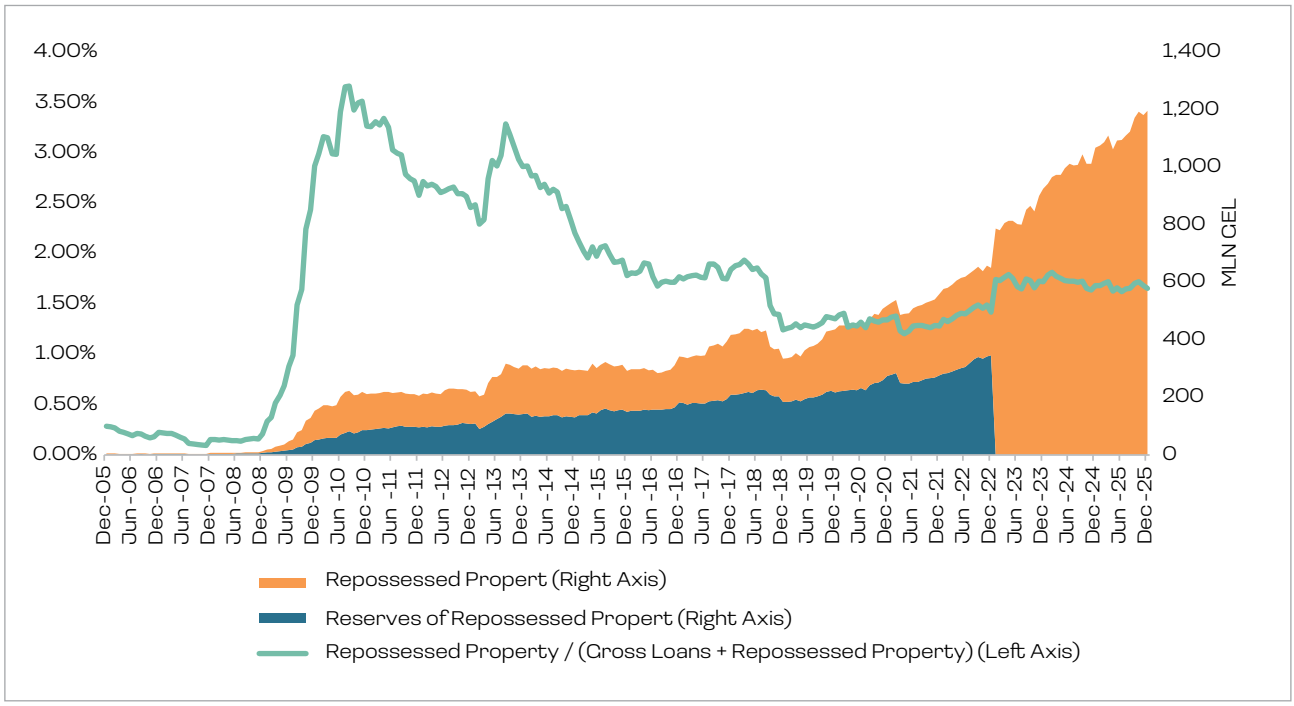
DIAGRAM N 4.20. PROBLEM ASSETS



Source: NBG

In 2025, compared to 2024, the share of repossessed property in total investments (loans plus repossessed property) decreased slightly. This was driven by the faster growth of loans compared to repossessed property.

DIAGRAM N 4.21. REPOSSESSED ASSETS



Source: NBG

4.6. MARKET RISK

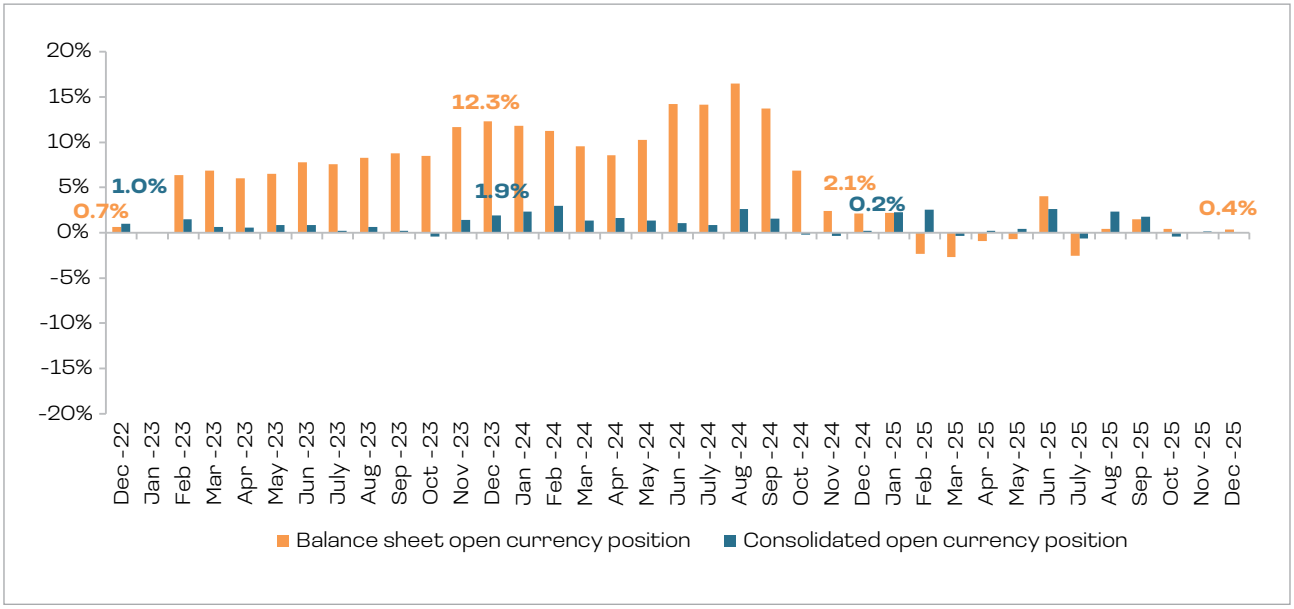
4.6.1 Foreign Exchange Risk

Throughout 2025, the annual average exchange rate of the GEL depreciated against the USD and the EUR. The depreciation against the US dollar was primarily driven by short-term factors during the first quarter. Over the rest of the year, the GEL steadily appreciated against the US dollar. A significant factor contributing to the depreciation of the GEL against the euro was the strengthening of the euro against the US dollar.

Throughout the year, banks continued to operate with stable foreign exchange positions and remained in compliance with the 20% limit set by the National Bank of Georgia for the overall aggregate open foreign exchange position across all currencies. As of the end of 2025, the banking sector's aggregate open foreign exchange position was fully closed, with its ratio to supervisory capital standing at 0%. Compared to previous years, banks' balance-sheet open foreign exchange positions decreased significantly in 2025, while the aggregate open foreign exchange position remained broadly unchanged. This trend positively reflects the improved resilience of the banking sector's balance-sheet assets and liabilities to exchange rate fluctuations.

In 2025, the annual average share of foreign currency-denominated assets and liabilities in the Georgian banking system decreased slightly compared to the previous year, amounting to 43% and 50%, respectively. Consequently, the foreign exchange risk factor for Georgian banks decreased slightly, although it remains significant. With the aim of refining the approaches to reflecting foreign currency asset provisions in the open foreign exchange position, the banking sector has been reporting its foreign exchange position in accordance with International Financial Reporting Standards (IFRS) since July 2023. This approach entails the full deduction of expected credit loss provisions for foreign currency assets.

DIAGRAM N 4.22. BALANCE SHEET AND CONSOLIDATED OPEN CURRENCY POSITIONS OF COMMERCIAL BANKS TO REGULATORY CAPITAL*



**IFRS accounting data are available from July 2023.*

Source: NBG

4.6.2. Interest Rate Risk

In 2025, the refinancing rate remained unchanged. Furthermore, international interest rates for the US dollar and the euro continued to decline throughout the year. Such volatility in interest rates once again confirms the importance of regular monitoring and adequate assessment of interest rate risk in banks.

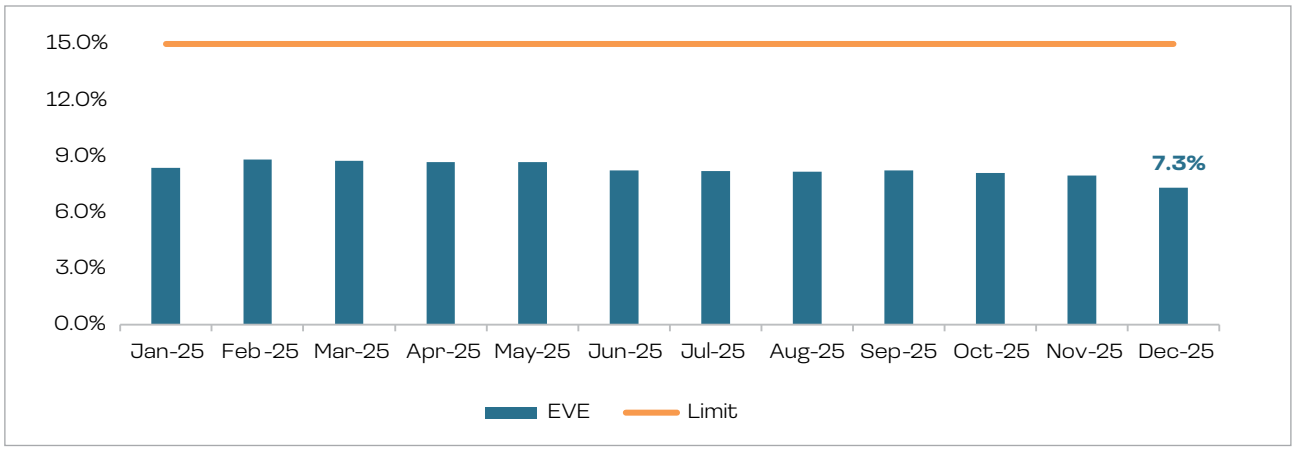
Banks operating in Georgia hold almost no securities intended for trading. However, those banks that have a trading book[23] are obliged to develop appropriate procedures and maintain reporting to the National Bank. In the event that monitoring reveals the possibility of significant portfolio growth, the regulation designated for trading book risk management will be enacted.

At the current stage, the regulation and approaches intended for interest rate risk in the banking book (IRRBB) are applied to the entire balance sheet. The objective of the framework for managing interest rate risk in the banking book is the identification, assessment, and management of such risks, as well as compliance with related limits. Interest rate risk reflects a bank's sensitivity to changes in interest rates. It refers to the current or future risk affecting a bank's capital and earnings, which arises from changes in interest rates and affects banking book positions. As a result of changes in interest rates, the net present value of future cash flows and residual maturities change, which alters the corresponding assets, liabilities, off-balance sheet items, and their economic value of equity (EVE). Changes in interest rates are also reflected in a bank's net interest income (NII), which is the result of changes in interest-sensitive income and expenses. Management of this risk has a significant impact on a bank's profitability and capital.

As of December 2025, based on the existing approach to interest rate risk, the ratio of the change in the system's EVE and NII to Tier 1 capital stood at 7.3% and 2.3%, respectively. Throughout 2025, both indicators remained significantly below the maximum supervisory limits.

23. The trading book includes financial instruments held by a commercial bank for the following purposes:
a) For short-term resale.
b) With the expectation of generating profit from revaluation due to anticipated price changes.
c) To generate income through arbitrage.
d) To hedge the risk positions of instruments acquired for the purposes outlined in "a" to "c" above.

DIAGRAM N 4.23. CHANGE IN EVE TO TIER 1 CAPITAL

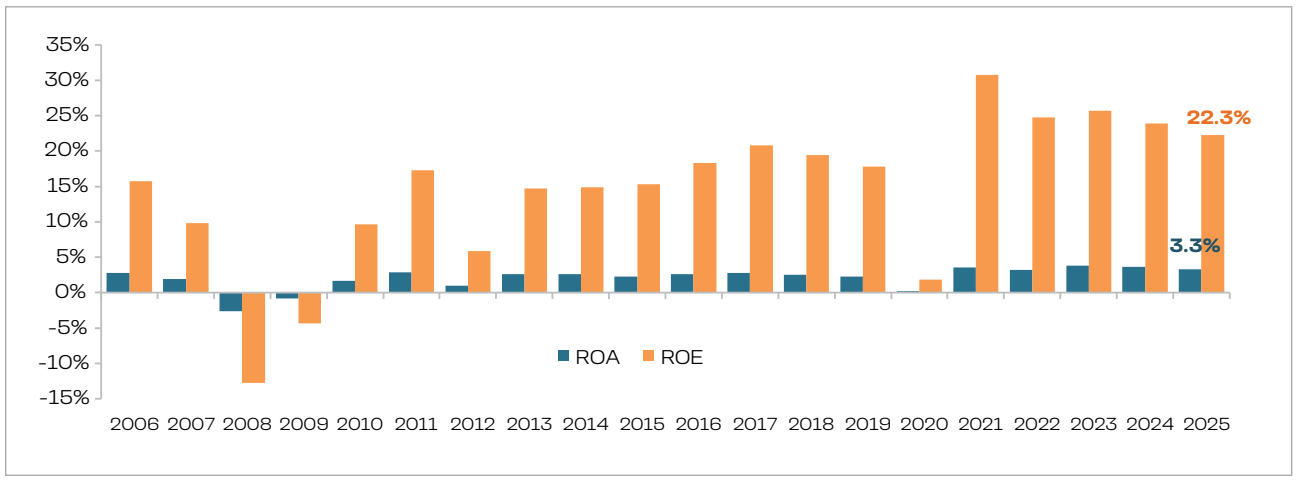


Source: NBC

4.7. PROFITABILITY RISK

In 2025, the return on average assets and equity[24], amounted to 3.3% and 22.3%, respectively. The corresponding figures for 2024 stood at 3.6% and 23.9%. Over the year, the banking system's indicators were characterized by stability and satisfied the acceptable level of return on equity for shareholders.

DIAGRAM N 4.24 RETURN ON EQUITY AND ASSETS*



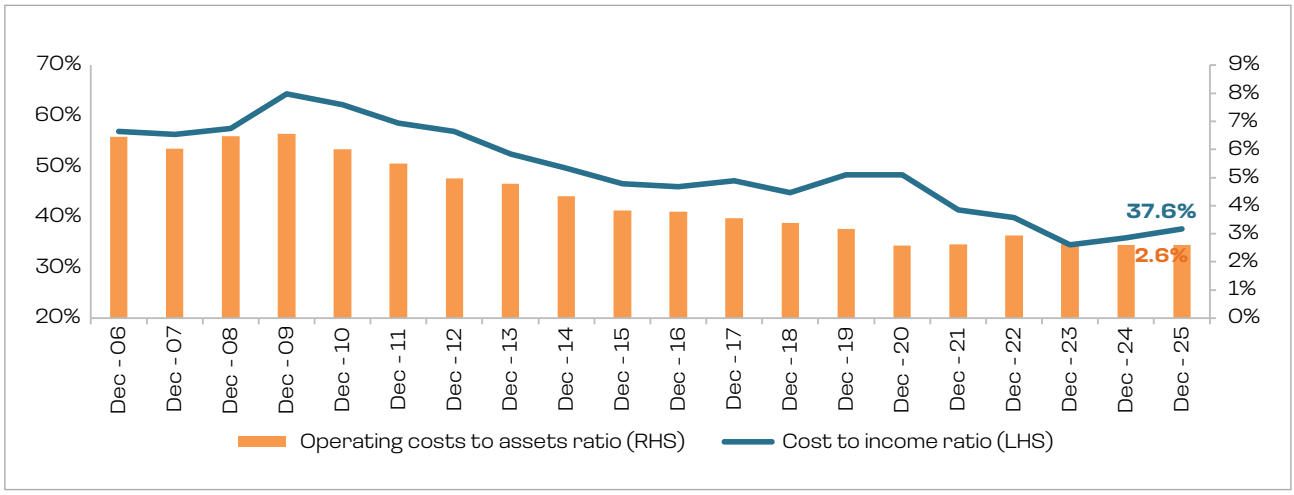
**IFRS accounting data are available from July 2023.*

Source: NBC

In 2025, several significant factors impacting the profitability of the banking system were noteworthy. Against the backdrop of increased credit activity throughout the year, net interest income grew by 20%. Taking into account the 17% increase in non-interest expenses, the cost-to-income ratio increased from 35.9% to 37.6%. Meanwhile, the cost-to-assets ratio remained at the 2.6% mark.

24. ROE is defined as net profit divided by the annual average equity, while ROA is net profit divided by the annual average assets. In these calculations, NBC-based net profit is calculated as the sum of net interest income and net non-interest income, minus the provision for possible losses on loans and other financial assets, after extraordinary income and the payment of taxes. IFRS-based net profit is calculated as the sum of net interest income (expense) and net non-interest income (expense), minus expected loss and impairment, after the payment of profit tax.

DIAGRAM N 4.25. COSTS TO INCOME AND ASSETS*



*IFRS data are provided from December 2023.

Source: National Bank of Georgia

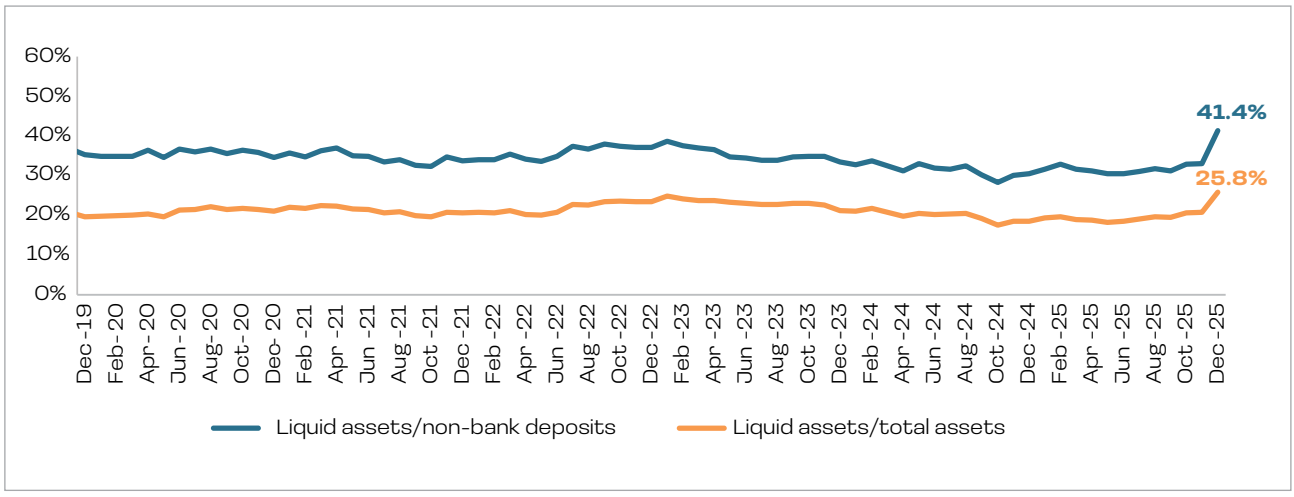
The National Bank of Georgia continues to review banks' profitability forecasts, analyze the business models and strategies of individual institutions, and assess the appropriate mitigants for profitability risk. Significant attention is dedicated to factors such as economies of scale, market niches and/or other competitive advantages, and expected credit losses. The monitoring of bank product pricing is ongoing.

4.8. LIQUIDITY RISK

4.8.1. Liquid Asset Structure

Throughout 2025, the volume of liquid assets relative to total assets remained stable and increased towards the end of the year. This was primarily driven by an expansion of the collateral base; specifically, as a result of the update to the NBG's "Collateral Regulation", a broader range of assets was deemed eligible for pledging at the NBG. Consequently, liquid assets accounted for 26% of total assets, which was sufficient to cover 41% of non-bank deposits.

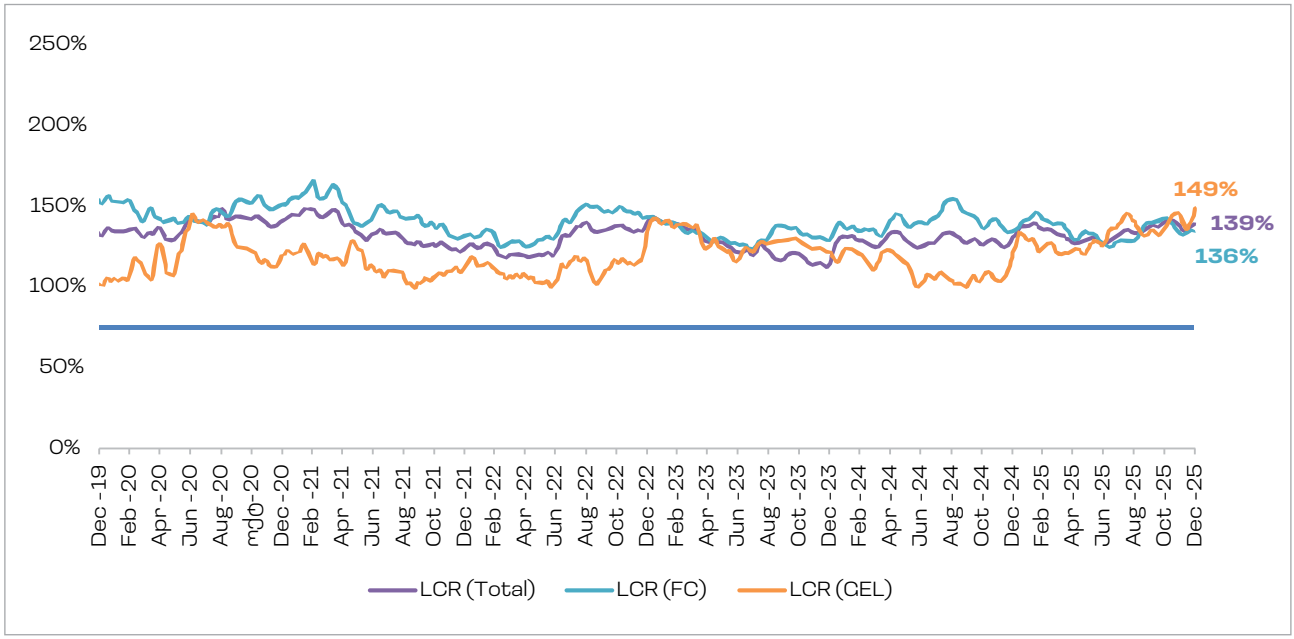
DIAGRAM N 4.26. LEVEL OF LIQUID ASSETS



Source: NBG

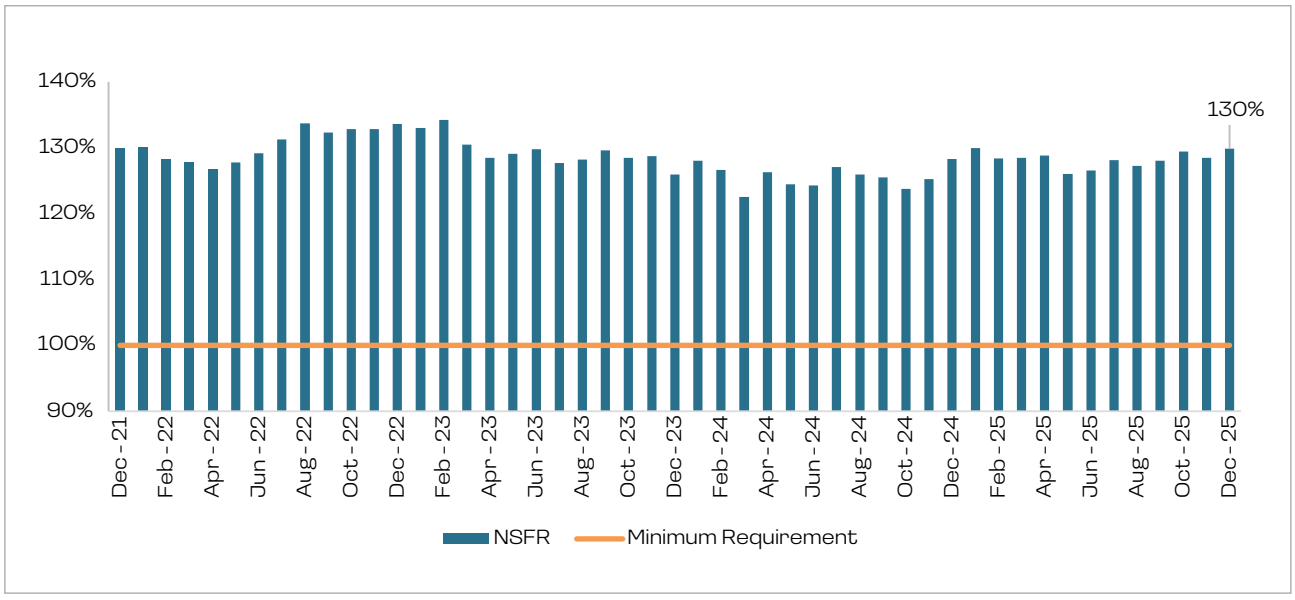
Throughout 2025, both the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) were maintained at high levels, reaching 130% as of the end of the year.

DIAGRAM N 4.27. LCR DYNAMICS (10-DAY FLOATING AVERAGE)



Source: NBG

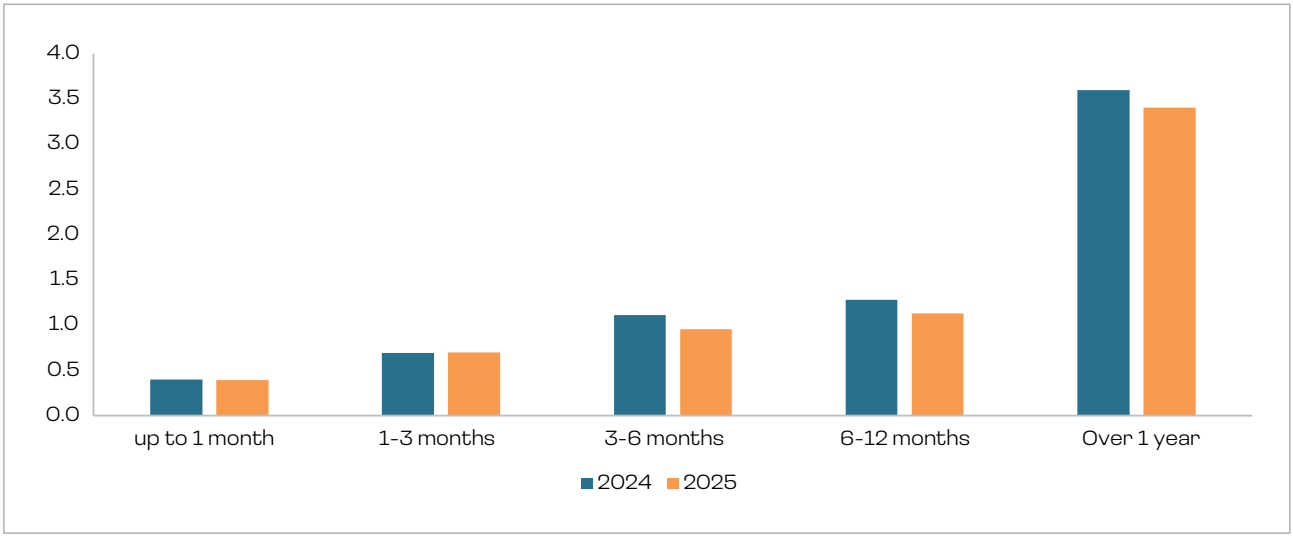
DIAGRAM N 4.28. NET STABLE FUNDING RATIO



Source: NBG

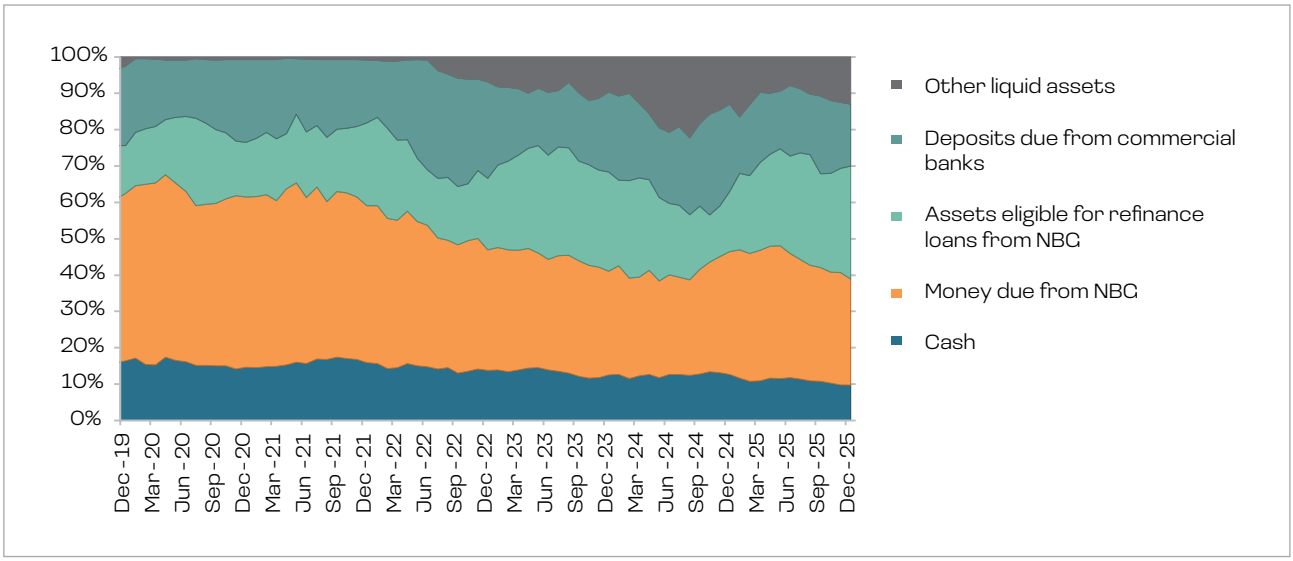
Throughout 2025, the structure of the liquid asset gap remained stable in both the up-to-one-year and over-one-year time buckets.

DIAGRAM N 4.29. LIQUIDITY GAP – ASSETS TO LIABILITIES



Source: NBG

DIAGRAM N 4.30. VOLUME AND STRUCTURE OF LIQUID ASSETS

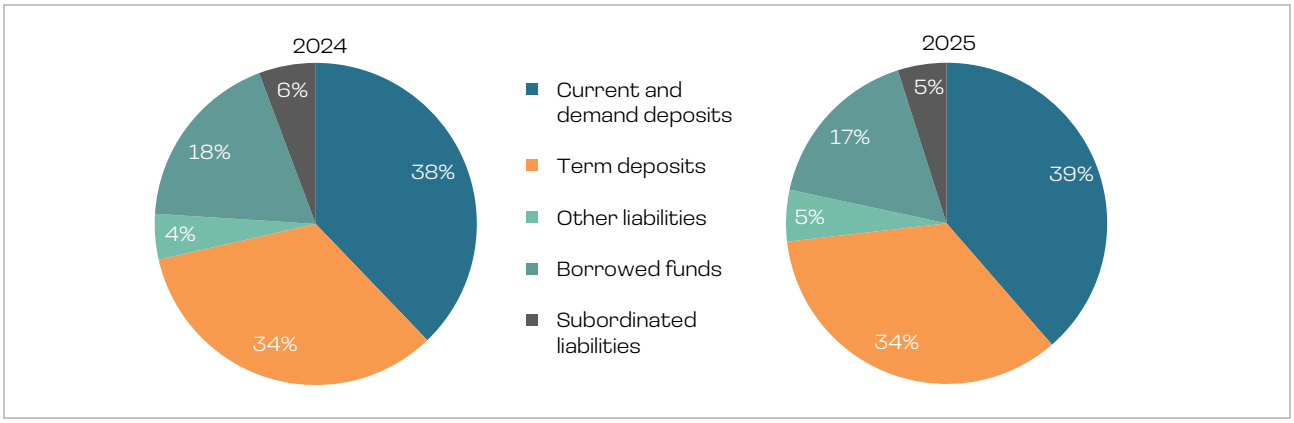


Source: NBG

4.8.2. Liability Structure

The liability structure remains stable. Compared to 2024, it was almost unchanged in terms of both current and demand accounts, as well as long-term liabilities. Furthermore, banks maintained a quite comfortable level of liquid assets corresponding to the risks associated with the liability structure.

DIAGRAM N 4.31 LIABILITY STRUCTURE

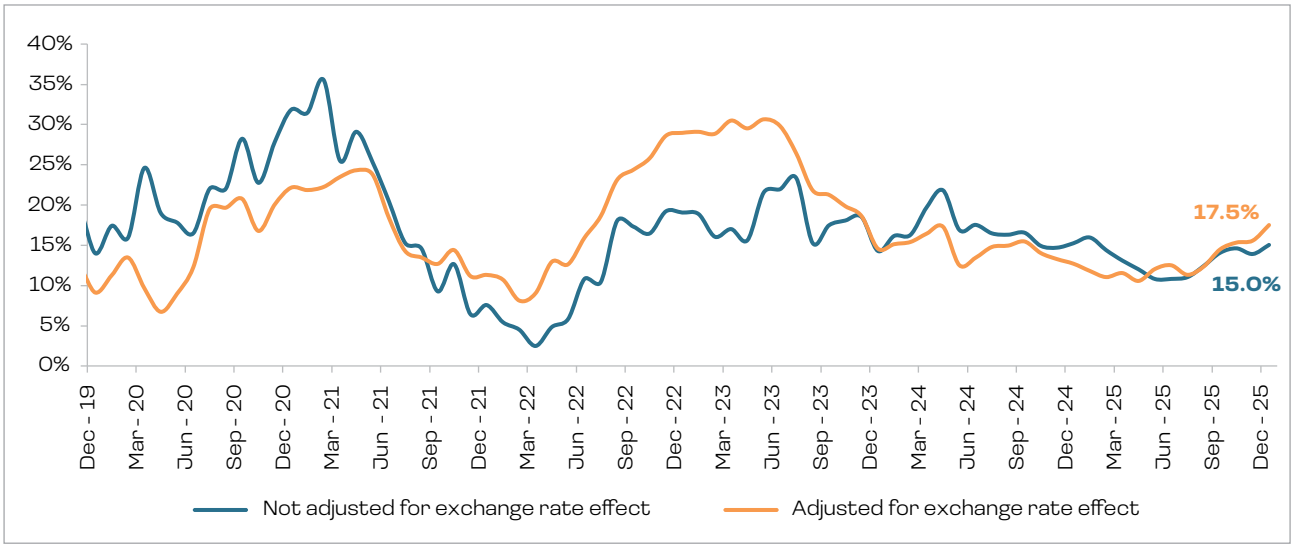


Source: NBG

4.8.3. Retail Funding

Throughout 2025, non-bank deposits grew by GEL 10 billion, increasing by 15 percentage points (17.5 pp excluding the exchange rate effect) and amounting to approximately GEL 67.1 billion by December. In terms of depositor structure, the growth of deposits from individuals and legal entities stood at 12.9% and 17.7%, respectively (15.9% and 19.4%, respectively, excluding the exchange rate effect). Throughout the year, the larization of deposits increased, reaching 52% by the end of December.

DIAGRAM N 4.32 ANNUAL GROWTH OF NON-BANK DEPOSITS

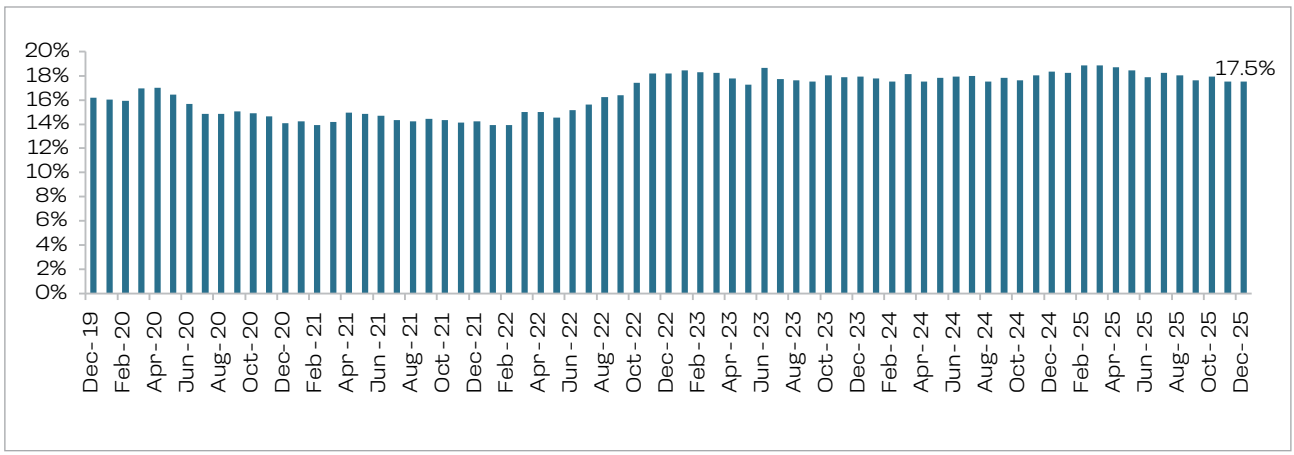


Source: NBG

Throughout the year, the share of non-resident client deposits within total non-bank deposits decreased by 0.8 percentage points, amounting to 17.5% by the end of December. By country of origin, the share of Russian residents in total non-resident deposits stood at 37%. At the same time, in aggregate, these deposits remain diversified by both country of origin and deposit type, which is a positive factor from a risk perspective. To prevent excessive reliance on this type of funding, the National Bank of Georgia maintains additional liquidity requirements for deposits attracted from non-residents.[25] The need for additional liquidity in banks with a high share of non-resident deposits mitigates the incentive to attract a portfolio of such deposits.

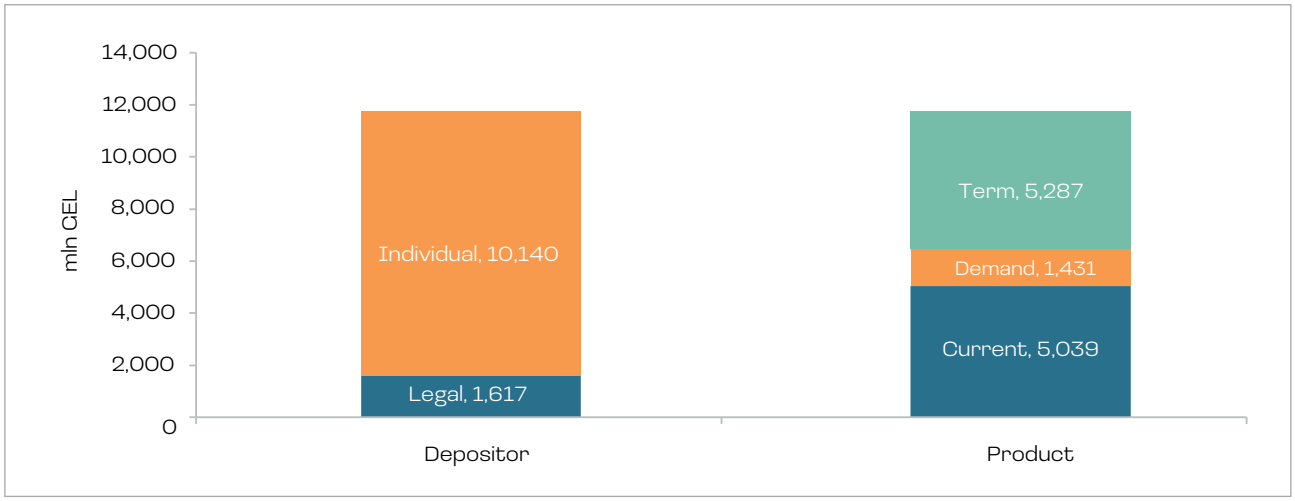
25. For the purpose of calculating the liquidity coverage ratio and the net stable funding ratio, non-resident deposits are subject to higher liquidity requirements than those of residents. For liquidity purposes, persons with a foreign passport are considered non-residents.

DIAGRAM N 4.33. SHARE OF DEPOSITS OF NON-RESIDENT CLIENTS



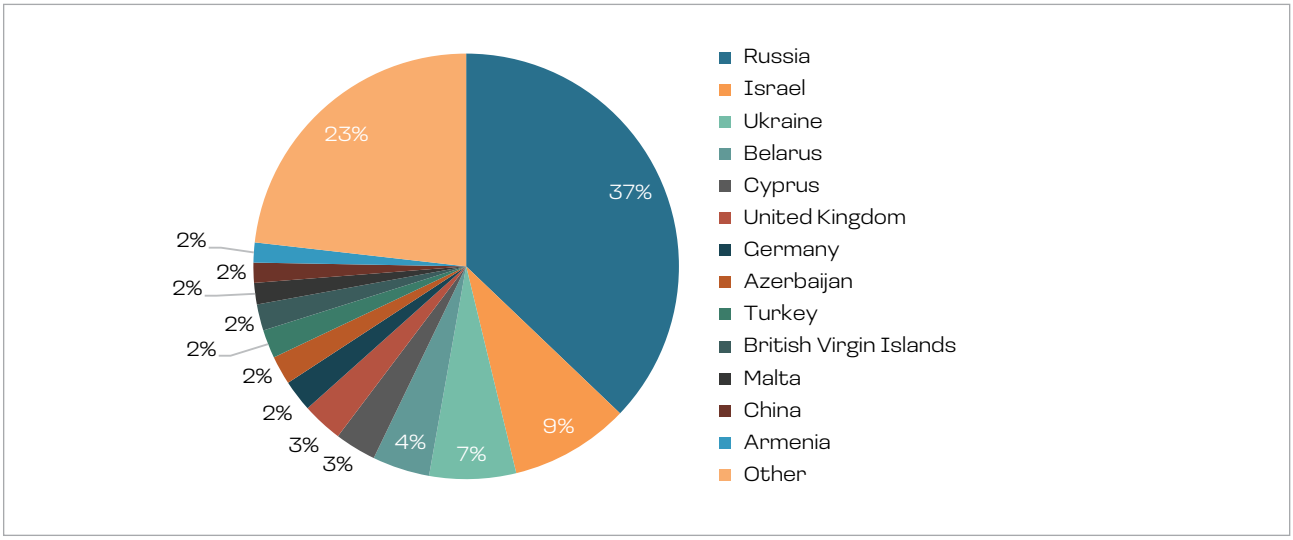
Source: NBG

DIAGRAM N 4.34. STRUCTURE OF NON-RESIDENTS' DEPOSITS (DECEMBER 2025)



Source: NBG

DIAGRAM N 4.35. DEPOSITS OF NON-RESIDENTS BY COUNTRY (DECEMBER 2025)

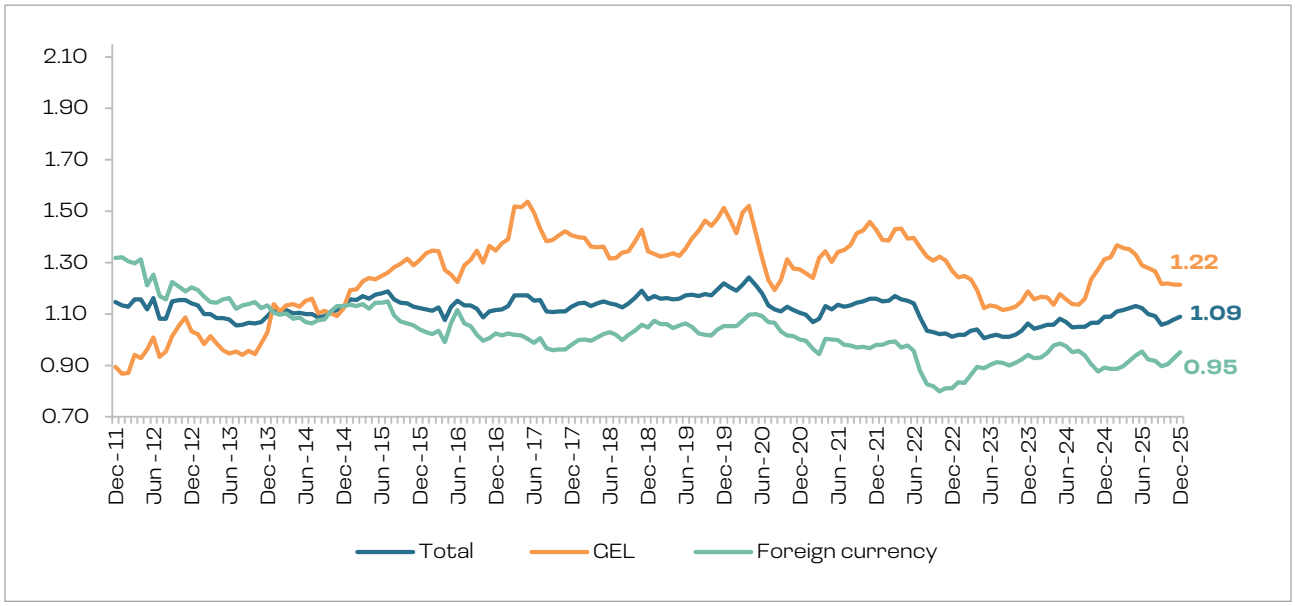


Source: NBG

4.8.4. Wholesale Funding

Throughout 2025, loan-to-deposit ratios remained stable in aggregate. The ratio decreased in GEL and increased slightly in foreign currency. This trend was primarily driven by the stronger growth in GEL deposits compared to loans—particularly in the second half of the year—while in foreign currency, loan growth exceeded deposit growth. It is noteworthy that the loan-to-deposit ratio calculated for GEL loans and deposits continues to exceed the corresponding figure for foreign currency loans and deposits. This is partly driven by the high growth rate of GEL loans that resulted from foreign exchange risk considerations and larization measures.

DIAGRAM N 4.36 TOTAL LOANS TO NON-BANK DEPOSITS BY CURRENCY



Source: NBG

4.9. MACROPRUDENTIAL RISKS

The National Bank of Georgia continues to monitor indicators of systemic risks that could potentially have a material impact on the banking sector. Information regarding these risks is provided across various chapters of this report. The primary challenge over the past year was the ongoing uncertainty prevailing in the region, along with the subsequent assessment of financial sector stability risks and the formulation and implementation of appropriate macroprudential and supervisory policies.

The National Bank of Georgia exercises macroprudential supervision across the following key areas: the increased debt burden on unhedged borrowers resulting from foreign currency-denominated loans; the over-indebtedness of vulnerable segments of the population; intense competition in business and mortgage lending against the backdrop of imperfect product pricing models; system-wide cyber risks and fraud; the potential growth of unregulated financial intermediation driven by financial technologies; and existing regional threats.

Throughout 2025, several significant decisions were made aimed at mitigating these risks:

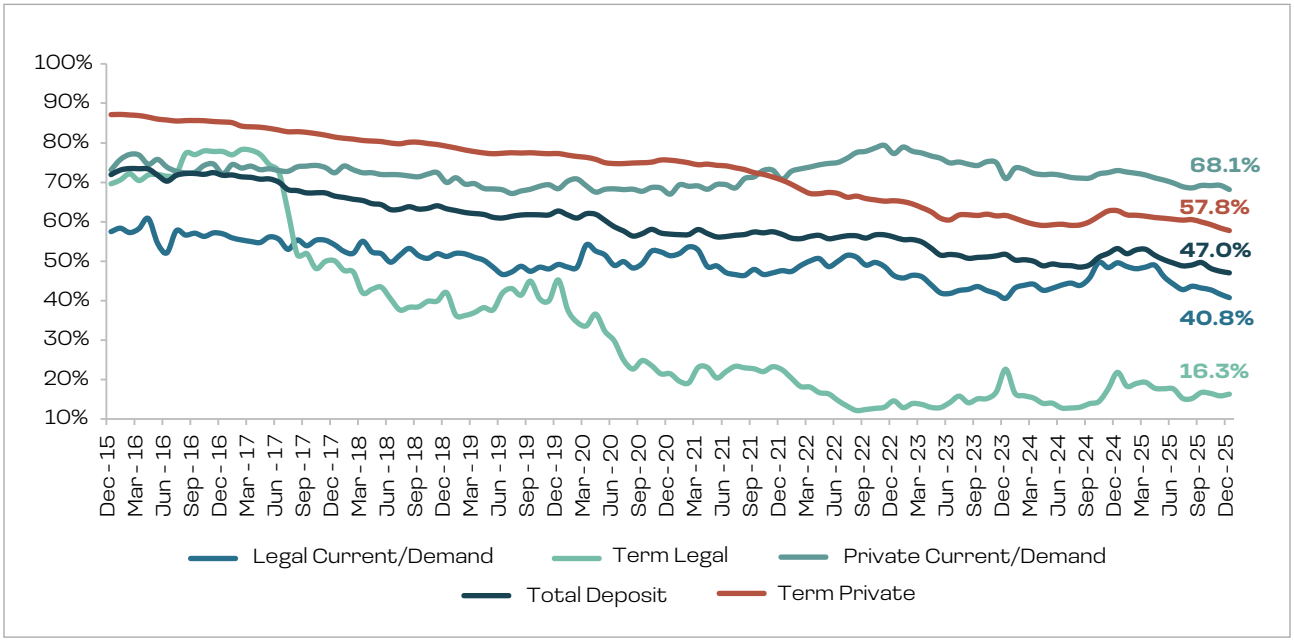
- According to the decision of the Financial Stability Committee, the maximum loan-to-value (LTV) ratio for real estate-backed loans issued to individuals in GEL was temporarily increased by 5 percentage points to 90%. Additionally, the LTV ratio for mortgage loans extended to individuals receiving income from outside Georgia was increased by 10 percentage points to 80%. These modifications facilitated enhanced access to mortgage loans.
- By decision of the Financial Stability Committee, the threshold for unhedged foreign currency loans was increased from GEL 500,000 to GEL 750,000. This decision came into effect on 1 August 2025.
- The restoration of buffers released at the onset of the COVID-19 crisis commenced on 1 January 2022 and was concluded in 2025.
- In 2024, by decision of the Financial Stability

Committee, the schedule for the accumulation of the countercyclical buffer was revised. Specifically, commercial banks are required to accumulate the countercyclical buffer according to the following schedule: 0.25% by 15 March 2024; 0.5% by 15 March 2025; 0.75% by 15 March 2026; and 1% by 15 March 2027.

- To promote the resilience of the banking system and permit a forward-looking macroprudential policy, the National Bank of Georgia has periodically conducted supervisory "bottom-up" stress tests since 2017. These tests enable both the regulator and commercial banks themselves to identify the banking system's primary challenges and explore potential mitigation strategies. Consequently, identifying banks vulnerable to severe stress and, if necessary, imposing an additional capital buffer—the Net Stress Test Buffer—on such banks, will render the banking system more stable overall. According to the results of the "bottom-up" stress test conducted in 2025, the Georgian banking system operates with sufficient capital buffers in aggregate. This implies that the buffers available to the system, along with the conservation and countercyclical buffers that could potentially be released during times of stress, as well as one-third of the unhedged credit risk buffer in foreign currency, will be adequate to cover losses resulting from stress. Therefore, severe hypothetical capital losses do not pose a threat to the stability and resilience of the system.[26]

Deposit dollarization remains a challenge for the financial sector; despite a significant decline in recent years, it continues to be maintained at a high level. This parameter varies according to the types of clients and deposits. Dollarization is higher in the deposits of individuals, whereas it is relatively lower in the accounts of legal entities—a trend that stems from companies' needs for GEL in their operational activities. Although the dollarization of term deposits held by individuals exhibits a downward trend, it remains at a noteworthy level at around the 58% mark. This type of deposit constitutes the largest component of the overall portfolio, and because its dollarization trend exerts a significant influence on the total dollarization of deposits, it serves as a good measure of individuals' expectations regarding the exchange rate.

DIAGRAM N 4.37. DOLLARIZATION OF DEPOSITS (FIXED EXCHANGE RATE)*



**From July 2023, IFRS accounting data are provided.*

Source: NBG

26. The Supervisory "Bottom-Up" Stress Test as an Instrument for Analyzing the Banking Sector's Resilience to Shocks. See: https://nbg.gov.ge/fm

The NBC maintains a prudential approach toward credit risk arising from currency mismatches. Specifically, an additional capital requirement applies to foreign currency loans issued to unhedged borrowers, while for individuals, more conservative credit standards are additionally imposed. Furthermore, to support the larization of liabilities, the NBC applies more preferential liquidity and minimum reserve requirements for the national currency.

4.10. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or faulty internal processes, people, systems, or external events. Analyzing the impact of external risks constitutes one of the primary challenges in operational risk management. Factoring in such risks and maintaining proactive readiness to mitigate risks triggered by external events are of critical importance. In 2025, the uncertain international geopolitical landscape and the domestic civic environment both remained pertinent factors. In this context, prevailing operational risks were centered on operational resilience, business continuity, outsourcing, third-party risks—including reliance on the broader economy and other sectors—and the risks associated with digital transformation. Furthermore, contemporary challenges pertaining to the management of Information and Communication Technology (ICT) and cybersecurity warranted significant attention.

The NBC actively collaborates with commercial banks and microbanks to ensure the soundness of business continuity management principles and plans tailored to critical scenarios. This includes conducting periodic testing and, based on the outcomes of such tests, implementing corrective measures to maintain business continuity. Within the framework of business continuity management, the National Bank places paramount importance on commercial banks and microbanks possessing proactive and forward-looking operational resilience and business continuity plans. These plans are essential to ensure readiness for the timely restoration of operations in the event of unexpected incidents, business disruptions, and/or emergencies.

To ensure the resilience of banking processes, it is vital that commercial banks and microbanks consistently conduct business continuity exercises across various critical scenarios, including evacuation testing and the assessment of outsourced processes. The NBC monitors the testing of business continuity plans at commercial banks and microbanks, utilizing both off-site monitoring and on-site observation of the procedures. The NBC's operational risk division is also involved in assessing the recovery plans of commercial banks and microbanks from an operational risk perspective.

The NBC continues to evaluate the operational risk management frameworks of commercial banks and microbanks, conducting on-site inspections in accordance with its schedule. As part of the cyclical review of the operational risk management framework in 2025, priority areas included operational resilience, outsourced processes, risk monitoring and mitigation tools, accuracy risk, risk profile assessment, and the institutionalization of a sound risk culture.

The NBC deems it crucial for commercial banks and microbanks to implement and apply a unified operational risk management methodology across their organizations. This includes ensuring the integration of ICT risk management processes and their alignment with operational risk management principles and methodologies.

The NBC places significant focus on the assessment of prospective vendors and products by commercial banks and microbanks during the initiation phase of outsourcing relationships. Attention is also directed toward the ongoing monitoring and periodic reassessment of outsourced processes, employing both scheduled and risk-based approaches. In 2025, within the framework of monitoring commercial banks and microbanks, the NBC continuously evaluated the implementation status of the supervisory requirements issued to these institutions.

To strengthen operational risk management within financial institutions and promote international best practices, an International Monetary Fund (IMF) technical assistance mission was conducted in 2025. During this mission, the alignment of operational risk management regulation with the latest Basel principles was evaluated, and discussions were held regarding operational risk stress testing, as well as effective data aggregation and reporting practices. The shared recommendations will be incorporated into the execution of the supervisory process for operational risk management.

The NBC continues to broaden and refine its operational risk management approaches in alignment with international standards. Currently, efforts are underway to implement the updated Basel framework on the Principles for the Sound Management of Operational Risk, alongside the Principles for Effective

Risk Data Aggregation and Risk Reporting, across commercial banks and microbanks in Georgia.

In 2025, the NBG's Operational Risk Supervision Division was actively engaged in supporting the safe and sustainable development of financial technologies, innovative banking products, process digitalization, and digital banking within the Georgian financial sector from an operational risk perspective. Over the past year, the NBG continuously analyzed and evaluated the operational risks associated with innovative fintech products, open banking, digital banking, and remote customer identification processes introduced by supervised entities.

The National Bank of Georgia places significant emphasis on raising awareness of operational risks within the financial sector and establishing standards centered on operational risk management principles. This approach fosters the development of an organizational risk culture and enhances operational resilience. Commercial banks and microbanks have been advised to undertake awareness-raising initiatives for both their employees and customers. Furthermore, as part of the effort to facilitate the digitalization of various non-bank financial institutions, startups, and fintech providers, the NBG actively shares recommendations regarding the implementation and assessment of sound operational risk management practices.

The rapid advancement of remote services and digitalization processes within the financial sector necessitates the implementation and continuous enhancement of control mechanisms to mitigate fraud and technological risks. The NBG, in collaboration with commercial banks and microbanks, continues its efforts to ensure that these institutions maintain adequate and flexible control mechanisms. This includes the development and deployment of advanced fraud monitoring tools and information systems, such as behavioral analytics-driven management systems. For the National Bank of Georgia, advancing the processes for detecting and preventing various forms of fraud associated with payment cards and digital channels remains one of the key priorities.

To ensure the prevention of the systemic spread of major operational events, including cyber risks, and to facilitate timely information sharing, an Information Sharing and Analysis Center (ISAC) has been implemented and is actively utilized as a closed communication platform with commercial banks and microbanks in Georgia.

In 2025, the expansion of operational risk forecasting tools remained a priority. In this regard, research and analytical work on operational risk stress testing remained ongoing. This enables the determination and potential mitigation of the expected impact of an operational risk event on an organization's capital and financial condition in the event of an adverse scenario being realized. Consequently, greater importance is placed on recording and refining historical data regarding potential and/or actual operational risk losses, conducting root-cause analyses of operational risk events, and assessing their systemic impact. Through its recommendations, the NBG emphasizes minimizing losses caused by human error, improving manual processes and controls, and automating the detection and recording of losses. The NBG attaches great importance to ensuring data quality and mitigating risks related to data accuracy within the banking sector.

The National Bank of Georgia continuously evaluates the accuracy, integrity, and quality of financial data across the banking sector. Within the framework of data quality management, attention is directed toward ensuring the soundness of business processes related to financial reporting, enhancing analytical tools, increasing the level of automation in reporting processes, and reducing the complexity of interconnected information systems.

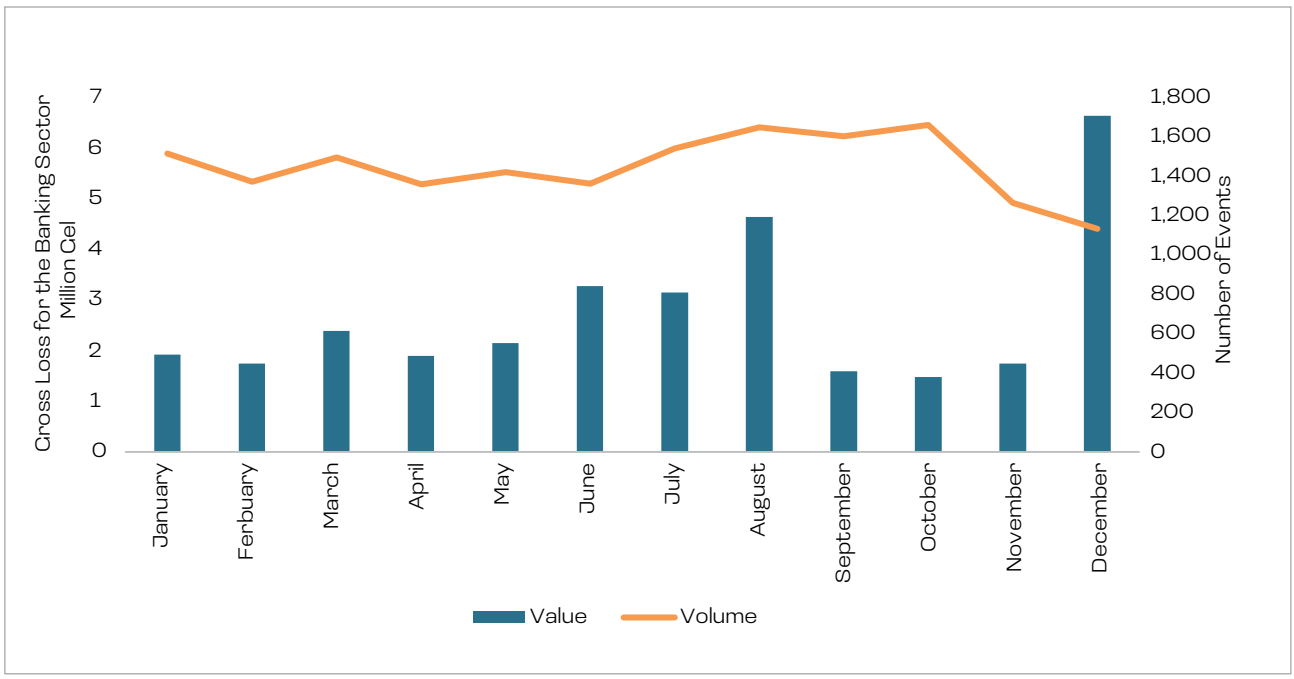
4.10.1. Operational Risk in the Georgian Banking Sector

The local banking system offers relatively low complexity of banking products and services. However, of the increasing reliance on information systemselevates the inherent operational risk within the financial sector. It is noteworthy that, similar to 2024, the quantitative growth of digital services and the financial sector's forward-looking digitalization strategies continued throughout 2025.

In 2025, the total operational loss for Georgian commercial banks amounted to GEL 32.6 million. This figure is 3% higher than the total loss recorded in 2024. The total loss represents the initial amount associated with an operational event, prior to any reimbursement or recovery of the operational loss.

In 2025, 17,360 operational loss events were recorded, a 17% decrease compared to 2024 (see Diagram N 4.38). It should be noted that under the National Bank of Georgia's operational risk reporting framework, commercial banks are obliged to record every operational loss event where the total loss equals or exceeds GEL 10.

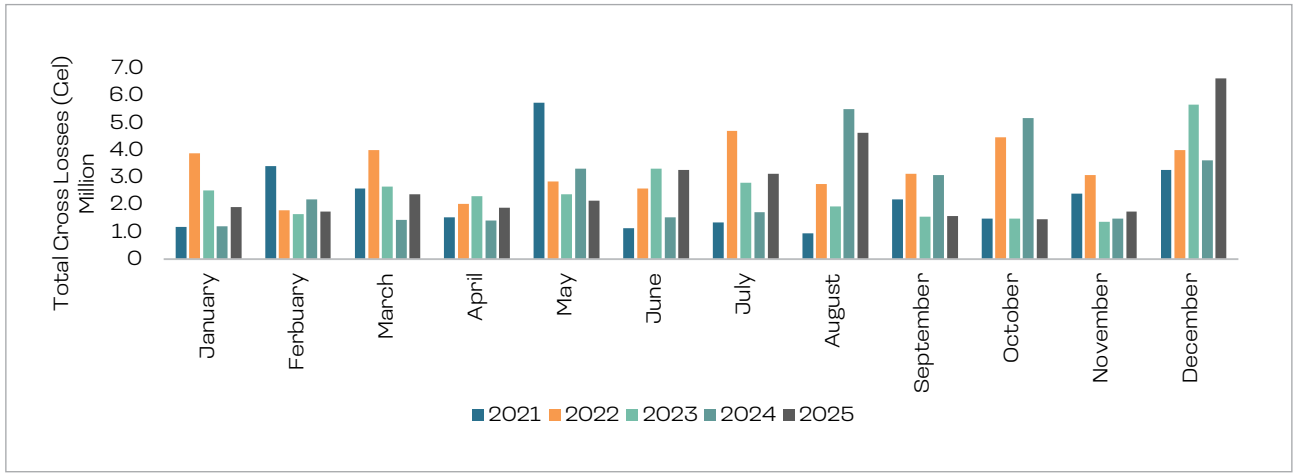
DIAGRAM N 4.38. DYNAMICS OF TOTAL OPERATIONAL LOSSES IN 2025



Source: NBC

Diagram No. 4.39 shows the dynamics of total operational losses over the past five years (2021-2025). It should be noted that, historically, a higher number of operational events are recorded towards the end of the year, which is largely associated to the end of the reporting year (see Diagram N 4.39).

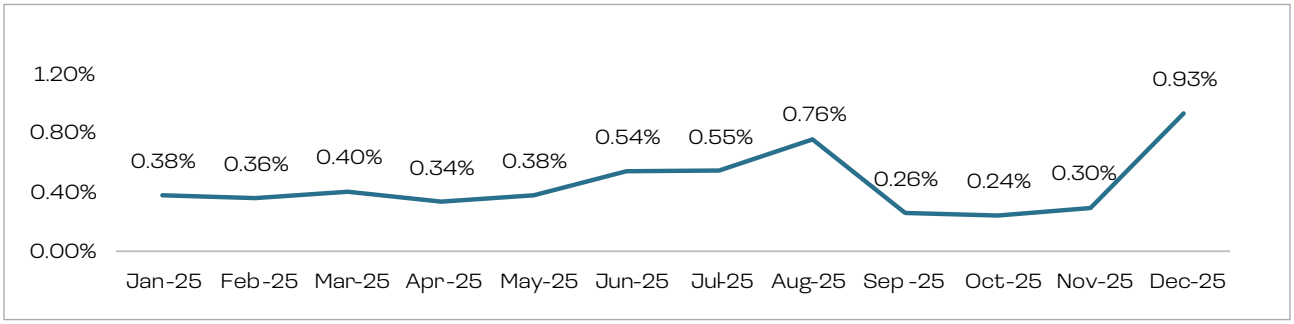
DIAGRAM N 4.39. TOTAL OPERATIONAL LOSSES FOR THE LAST FIVE YEARS (2021-2025)



Source: NBC

One of the most effective measures for assessing the operational risk of the financial system is the operational risk loss indicator. This metric is calculated as the ratio of the financial system's total operational losses to its gross income. In 2025, the ratio of total annual gross loss to gross income, calculated in accordance with Basel II, stood at 0.46% (see Diagram N 4.40).

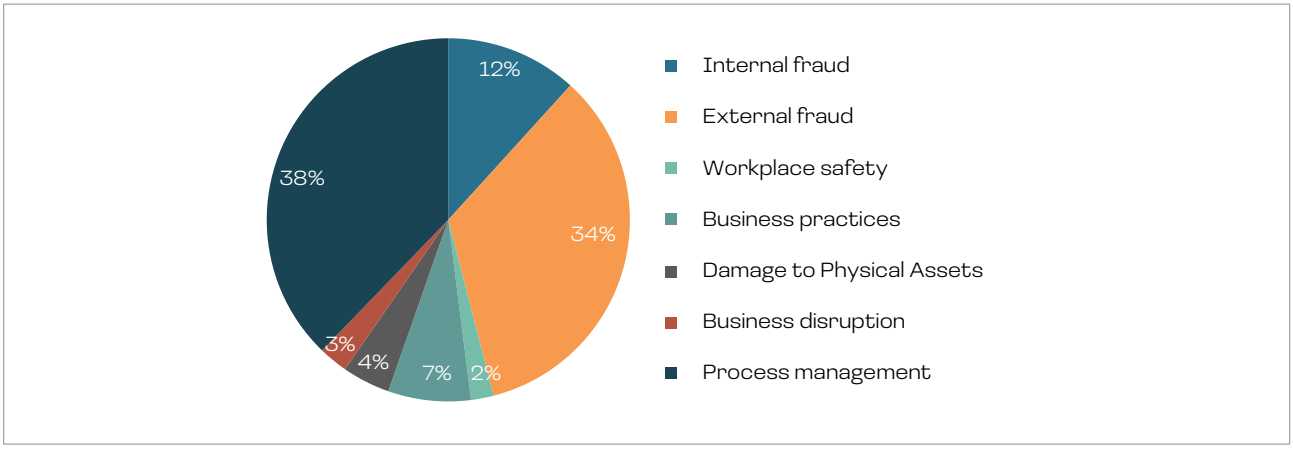
DIAGRAM N 4.40. DYNAMICS OF THE OPERATIONAL LOSS INDICATOR FOR 2025
(OPERATIONAL LOSS TO TOTAL REVENUE)



Source: NBG

In 2025, similar to 2024, operational losses were primarily recorded in the retail banking and, to a certain extent, commercial banking business lines. The retail banking business line, alongside direct retail banking services, also encompasses operational losses associated with payment cards. When categorizing operational losses by event categories, the largest share of losses in terms of amount (38% of total losses) was recorded in the process management category, while external fraud was the second largest category (34% share) .

DIAGRAM N 4.41. DISTRIBUTION OF TOTAL LOSSES OF THE BANKING SYSTEM FOR 2025
BY CATEGORY OF EVENT



Source: NBG

4.11. CYBER RISK

The relevance of cybersecurity continues to grow in tandem with the advancement of financial technologies and the upward trajectory of digitalization. Alongside traditional cyber risks, international financial institutions cite security issues stemming from artificial intelligence-based programs as a significant challenge. It is noteworthy that the International Monetary Fund's 2024 report regarding financial stability highlights the potential for cyber incidents and attacks executed using artificial intelligence. The central banks of European Union member states also emphasize the significance of quantum computing. In 2025, the NBG initiated monitoring of the dynamics of artificial intelligence utilization, which will continue into the following year and logically culminate in the formulation of a corresponding regulatory framework.

During 2025, non-bank financial institutions were also incorporated into the cyber risk supervisory scope, representing a logical progression toward establishing a comprehensive overview of cybersecurity within the financial sector.

Similar to previous years, the proper management of supply chain security risks remained one of the most critical issues in the Georgian financial sector for 2025. The Cyber Risk Supervision team of the NBG issued extraordinary supervisory directives and warnings aimed at prompting commercial banks to implement additional measures and obtain assurance regarding the cyber and information security of third parties.

The National Bank of Georgia monitors existing cyber risks within the banking sector and the potential for their contagion. The timely detection of cybersecurity incidents, along with the effective execution of remediation measures, attack analysis, and appropriate corrective actions by supervised entities, validates their capabilities and readiness to manage both severe and recurring lower impact incidents. To address the potential contagion of incidents across the banking sector, the NBG facilitates issuing immediate notifications utilizing appropriate instruments.

Throughout 2025, the Cyber Risk Supervision team conducted cyclical assessments of commercial banks to determine their compliance with the cybersecurity management framework. These assessments were primarily conducted through on-site physical visits. To rectify identified deficiencies, mandatory compliance requirements were established, the monitoring of which constitutes a vital component of the NBG's off-site supervision.

Taking into account the contemporary challenges and context, the primary areas identified for improvement included the following: enhancing the effectiveness of cyber and information security processes; improving risk management practices, particularly regarding supply chain security; increasing the efficacy of implemented processes and technological solutions for data protection; maintaining a continuous focus on awareness raising; and strengthening the human resources employed in information and cybersecurity with appropriate competencies. Furthermore, the existence and effectiveness of business continuity and readiness plans in the event of a potentially large-scale cyber incident require careful attention.

In addition to other supervisory requirements, commercial banks are mandated to conduct cybersecurity audits and penetration testing, which serve to eliminate various vulnerabilities and mitigate cyber risks. Consequently, the National Bank of Georgia attaches great importance to the execution and quality control of relevant industry-specific testing and audits.

A critical component of cyber risk supervision is the existence of effective processes and mechanisms necessary for cyber incident management. In this regard, the Cyber Risk Supervision team continues to analyze mandatory reports on cyber incidents received from commercial banks and produce quarterly reports, which allows for the illustration of cyber incident trend dynamics across both individual banks and the entire banking sector.

During 2025, similar to the previous year, the banking sector predominantly experienced so-called phishing incidents, system disruptions resulting from the inadequate management of information and communication technologies, and Distributed Denial-of-Service (DDoS) attacks. Through these, hackers executed the theft and subsequent misuse of customers' confidential and sensitive information (in the case of phishing) and disrupted or attempted to disrupt the services of commercial banks for certain periods (in the case of DDoS attacks).

Based on incidents reported by commercial banks, the National Bank of Georgia published numerous statements and issued appropriate supervisory directives on the information-sharing portal. The availability of up-to-date information regarding cyber threats and its sharing among stakeholders is a recognized and critical practice that facilitates effective cyber risk management. The platform provides members with the capability to share timely, accurate, and actionable warnings about cyber threats. Sharing cyber threat information on the platform assists its members in acquiring knowledge about current trends, anticipated threats, and past experiences, which can subsequently be utilized for cyber risk prevention.

In 2025, the Cyber Risk Supervision team of the NBG initiated collaboration with the LEPL Digital Governance Agency of the Ministry of Justice of Georgia. The objective of this collaboration is to establish a cooperative framework among regulators concerning cybersecurity issues, anchored in a memorandum executed between the NBG and the Ministry of Justice.

4.11.1. Regulatory Actions Addressing Cyber Risk

To assess and further improve cyber risk supervision practices, the NBG received a technical assistance mission from the International Monetary Fund (IMF) in 2024, which also included a one-week expert visit to the NBG. At the end of 2024, the IMF published the

technical assistance mission report featuring a two-year cooperation project.

In 2025, the Cyber Risk Supervision team actively worked on the package of recommendations received within the framework of the IMF's mission. As a result, the cybersecurity management regulation and the rules for reporting cybersecurity incidents to the NBG have been significantly enhanced, drawing largely on the European Union's best practices and experience. The NBG places special emphasis on both the quality of audit reports and the timely and effective remediation of the deficiencies identified in the reports by the supervised entities. Consequently, the monitoring of post-audit measures by the NBG is utilized in practice as an additional supervisory tool. Furthermore, in 2025, meetings were held with external audit companies, which provided them with an opportunity to share their perspectives regarding both the cybersecurity management framework and the audit manual.

In recent years, the financial sector, particularly banking institutions, has actively begun utilizing cloud outsourcing services. According to 2024 data, 42% of the banking sector's critical functions were migrated to a cloud environment, while this figure increased to 53% based on 2025 data.

In 2023, the decree "On the Approval of the Cybersecurity Management Framework for Microbanks" was issued alongside the "Audit Manual for Information Systems and Cybersecurity Management Framework in Microbanks" as an annex. Based on this decree, a schedule for ensuring cyber and information security requirements was developed for entities seeking to be licensed as microbanks. With the active involvement of the Cyber Risk Supervision team, the first microbank license was issued in 2024. Throughout 2025, off-site supervisory processes for microbanks were actively conducted.

For digital bank licensing, the proper assurance of cyber and information security requirements remains a pressing issue. Throughout 2025, the NBG's Cyber Risk Supervision team continued to actively participate in the supervision of digital banks as well as the licensing process for new entities.

Similar to the previous year, 2025 continued to be characterized by the introduction of new products and services in the financial sector, increasingly driven by novel technological solutions. The NBG maintains a technologically neutral supervisory strategy, which significantly eases the adoption and use of new financial technologies by supervised entities.

The National Bank of Georgia has defined the rules for the registration, cancellation of registration, and regulation of credit information bureaus at the National Bank of Georgia. Within this framework, among other criteria, requirements have been established related to the information systems of both the bureau and the platform. In 2025, special attention was devoted to the cybersecurity practices of JSC Creditinfo Georgia, and corresponding instructions were issued.

The year also saw a growing number of applications from entities wishing to participate in open banking. This process is regulated by an NBG decree, which also incorporates cyber and information security requirements. The review of applications received from applicant organizations, the issuance of additional instructions, and the final decisions were all based on these criteria.

As the importance of cybersecurity grows day by day, it is crucial that the National Bank of Georgia has cybersecurity specialists with strong competencies involved in cyber risk supervision processes. It is thus important to provide appropriate support for their career development. Throughout 2025, the Cyber Risk Supervision team successfully implemented an internship program and expanded its team. Team members participated in various industry-specific seminars and training programs; and it is noteworthy that they hold internationally recognized professional certifications.

4.12. DEVELOPMENT OF FINANCIAL AND SUPERVISORY TECHNOLOGIES

4.12.1. Promoting Financial Innovations

The share of innovations and innovative organizations within the financial sector continues to grow, creating both new opportunities and emerging risks. At the same time, the financial sector remains the most highly regulated segment of the economy worldwide, with the regulatory environment exhibiting a clear trend toward further expansion. Consequently, the contemporary supervisory framework is quite extensive, technical, and complex, particularly for new financial startups. Against this backdrop, encouraging innovators with

fintech ideas and facilitating the transformation of these ideas into sustainable financial models remains a significant challenge for financial sector regulators. In response to this challenge, the NBG is developing various supervisory approaches and promoting the establishment of baseline infrastructure for fintech activities.

Financial Innovation Office[27]

The Financial Innovation Office serves as a communication channel between the NBG and the community of financial technology innovators. The mission of the Financial Innovation Office is to promote responsible innovation within the financial sector and to assist fintech organizations/startups in familiarizing themselves with the supervisory approach of the NBG's regulations.

Throughout 2025, the Financial Innovation Office provided assistance and consultations to approximately one hundred individuals, and a number of significant meetings were held with individuals possessing innovative ideas. In addition, an internal registry of the Innovation Office was established, where the detailed recording and subsequent analysis of these meetings and consultations are carried out.

The Innovation Office also maintained close contact with international financial organizations throughout the year to familiarize itself with the latest developments and supervisory approaches towards financial sector innovations.

Regulatory Sandbox

The Regulatory Sandbox constitutes a significant instrument for promoting and developing financial innovation. It enables the testing of innovative products or services in a live environment, which plays a crucial role in the effective implementation of new technologies and business models, as well as in the formulation of their regulatory processes. This environment ensures practical analysis and the alignment of necessary regulations when introducing innovations under real-world conditions.

In 2025, two new entities that had submitted innovative projects transitioned to the "live testing" phase of the Regulatory Sandbox. These projects cover areas such as cryptocurrency-backed loans and online currency exchange services.

Furthermore, in 2025, special attention was devoted to the initiation of targeted sandboxes. Based on active market research and the study of international practices, targeted sandboxes were announced in the areas of tokenized deposits, crowdfunding, and AI. Work is actively underway on announcing sandboxes in other novel directions, including tokenized bonds.

Significant steps were taken in 2025 to deepen international cooperation. With the involvement of the International Monetary Fund (IMF), active work commenced on the creation of a cross-border regulatory sandbox, implemented in collaboration with the Central Bank of Azerbaijan. This initiative aims to develop the fintech ecosystem at a regional level, facilitating the cross-border testing of innovative financial products and services within a secure and regulated environment. There are also plans to initiate negotiations with other countries in the region on the creation of an international sandbox.

National Fintech Development Strategy

The NBG has prepared the National Fintech Development Strategy for 2027-2031. The strategy's objective is to strengthen cooperation among both domestic and international stakeholders to ensure consistent and coordinated steps are taken toward the development of an inclusive and innovative fintech ecosystem. The strategy was prepared in collaboration with the World Bank.

Georgia's fintech strategy envisions the development of a favorable regulatory environment for fintech and a modern financial infrastructure. This will encourage responsible innovation and competition in financial services and assist Georgia in becoming a leading fintech hub in the Middle Corridor region. The strategic vision for fintech development in Georgia encompasses three primary directions:

1. Implementing a Proactive Regulatory Policy

This aims to introduce regulatory-driven innovation within the financial sector. Regulations that facilitate lowering barriers to entry for new market participants

27. Information on the Financial Innovation Office is available in the Supervision section of the NBG website: https://www.nbg.gov.ge/index.php?m=742

and afford new or potential entrants the opportunity to test innovative ideas in a real-world environment are of strategic importance.

2. Developing Modern Financial Infrastructure

This direction focuses on the advancement of technology-driven innovation within the financial sector. Specifically, priority is given to the execution of infrastructure projects that ensure both the implementation and upgrade of established financial infrastructure (e.g., the Instant Payment System) and the exploration of new technologies, alongside promoting their effective introduction and utilization in the market.

3. Promoting a "Beyond-Georgia" Fintech Ecosystem

As a small, open economy, Georgia has a limited capacity for market expansion. Consequently, emphasis is placed on initiatives that will foster the strengthening of international cooperation to support the fintech market. Ultimately, the goal of this endeavor is to establish Georgia as a regional fintech hub.

The fintech strategy was prepared in accordance with the standards and requirements defined by Resolution No. 629 of the Government of Georgia of 20 December 2019, "On the Approval of the Rule for the Development, Monitoring, and Evaluation of Policy Documents". This process was conducted through active communication and consultations with stakeholders.

Furthermore, on 20 June 2025, a one-day event regarding Georgia's fintech strategy was organized by the NBG. The objective of the event was to communicate the significance of financial technology development to stakeholders and to foster public-private partnership around the strategy. The event was attended by representatives from the government administration, relevant public agencies, and the private financial sector. Guests from the World Bank and the International Finance Corporation (IFC) also attended.

The next steps in the fintech strategy development process involve preparing the final version of the strategy in coordination with relevant agencies and its subsequent approval by the Government of Georgia.

Credit Registry

The Credit Registry, established based on consultations with the World Bank working group, represents a database that ensures the collection of comprehensive information regarding credit risk. Data are submitted to the NBG on a monthly basis and encompass the following data groups:

- Details of credit liabilities.
- Data on collateral for credit liabilities.
- Information on refinanced loans.
- Information regarding investments.
- Information on rejected credit applications.
- Information on loans closed during the reporting month.

In 2025, work continued on improving the data quality of the Credit Registry, including the strengthening of data validation and control mechanisms. Special attention was devoted to ensuring data completeness and consistency, resulting in a significant increase in the reliability of the information reflected in the registry.

The Credit Registry continues to be a vital instrument for obtaining comprehensive information on credit risk, and its functionality is actively utilized for both analytical and supervisory purposes. Throughout the year, various reporting documents and reports tailored to specific needs were prepared based on Credit Registry data.

In 2026, it is planned to create aggregated reports for commercial banks, which will facilitate the enhancement of their analytical processes, efficient data utilization, and operational decision-making. Furthermore, the improvement of data quality control mechanisms and the generation of new analytical and supervisory reports for internal purposes will continue.

4.12.2 Model Risk

The use of various statistical models in the decision-making process within the financial sector is becoming increasingly widespread. Such models are broadly utilized in loan origination, client credit risk profiling, financial loss estimation, and risk management processes. The application of statistical models is experiencing particular growth in the retail, micro, and small business lending sectors. Recently, the implementation of models based on machine learning

and artificial intelligence algorithms has accelerated. While this enhances model efficiency, it concurrently complicates the interpretation, analysis, and risk assessment of the results.

Considering current trends in the sector, the necessity of developing a framework for the ethical use of models has emerged. In response, the NBG's Regulation on Managing Risks for Data-based Statistical, Artificial Intelligence and Machine Learning Models defined ethical principles to be considered during the development, implementation, and utilization of models, along with ways to mitigate potential unethical use. This amendment is primarily oriented towards the consumer. A model constructed without ethical principles might unfairly classify a certain group of consumers and restrict their rights; the second amendment concerns the expansion of the risk-based approach, and within the framework of the regulatory changes, a methodology for ranking/grouping models according to their risk profile was developed; the third amendment pertains to ensuring model transparency and interpretability through statistical methods by the entities utilizing the models. The accelerating pace of implementing chatbots and virtual assistants based on Large Language Model (LLM) and Natural Language Processing (NLP) techniques is particularly noteworthy; and update to the regulation is planned for 2026 to outline additional requirements ensuring consumer protection, data privacy, and model reliability—such as informing consumers about their interaction with AI, human involvement in high-risk scenarios, preventing erroneous responses, utilizing controlled data sources, security testing, continuous monitoring, defining clear boundaries for usage, evaluating third-party models, and properly documenting model functionality, limitations, and risks.

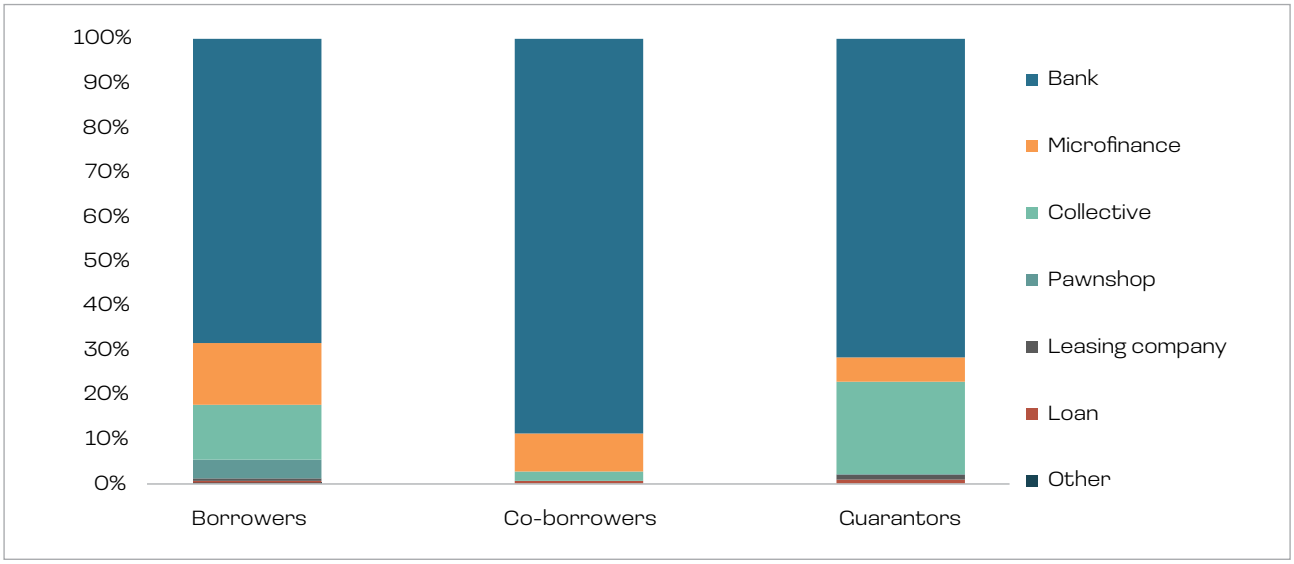
In connection with the introduction of the IFRS 9 standard at the NBG, Expected Credit Loss models are being implemented across financial institutions. Due to their complexity and impact on a bank's financial condition, these models carry a high degree of risk. A review of these models and methodologies commenced in 2023, and feedback has already been exchanged with commercial banks. During the model analysis process, efforts were focused on the comprehensive identification of vulnerabilities capable of generating model risk. This process is ongoing, and the evaluation of both implemented and planned model modifications by banks has been incorporated into the objectives for 2026.

4.12.3. Credit Information Bureau/ Platform

The activities of the Credit Information Bureau are regulated by the NBG. The NBG exercises supervisory oversight of both the bureau and the entities engaged in contractual relations with it, to ensure their fulfillment and compliance with the requirements of applicable normative acts.

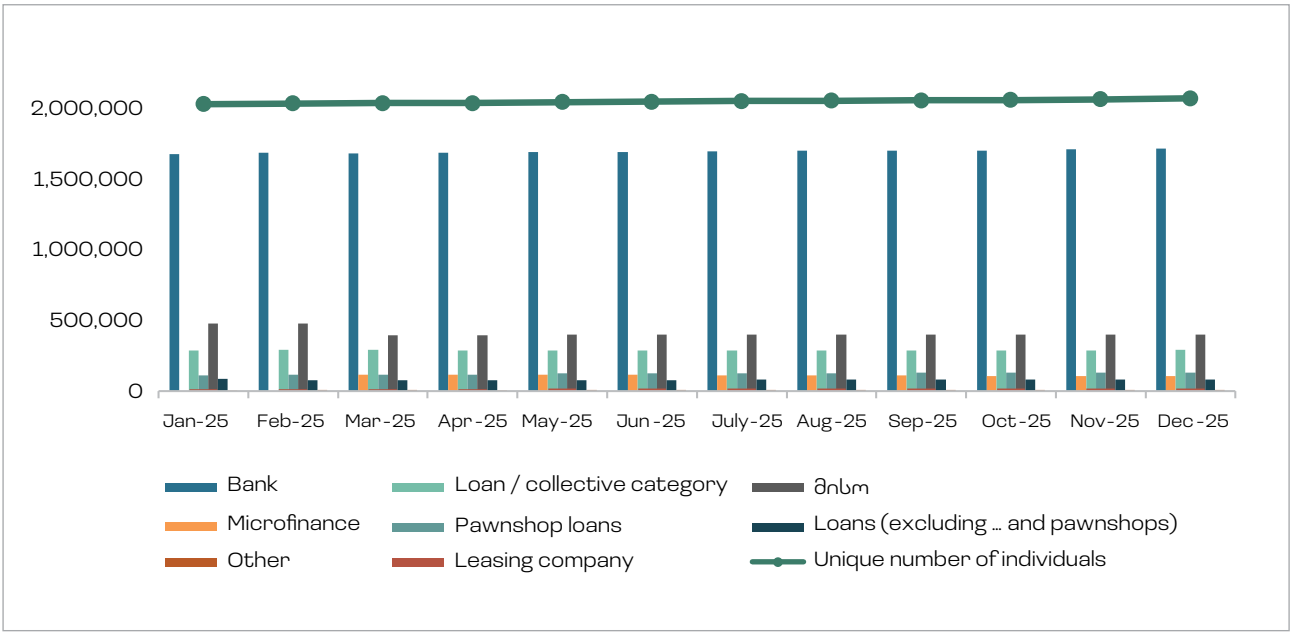
As of December 2025, the Credit Information Bureau JSC "Creditinfo Georgia" operates in Georgia, and has established contractual relations with which 176 lending organizations and 19 voluntarily participating organizations. This figure is inherently variable as it is influenced by the periodic registration and cancellation processes of lending organizations.

DIAGRAM N 4.42. PORTFOLIOS OF ORGANIZATIONS ENROLLED IN CREDITINFO GEORGIA (2025)



Source: NBG

DIAGRAM N 4.43. NUMBER OF INDIVIDUALS WITH ACTIVE LOANS (2025)



Source: NBG

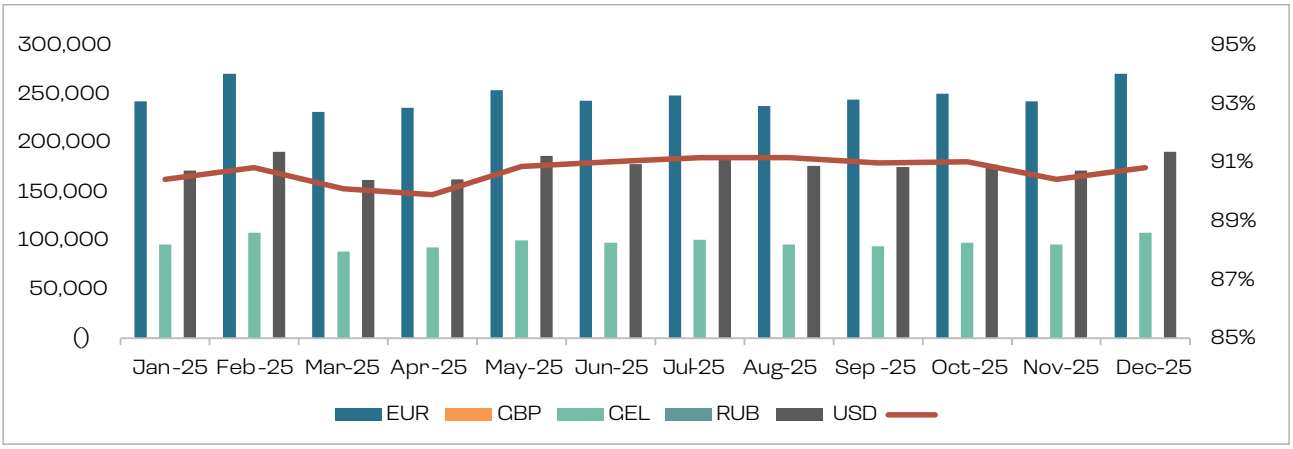
The NBG's involvement in the area of consumer rights protection is both noteworthy and significant. To ensure the accuracy of consumer data within the Credit Information Bureau's database, continuous monitoring is conducted by both the Credit Information Bureau and the relevant supervisory structural unit responsible for consumer rights protection. Complaints registered by consumers are periodically reviewed and addressed as necessary.

As part of the regulatory process, and based on needs identified through ongoing supervisory activities, relevant normative acts are periodically reviewed, and appropriate amendments and additions are introduced with the aim of improving the activities of the entities involved in this sphere. Towards the end of 2025, work commenced on formulating amendments to the rules established for the regulation of the Credit Information Bureau. In addition to other significant changes to be implemented, it was deemed appropriate to establish corresponding supervisory requirements for the entity admitted as a Credit Information Bureau platform in 2022.[28] The platform is a commercial entity that collects, processes, and provides access to borrowers' credit information without storing the data or requiring mandatory reporting by lending institutions. The amendments to cybersecurity management regulations planned at the end of 2025 also encompass the supervision of the Credit Information Bureau in this regard.

Another important issue related to the supervision of the Credit Information Bureau relates to data concerning income received from international money transfers, for which a regulatory amendment was implemented by the NBG in 2023. As the database is growing, the purpose of the amendment was to simplify both the process of obtaining a loan for people who receive international money transfers as well as the lending process for financial institutions.

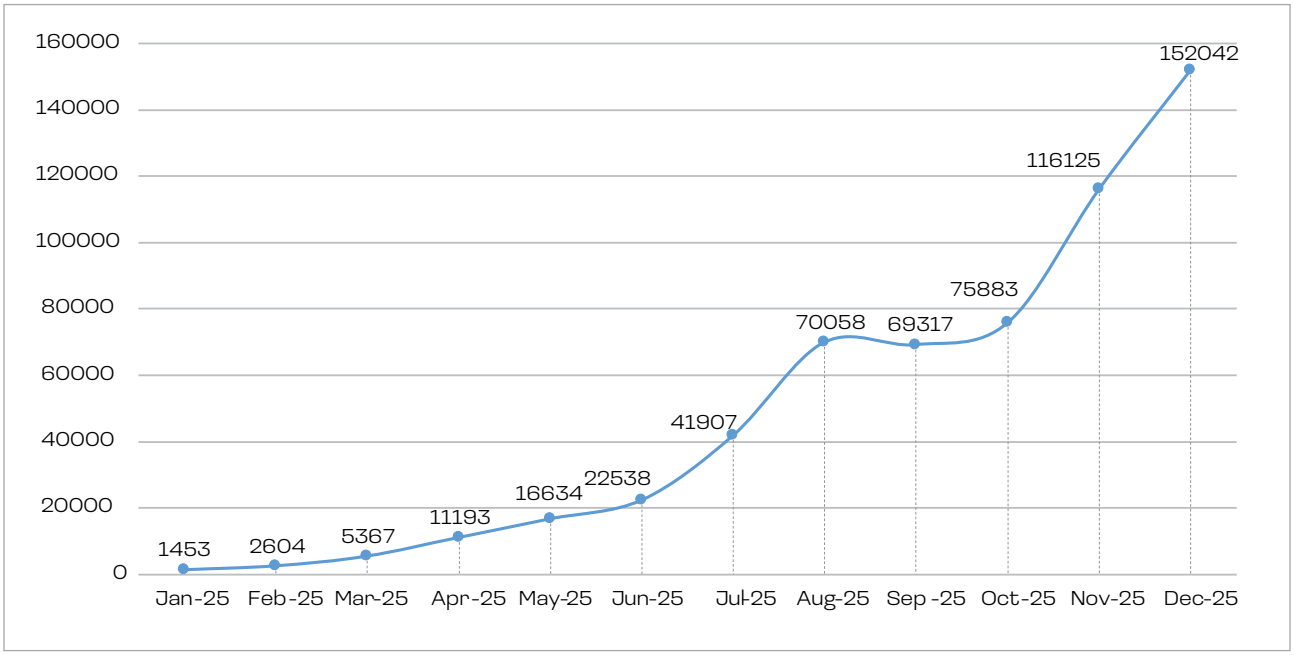
28. Information on the Credit Information Bureau and Credit Information Bureau platform is available in the Supervision section of the NBG website: https://nbg.gov.ge/en/page/credit-bureau-supervision

DIAGRAM N 4.44. NUMBER OF INTERNATIONAL REMITTANCES CASHED



Source: NBC

DIAGRAM N 4.45. NUMBER OF PEOPLE RECEIVING REMITTANCES



Source: NBC

Within the framework of the NBC's mandate, and in the execution of its supervisory function over the Credit Information Bureau, compliance with applicable regulatory requirements is systematically verified for both the Credit Information Bureau and lending organizations. In the event of violations identified during the process, appropriate sanctions may be imposed in accordance with the procedures established by legislation. These are published on the NBC's website. Furthermore, sanctions may also be imposed based on circumstances revealed following the review of a complaint registered by a consumer.

4.12.4. Open Banking/Finance

Open banking is one of the most critical processes in modern digital finance, offering users flexible and secure access to banking services through open API (Application Programming Interface) integration, which ensures data exchange among banks, financial institutions, and fintech companies. This model fosters innovation and increases the sector's efficiency.

Work on open banking commenced at the NBC in 2019. In early 2020, the Open Banking Committee was established within the framework of the Banking

Association of Georgia, with the aim of developing a common standard necessary for implementing open banking in Georgia and facilitating its further development. Since 31 March 2021, open banking services have been available in Georgia. By the end of 2024, the following API services had been implemented: payment account information exchange, payment initiation services, remote identification execution services using open banking, bulk payments services, multiple/recurring payments initiation services, future-dated payment initiation services, variable recurring payments, deposit information sharing services, and loan information sharing services.

In 2025, active work continued toward both expanding open banking services in Georgia and incorporating fintech companies into open banking. In 2025, four non-banking entities received official consent from the NBG to participate in open banking. In parallel, and to further develop services, work on the technical standards for two new API services—the resource status notification service and the push account information service—was completed in December 2025. The implementation of both services is planned during 2026.

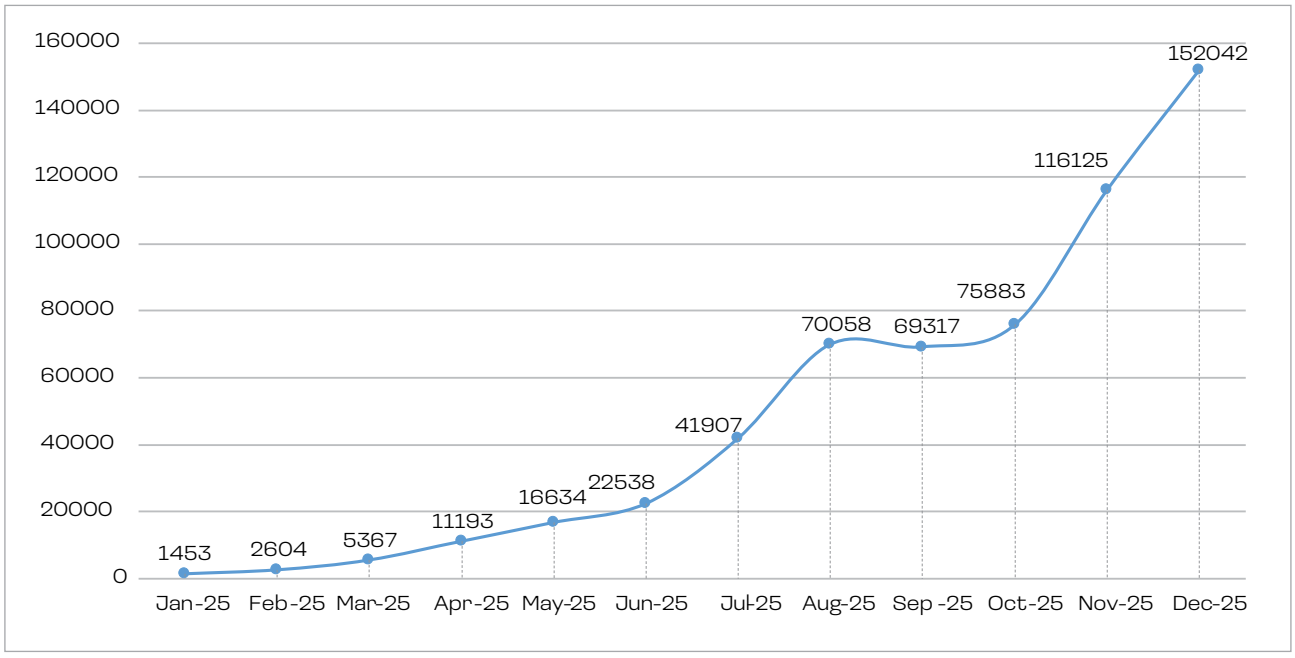
The new API services are being implemented based on best practices and will make a significant contribution to the modernization of Georgia's financial ecosystem, including increasing competitiveness and transparency. Furthermore, the introduction of new API services will also facilitate the creation of diverse business models. Consultations with the banking/non-banking sectors are ongoing, and the integration of new API services will be determined according to demand.

Numerous individual meetings were held in 2025 to share information regarding open banking opportunities and their subsequent development. The meetings were attended by both NBG supervisory entities and fintech companies, helping to foster the formation of the open banking ecosystem and the provision of information on the benefits of open banking to participating entities.

Interest in open banking has significantly increased within the non-banking sector. In 2025, four non-banking entities joined the open banking system, which was twice as many than in the previous year. This trend demonstrates that open banking services are becoming increasingly in demand for various types of financial service providers.

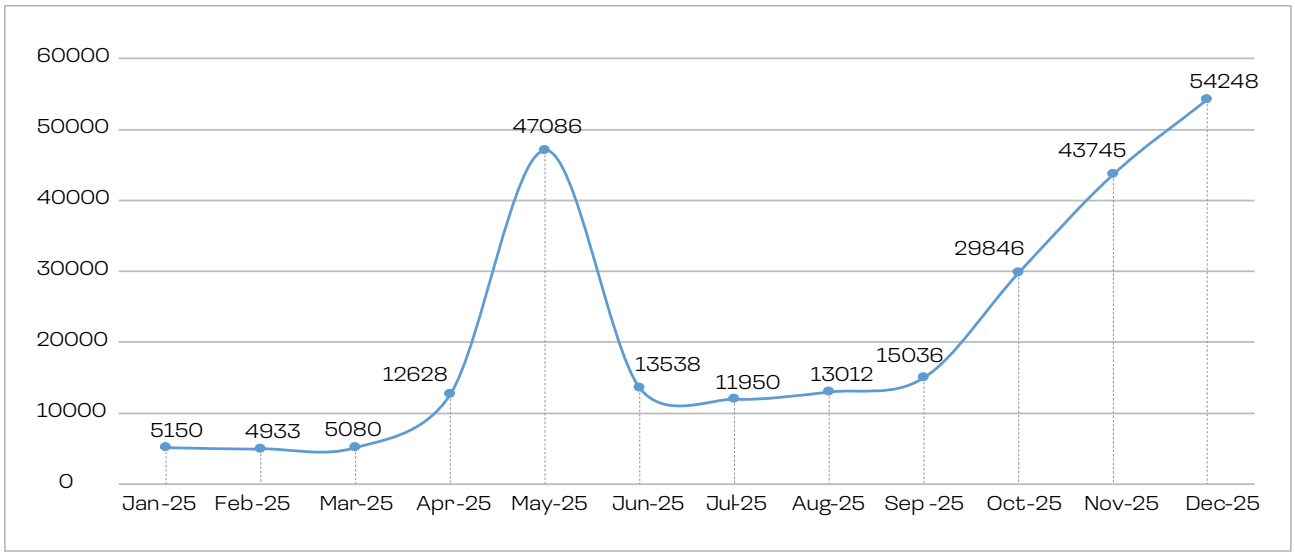
In 2025, aggregated statistical data regarding the utilization of open banking API services by third-party providers was published on the NBG's website. These statistical data, particularly those related to the payment initiation service and the customer identification and verification (onboarding) service, were characterized by a consistent growth trend over the majority of the year. Over the course of 2025, a total of 8,385,506 utilizations of open banking services were recorded—a scale that confirms that the system has established a solid and reliable foundation, ensuring the uninterrupted operation of daily digital services.

DIAGRAM N 4.46 TOTAL NUMBER OF PAYMENTS INITIATED THROUGH OPEN BANKING (2025)



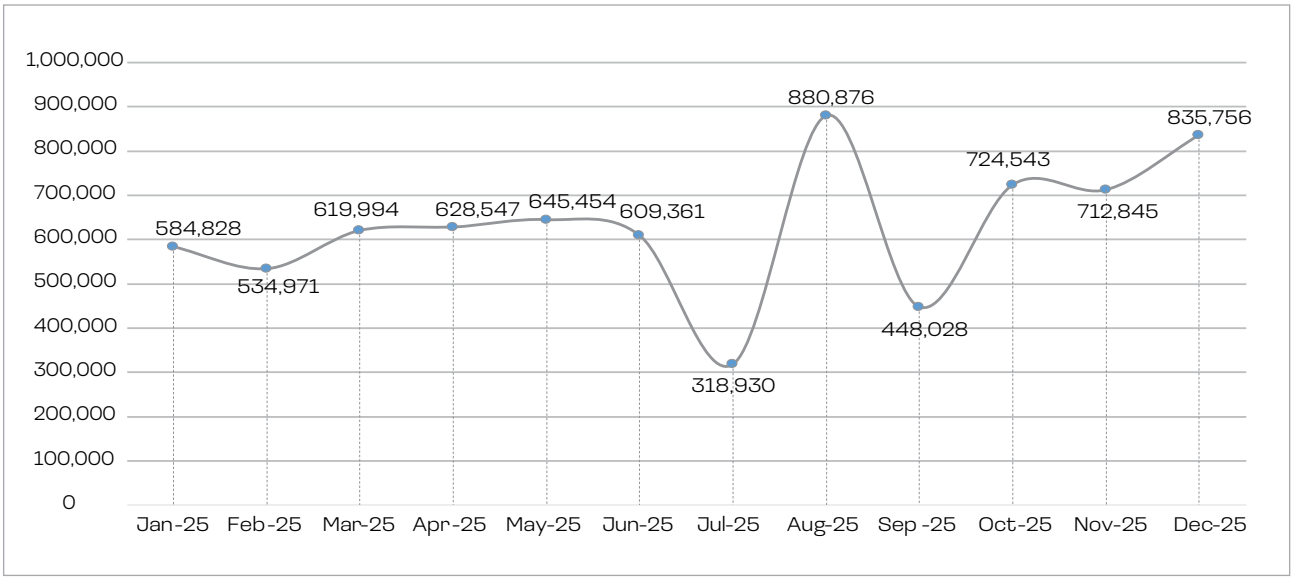
Source: NBG

DIAGRAM N 4.47 TOTAL USAGE OF ONBOARDING SERVICES IN THE OPEN FINANCE SYSTEM (2025)



Source: NBG

DIAGRAM N 4.48 TOTAL USAGE/ACTIVE REQUESTS FOR THE PAYMENT ACCOUNT INFORMATION SHARING SERVICE THROUGH OPEN BANKING (2025)



Source: NBG

The next stage in the development of open banking is the transition to open finance, which entails expanding the concept to other non-banking sectors and exchanging a broader range of financial data. Open finance will enable consumers to manage and utilize data not only from their bank accounts but also from insurance, investments, pension funds, and other financial services within a unified, secure, and regulated infrastructure.

In 2025, work toward the implementation of open finance entered a more active phase. Numerous meetings were held with various private and public organizations, as well as with donor organizations, including the World Bank. Moreover, to support this project, preparatory work commenced for an international tender to obtain consulting services necessary for the development of open finance. The tender seeks consulting services for the formulation

of a package of legislative and regulatory amendments required for the development of open finance, as well as the design of the open finance model and ecosystem architecture.

The NBG continues to strengthen the open banking/finance ecosystem and ensure high standards of data security and regulation, which will facilitate the digital transformation of the country's financial sector and the development of innovative services.

4.13. INFORMATION PROCESSING AND SUPERVISORY TECHNOLOGIES

In 2025, a significant update was made to FINREP reporting that saw the transition to version 3.2 of the XBRL taxonomy. The implementation of this ensures more detailed data structuring in alignment with European Union standards. Additionally, the green loan reporting taxonomy was updated, and data collection based on the new version commenced, which serves to enhance data gathering and analysis in the environmental sector.

The receipt of IFRS-compliant reports remained a top priority in 2025. Supervisory data from commercial banks was submitted in traditional formats, while a portion was received in the XBRL format. Concurrently, the development of the XBRL taxonomy for local reporting continued, fostering greater data standardization and more transparent compliance with regulatory requirements.

To improve supervisory processes, the NBG continued to enhance its internally developed platform, which facilitates data processing, analysis, and the effective management of supervisory activities. The continuous updating of the platform increases the system's flexibility and functional capabilities.

Significant progress was achieved in data analysis. Granular data on loans were collected, enabling deeper and more detailed analysis. Based on this data, dashboards were developed that are actively utilized in the supervisory process, facilitating the timely identification of risks and informed decision-making.

The Power BI platform continued to play a crucial role in data visualization and analytics processes, providing a flexible, interactive, and customized presentation of information.

In 2025, the National Bank of Georgia actively worked on integrating artificial intelligence and data analytics tools into supervisory processes, which represents one of the priority areas for digital transformation.

As part of this effort, a Text-to-SQL model is currently under development. In the future, this will allow analysts and supervisory specialists to query and process structured data from databases using natural language, without requiring deep knowledge of SQL. This will significantly accelerate the data-driven decision-making process.

In the field of machine learning, we developed an ML model at the NBG utilizing the CAMEL framework.

Regarding the visualization of supervisory reporting, the NBG utilizes Python-based tools in conjunction with AI components. This ensures the automated visualization and interpretation of various types of reports. This approach complements the Power BI platform and provides stakeholders involved in the supervisory process with flexible, data-driven analytical capabilities.

Collectively, these ongoing initiatives are aimed at establishing an integrated, AI-enriched supervisory ecosystem. This will further the NBG's strategic goals regarding data standardization and the development of its technological infrastructure.

05.

PROTECTING CONSUMER RIGHTS

5.1. IMPROVEMENT OF THE LEGISLATIVE FRAMEWORK

Market Conduct Supervisory Strategy

To elevate the standard of consumer protection in the financial sector, develop market conduct supervision, and refine a consumer-oriented environment, the National Bank of Georgia approved the Market Conduct Supervisory Strategy in 2025. The adoption of this strategy facilitates access to information for the public and other stakeholders regarding the National Bank of Georgia's vision, priorities, and plans in the area of consumer protection. Furthermore, it ensures the effective planning of the National Bank's activities in this direction and increases the awareness of financial organizations regarding future actions. The document defines the priorities and main directions of market conduct supervision, as well as the corresponding assessment indicators and their monitoring processes. The National Bank of Georgia's consumer protection priorities for 2025-2027 have been defined as follows:

- Strengthening risk-based supervision.
- Alignment with best international standards and practices.
- Strengthening the consumer protection function of the National Bank of Georgia and increasing its transparency.

Within the framework of the strategy, specific focus will be directed toward the following key areas:

- Improving the assessment of existing consumer protection risks within the financial sector. In this regard, various indicators and sector-specific violations will be monitored to identify critical risks.
- Proactively addressing identified risks, which includes conducting inspections of financial organizations. These inspections will reveal practices and approaches that may elevate consumer protection risks. Based on the findings, the existing regulatory framework may be refined, and necessary measures will be planned to mitigate current or future risks.
- Developing and implementing appropriate procedures and approaches, guided by risk-based supervisory principles, to monitor existing practices and the enforcement of the legislative and regulatory framework for consumer protection in the financial sector.
- Tailored approaches for risk mitigation, including implementing strategies tailored to different consumer segments to mitigate risks, with particular attention dedicated to vulnerable segments.
- Ensuring direct and effective communication with financial organizations—including top management and supervisory boards—regarding identified risks and weaknesses, supervisory measures, and other material issues.
- Promoting the involvement of internal control and internal audit functions within financial organizations in consumer protection processes, and ensuring they respond appropriately to identified shortcomings and weaknesses.
- Initiating various activities in the field of financial education—including those under the National Strategy for Financial Education—driven by the challenges revealed and the identified needs of consumers.

5.1.1. Consumer Protection Rule

In 2025, amendments were made to the "Rule on the Protection of Consumer Rights During the Provision of Services by Financial Organizations", as approved by Decree No. 32/04 of 9 March 2021. Starting from 15 April 2025, payment service providers became obliged to receive, review, and record claims registered by consumers. Additionally, providers are required to provide feedback to consumers within the timeframe defined by this rule and submit monthly reports on consumer claims to the National Bank of Georgia. The review of these reports is conducted by the Consumer Protection Department at both the systemic and individual levels. Furthermore, the information recorded in these reports will allow the National Bank of Georgia to better analyze existing problems in the sector and, if necessary, to respond accordingly, including by expanding the regulatory framework.

Additionally, to strengthen the competitive environment and elevate the standard of consumer protection, according to the amendments made to the rule, starting from 1 May 2025, the maximum prepayment fee for full or partial refinancing of a loan/credit from another financial organization was reduced from 2% to 0.5%. This applies to individuals, as well as to legal entities with total liabilities of up to GEL 2 million. Thus, as a result of these changes, the cost of transferring a liability from one financial organization to another has decreased, which promotes stronger competition among financial organizations and allows the offering of more favorable terms to consumers.

It is also significant that, for the first time, these amendments established a maximum prepayment fee limit of 2% for documentary operations (letters of credit, documentary collections, bank guarantees, acceptances, and others). Since this issue was unregulated prior to the amendments, and there were instances of higher fees being imposed in practice, the National Bank of Georgia deemed it appropriate to introduce the corresponding amendments to the Consumer Protection Rule.

In addition, the National Bank of Georgia began working on incorporating certain requirements of the EU Mortgage Credit Directive into the Consumer Protection Rule, including the standardization of mortgage loan agreements. This effort will continue into 2026.

Furthermore, based on amendments to the Organic Law of Georgia "On the National Bank of Georgia", starting from January 2025, information regarding sanctions (monetary fines) applied to financial organizations for consumer protection violations have been published on the website of the National Bank of Georgia. This facilitates public awareness regarding violations in the area of consumer protection and also increases the motivation of financial organizations to better comply with existing regulatory requirements.
It should also be noted that defining the criteria to ensure that products offered by the financial sector align with the interests and needs of consumers remains a significant global challenge. This is crucial for both consumer protection and the risk management of financial organizations. Consequently, in 2025, the National Bank of Georgia began developing a guideline to establish criteria for the creation of consumer-centric products, with completion planned for 2026.

5.1.2. Cooperation Among Regulatory Authorities in the Field of Consumer Protection

Cooperation among various Georgian regulatory authorities regarding consumer protection has been ongoing for several years. Within this framework, in 2025, the NBG, alongside the Georgian Competition and Consumer Agency and other regulatory bodies, celebrated Consumer Protection Week for the third year, and an international conference on "Competition and Consumer Protection" was held. During these events, information regarding the actions taken by the National Bank of Georgia to protect consumer rights in the financial sector was provided to both sector representatives and consumers in various formats.

Furthermore, in 2025, the National Bank of Georgia joined the International Financial Consumer Protection Organisation (FinCoNet), an association of supervisory authorities responsible for consumer protection in the financial sector. FinCoNet promotes the development of sound market conduct and strong consumer protection through efficient and effective financial market supervision, the advancement and strengthening of supervisory standards and practices for consumer protection, as well as the exchange of information on best practices among its members. Membership of this organization will assist the National Bank of Georgia in acquiring more information about the approaches taken in leading economies regarding market conduct and will allow the mutual sharing of experience.

5.2. OFF-SITE, ON-SITE AND THEMATIC INSPECTIONS OF CONSUMER PROTECTION STANDARDS IN THE FINANCIAL SECTOR

To monitor consumer protection in the financial sector, and in response to existing market challenges, the National Bank of Georgia actively continued off-site and on-site inspections of entities under its supervision in 2025. Additionally, thematic inspections were conducted regarding market conduct supervision. Specifically, thematic inspections were carried out in relation to the loan recovery process, including to monitor compliance by financial organizations with the requirements of the "Code of Ethics for Loan Recovery by Financial Organizations", as approved by Decree No. 14/04 of 17 February 2022. Ten financial organizations were inspected on-site in 2025. The results of the inspections and corresponding recommendations were shared individually with each organization, and appropriate supervisory measures were applied. Moreover, starting from 2026, it is planned to publish consolidated information regarding the practices revealed within the framework of these thematic inspections.

As part of the on-site, off-site, and thematic inspections conducted by the National Bank of Georgia, 56 written instructions were sent to financial organizations in 2025. These included instructions sent to eight commercial banks, two microbanks, six microfinance organizations, and 17 loan lending entities. Furthermore, for violations related to consumer protection, the National Bank of Georgia imposed total fines of GEL 301,000 on four commercial banks, five microfinance organizations, and nine loan lending entities.[29]

Mystery Shopper Research

In 2024, the National Bank of Georgia, with funding from the German Sparkassenstiftung Georgia and the involvement of the research company "ACT Research", conducted mystery shopper research in the financial sector. This revealed certain types of shortcomings. In response, communication was initiated with the relevant financial organizations, and active collaboration with them continued throughout 2025 to eliminate these flaws and improve practices.

Consumer Complaints

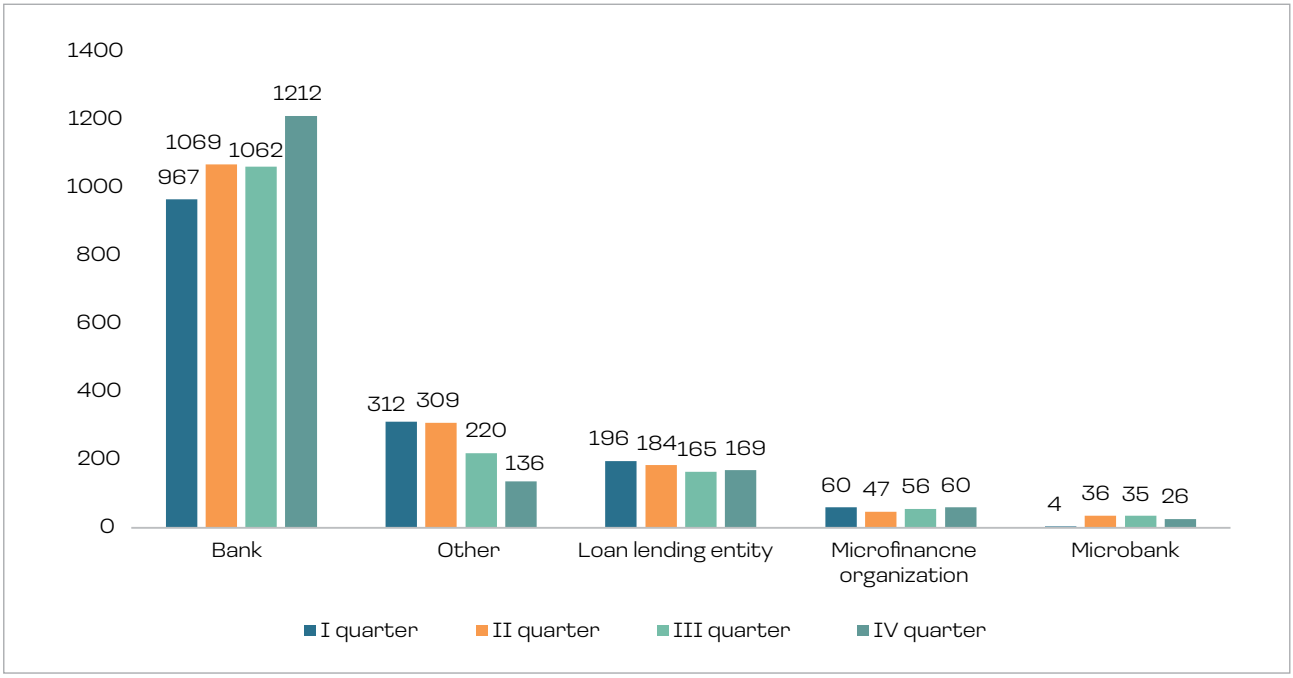
In 2025, a total of 6,325 complaints were registered at the Consumer Complaints Response Division of the National Bank of Georgia, which represents a reduction of approximately 27% compared to the previous year. This decrease is primarily due to the resolution of various issues at a systemic level within the financial sector, as well as the fading of the effect of challenges posed by the COVID-19 pandemic. Consequently, the figure has returned to pre-pandemic levels.

Similar to previous years, the majority of complaints were registered via telephone, totaling 4,508 cases (71.27%). This was followed by submissions via email and the dedicated complaints page on the website of the National Bank of Georgia, which together accounted for 1,232 complaints (19.48%). In addition, 347 (5.49%) were submitted in writing, 65 (1.02%) via social media, and 173 (2.74%) through personal visits.

In terms of content, the highest number of complaints in 2025 related to administration/services, and complaints concerning loan restructuring and contract terms were also prevalent. Most frequently, the complaints concerned problem and consumer loans, as well as current accounts.

By organization type, the highest number of complaints were recorded in relation to commercial banks, which is a reflective of their large customer base (see Diagram N 5.1).

DIAGRAM N 5.1. COMPLAINTS RECORDED AT THE NBG BY ORGANIZATION TYPE AND QUARTER, 2025



Source: NBG

5.2.1. Credit Information Bureau

Regarding the regulation of the Credit Information Bureau, the Consumer Protection Department of the National Bank of Georgia continued to review complaints registered with the bureau and identify corresponding shortcomings and practices. In 2025, a total of 67,718 consumer complaints were registered with the Credit Information Bureau. Of these, 14,069 complaints were associated with identified consumers, who subsequently received a response. For the 53,649 unidentified complaints, the bureau reviewed the issues, but no feedback could be provided. Compared to 2024, the total number of complaints to the bureau decreased by approximately 43%, which is primarily

29. Information regarding these sanctions (monetary fines) is available at https://nbg.gov.ge/page/momkhmarebelta-uplebebis-datsva

driven by a reduction of complaints filed by unidentified consumers.

In terms of content, the most prevalent issues among the complaints registered with the bureau were as follows: complaints related to credit scores; complaints regarding the timing of updates on loan repayments; and complaints concerning the accuracy of the information recorded at the bureau and the verification of information without consumer consent. During the review of these complaints, shortcomings were identified not only directly within the Credit Information Bureau but also within financial organizations. Consequently, the National Bank of Georgia actively responded within the scope of its authority defined by the Organic Law.

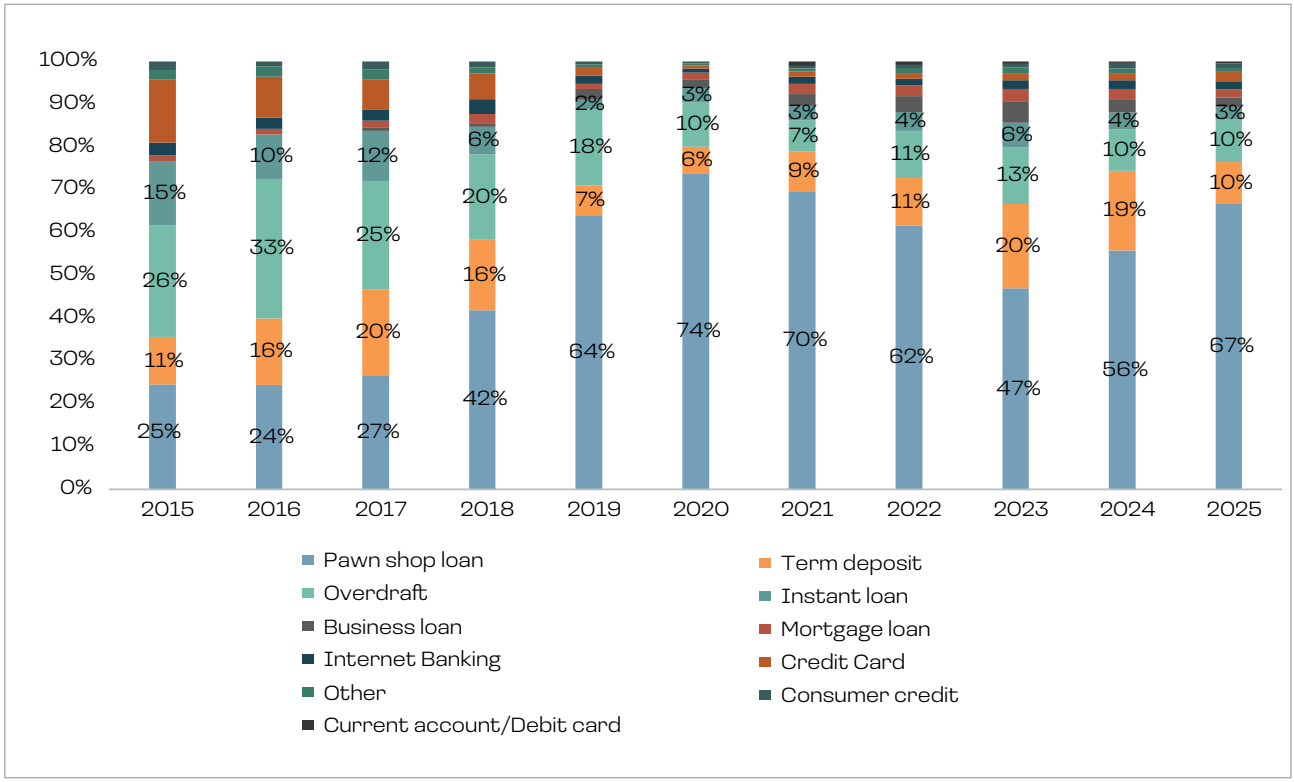
5.3. DATA ON COMPLAINTS REGISTERED WITH FINANCIAL ORGANIZATIONS

In accordance with the requirements of the Consumer Protection Rule, financial organizations submit monthly reports to the National Bank of Georgia regarding the complaints registered with them by consumers. These reports are published on a monthly basis in a consolidated format on the website of the National Bank of Georgia.

According to the reports submitted by financial organizations to the National Bank of Georgia, a total of 31,029 complaints were registered in commercial banks in 2025, which represents an increase of approximately 8% compared to 2024. This increase is primarily driven by a rise in complaints related to payment services. It is noteworthy that the number of complaints related to commercial banks has been growing in recent years. This can be attributed to increased consumer awareness regarding the mechanisms for protecting their rights, as well as the growing variety of products offered by the banks.

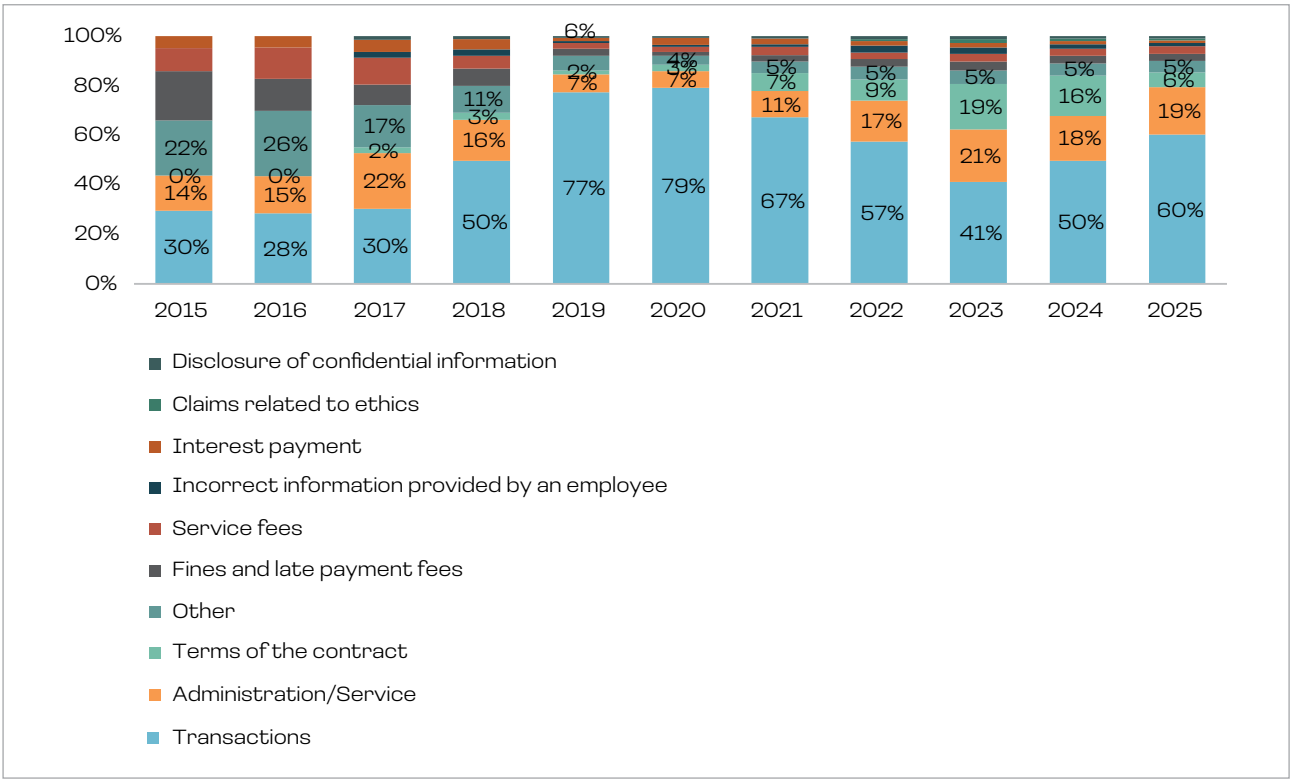
Similar to previous years, complaints related to transactions, administration/services, and contract terms remained the most prevalent in those made to commercial banks. Regarding product types, complaints were most frequently recorded in connection with current accounts/debit cards, consumer loans, and credit cards. It should also be noted that the number of justified complaints constituted approximately 21% of the total volume.

DIAGRAM N 5.2. DISTRIBUTION OF COMPLAINTS AT COMMERCIAL BANKS BY PRODUCT



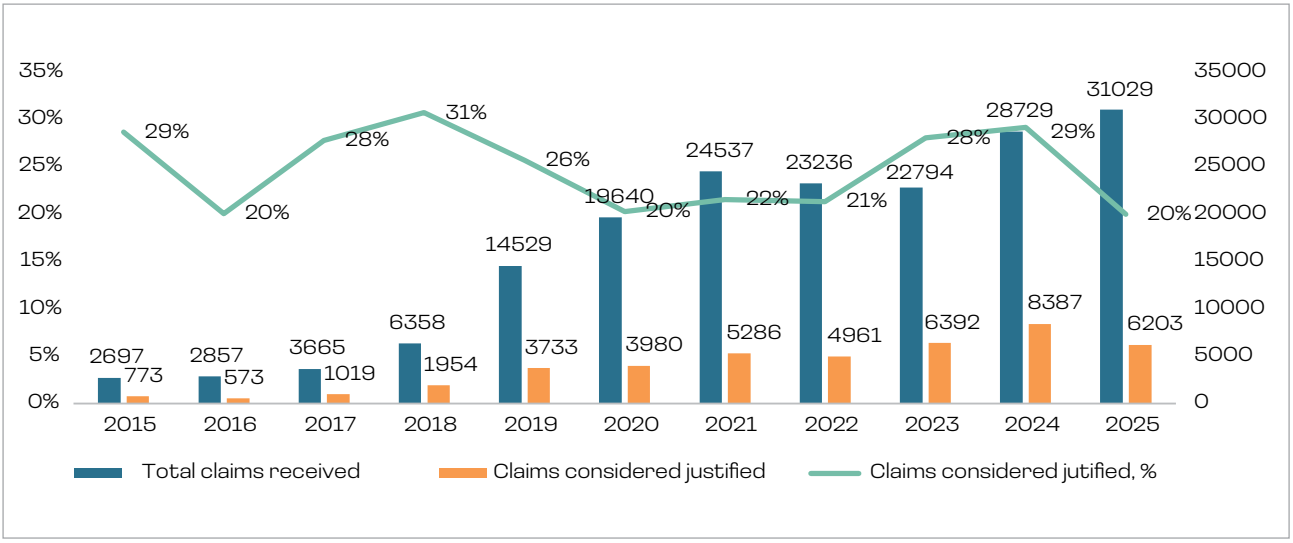
Source: NBG

DIAGRAM N 5.3. DISTRIBUTION OF COMPLAINTS AT COMMERCIAL BANKS BY NATURE OF COMPLAINT



Source: NBG

DIAGRAM N 5.4. DISTRIBUTION OF COMPLAINTS AT COMMERCIAL BANKS BY STATUS

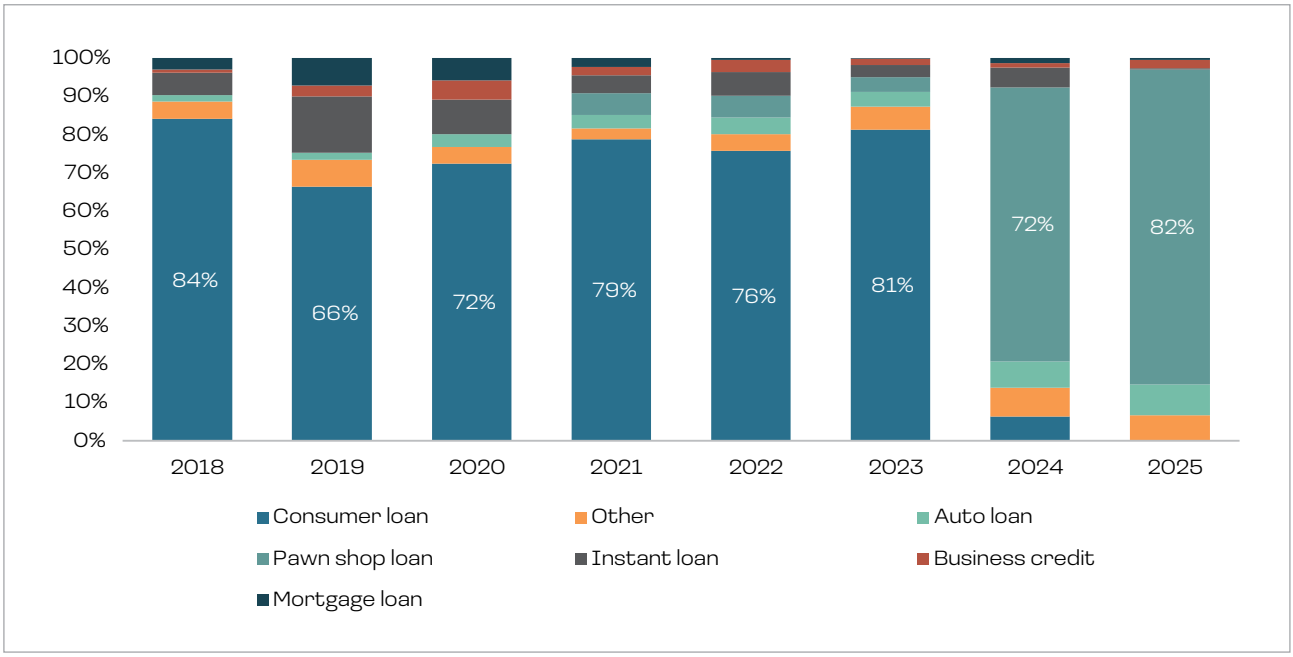


Source: NBG

In 2025, a total of 658 complaints were registered in microfinance organizations, which represents a decrease of approximately 17.5% compared to the previous year. This decline is primarily associated with the change in status of several financial organizations, as well as the elimination of certain types of shortcomings.

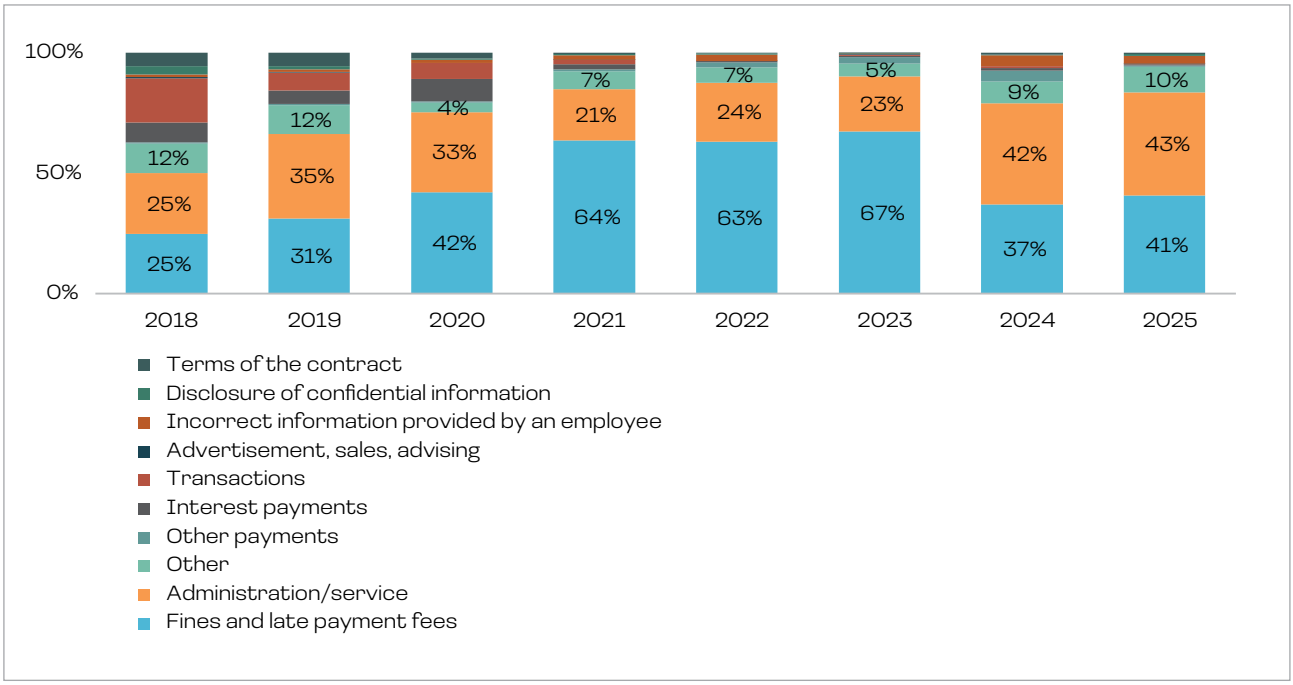
Based on their content, approximately 43% of complaints registered in microfinance organizations in 2025 related to administration/services, while 41% concerned penalties and late payment fees. Regarding the distribution of complaints by products, the highest number of complaints pertained to pawnshop loans (82%), but issues related to auto loans were also prevalent. Furthermore, the share of justified complaints in relation to the total number of complaints received amounted to approximately 55% in 2025.

DIAGRAM N 5.5. DISTRIBUTION OF COMPLAINTS AT MICROFINANCE ORGANIZATIONS BY PRODUCT



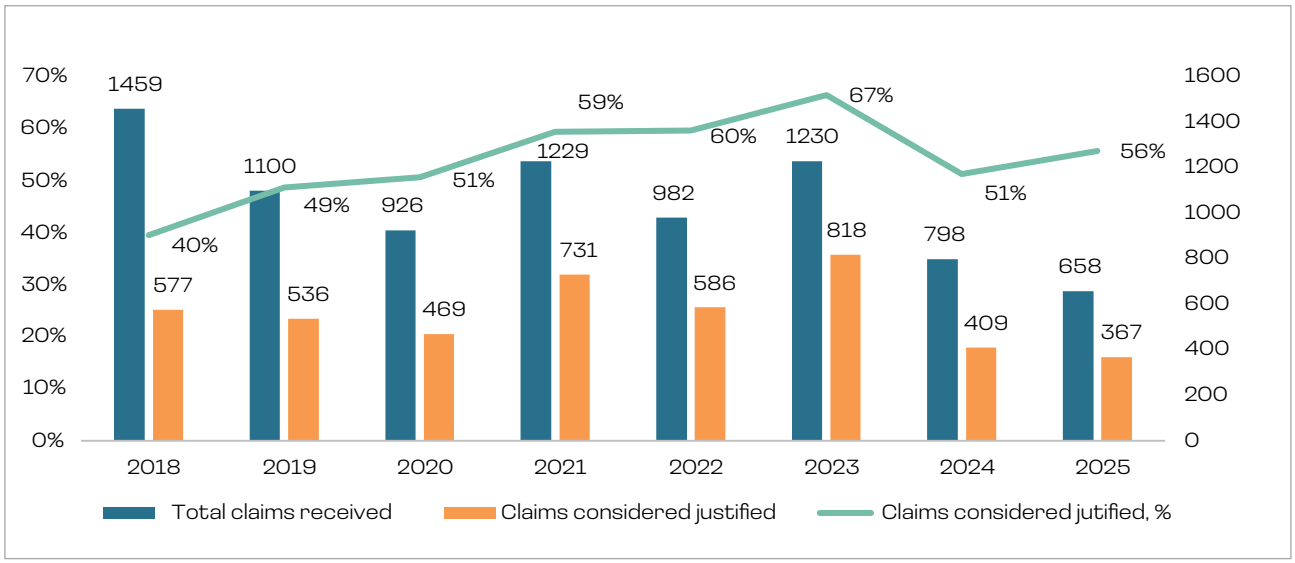
Source: NBC

DIAGRAM N 5.6. DISTRIBUTION OF COMPLAINTS AT MICROFINANCE ORGANIZATIONS BY NATURE OF COMPLAINT



Source: NBC

DIAGRAM N 5.7. DISTRIBUTION OF COMPLAINTS AT MICROFINANCE ORGANIZATIONS BY STATUS

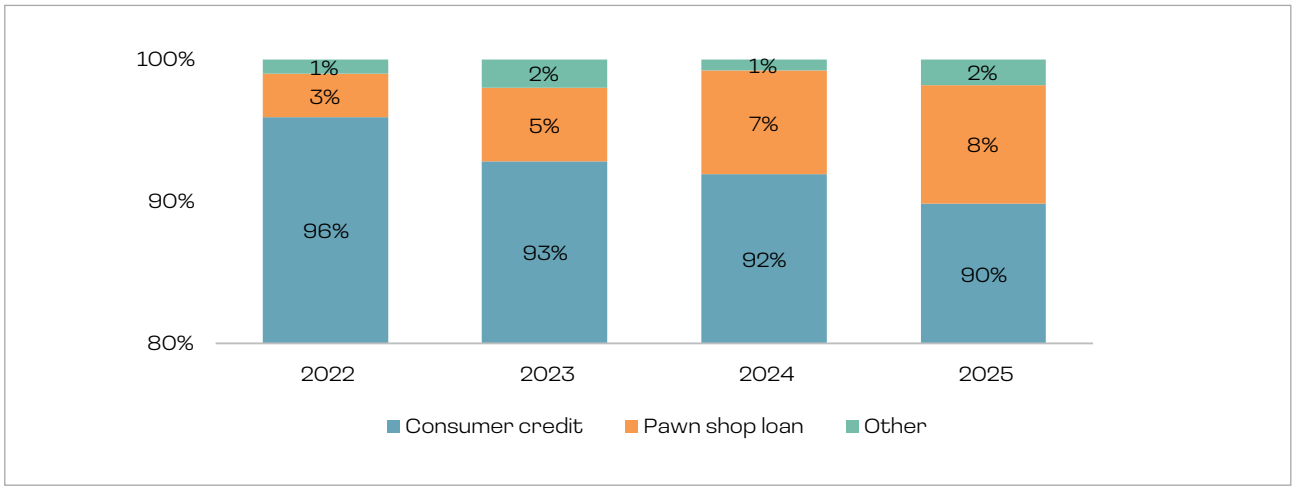


Source: NBG

In 2025, a total of 610 complaints were registered with loan lending entities, representing a decrease of approximately 58% compared to the previous year. This reduction is associated with the enhancement of the qualifications of financial sector representatives in specific areas. As a result, the quality of customer service has improved, and consequently, consumers express dissatisfaction less frequently.

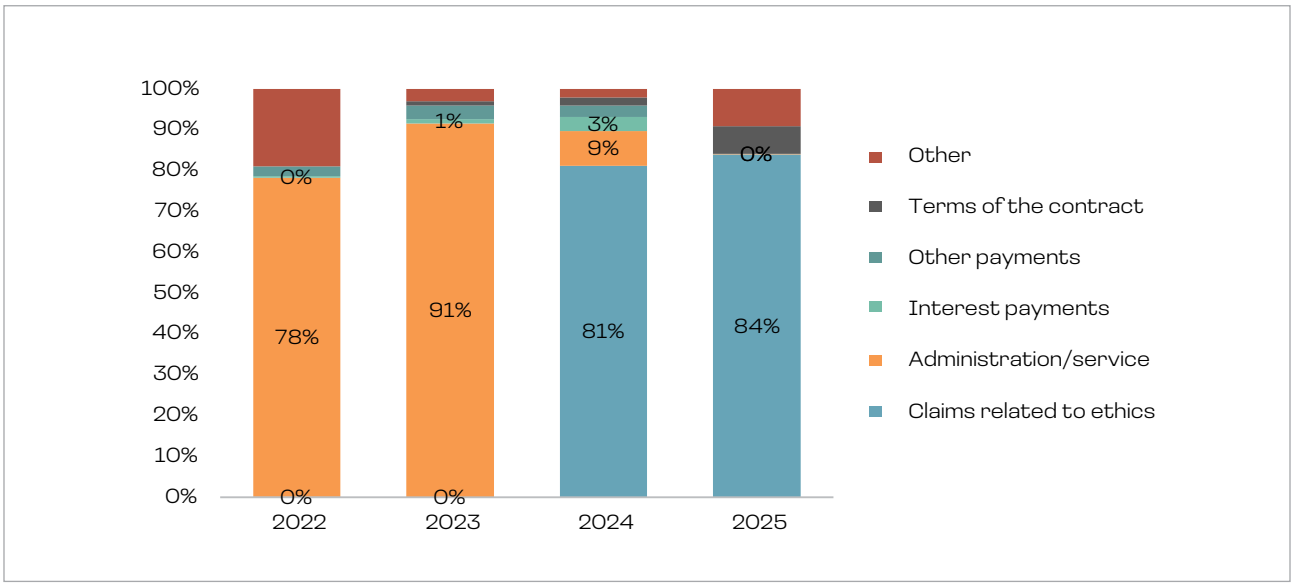
Based on their nature, the majority of complaints within loan lending entities—specifically, about 84%—pertain to issues related to the Code of Ethics. In terms of product types, complaints were most frequently recorded in connection with consumer and pawnshop loans. However, the share of justified complaints was quite low, amounting to less than 1%.

DIAGRAM N 5.8. DISTRIBUTION OF COMPLAINTS IN LOAN LENDING ENTITIES BY PRODUCT



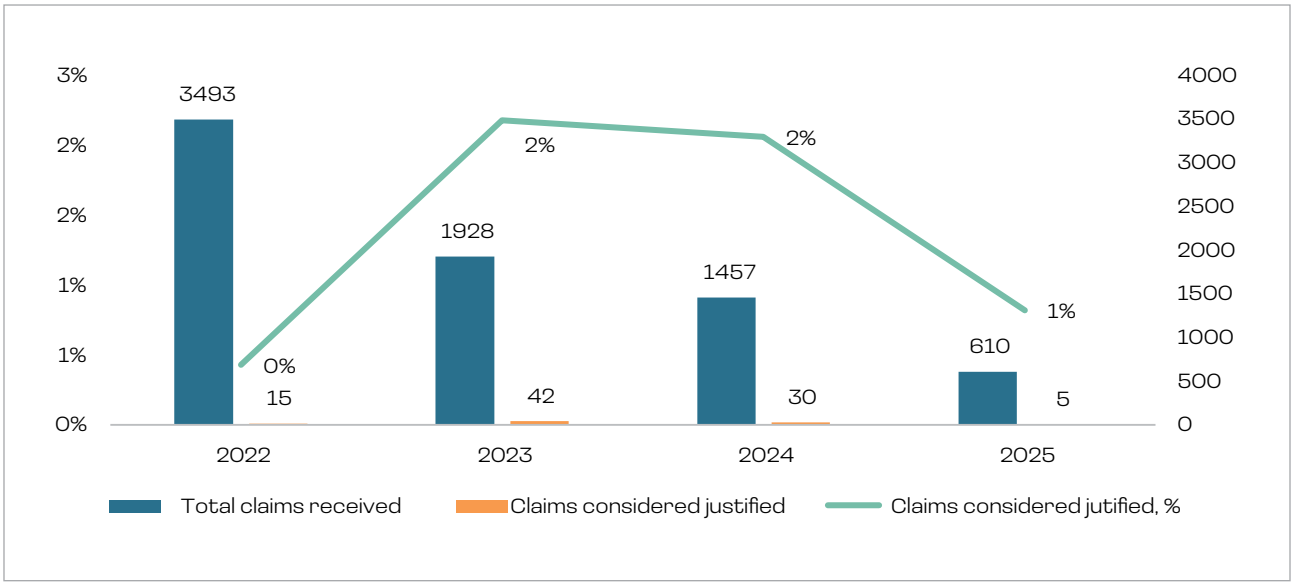
Source: NBG

DIAGRAM N 5.9. DISTRIBUTION OF COMPLAINTS IN LOAN LENDING ENTITIES BY NATURE OF COMPLAINT



Source: NBG

DIAGRAM N 5.10. DISTRIBUTION OF COMPLAINTS IN LOAN LENDING ENTITIES BY STATUS



Source: NBG

From April through to December 2025, a total of 26,149 consumer complaints were registered with payment service providers. The vast majority of these, approximately 96%, were related to the delayed or incorrect execution of payment transactions by the payment service providers.

06.

FINANCIAL EDUCATION

6.1. FINANCIAL EDUCATION

Throughout 2025, the dissemination of financial education in Georgia was implemented in accordance with the "National Strategy for Financial Education 2023". The main focal points for the year centered around the 30th anniversary of the lari and enhancing outreach to the regional population.

Over the course of 2025, numerous innovations were added to already established projects. These included educational resources and activities dedicated to the 30th anniversary of the lari, competitions, printed materials, and an interactive financial education play.

In 2025, nine thematic competitions were organized by the National Bank of Georgia. These included the student competition "The Regulator's Dilemma" and "Finedu Corner in the School Library", as well as the announcement of the "National Financial Education Award for Teachers" competition.

The year was also characterized by an abundance of newly created printed educational materials. Specifically, eight new types of resources were developed and printed, including board games, puzzles, and comic books. Within the framework of the "Finedu Corner in the School Library" competition, diverse educational materials developed by the National Bank of Georgia were placed in the libraries of 21 regional schools, and numerous activities were implemented using them.

Another notable innovation of 2025 was the first financial education play, "Forward and Onward: The Finance Game", which was performed to students in seven cities across Georgia during a pilot tour.

In addition, the "Finedu Trainer" project, initiated in 2024, was completed. Within this framework, pre-selected and retrained trainers from the regions conducted thematic educational meetings with the local population.

Throughout 2025, up to 20,000 direct beneficiaries were engaged in the educational projects organized by the National Bank of Georgia.

Activities of the Steering Committee for the National Strategy for Financial Education

In 2025, financial education projects and activities were implemented within the framework of the National Strategy for Financial Education, in accordance with the priorities agreed upon by the Strategy's Steering Committee.

On 27 February, the 9th meeting of the Steering Committee for the National Strategy for Financial Education was held at the National Bank of Georgia. It was attended by the members of the steering committee, representatives from the public, civil, educational, and private commercial sectors, as well as interested commercial banks. At the meeting, the financial education activities of 2024 were summarized, and the priorities for the 2025 action plan were outlined. Participants discussed existing challenges and the expansion of opportunities, and set plans for future activities, which were further detailed and executed through numerous working meetings organized throughout the year.

Financial Education Platform Finedu, www.finedu.gov.ge

The financial education platform of the National Bank of Georgia, www.finedu.gov.ge (Finedu), and its respective social media channels (Facebook, Instagram, LinkedIn, YouTube, and TikTok) continued to serve as a primary and flexible tool for disseminating financial education throughout the year.

The website is regularly enriched with new content, including both text and video educational materials, as well as providing information regarding events, competitions, and information campaigns implemented in the field of financial education.

During 2025, the Finedu website was visited by nearly 170,000 unique users. Its activity on social networks was also high: it reached over 2 million users on Facebook, while the number of subscribers on its Instagram and LinkedIn pages reached 6,000.

Information Campaigns on Social Networks

Throughout 2025, several thematic information campaigns were conducted on Finedu to promote and raise awareness of key financial education topics. Some of these were designed for specific target segments, while others aimed to introduce topics to a broader audience.

From 3-8 March, Women's Week was recognized on the Finedu platform, and from 25 November to 10 December, Finedu joined the international campaign against gender-based violence. Campaigns were

dedicated to women's empowerment and improving their financial literacy. Materials were also published to encourage entrepreneurial activities among women.

Furthermore, minor thematic campaigns were implemented that were dedicated to, among other things, International Earth Day on 22 April, Micro-, Small and Medium-sized Enterprises Day on 27 June, International Students' Day on 17 November, and Women's Entrepreneurship Day on 19 November.

Live Broadcasts on Finedu's Facebook Channel - "Expert on Finedu"

The Facebook project "Expert on Finedu," which was first launched in 2021, continued in 2025. This offers audiences objective and competent coverage of important and pressing issues. Professionals are invited to discuss factors that directly or indirectly affect finances and financial decisions.

In 2025, seven sessions of the "Expert on Finedu" project were held, during which invited representatives of the National Bank of Georgia and partner organizations discussed significant financial issues.

Awareness-Raising Events

Various thematic campaigns have traditionally played a significant role in the dissemination of financial education. Throughout 2025, using the Finedu website and social media channels, initiatives were dedicated to numerous international awareness-raising activities, including Global Money Week, World Savings Day, World Consumer Rights Day, Insurance Day in Georgia, International Youth Day, and Cybersecurity Month.

Global Money Week

Global Money Week was established in 2012 and is celebrated annually in over 170 countries. Its goal is to spark interest, raise awareness, and promote financial, economic, and entrepreneurial topics among children and the youth.

In 2025, the motto of Global Money Week was "Think before you follow, Wise money tomorrow" and the slogan was "Learn. Save. Earn." The main themes of the week were money, money-related issues, wise spending, and financial security.

Georgia joined this international event for the 11th time in 2025. The campaign, which ran from 17 March to 11 April, was organized by Finedu and involved various partner organizations, including the Banking Association of Georgia, JSC TBC Bank, JSC Basisbank, JSC Terabank, JSC Credo Bank, JSC Microbank MBC, and the National Palace.

Within the framework of Global Money Week, two events were held:

- "Invite Finedu to Class". This involved fun and game-based open lessons with the participation of employees from the National Bank of Georgia and partner organizations. As part of the project, Finedu ambassadors visited classes of grades III-XII and conducted open lessons related to financial education topics. Around 40 employees from the National Bank of Georgia and nearly 50 employees from JSC TBC Bank, JSC Basisbank, JSC Terabank, JSC Credo Bank, and JSC Microbank MBC participated in the project. Nationwide, open lessons were held for a total of 2,722 students across 110 classes in 72 schools, 68% of which were regional schools. After the lessons, students were given special educational materials, including board games, while teachers involved in the project received certificates of support.
- The "Lari is 30 years old" drawing contest. In this contest, children aged 6-18 were tasked with creating a drawing of a 30 lari banknote. In total, 560 works were submitted for the contest, from which four winners were ultimately selected. The winners were awarded certificates, cash prizes, and educational materials. The project's supporters were JSC Basisbank, JSC Terabank, JSC Credo Bank, and the Banking Association of Georgia.

World Savings Day

World Savings Day on 31 October, which is already 101 years old, was celebrated in Georgia for the 14th time in 2025. The initiative aims to raise awareness among the population, especially children and youth, about the benefits of saving and to encourage saving habits.

Support for World Savings Day was implemented through various formats as part of the "Invite Finedu to Class" event and lessons were held for students in grades V-XII. This year, for the first time, children of NBG employees took on the role of Finedu ambassadors and conducted fun and engaging open lessons for their peers in their own schools.

Schoolteachers also conducted lessons in the role of ambassadors—an initiative held in a competition format. The 30 winners were rewarded with book

vouchers. The competition was held with the support of JSC Basisbank and JSC Credo Bank.

The lessons conducted as part of this campaign in 2025 covered approximately 5,700 students across 250 classes throughout Georgia, 75% of which were from regional schools.

World Consumer Rights Day

The recognition of World Consumer Rights Day on 15 March was first established in 1983. Georgia's consumer protection regulatory bodies and the financial sector participated in this campaign for the fifth time in 2025.

As part of the event, the Governor and employees of the National Bank of Georgia participated in the IV International Conference on Competition and Consumer Protection, which was jointly organized by the Competition and Consumer Agency, the National Bank of Georgia, and other regulatory bodies.

During the panel discussion, a representative of the Financial Education Division spoke about activities aimed at enhancing the financial literacy of children, including non-formal education projects such as "School-Bank" and "Invite Finedu to Class". The direct objective of the information campaign was to raise consumer awareness regarding their rights.

Additionally, a thematic mini-competition on consumer rights was held on the Finedu Facebook page from 10-15 March. Participants were tasked with evaluating the accuracy of various statements in a series of puzzles.

Insurance Day in Georgia

On the initiative of the National Bank of Georgia and the Insurance State Supervision Service of Georgia, with the support of the Georgian Insurance Association and the involvement of insurance sector representatives, Insurance Day has been celebrated in Georgia on 2 May since 2022. The purpose of establishing this day was to raise public awareness about insurance.

In 2025, the National Bank of Georgia marked Insurance Day with an information campaign on Finedu's digital platforms, which also included an open poster competition titled "If the Future is Insured". The competition was held in collaboration with the LEPL Insurance State Supervision Service of Georgia and with the support of JSC Basisbank, JSC PSP Insurance, JSC Insurance Company Euroins Georgia, JSC Insurance Company Imedi L, JSC Insurance Company Aldagi, and JSC Global Benefits Georgia. Almost 300 works were submitted for the competition. A total of six winners were chosen, who each received cash prizes and gifts from the supporters of the competition.

International Youth Day

In 2025, on the initiative of Finedu, the National Bank of Georgia marked International Youth Day for the fifth time on 12 August.

A team competition titled "Youth for Youth" was announced, within which teams consisting of participants aged 15-25 were tasked with creating financial education dissemination projects tailored to their generation. A total of 22 teams participated in the competition and three winning teams were announced on 17 October, each receiving cash prizes. The supporters of the competition were JSC TBC Bank, JSC Basisbank, and the Banking Association of Georgia.

Cybersecurity Awareness Month

Since 2004, October has been Cybersecurity Awareness Month worldwide. The goal of this information campaign is to remind the public of the importance of maintaining online security, and to provide information on how to protect personal data and prevent cyberattacks. On the initiative of the National Bank of Georgia, the Georgian financial sector joined this campaign for the fifth time in 2025.

On 13 October, on the initiative of Finedu and with the support of JSC Basisbank and the Banking Association of Georgia, an open competition titled "Cybersecurity with Humor" was announced. Any individual residing in Georgia could participate in it. The contestants were tasked with creating creative and humorous visual materials on the topics of cybersecurity and financial security. Out of 140 submitted works, four winners were announced on 30 October. The supporter of the competition was JSC Basisbank.

Competitions on Financial Education Topics

To increase citizens' interest in financial education and deliver the topics in accessible language, the National Bank of Georgia continued to announce various thematic competitions through Finedu's channels throughout 2025. In addition to the competitions held within the framework of various awareness-raising

campaigns, and alongside other mini-competitions, the following competitions were particularly noteworthy.

Competition - "Financial Association Game"

The "Financial Association Game" competition required teachers to conduct any type of educational activity using a board game of the same name. Competition entries were accepted until 15 March 2025. On 31 March, a jury composed of representatives from the National Bank of Georgia and the company "Tamashobana" selected two winning teachers. As part of a prize fund financed by JSC Bank of Georgia, the winners and their students were awarded a voucher for an excursion and attendance at a play at the "Tamashobana Mziuri" entertainment and educational center, as well as collector coins from the National Bank of Georgia.

Descriptions of the classroom activities submitted for the competition were published on the Finedu website, serving as an additional resource for interested teachers.

Competition - "Finedu Corner in the School Library"

On 23 April, World Book and Copyright Day, Finedu, with the support of JSC Basisbank and JSC Microbank MBC, announced a competition for schools and teachers titled "Finedu Corner in the School Library". The competition aimed to raise awareness about financial education topics in general educational institutions across Georgia's regions. Teachers from any public or private school in Georgia, excluding those in Tbilisi, were eligible to participate.

According to the terms of the competition, interested teachers were required to submit a project justifying the need to establish a financial education corner in their school library. Out of 63 contestants, 21 schools were ultimately chosen as winners. The winning schools were provided with educational materials to create a "Finedu Corner". Later, representatives of the National Bank of Georgia conducted educational meetings in all of these schools.

National Financial Education Award

On 9 September 2025, the National Bank of Georgia, with the support of JSC Basisbank, announced the "National Financial Education Award" competition. The goal of the competition was to identify and reward teachers who excel in implementing financial education in schools, to strengthen financial education in general educational institutions, to increase teachers' motivation, and to encourage innovative teaching methods.

The competition, for which the application submission period was set from 15 May to 15 June 2026, will be conducted in two stages. The first stage, to be held on 1 September 2026, will reveal five finalists, and the teacher winning the National Award will be announced on 9 September. The winner of the competition will be awarded a cash prize by JSC Basisbank.

Competition for Students, "The Regulator's Dilemma"

On 9 October, Finedu, with the support of JSC TBC Bank, JSC Basisbank, JSC Credo Bank, and JSC Microbank MBC, announced the student competition "The Regulator's Dilemma". The aim of the competition was to raise awareness among higher education students regarding the financial system, the activities of the central bank, and to encourage prudent financial decision-making.

The competition was held in three stages: application submission, the first round, and the final round. A total of 20 teams participated in the first round and then, on 5 December, during the final round, three winning teams were revealed, who each received cash prizes from the competition's supporters.

Interactive Educational Material, Financial Education Play

The year was also distinguished by an abundance of newly created educational materials. Printed resources tailored to various target segments were produced based on fun, play-based learning methods. Online versions of these materials have been uploaded and are available on the Finedu website.

"Forward and Onward: The Finance Game" - The First Children's Interactive Play on Finances

Initiated and supported by the National Bank of Georgia, the company "Tamashobana" created the first Georgian children's interactive play on the topic of financial education, titled "Forward and Onward: The Finance Game." The premiere and regional tours of the play were supported by JSC Liberty Bank, JSC Bank of Georgia, JSC TBC Bank, and JSC Basisbank. Primary school students attended the play. Through this interactive theatrical performance, they were introduced to concepts of saving, entrepreneurship,

financial goals, and financial security. The performances were held in November in Batumi, Ozurgeti, Kutaisi, Gori, Gurjaani, Telavi, and Borjomi, and were attended by a total of over 1,000 spectators aged 8 to 12.

Comic Books on Financial Education

On the initiative of the National Bank of Georgia, and with the support of JSC Basisbank, MFO Crystal, JSC TBC Bank, JSC Bank of Georgia, JSC Credo Bank, and JSC Liberty Bank, four children's comic books were created: "Budgeting and Saving," "Managing Investments," "Entrepreneurship," and "Guardians of Finances". These aim to introduce teenagers to key concepts of financial education in a fun and accessible way, through stories of characters their own age.

Board Game "Financial System Guide"

The "Financial System Guide" is an educational board game designed for users aged 15 and above, which introduces players to the functions of organizations participating in the financial system.

Board Game "Guess the Word"

"Guess the Word" is an educational board game created for children aged 12 and above. The game consists of 30 cards and facilitates the teaching of financial literacy in a fun and interactive manner.

Puzzles Featuring Lari Banknotes

Puzzles featuring images of lari banknotes were created to help youngsters aged 8 and above to become better acquainted with Georgian currency.

Crossword Collection

The educational crossword collection is a small booklet designed for children aged 12 and above. This material was designed to help young people learn and reinforce their understanding of financial terminology.

Flyers - "My Financial Guide"

Budgeting, saving, borrowing, banking terms, financial security, consumer rights, the financial system and money, life situations, and entrepreneurship—are among the topics covered by a range of flyers that were developed during the year. In addition to key financial education concepts, the flyers include QR codes that redirect readers to the Finedu website for tips related to the specific topics.

Educational Activities for Students and Youth

Throughout 2025, 394 teachers participated in Finedu's educational events and training sessions. In addition, numerous events were held during the year, including visits by financial education clubs to the National Bank, training sessions conducted in the regions, universities, and colleges, as well as support offered to other private initiatives.

Financial and Economic Literacy Training Sessions

Throughout 2025, training sessions for teachers of the "Citizenship" subject continued. The 5-day, 15-hour training sessions were conducted in both an online and face-to-face format. The sessions covered financial and economic topics outlined in the National Curriculum for grades VII-IX. During the year, 112 teachers were trained through these sessions.

Teacher Training - "School-Bank"

Throughout 2025, the National Bank of Georgia also continued training teachers through the "School-Bank" project. This training module is a financial education program developed for grades VII-IX by the National Bank of Georgia and the international organization "Aflatoun International". In 2025, these training sessions were attended by a total of 89 teachers from public and private schools in various regions and cities of Georgia.

Financial Education Clubs' Visits to the NBG

As part of a special project, the NBG launched an initiative inviting financial education clubs from schools and vocational colleges to attend informational and educational meetings. The initiative was designed for students in grades VIII-XII and vocational college students under the age of 19. Under this initiative, educational sessions were held at the head office and the Cash Center of the National Bank of Georgia. These were attended by a total of 114 students.

Lecture at Kutaisi International University (KIU)

A public lecture was held within the framework of the "KIU Children's University" project, organized by Kutaisi International University and supported by Finedu. The lecture was attended by nearly 400 students from grades IX-XII from the Imereti region.

Support for Private Initiatives

Throughout 2025, the NBG also supported various private initiatives implemented in the field of financial education.

A representative of the Financial Education Division of the National Bank participated in the youth hackathon held from 6-10 December, organized by Georgia's Innovation and Technology Agency and JSC Terabank. The representative spoke to participants about financial education and financial security.

Within this context, an employee of the Financial Education Division participated as a jury member in the finals of the student competition "Student Company of the Year 2025", organized by "Junior Achievement Georgia," and presented educational materials to all finalists. On 15 June, a representative also participated in the final event of the international competition SAGE Georgia 2025, where they spoke to the participants about the importance of financial education and provided them with educational materials. The event was attended by nearly 50 participants from nine finalist teams.

The projects supported in 2025 also included an intellectual game conducted by the "Audience of Innovators" organization—"Intellectiada 2025 - Winter Season". This event took place across the Imereti region, with the participation of 127 teams from private and public schools. Finedu participated in the project by developing thematic questions on financial education. Special questions were prepared in two categories for nearly 500 students in grades V-VII and VII-IX. The winners were awarded branded items and educational materials.

Thematic Meetings and Youth Training Sessions

Representatives of the Financial Education Division of the National Bank of Georgia conducted various educational meetings throughout 2025.

In July, an educational meeting was held at the Shaori youth camp, where up to 200 young people attended sessions held in two streams.

Within the framework of the International Students' Day campaign, a training course titled "Financial Education Guide for Students" was conducted for the students of Shota Meskhia State Teaching University of Zugdidi and Marneuli College.

Educational Activities for the Regional Population - "Project Finedu Trainer"

In 2025, special attention was paid to enhancing the financial literacy of the regional population through various activities. Among them, the "Finedu Trainer" project is particularly noteworthy. This project was launched in 2024 with the support of JSC Bank of Georgia and aimed to reach the regional population through local representatives. Within the project framework, throughout 2025, 11 selected and retrained trainers conducted 89 meetings with the local population in the regions, with the number of attendees reaching 967. It is worth noting that most of the villages where the meetings were held were located in border areas.

Financial Education Activities for Emigrants

The segment of emigrants and their families is a priority target group of the National Strategy for Financial Education. In response to the needs and challenges of this group, numerous educational activities and working meetings were implemented in 2025, including within working groups organized by the International Organization for Migration (IOM), the UN Migration Agency Mission to Georgia.

Informational Meeting for Emigrants Living in Italy

On 21 September in Florence, Italy, a representative of the Financial Education Division of the National Bank of Georgia/Finedu met with Georgian emigrants. Italy is the first foreign country where a Finedu representative has held a face-to-face meeting with emigrants. Participants had the opportunity to expand their theoretical and practical knowledge on important financial education topics: budget planning, money saving, banking and financial products, mechanisms for achieving financial goals, etc. The meeting was conducted interactively, and participants received comprehensive answers to their questions. At the end, informational and educational materials were distributed to them. The project was implemented with the support of JSC Bank of Georgia.

Financial Education Webinars and Trainings with Emigrants

On 15 October, a representative of the Financial Education Division of the National Bank of Georgia/ Finedu participated in an informational-educational webinar organized for emigrants by JSC Terabank and

spoke to participants about various issues of financial education.

An informational-educational training designed for emigrants and their family members was held in the city of Kutaisi, and later in an online format as well. Representatives from Enterprise Georgia and JSC Bank of Georgia were also invited to the courses.

Panel Meeting for Emigrants

On 18 December, which is recognized as International Migrants Day, a panel meeting titled "Investment and Entrepreneurial Opportunities for Emigrants" was held in a Facebook Live format. Along with representatives of the National Bank of Georgia, the panel featured participants from TBC Capital, Galt & Taggart, Foresight Group, and Enterprise Georgia.

The National Bank of Georgia at the International Financial Education Conference Organized by the OECD

On 7-9 October, employees of the National Bank of Georgia participated in the annual international conference on financial education. The conference was organized by the Ministry of Finance of the Netherlands and the OECD International Network on Financial Education (OECD/INFE). The main theme was "Trends and Challenges in Financial Education". Up to 50 representatives from various countries participated in the event. Representatives of the National Bank of Georgia conducted a workshop on the topic "Financial Education for the Population of Villages and Remote Regions", during which they shared the projects implemented throughout the year and Georgia's experience.

6.2 STRATEGIC PROJECTS

"Educational Space" - Online Knowledge Sharing Platform

In 2025, active work was underway on the "Educational Space" online learning platform project. The goal of this is to promote the sharing of professional knowledge, strengthen existing capabilities in the region, and make educational resources remotely accessible to a broad audience. Additionally, the platform makes knowledge sharing a more consistent process.

Following the completion of preparatory work, the project moved to the next stage of development: the creation of the online learning platform began, along with setting up the corresponding infrastructure, technical base, and software. The adaptation of educational materials, preparation of curricula, structuring of educational programs, and creation of interactive formats of tests, along with other related activities, are ongoing.

In 2025, the platform was prepared to transition to a testing mode. By the end of 2026, it is planned to launch and test a demo version of the platform, verify its functionality, integrate educational resources, and test practical usage scenarios to ensure its effective and large-scale implementation in the future.

Educational Program for the Non-Banking Sector

Within the framework of the "Educational Space" project, the National Bank of Georgia held a series of seminars for representatives of the non-banking sector on the topic of "Sustainability of the Non-Banking Sector: Transparency and Reporting". Seminars were held both in the regions (Kutaisi, Batumi) and in Tbilisi, covering nearly 200 representatives of currency exchange points.

The educational program covered regulatory requirements for the non-banking sector, financial reporting and the use of the electronic portal, operational risk management, corporate governance, and preventive Anti-Money Laundering (AML) measures.

The seminars were conducted in an interactive format and aimed to deepen professional knowledge within the sector, strengthen compliance with regulatory requirements, and promote the stability of the financial sector.

International Cooperation

In 2025, with the involvement of the Strategic Projects Division, the National Bank of Georgia significantly strengthened its cooperation with partner central banks and international institutions in Europe, Central Asia, and Africa. Cooperation included the exchange of experience on issues of monetary policy, macroeconomic analysis, financial stability, bank resolution frameworks, supervision and AML practices, risk management, fintech and supervisory technologies, as well as capital market development.

Furthermore, for the purpose of sharing experiences, employees of the Strategic Projects Division paid a working visit to the Dilijan Training Center of the Central Bank of Armenia. During the meeting,

strategic approaches to managing a training center and administrative and operational solutions were discussed.

Partnership with CCAMTAC — Regional Capacity Development Center (Caucasus, Central Asia, and Mongolia)

The National Bank of Georgia actively continued its cooperation with the International Monetary Fund's Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC). Cooperation with CCAMTAC involves seminars and working meetings for representatives of central banks from the countries in the region, provision of technical support related to macroeconomic forecasting, banking supervision, and statistics, as well as the active sharing of knowledge and experience.

In 2025, this close cooperation moved to a new stage. In June, the National Bank of Georgia and the Ministry of Finance of Georgia co-hosted a two-day meeting of the CCAMTAC Steering Committee in the capacity as the chair country. The event was attended by members from various countries, as well as representatives of CCAMTAC's donor and partner organizations. The meeting was also attended by Subir Lall, Deputy Director of the IMF's Middle East and Central Asia Department, and Andrew Jewell, the IMF's Resident Representative in Georgia. At the meeting, the center's activities were summarized, and the work program for the coming year and regional cooperation priorities were discussed.

Educational Events for Expert Groups

The National Bank of Georgia organized a seminar on "The Impact and Risks of Global Economic Trends" that aimed to deepen cooperation between professionals and academic circles and offer them a sound platform for discussion. Within the framework of the event, regional challenges and ways to ensure financial stability were discussed. The aim of the seminar was to highlight existing economic trends and analyze future risks. Presentations were delivered by leading global economic experts and international advisors to the NBG—Douglas Laxton (founder of Saddlepoint Research and an expert in macroeconomic theory and policy) and David Vavra (Managing Partner of OGResearch, with extensive experience in macroeconomic modeling). The seminar was attended by up to 80 representatives from the Parliament of Georgia, the government, the financial sector, analytical centers, research organizations, and academic circles. Through such discussions, the National Bank of Georgia promotes the deepening of cooperation between professionals and academic circles and offers them a sound platform for discussion.

Knowledge Sharing for Representatives of Central Banks of Other Countries

In 2025, for the purpose of sharing experience, the National Bank of Georgia hosted up to 30 representatives from the central banks of three countries:

- The National Bank of the Kyrgyz Republic – the meetings held from 1 to 5 April concerned monetary policy, macroeconomic analysis, and statistics, as well as centralized risk management, operational risks, and business continuity management.
- The National Bank of Tajikistan – with the support of the World Bank Treasury's RAMP program, meetings were held from 2 to 5 June on issues regarding financial markets, centralized risk management, finance and accounting, information technology, and internal audit.
- The Central Bank of Kenya – working meetings were held from 24 to 26 September on issues concerning financial markets, macroeconomics, and statistics.

Within the framework of the "Educational Space" project, the National Bank of Georgia shared its experience with international partners regarding the implementation of monetary policy, financial market management, reserve and asset management, market and credit risk management, financial reporting systems, and cyber risk management.

In recent years, under the project, the National Bank of Georgia has also hosted representatives of the central banks of Kazakhstan, Uzbekistan, and Kyrgyzstan, and conducted a seminar on financial programming and policy, which was also attended by representatives of the Georgian public sector.

07.

NON-BANK SUPERVISION

7.1. GENERAL OVERVIEW OF THE NON-BANKING FINANCIAL SECTOR

The non-banking financial sector is characterized by structural diversity, uniting both small-scale, narrowly focused institutions and large organizations offering a broad spectrum of services. They differ in business models, risk management levels, funding sources, and capital structures.

As of 31 December 2025, the non-banking financial sector is represented by 29 microfinance organizations, 141 lending entities, 510 currency exchange points, and one credit union.

Despite the non-banking sector's 2.7% share of total assets in the financial sector, amounting to GEL 3 billion, the role of this sector is significant in terms of both enhancing financial inclusion and employment nationwide. Specifically, the non-banking sector accounts for 36% of the number of borrowers, 18% of the number of employees, and 43% of the number of branches of the total financial sector. Its broad geographical coverage nationwide, comprising 1,378 units, including branches, ensures the provision of financial services in locations where banking infrastructure is less accessible.

The establishment of a consistent supervisory framework for the microfinance sector and tightened requirements regarding capital, corporate governance, and transparency has facilitated the emergence of organizations ready to transition to higher regulatory standards of operation.

In the structural context, a gap emerged due to differences in the institutional and regulatory frameworks existing between commercial banks and microfinance organizations. Additionally, given the diverse risk profiles and scales of activity of the institutions operating in the microfinance sector, the sector became increasingly diverse and structurally differentiated. This created the need to establish an institutional format capable of fulfilling the function of a transitional link between these two segments. The microbank model, developed based on the recommendations of the International Monetary Fund (IMF), was specifically aimed at filling this structural gap.

The process of transforming microfinance organizations into microbanks began in 2024. As a result, two microfinance organizations have received a microbank license, one being granted in 2025. This change has had a significant impact on certain sector indicators, including the structure of the credit portfolio and liabilities.

In parallel with the stable growth of the microfinance sector and the refinement of the risk management regulatory framework, a legislative change was implemented in the second half of 2025 increasing the maximum limit for microcredits issued by microfinance organizations from GEL 100,000 to GEL 200,000. This amendment served to meet the growing needs of small businesses.

Furthermore, in 2025, amendments were made to existing regulations to ensure effective and sound corporate governance and a proper operational environment for microfinance organizations. These changes serve to improve risk management and elevate transparency standards, as well as to increase accountability and sustainable development.

Through the refinement of systems and processes, the non-banking financial sector continues to develop and adapt to a dynamic regulatory environment. The sector is actively developing remote and online service channels, introducing digital innovations, and increasing efficiency through the automation of operational processes.

To diversify customer service, increase operational transparency, and strengthen the competitive environment in the market, in 2025 the National Bank of Georgia defined a new type of activity permit for conducting non-cash currency exchange operations and developed the corresponding regulatory framework.

Within this framework, the regulation of activities for cash and non-cash currency exchange points was clearly separated through distinct permits, ensuring the more structured and transparent functioning of the market.

Additionally, the conditions for the registration and granting of operational rights to currency exchange points, their operational obligations, reporting

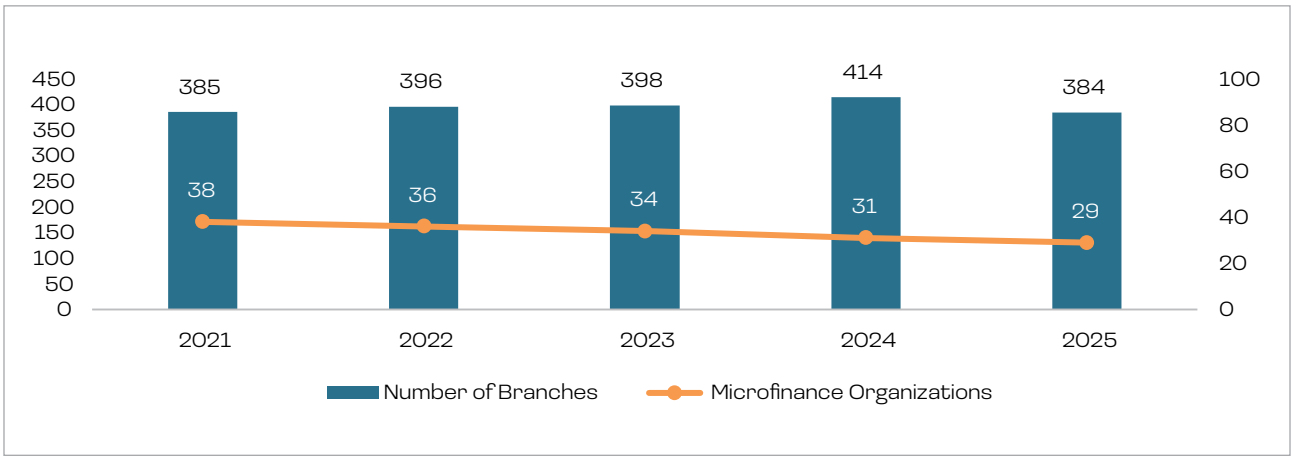
standards, and other related regulatory requirements were defined. This facilitates the effective supervision of the sector and the protection of consumer interests. In 2025, one currency exchange point conducting non-cash operations was successfully registered.

To ensure compliance with current legislation and verify the accuracy of reporting data, the inspection process for non-banking institutions was actively conducted throughout 2025, in parallel with off-site supervision.

7.2. MICROFINANCE ORGANIZATIONS

During 2025, the number of microfinance organizations decreased by two, resulting in a total of 29 entities operating in the sector. One of the two leaving the sector was a large organization that transformed into a microbank—a development that was correspondingly reflected in the sector's indicators.

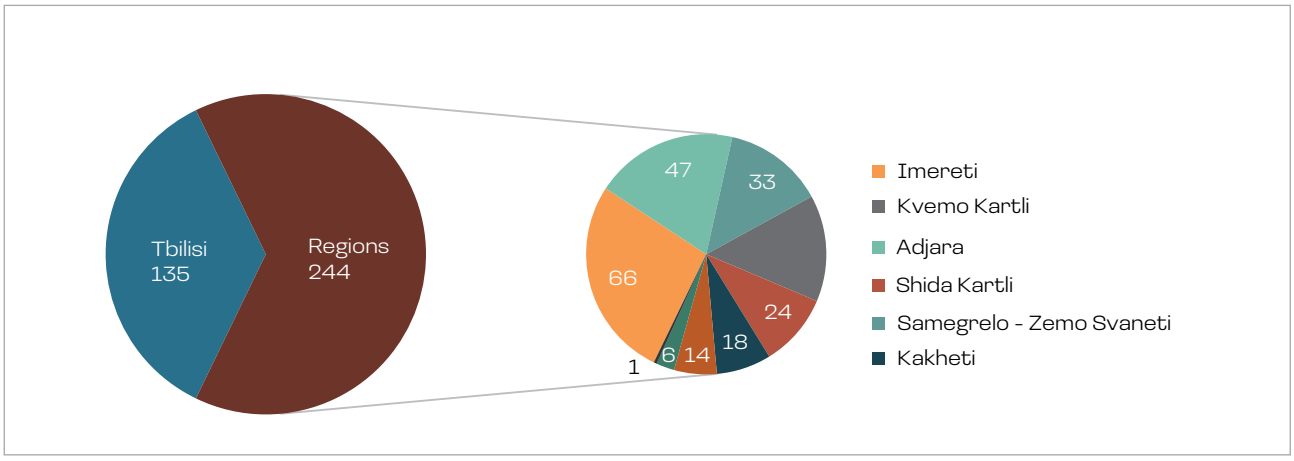
DIAGRAM N 7.1 NUMBER OF MICROFINANCE ORGANIZATIONS AND BRANCHES



Source: NBG

During the reporting period, the microfinance sector was represented across 379 locations, of which 244 operate in the regions. Such geographical distribution promotes the financial inclusion of both the population and small- and medium-sized businesses, supporting local economic activity and stimulating regional development.

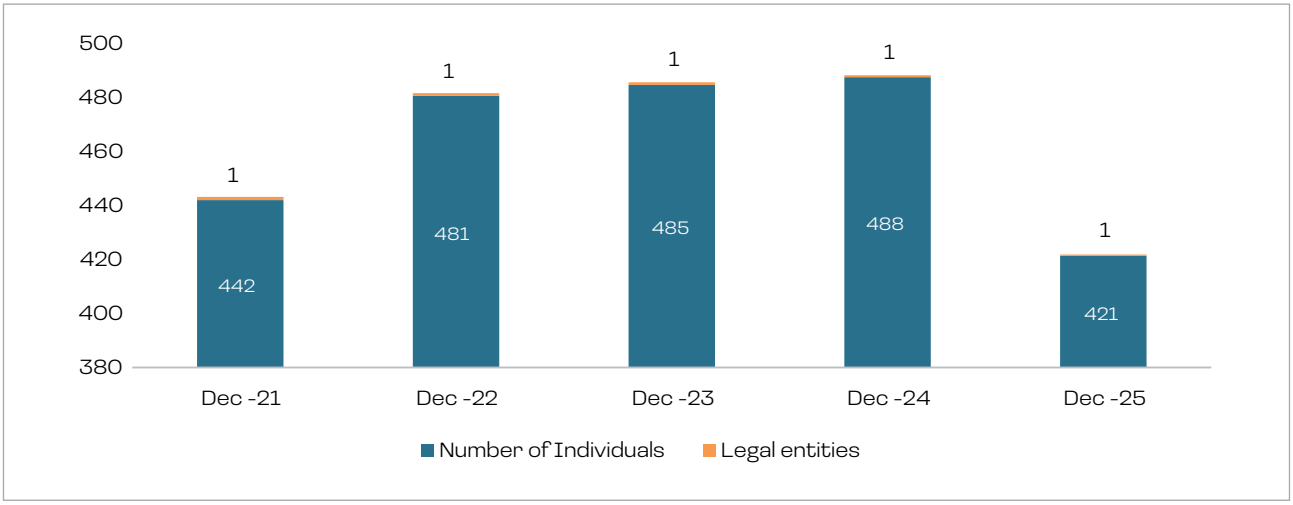
DIAGRAM N 7.2. REGIONAL DISTRIBUTION OF THE BRANCHES OF MICROFINANCE ORGANIZATIONS



Source: NBG

The structural distribution of the credit portfolio was significantly impacted by the exit of certain organizations from the sector and their transformation into microbanks, specifically those that were predominantly focused on lending to legal entities. As a result, the organizations remaining in the sector primarily serve individuals.

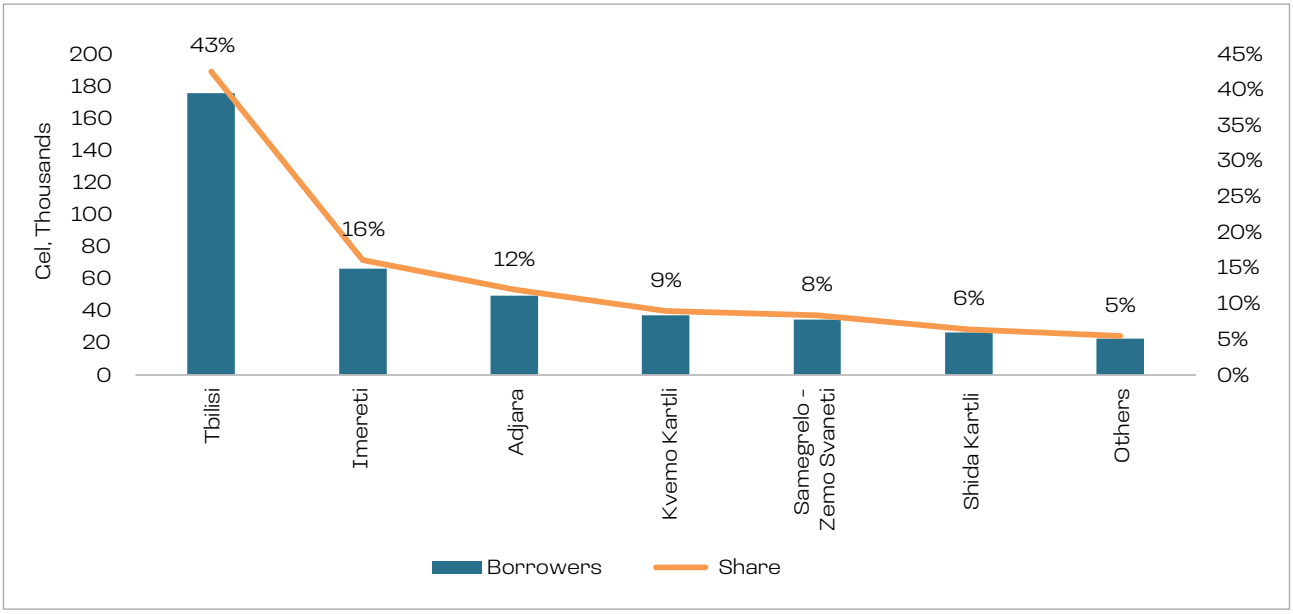
DIAGRAM N 7.3. NUMBER OF BORROWERS AT MICROFINANCE ORGANIZATIONS



Source: NBG

In terms of regional coverage, based on the number of borrowers, Tbilisi remains the leader with 176 thousand borrowers, which accounts for 42% of the total number of borrowers in the sector.

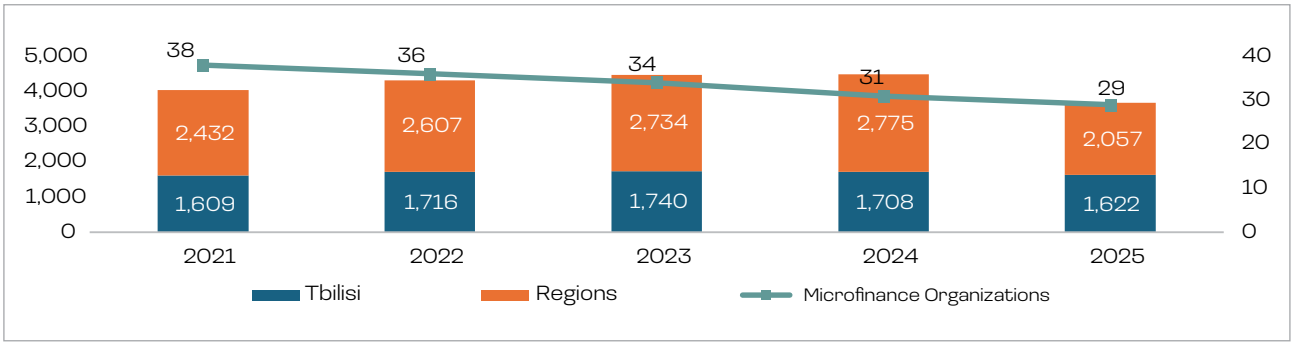
DIAGRAM N 7.4. REGIONAL DISTRIBUTION OF THE BORROWERS OF MICROFINANCE ORGANIZATIONS



Source: NBG

The microfinance sector is quite heterogeneous, as it comprises small organizations alongside large, network-based organizations with extensive regional coverage. During the pandemic and post-pandemic periods, the number of employees in the sector exhibited a growing trend, including in the regions. This underscores the sector's role in promoting employment nationwide.

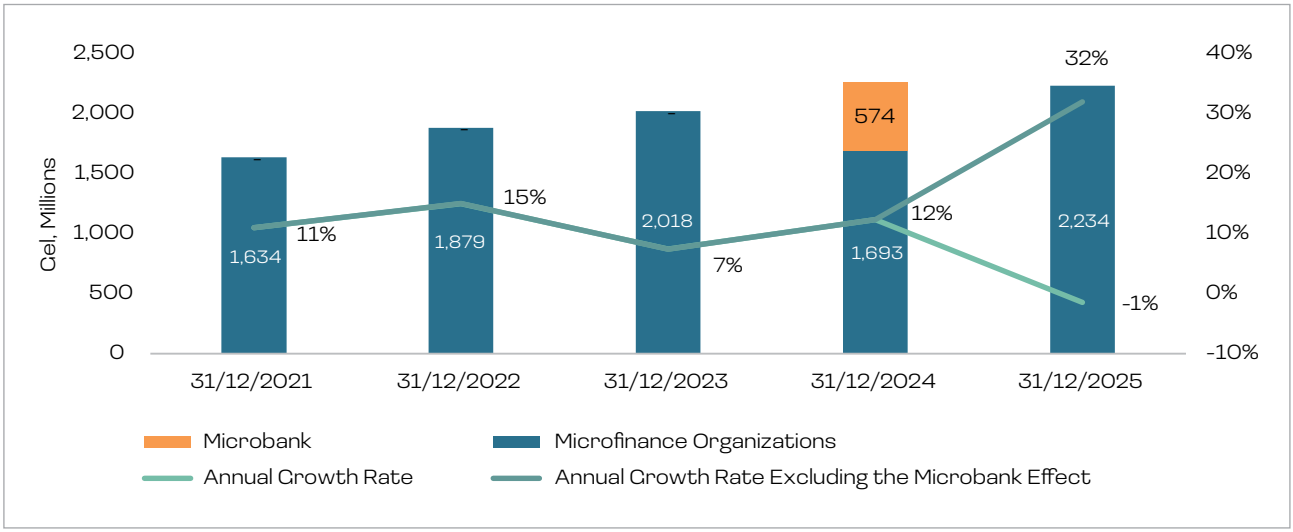
DIAGRAM N 7.5. NUMBER OF STAFF IN MICROFINANCE ORGANIZATIONS



Source: NBG

It is noteworthy that, despite the transformation of one large microfinance organization into a microbank in 2025, microfinance organizations maintained strong asset growth dynamics of their total assets. Excluding the effect of this transformation, the annual growth rate amounted to 32%.

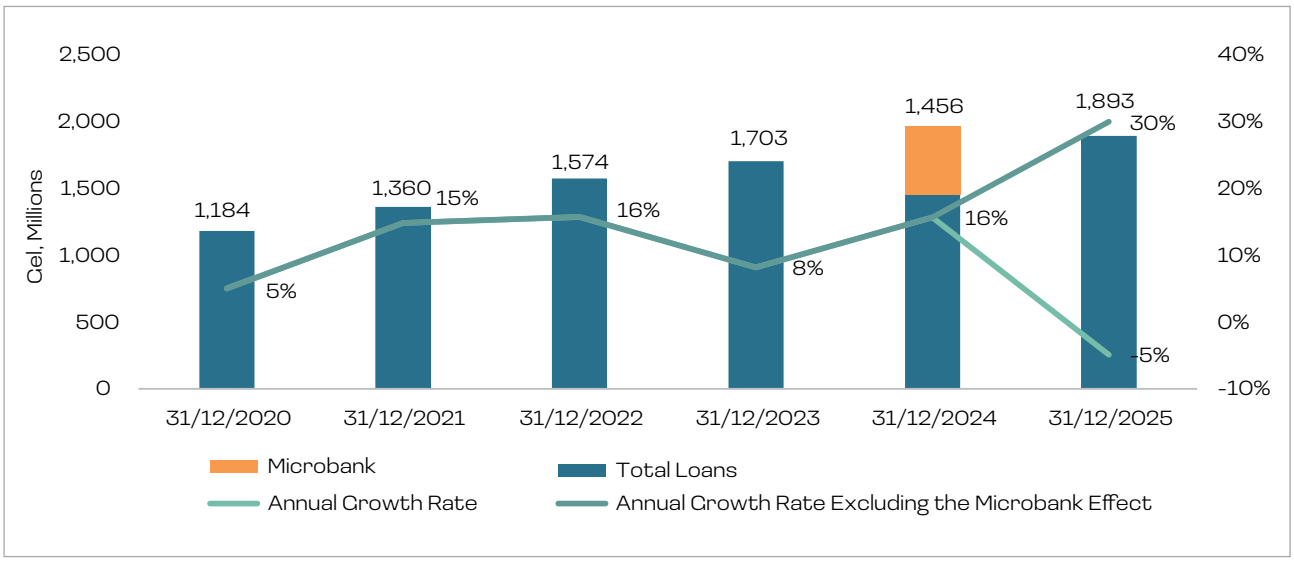
DIAGRAM N 7.6. TOTAL ASSETS OF MICROFINANCE ORGANIZATIONS



Source: NBG

Although the actual figure of the credit portfolio experienced a decline; if the microbank effect is excluded, the credit portfolio of the organizations remaining in the sector was characterized by annual growth of 30%, while the total volume of the credit portfolio reached GEL 1.9 billion.

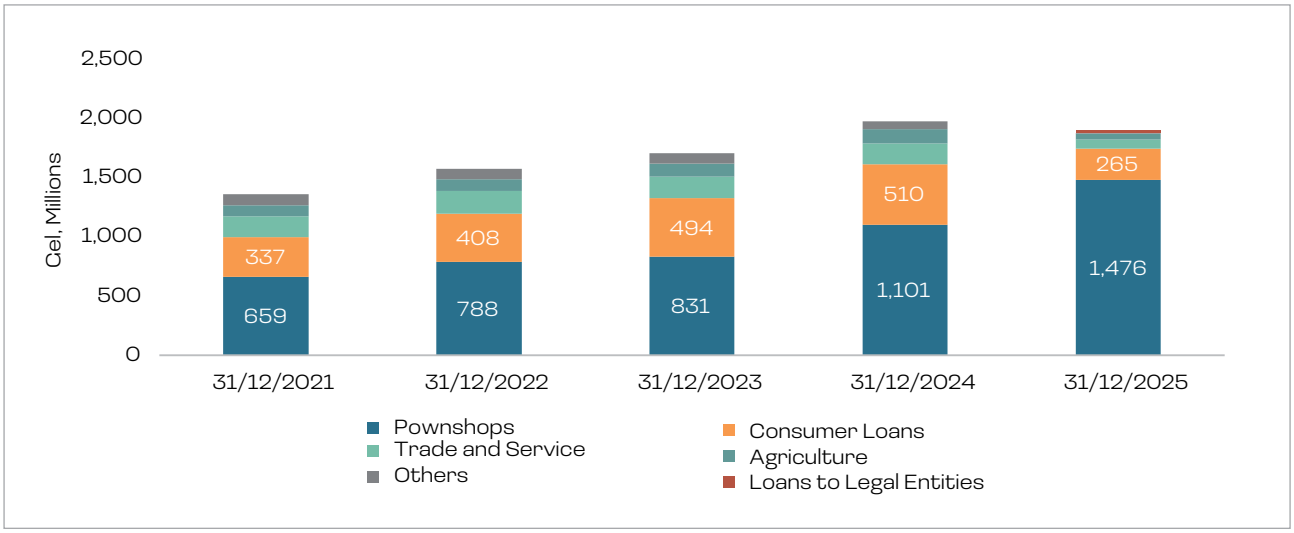
DIAGRAM N 7.7. LOAN PORTFOLIO OF MICROFINANCE ORGANIZATIONS



Source: NBG

The primary focus of the sector's lending remains loans issued to individuals. As loans secured by precious metals account for 71% of the portfolio (GEL 1.34 billion), the high annual growth rate (excluding the microbank effect) was largely driven by the increase in the price of gold on international markets. Considering that loans secured by precious metals are in high demand, are issued quickly, and are relatively easily accessible to consumers, the rise in the price of gold was instantly reflected in the portfolio's growth dynamics. The remaining 8% of the credit portfolio accounts for loans issued to the agriculture and trade/services sectors, as well as to legal entities, amounting to GEL 551 million.

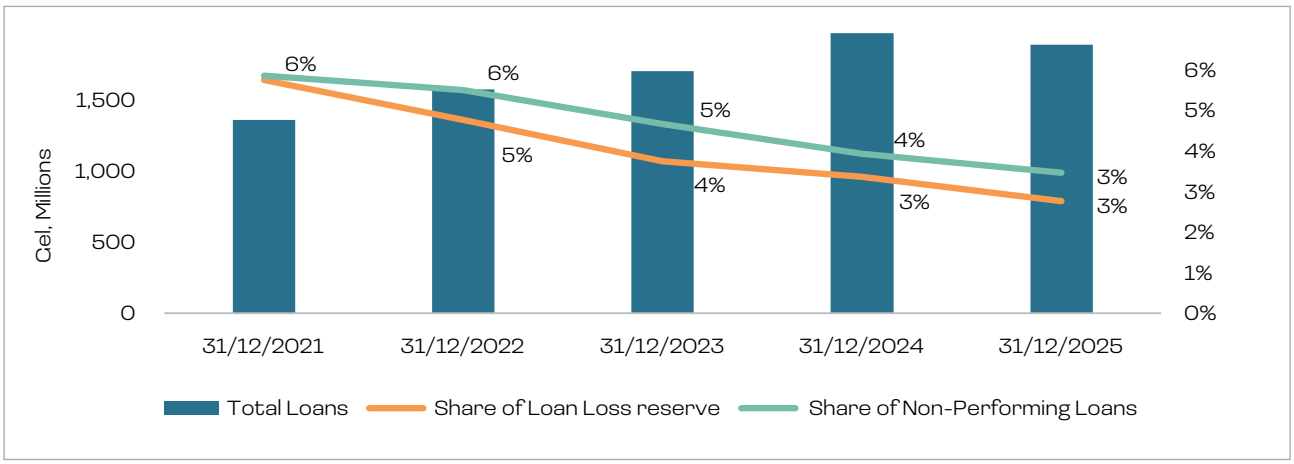
DIAGRAM N 7.8. STRUCTURE OF THE LOAN PORTFOLIO



Source: NBG

The quality of the sector's credit portfolio maintains an improving trend, which is driven by the large share of the low-credit-risk portfolio secured by precious metals.

DIAGRAM N 7.9. QUALITY OF THE LOAN PORTFOLIO



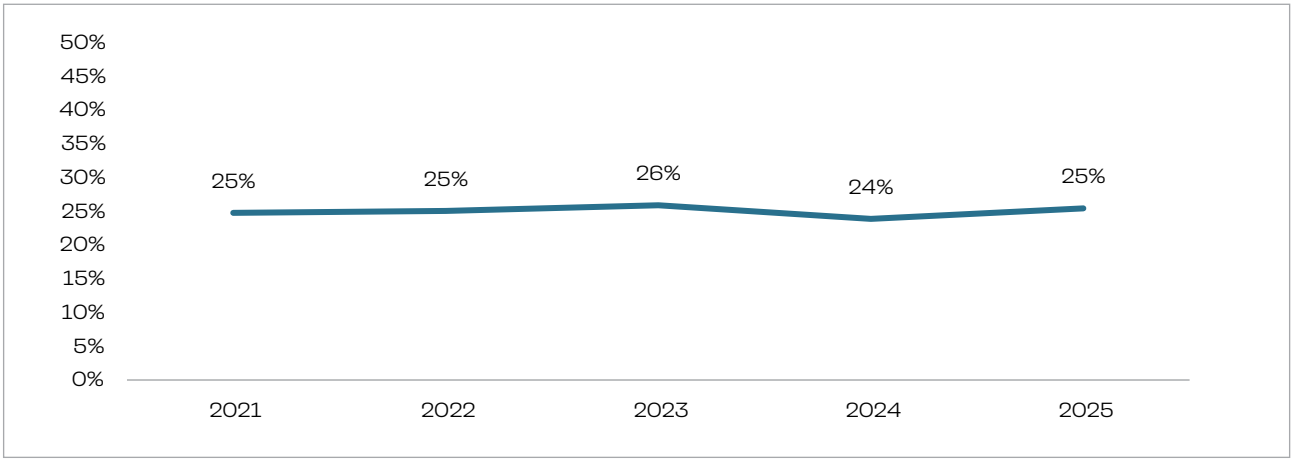
Source: NBG

The weighted average interest rate on loans in the microfinance sector remains stable at around 25% and exceeds the corresponding figure for the retail segment of commercial banks, which is driven by the specific characteristics of the sector's operational and funding structure.

Microfinance organizations primarily issue small-scale and short-term loans, resulting in relatively high administrative and servicing costs per loan. Moreover, managing a large and diversified loan portfolio requires intensive operational processes, thereby increasing unit costs.

Additionally, unlike commercial banks, the sector has limited ability to attract relatively cheap financial resources (such as deposits) and relies more heavily on alternative, relatively expensive sources, which increases the cost of funding.

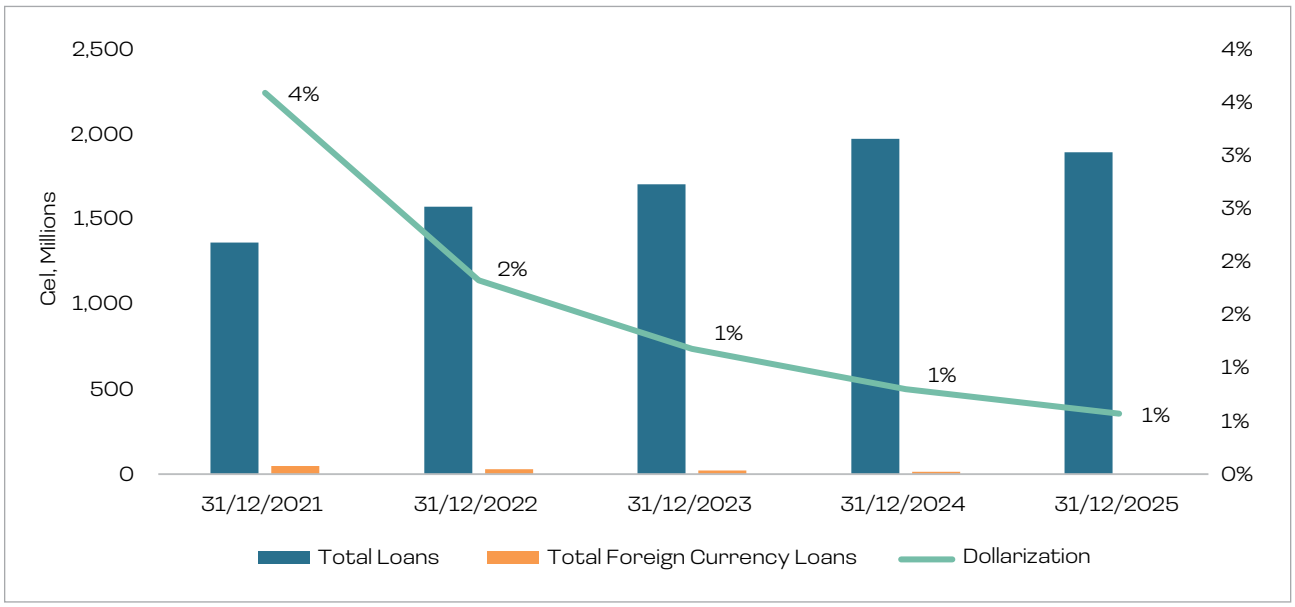
DIAGRAM N 7.10. WEIGHTED AVERAGE INTEREST RATES OF THE LOAN PORTFOLIO



Source: NBG

In compliance with the legislative requirement restricting foreign currency lending, foreign currency-denominated loans in the sector are being phased out, and amounted to only GEL 10.7 million at the end of 2025.

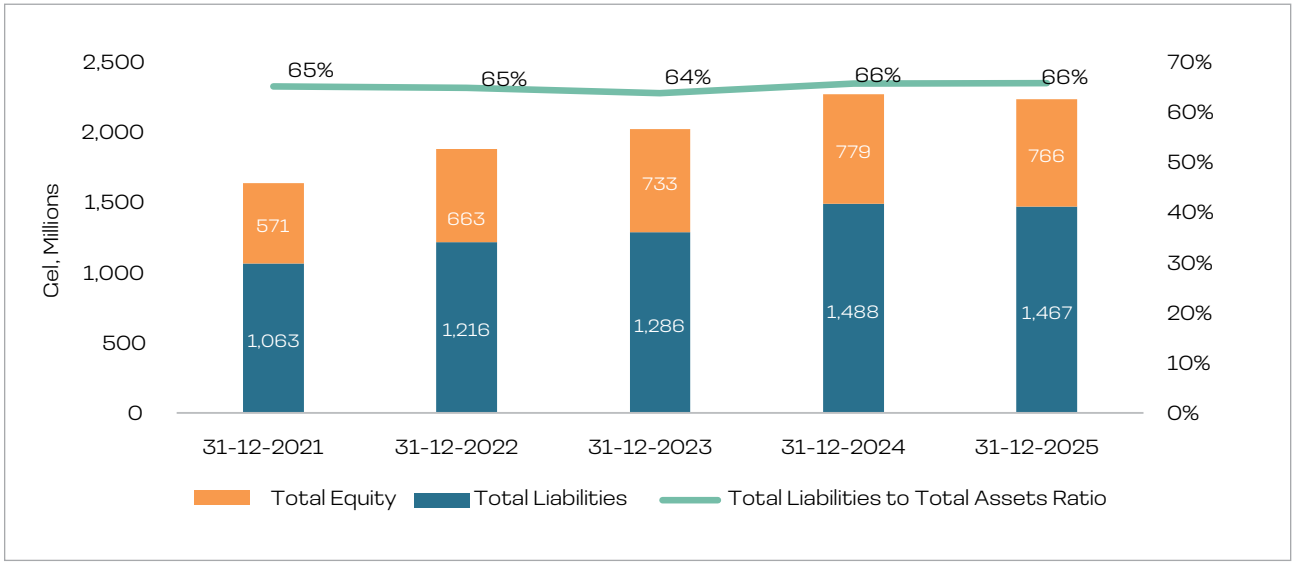
DIAGRAM N 7.11. DOLLARIZATION OF THE LOAN PORTFOLIO



Source: NBG

By the end of 2025, the volume of liabilities and its share in the funding structure remained almost unchanged.

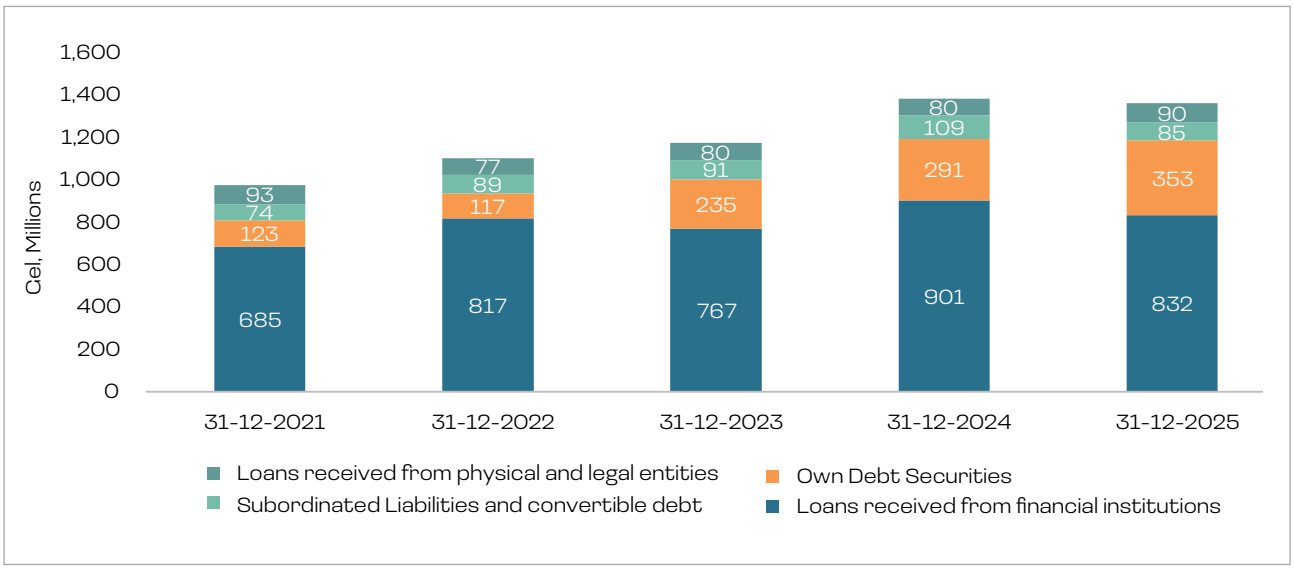
DIAGRAM N 7.12. FUNDING STRUCTURE



Source: NBG

At the end of 2025, the total borrowed funds of the microfinance sector amounted to GEL 1.36 billion, which is GEL 21.6 million less than in the previous year. Funds borrowed from financial institutions continue to occupy a dominant position in the structure of liabilities; however, their volume decreased by GEL 69.7 million during the year. During the same period, the volume of own debt securities increased significantly by GEL 61.6 million, indicating an increase in the sector's utilization of the capital market and a trend toward the diversification of funding sources.

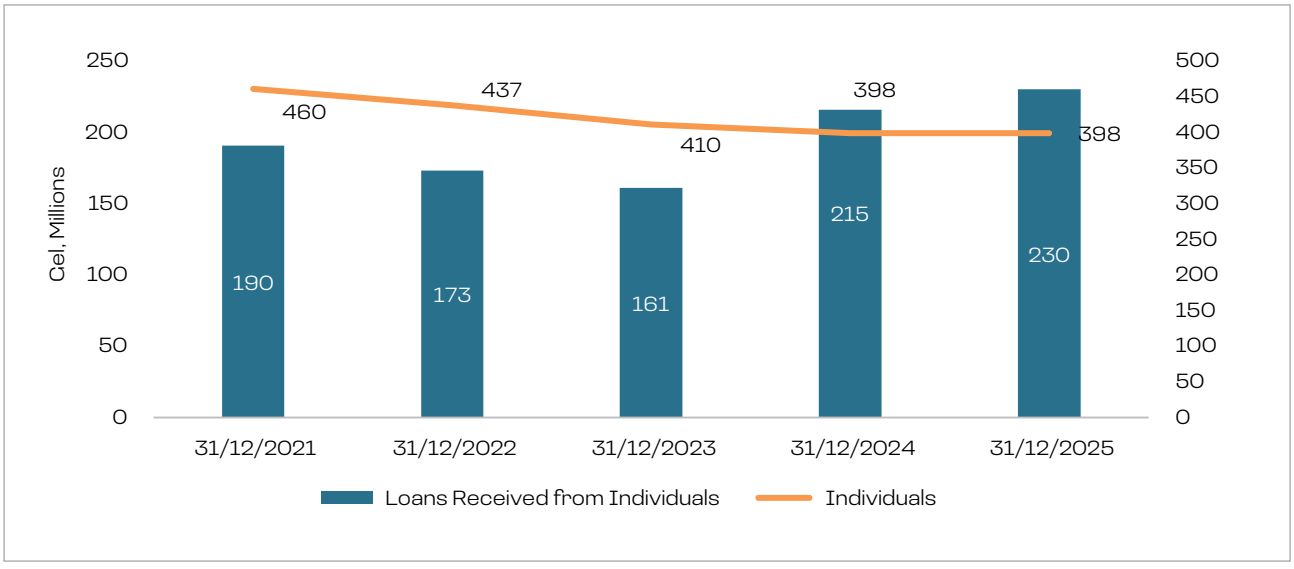
DIAGRAM N 7.13. STRUCTURE OF BORROWINGS



Source: NBC

Against the backdrop of an unchanged number of individual creditors, the volume of funds attracted from individual creditors increased slightly during the year.

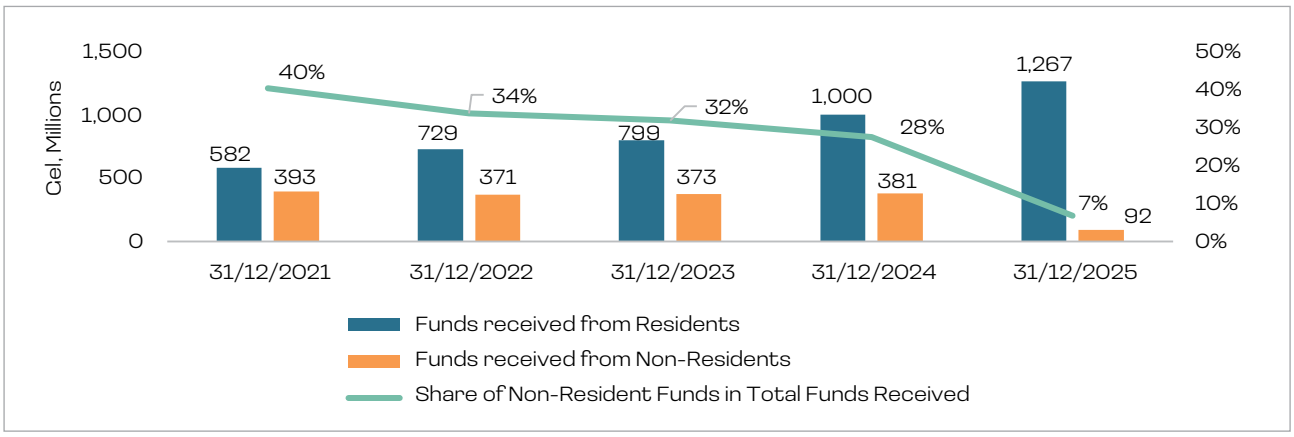
DIAGRAM N 7.14. FUNDS RAISED FROM INDIVIDUALS AND NUMBER OF INDIVIDUAL CREDITORS



Source: NBC

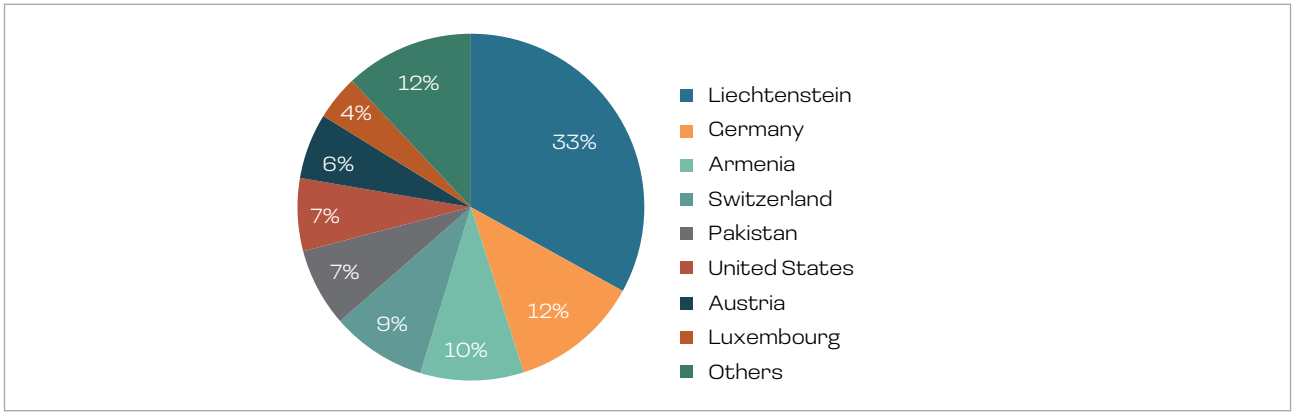
The transformation of one microfinance organization into a microbank resulted in a sharp decrease in funds attracted from non-resident creditors within the sector.

DIAGRAM N 7.15. FUNDS OF NON-RESIDENTS



Source: NBG

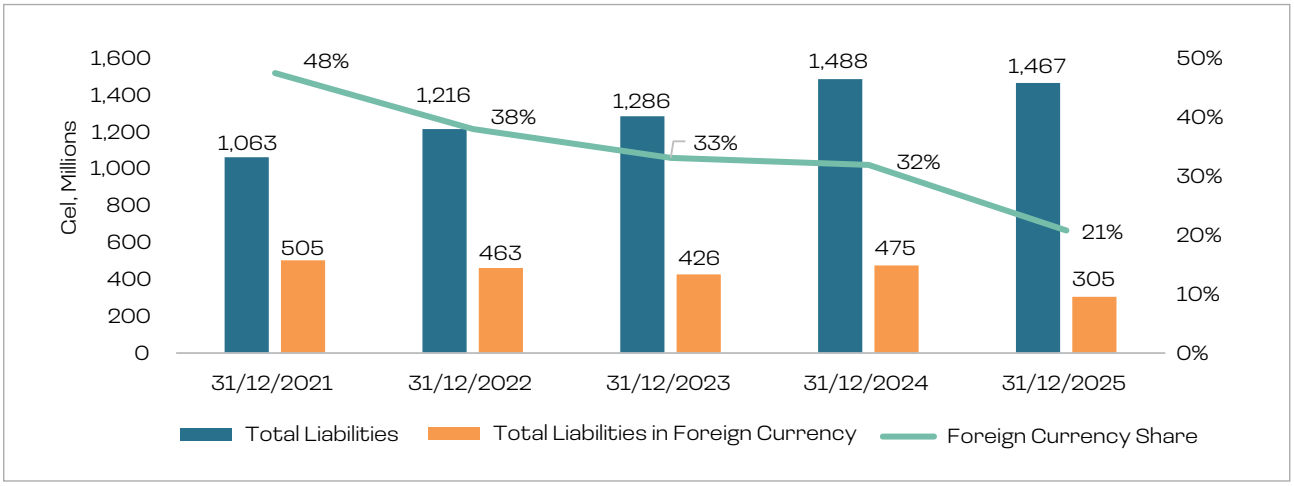
DIAGRAM N 7.16. FUNDS OF NON-RESIDENTS BY COUNTRY



Source: NBG

In parallel with the decrease in the share of funds attracted from non-residents, the volume of foreign currency-denominated liabilities also decreased. As a result, the dollarization rate of liabilities is at a historical minimum, which contributes to the sector's resilience against currency shocks.

DIAGRAM N 7.17. FUNDS RAISED IN FOREIGN CURRENCY

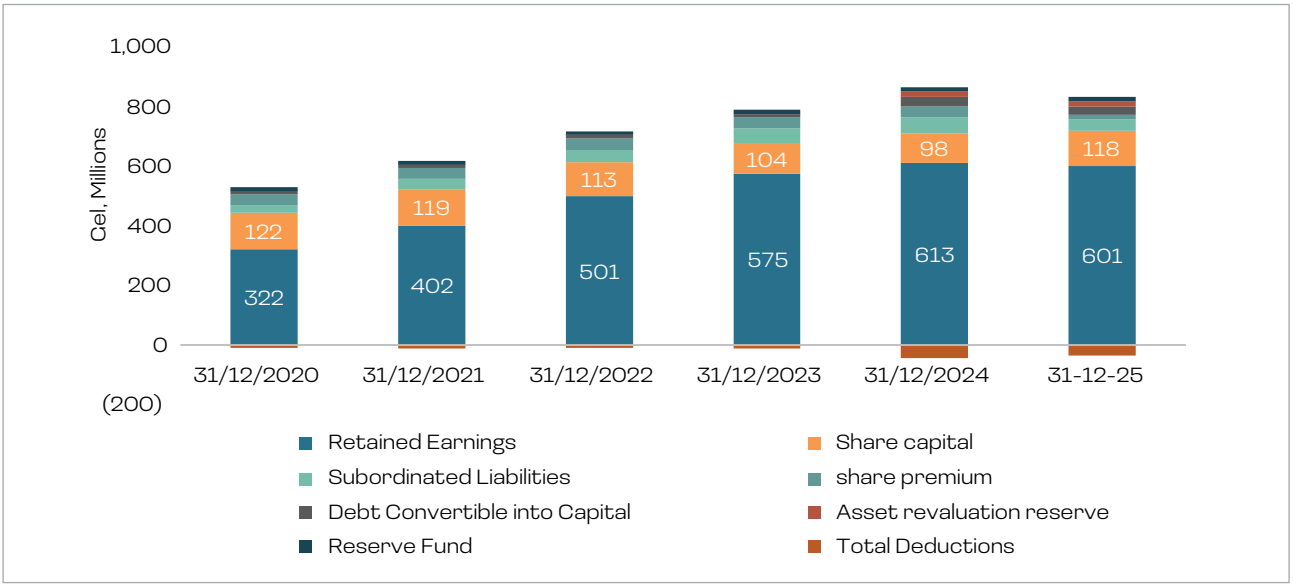


Source: NBG

In 2025, the sector remained highly capitalized. The stability of the supervisory capital was primarily maintained through the active reinvestment of retained earnings. Consequently, the leverage ratio (liabilities/capital) is low, remaining stable at around 2.

The changes in the structure of the supervisory capital are primarily associated with the aforementioned reregistration of one microfinance organization as a microbank.

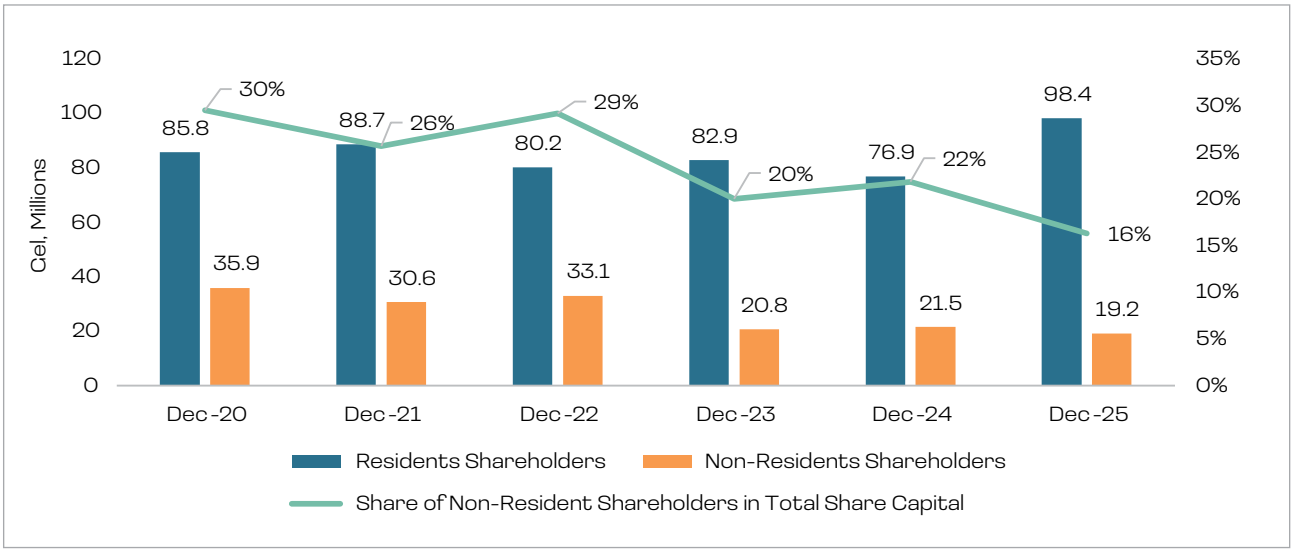
DIAGRAM N 7.18. STRUCTURE OF REGULATORY CAPITAL



Source: NBC

In parallel with the changes implemented in the sector, the share of non-residents in the capital structure decreased.

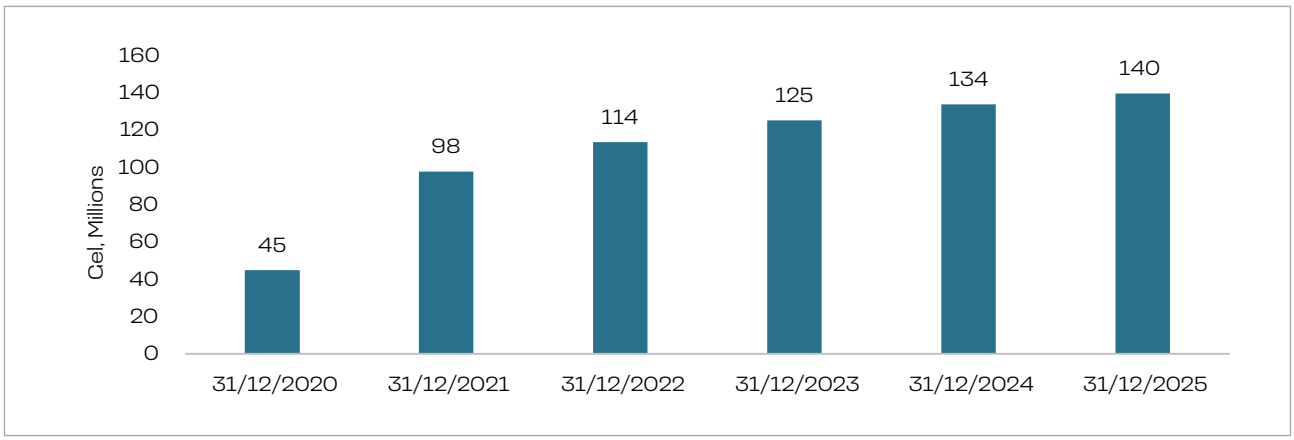
DIAGRAM N 7.19. STRUCTURE OF CAPITAL BY RESIDENCY



Source: NBC

Despite the overall decrease in the number of microfinance organizations, the sector's total net profit grew in 2025 and 26 out of the 29 organizations ended 2025 with a profit.

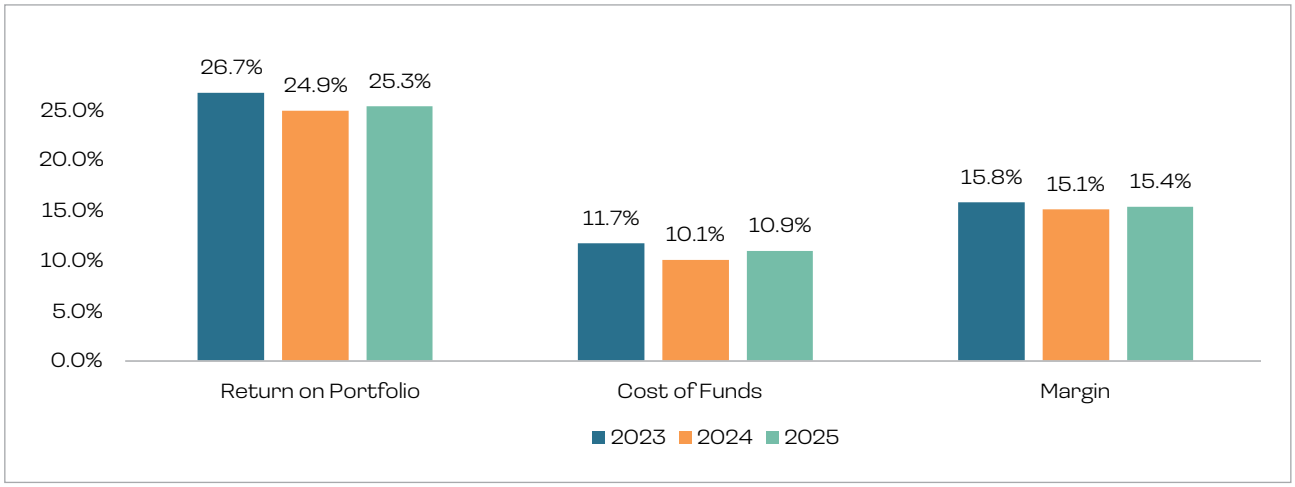
DIAGRAM N 7.20. NET PROFIT DYNAMICS



Source: NBG

In 2025, the sector maintained a consistently high margin, remaining within the range of 15%.

DIAGRAM N 7.21. PROFITABILITY INDICATORS

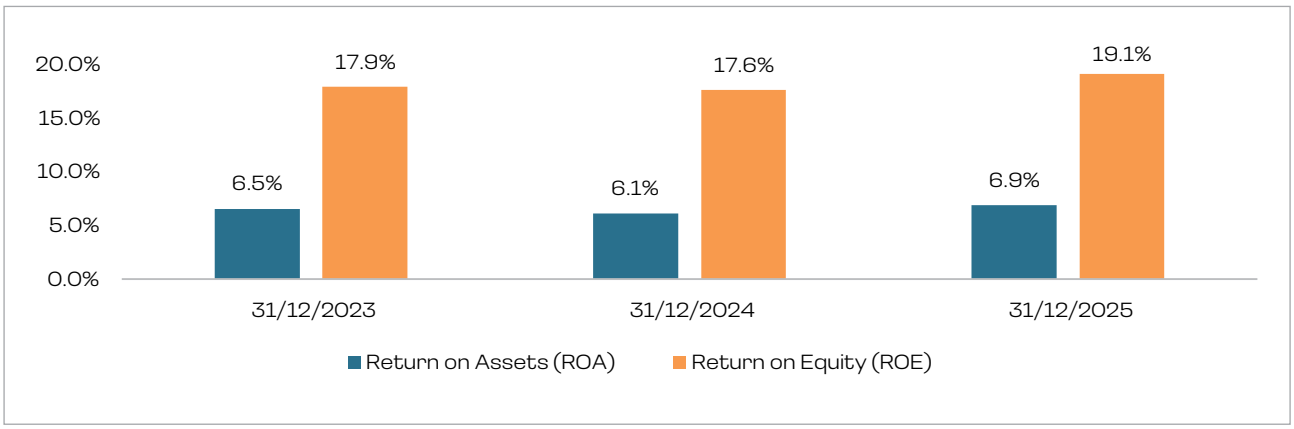


Source: NBG

The sector maintains a stable spread within the range of 14-15%, which is driven by the relative stability of profitability and the cost of funds.

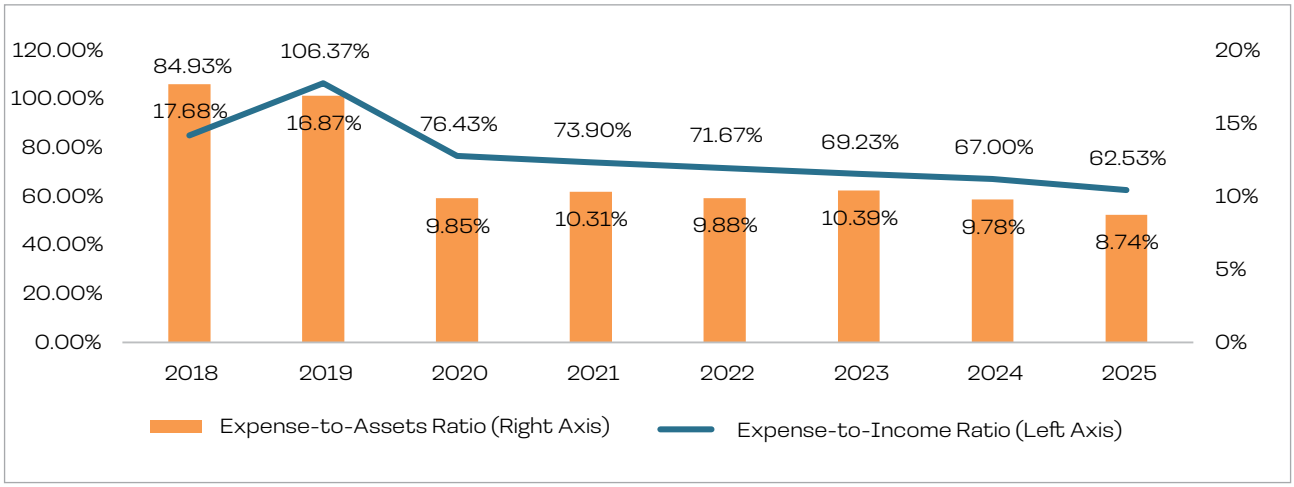
In 2025, the transformation of one microfinance organization into a microbank led to a decrease in capital; however, the organizations remaining in the sector recorded an increase in profit, which collectively resulted in an improvement in both return on equity (ROE) and return on assets (ROA). Both of these indicators have been stably maintained throughout the post-pandemic period and have remained at an attractive level for shareholders, indicating the sector's sustainable profitability.

DIAGRAM N 7.22. RETURN ON ASSETS AND EQUITY



Source: NBC

DIAGRAM N 7.23. COSTS TO INCOME AND ASSETS RATIO



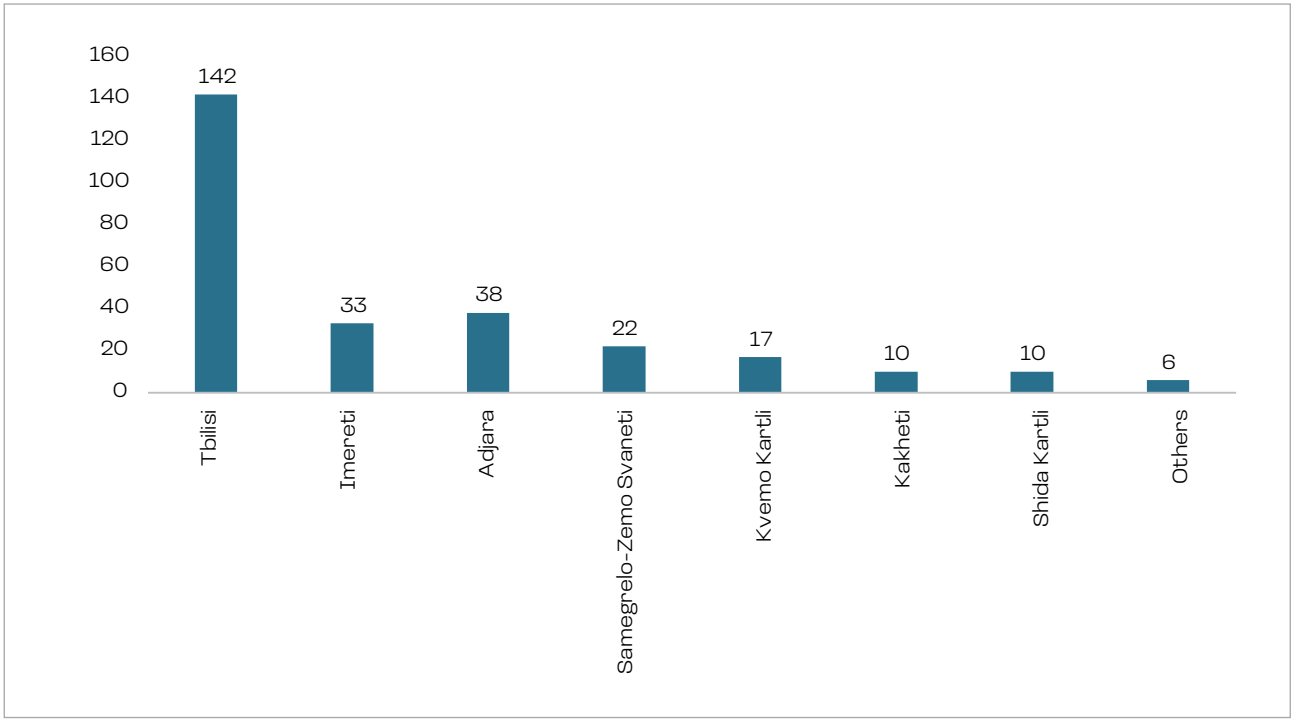
Source: NBC

The decline of the cost-to-income and cost-to-assets ratios reflect the more efficient management of the sector and increased operational efficiency, contributing positively to the sector's overall profitability.

7.3. LENDING ENTITIES

In 2025, the number of lending entities decreased by 17 to 141, with these organizations operating across 278 locations, including branches. Given the small size of the entities that exited the market, this decline had no negative impact on the sector's overall indicators.

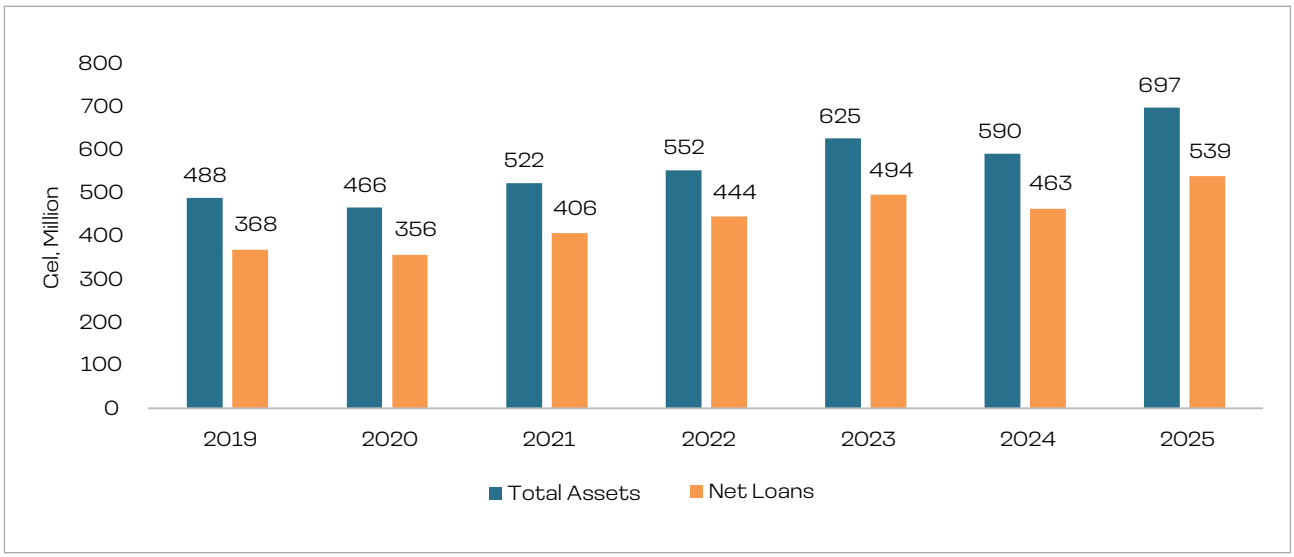
DIAGRAM N 7.24. REGIONAL DISTRIBUTION OF STRUCTURAL UNITS OF LENDING ENTITIES



Source: NBG

The total assets of lending entities increased by 18% and amounted to GEL 697 million, which is associated with 16% growth of the net credit portfolio.

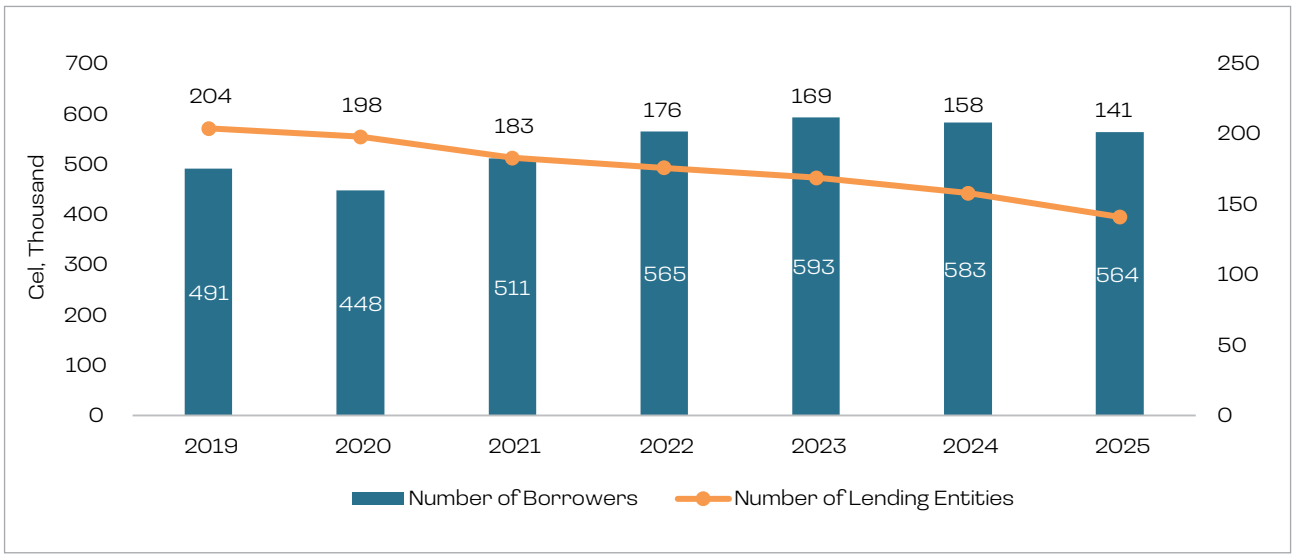
DIAGRAM N 7.25. DYNAMICS OF TOTAL ASSETS AND NET LOANS



Source: NBG

Lending entities account for more than half of the total number of borrowers in the non-banking sector, the majority of whom are individuals. This reflects sector's focus on the provision of granular/small-scale consumer and pawn lending. Lending entities also broadly operate in the recovery of problematic consumer loans.

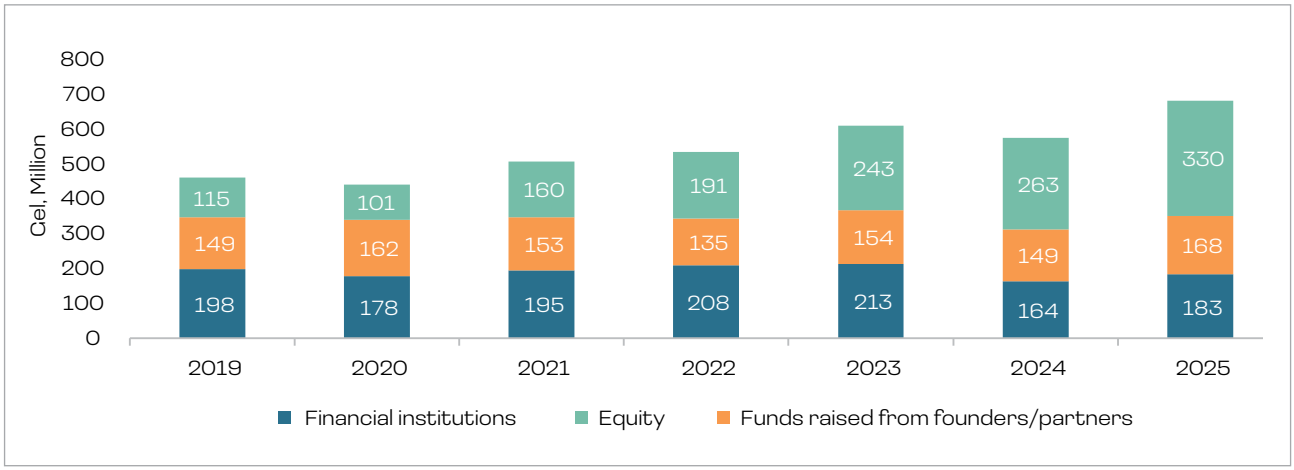
DIAGRAM N 7.26. LENDING ENTITIES AND THE NUMBER OF BORROWERS



Source: NBC

The funding volume of the lending entities sector grew significantly in 2025. It should be noted that the sector has strengthened its reliance on its own funds and has reduced its dependence on external resources, thereby enhancing its financial stability through increased capitalization.

DIAGRAM N 7.27. SOURCE OF FUNDING FOR LENDING ENTITIES

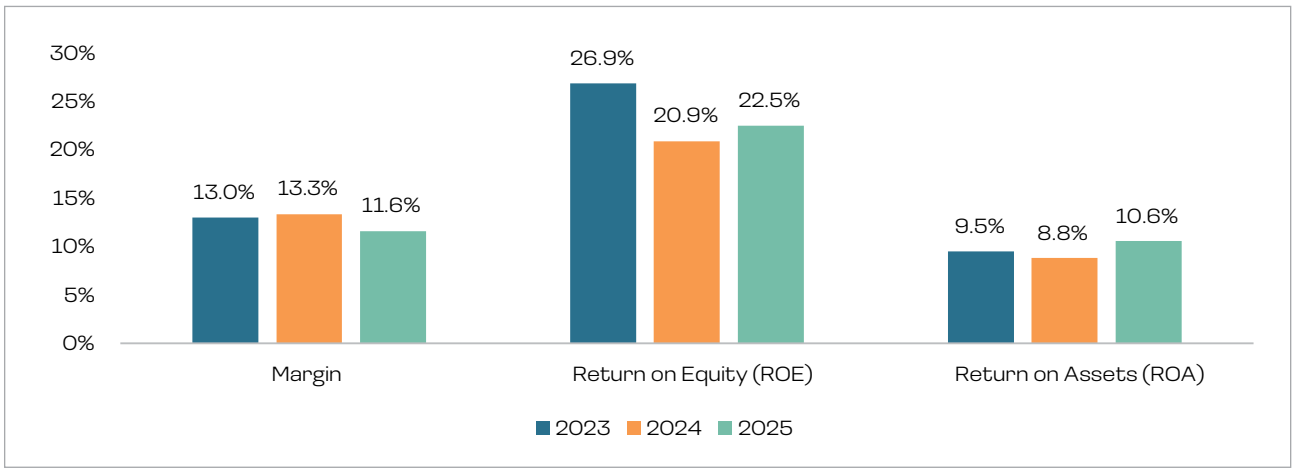


Source: NBC

The profitability of the lending entities sector was characterized by fluctuations between 2023 and 2025. In 2025, the interest margin decreased to 11.6%; however, the return on equity (ROE) and return on assets (ROA) both improved, amounting to 22.5% and 10.6% respectively.

Overall, despite the decrease in the margin, the sector maintained high profitability, which indicates increased efficiency and a sustained ability to generate profit.

DIAGRAM N 7.28. PROFITABILITY OF LENDING ENTITIES



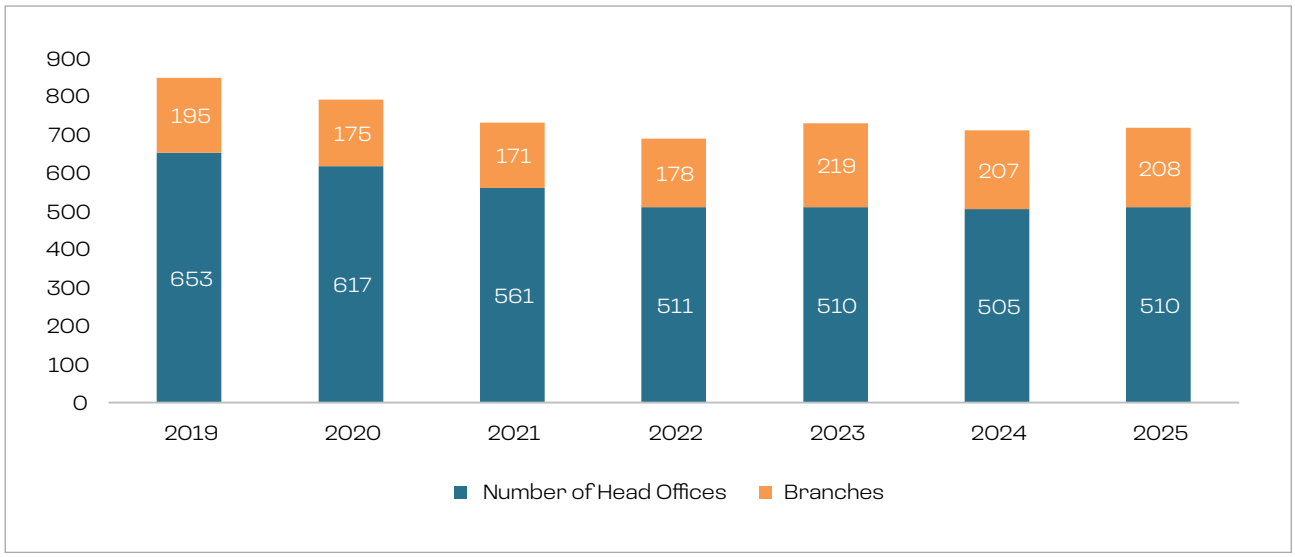
Source: NBG

7.4. CURRENCY EXCHANGE POINTS

During 2025, 61 new currency exchange points were registered, and 44 branch operating permits were issued. At the same time, the registrations of 56 currency exchange points were revoked, and the branch operating permits of 44 points were terminated. Of the revoked currency exchange points, the registration of 50 was cancelled based on their own applications, the majority of which were located in Tbilisi. The registrations of the remaining points were revoked due to non-compliance with legislative requirements.

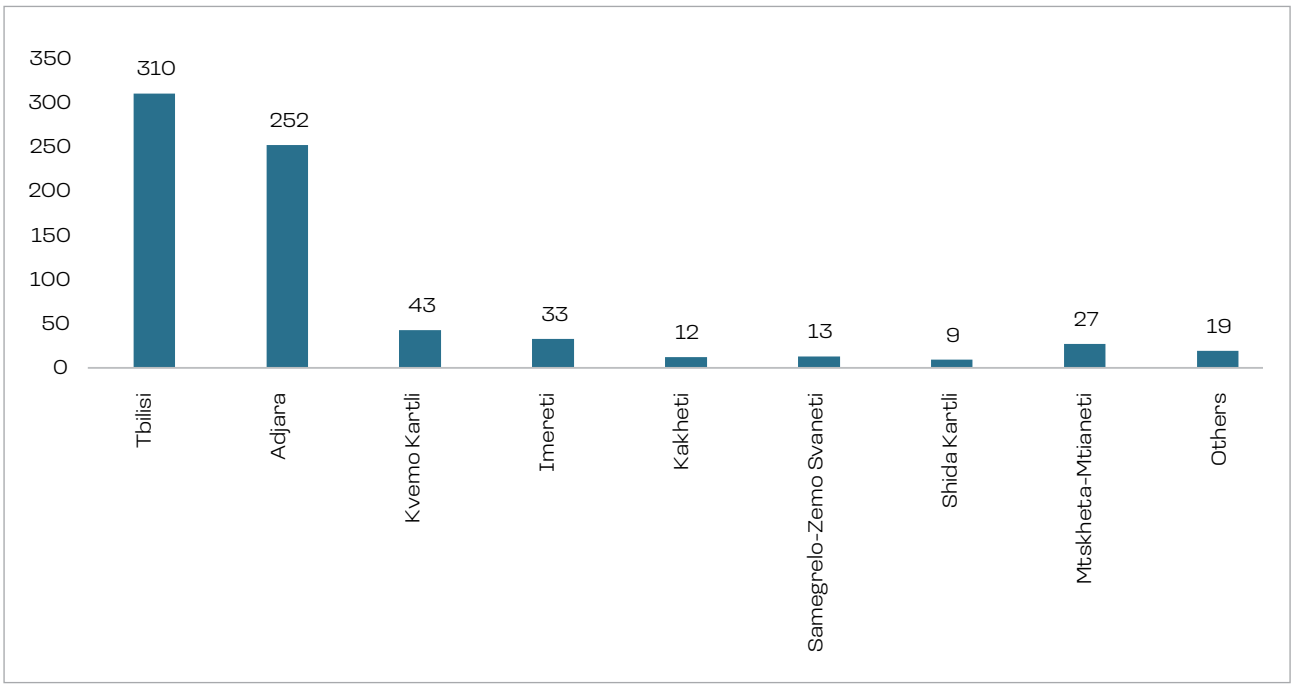
As of 31 December 2025, 510 currency exchange points were registered, which, including branches, operate across 718 locations nationwide.

DIAGRAM N 7.29. NUMBER OF CURRENCY EXCHANGE POINTS AND BRANCHES



Source: NBG

DIAGRAM N 7.30. REGIONAL DISTRIBUTION OF STRUCTURAL UNITS OF CURRENCY EXCHANGE POINTS



Source: NBG

7.5. CREDIT UNIONS

Through legislative changes implemented in 2017, a maximum limit on the number of credit union members was established and the operating principles of credit unions were defined—requiring membership to be based on a common characteristic among an association of individuals residing within the administrative unit of the same self-governing community. These changes aimed to eliminate unhealthy practices established in this sector, which involved credit unions financing credit activities inconsistent with the goals of the cooperative by attracting deposits from their members.

As a result of these regulations, the sector shrank significantly, and as of 31 December 2025, only one credit union continued to operate in the market, with total assets amounting to GEL 0.5 million.

On-Site Inspection

To ensure effective supervision, the on-site inspection process continued. In 2025, a total of 193 entities were inspected across 243 locations. Based on the inspection results, appropriate supervisory measures were applied, including financial penalties imposed on 55 entities amounting to a total of GEL 544 thousand, while the registrations of 10 entities were revoked.

08.

SECURITIES MARKET

8.1. ACTIVITIES IMPLEMENTED FOR THE DEVELOPMENT OF THE SECURITIES MARKET AND MEASURES TAKEN TO ENHANCE THE QUALITY OF MARKET TRANSPARENCY

During 2025, the National Bank of Georgia took significant steps toward developing the securities market and improving its transparency. A series of regulatory and supervisory measures were implemented, focusing on strengthening market stability, protecting investors, and supporting the sustainable development of the financial system.

To refine the regulatory framework and align it with the European Union (EU) and best international practices, the NBG implemented the following key changes:

- Changes were made to three legislative acts to enhance the suitability requirements for significant shareholders and governing body members.[30] Based on supervisory practices and best international experience, these changes establish a unified approach to the suitability criteria for governing body members and significant shareholders of asset management companies, brokerage firms, and investment funds. These reforms aim to enhance transparency and accountability in the licensing and supervision of market participants, as well as to approximate the regulatory framework with EU legislation.[31]

- On 21 August 2025, Decree No. 197/04 of the NBG Governor approved the "Rule on Granting, Maintaining, and Revoking the Status of Green, Social, Sustainability, and Sustainability-Linked Bonds". This rule applies to bonds that are public securities, as well as to bonds whose public offering or admission to trading on a licensed stock exchange in Georgia is requested via an emission prospectus submitted to the NBG. The rule defines the specific conditions for these statuses, integrating the core principles of the EU framework for green, environmentally sustainable, and sustainability-linked bonds.[32]

- On 28 February 2025, Decree No. 51/04 of the NBG Governor approved the "Rule Regulating the Activities of the Legal Entity of Public Law – Pension Fund of Georgia". This comprehensive rule establishes the following: the requirements for the Pension Fund as a legal entity of public law; suitability criteria for executive directors and the procedure for coordinating their candidacies with the NBG; requirements regarding the activities of the Pension Fund's committees and personnel with special functions; standards for the investment, operational, and administrative activities of the fund; ethical principles applicable to the governing board members, executive directors, and employees; rules for reviewing complaints and protecting the rights of participants; standards for maintaining documentation, records, reporting, and transparency; principles for a temporary special administration regime; and issues related to sanctions. In 2025, through the efforts of the National Bank of Georgia and in cooperation with the Service for Accounting, Reporting and Auditing Supervision (SARAS), the reporting portal (www.reportal.ge) was updated. This provides issuers of public securities to disclose a wider variety of information under the "single-window" principle. The updated website enables the publication not only of annual and semi-annual reports but also of other regulated information, such as corporate governance compliance reports, insider information, and other notices intended for investors.

The monthly updated interactive statistics on the NBG's website regarding public corporate bonds issued on the local market were significantly improved in 2025. Furthermore, statistical data on bonds issued by International Financial Institutions (IFIs) on the local market were added to the interactive platform. These efforts enhance the availability and transparency of information regarding the securities market.

30. The three acts are Decree No. 145/04 of the NBG Governor (5 July 2018) on the "Rule for Licensing and Regulating Brokerage Companies"; Decree No. 167/04 (22 September 2020) on the "Rule for Licensing, Registration, Recognition, and Regulation of Asset Management Companies"; and Decree No. 198/04 (11 November 2020) on the "Rule for the Liquidation of Investment Funds".

31. Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (amending Directives 2002/92/EC and 2011/61/EU); Commission Delegated Regulation (EU) 2017/1943 establishing regulatory technical standards on information and requirements for the authorization of investment firms; Commission Delegated Regulation (EU) 2017/1946 establishing regulatory technical standards for an exhaustive list of information to be included by proposed acquirers in the notification of a proposed acquisition of a qualifying holding in an investment firm.

32. Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

To strengthen analytical communication regarding ongoing processes in the capital market, periodic capital market overview reports were published in 2025. These reports reflected the state of the Georgian capital market as of the fourth quarter of 2024 and the second quarter of 2025. These publications aim to provide market participants, researchers, and the general public with data-driven information on the main trends, structural features, growth potential, and existing challenges of the Georgian capital market.

Additionally, with the active participation of the NBG—alongside the Insurance State Supervision Service of Georgia (ISSSG), SARAS, and the Accounting Reform Stakeholders' Foundation—the Best Annual Report and Transparency Award (BARTA 2025) was organized. The primary goal of this is to elevate the quality of company reporting and transparency to strengthen trust between investors and consumers.

In 2025, the list of supervised entities in the securities market was expanded to include three registered asset management companies, one licensed brokerage company, and two registered investment funds. Additionally, four new companies issued public securities.

In 2025, the NBG began publishing information on its official website regarding fines imposed on participants in the securities market. Due to the failure to submit annual reports, one brokerage company, two stock exchanges, and the central depository were fined; one brokerage company and the central depository were fined due to the failure to submit current reports/notifications; one brokerage company was fined for the violation of the requirements of the Code of Ethics (regulating market behavior); and one stock exchange was fined for the violation of listing rules. Additionally, the license of one brokerage company was revoked based on its own application.

For non-submission of 2024 annual reports—or submissions with violations—six fines and one warning were issued against public securities issuers, while two additional issuers were fined for violating requirements related to the 2023 annual report. Warnings were also issued to eight issuers for violating the obligation to publish the 2024 period report, as stipulated by the Corporate Governance Code for Public Securities Issuers.

8.2. SECURITIES MARKET INDICATOR

Similar to previous years, the local securities market continued to grow in 2025. The development of a series of legislative/regulatory reforms and the introduction of new products will facilitate the maintenance of this dynamic and further the development of the capital market.

Bond Market

In 2025, the upward trend in the non-government bond market was maintained.[33] Compared to the previous year, the market grew by 10.2%, excluding the exchange rate effect (at the exchange rate of 31 December 2024), reaching GEL 5,877 million by the end of the year, which accounted for 5.66% of GDP.

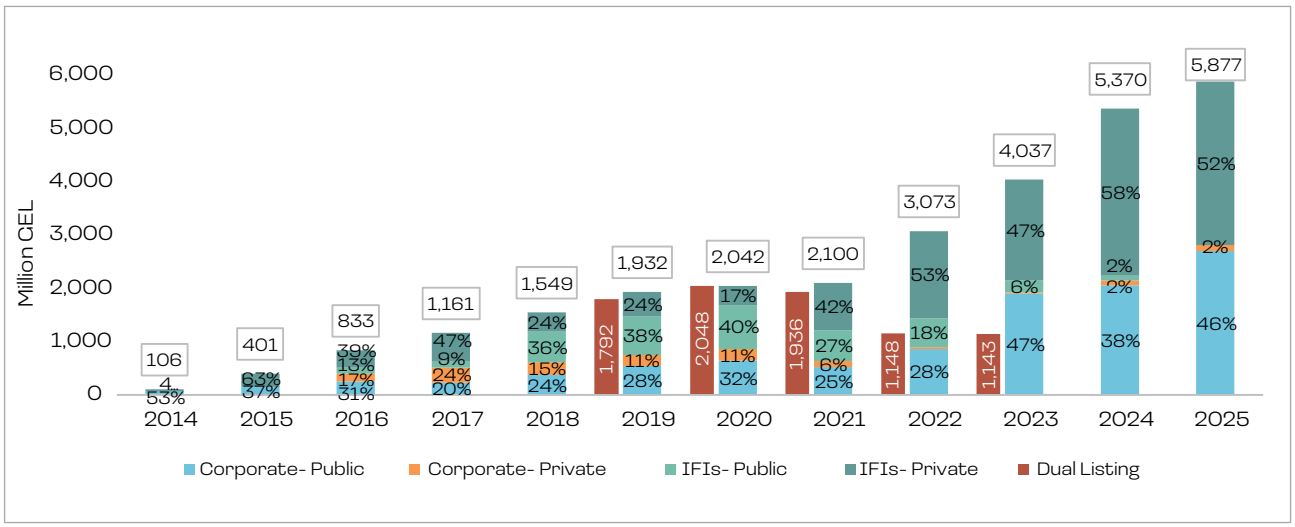
The outstanding balance of GEL-denominated bonds issued by international financial institutions decreased by 5.1% in 2025 and accounted for 52.2% of the total balance of non-government bonds at the end of the year.

The annual growth rate of the corporate bond market segment, excluding the exchange rate effect (at the exchange rate of 31 December 2024), was 33.2%.[34] As a result, at the end of 2025, the size of the corporate bond market (issued on the basis of both public and private offerings) reached GEL 2,811 million, which accounted for 47.8% of the total outstanding balance of non-government bonds. On average, over the last five years, the growth rate of the corporate bond market, excluding the exchange rate effect (at the exchange rate of 31 December 2020), reached 31.2%.

33. The data include public corporate bonds issued on the local market, private corporate bonds known to the NBG, and public and private bonds issued by International Financial Institutions on the local market. The data do not include non-government debt securities dual-listed on the Georgian Stock Exchange or certificates of deposit.

34. The data include both public and private corporate bonds issued on the local market that have been assigned an ISIN by the National Bank. The data do not include non-government debt securities dual-listed on the Georgian Stock Exchange or certificates of deposit (if any).

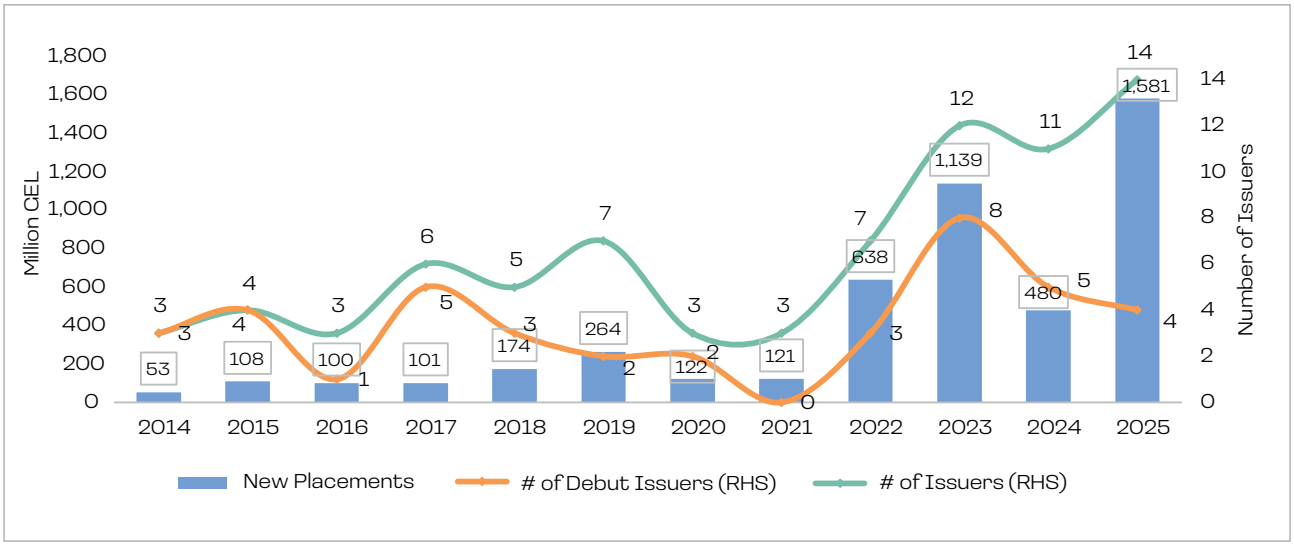
DIAGRAM 8.1. OUTSTANDING NON-GOVERNMENT BONDS



Source: NBC; Bloomberg

Regarding the public corporate bond market, 14 issuers issued public corporate bonds in 2025 (compared to 11 in 2024). Of these, four joined the bond market for the first time (there had been five new entrants in 2024). In 2025, 20 bonds were issued with a total value of CEL 1,581 million CEL (contrasted with 21 valued at CEL 480 million in 2024), of which five bonds (three green, one social, and one sustainability-linked), valued at CEL 752 million, held CSSS (Green, Social, Sustainability, Sustainability-linked) status.

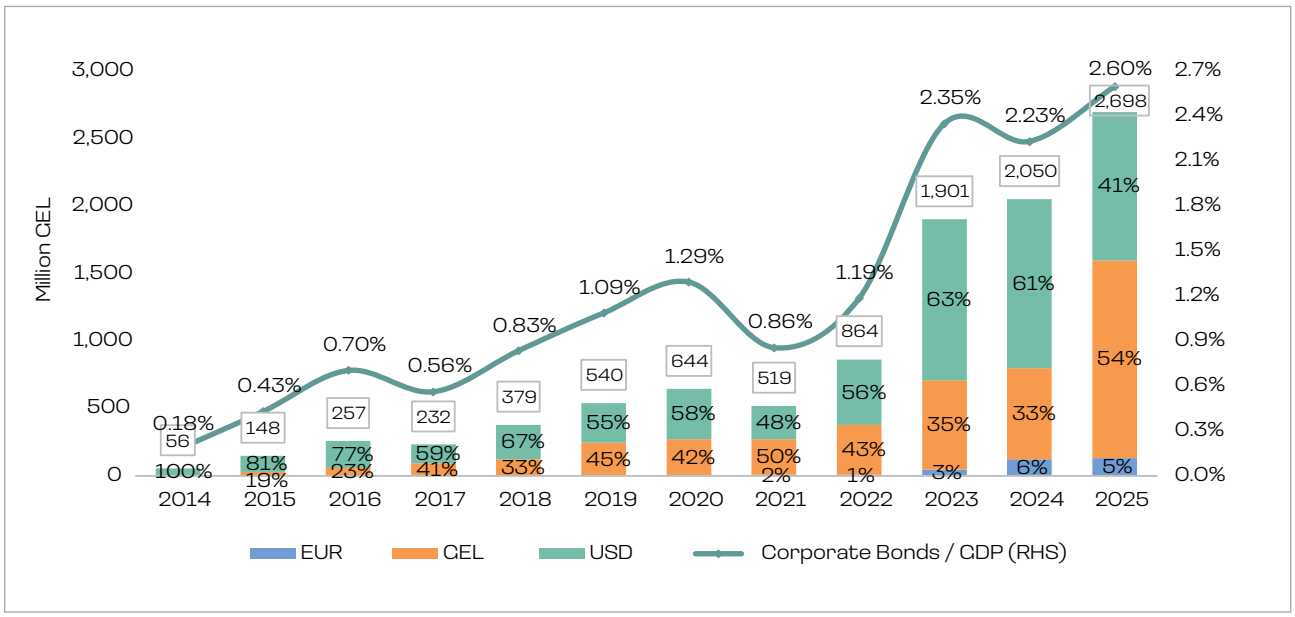
DIAGRAM N 8.2. PLACEMENTS OF PUBLIC CORPORATE BONDS



Source: NBC

As a result, the outstanding balance of the publicly placed corporate bond market reached CEL 2,698 million at the end of 2025 (CEL 2,050 million in 2024), which accounted for 2.60% of GDP (2.23% in 2024). Of this, the share of CEL-denominated public corporate bonds was 54% (33% in 2024).

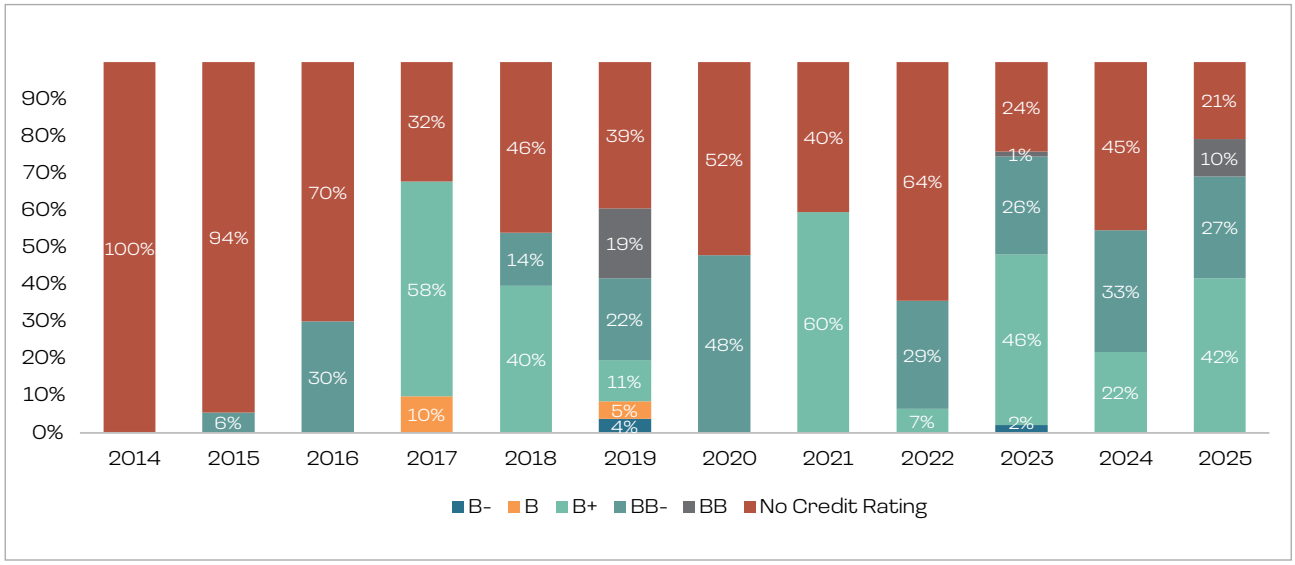
DIAGRAM 8.3. PUBLIC CORPORATE BONDS, OUTSTANDING BY CURRENCY



Source: NBG; GeoStat

In 2025, 79% of the total value of issued corporate bonds was placed by issuers holding an international credit rating (55% in 2024). Of the bonds issued by rated issuers, 47% of the value was placed by issuers with a BB/BB- rating (60% in 2024), while 53% was placed by issuers with a B+ rating.

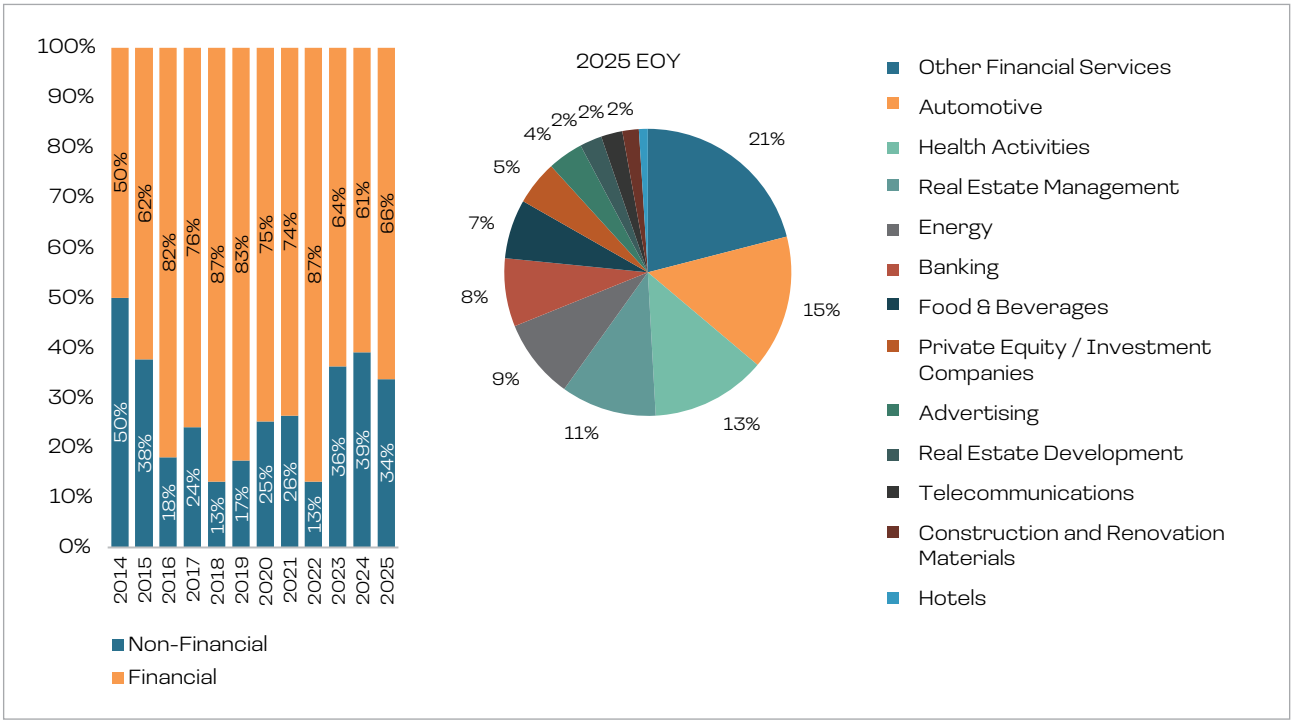
DIAGRAM N 8.4. PUBLIC CORPORATE BOND PLACEMENTS BY ISSUER CREDIT RATING



Source: NBG

At the end of 2025, 66% of the public corporate bond market volume was held by non-financial issuers (61% in 2024). The market was also diversified, encompassing issuers from 13 different industries. In terms of outstanding corporate bond balances, the largest market share, at 21%, was occupied by the other financial services sector (13% in 2024), while the next three largest sectors—automotive, healthcare activities, and real estate management—collectively accounted for 39% of the public corporate bond market.

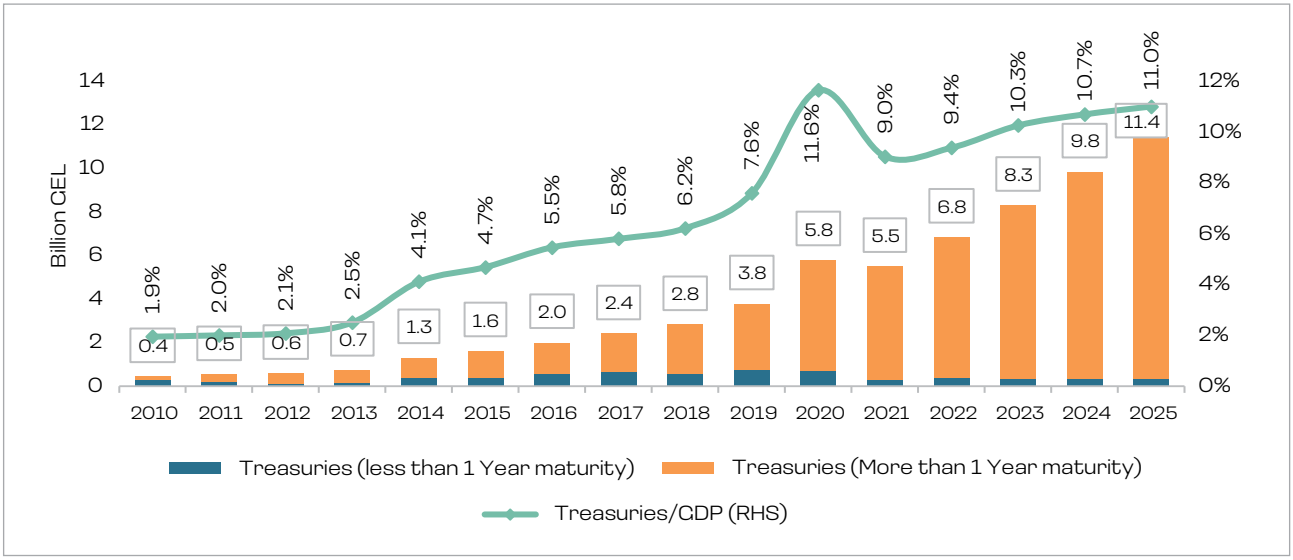
DIAGRAM 8.5. PUBLIC CORPORATE BONDS, OUTSTANDING BY SECTOR AND INDUSTRY



Source: NBG

During 2025, the local treasury securities market grew by 16.3% (18.5% in 2024) and reached GEL 11.4 billion at the end of the year, which accounted for 11.0% of GDP (10.7% in 2024).

DIAGRAM 8.6. LOCAL TREASURY SECURITIES, OUTSTANDING BY MATURITY

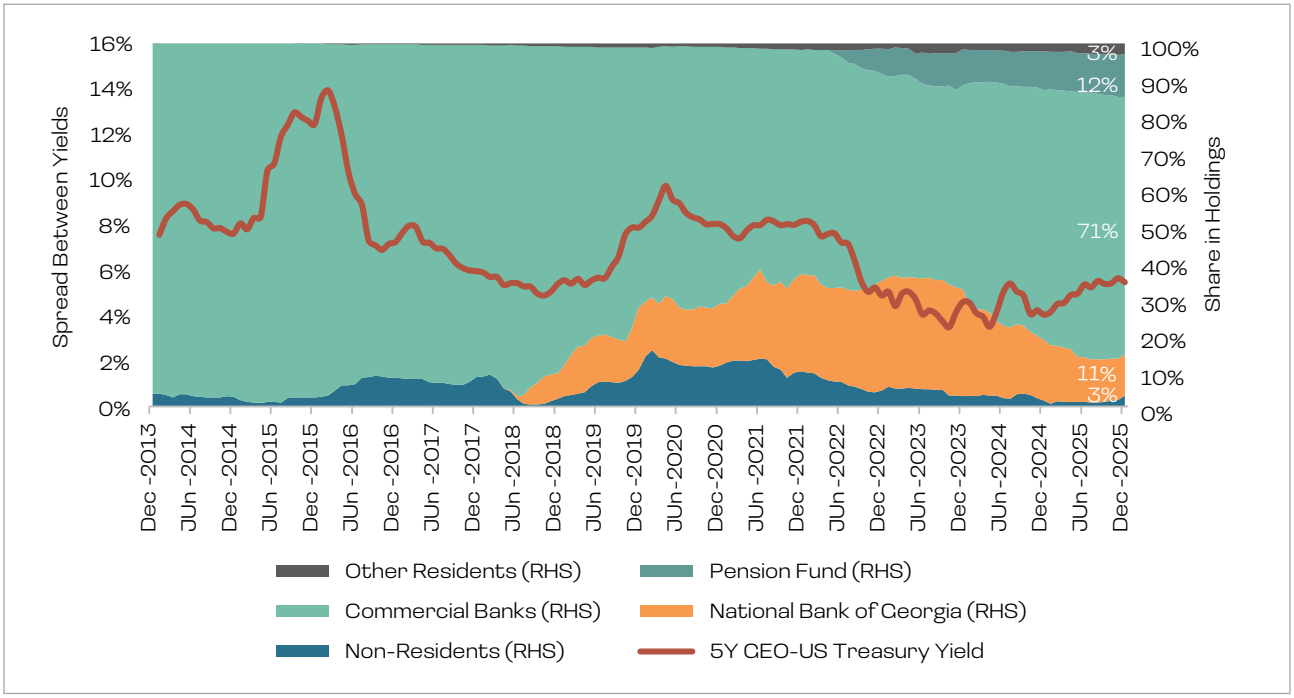


Source: Ministry of Finance of Georgia; GeoStat

At the end of 2025, similar to the previous year, the largest share of treasury bonds was held by commercial banks, the National Bank of Georgia,[35] and the Pension Fund.

35. From 2018 to 2023, the National Bank of Georgia purchased treasury bonds on the secondary market as part of open market operations; these operations are currently suspended.

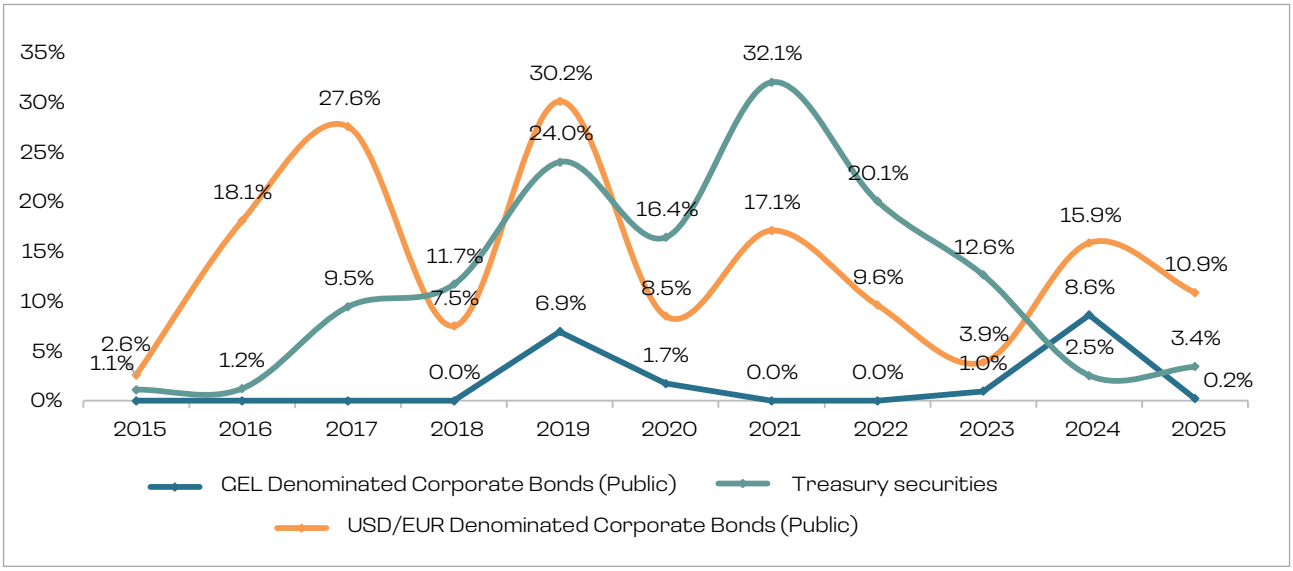
DIAGRAM 8.7. LOCAL TREASURY SECURITIES, OUTSTANDING BY OWNERSHIP



Source: NBG; Ministry of Finance of Georgia

During 2025, the secondary market activity indicator[36] varied across different segments of the bond market. For foreign currency-denominated public corporate bonds, this indicator amounted to 10.9% (15.9% in 2024), while for GEL-denominated bonds, it was 0.2%. For local treasury securities, the secondary market activity indicator amounted to 3.4% (2.5% in 2024).[37]

DIAGRAM N 8.8. SECONDARY MARKET ACTIVITY FOR DEBT SECURITIES ISSUED IN GEORGIA



Source: NBG; Georgian Stock Exchange

36. The figure is calculated by dividing the value of transactions executed on the secondary market during the year by the average annual outstanding balance of the bonds.

37. The decrease in the liquidity of treasury bonds is mostly caused by the NBG's suspension of the purchase of treasury securities on the secondary market within the framework of open market operations.

8.3. OVERVIEW OF MARKET PARTICIPANTS

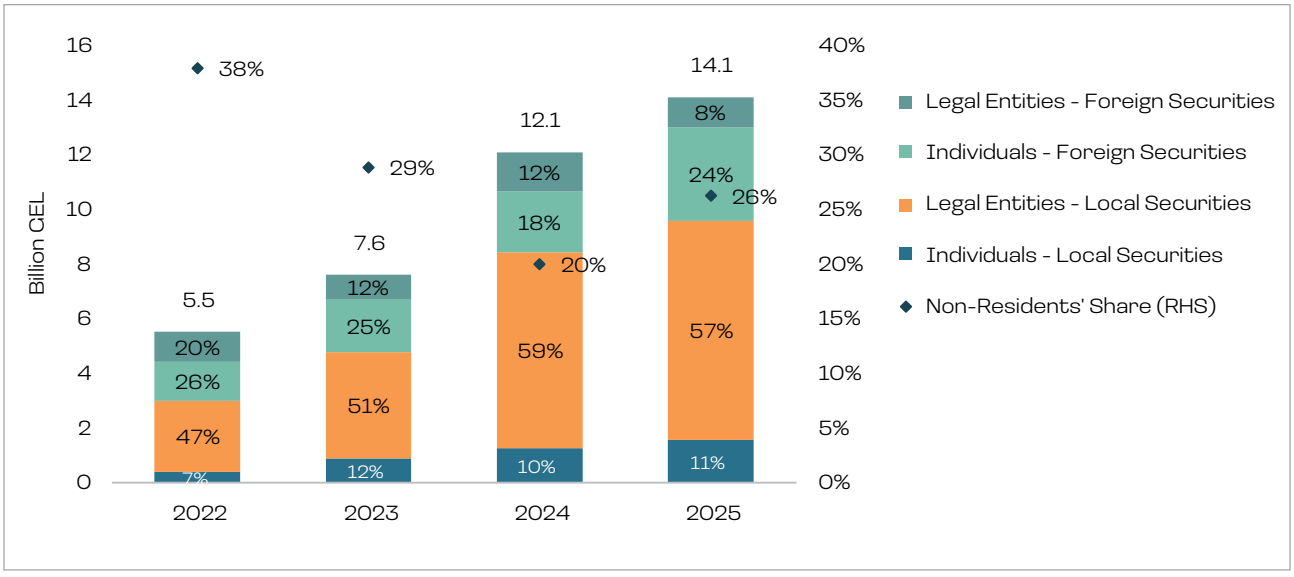
By the end of 2025, two stock exchanges, one central securities depository, 10 brokerage companies, and three independent securities registrars[38] were operating in the Georgian securities market. It is noteworthy that two of the 10 brokerage companies were not members of a stock exchange.

Brokerage Companies

The total value of assets held on the brokerage accounts of brokerage companies' clients amounted to GEL 14.6 billion at the end of 2025, of which total cash funds were approximately GEL 0.5 billion, and securities were GEL 14.1 billion. The latter, compared to 2024, excluding the exchange rate effect (at the exchange rate of 31 December 2024), increased by 19%. This growth, similar to the previous year, is mostly related to local securities accounts and was largely driven by equity securities. It should also be noted that 26% of the clients' securities balance was accounted for by the accounts of non-resident investors (20% in 2024).

As of December 2025, the total number of clients receiving brokerage services from brokerage companies and banks amounted to 215,920.[39] Of these, the total number of clients of brokerage companies was 154,862, representing 53% growth compared to 2024. The number of clients receiving brokerage services from banks increased by 22% compared to the previous year, amounting to 61,058. The vast majority (98%) of the total number of clients receiving brokerage services from brokerage companies and banks were resident individuals. Furthermore, according to the data of 31 December 2025, 96% of the brokerage companies' clients' securities balance and 98% of all clients were concentrated in the two largest brokerage companies.

DIAGRAM N 8.9. VALUE OF CLIENTS' SECURITIES HELD IN ACCOUNTS OPENED AT LOCAL BROKERAGE COMPANIES BY CLIENT TYPE AND PLACE OF ISSUANCE

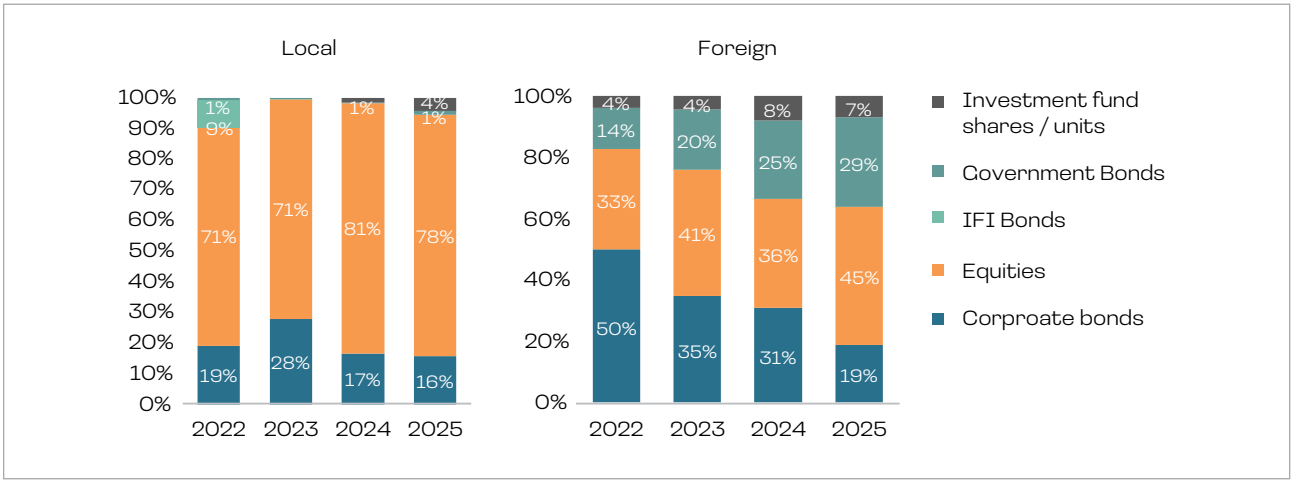


Source: NBG

38. In total, the registrars maintained the registry of 684 issuers—726 equity and 18 debt securities—where the accounts of 89,263 shareholders and bondholders (including nominal holders) were opened.

39. In this aggregate data, a single client may be reflected two or more times if such a client has brokerage accounts opened in multiple brokerage companies/banks.

DIAGRAM N 8.10 VALUE OF CLIENTS' SECURITIES HELD IN ACCOUNTS OPENED AT LOCAL BROKERAGE COMPANIES BY PLACE OF ISSUANCE AND SECURITY TYPE



Source: NBG

Stock Exchange

According to the data of 31 December 2025, the securities of 17 issuers were admitted to the trading system of the Georgian Stock Exchange, and the securities of two issuers were admitted to the trading system of the Tbilisi Stock Exchange.

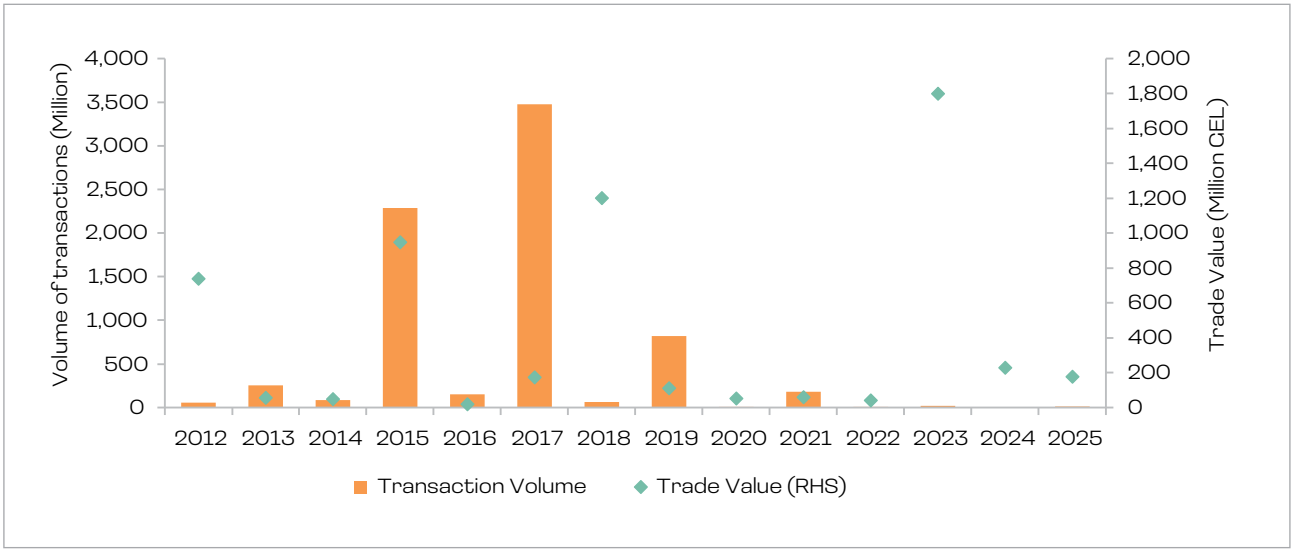
During the reporting period, the total value of transactions executed during trading sessions and on the OTC market amounted to approximately GEL 174 million (9.9 million units of securities). Of this amount, approximately GEL 0.03 million represented transactions executed during the exchange's trading sessions, while GEL 173.7 million represented OTC transactions.

TABLE 8.1. AGGREGATE INFORMATION BASED ON THE INDICATORS OF TRANSACTIONS EXECUTED DURING TRADING SESSIONS AND RECORDED ON THE EXCHANGE

	Number of deals		**Number of securities**		**Value of securities (GEL)**	
Year	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Stock exchange	9	42	386,578	931,647	26,905	357,528
Registered	491	360	9,532,031	6,531,321	173,659,947	224,245,684
Total	**500**	**402**	**9,918,609**	**7,462,968**	**173,686,852**	**224,603,212**

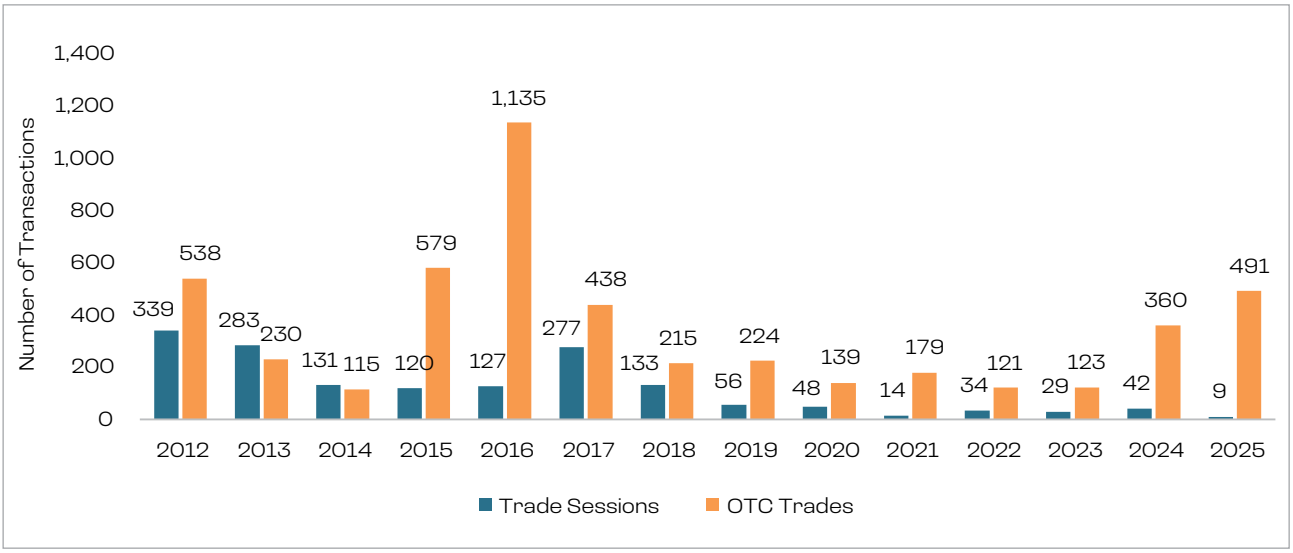
Source: NBG

DIAGRAM 8.11. TRANSACTIONS THROUGH EXCHANGE TRADING SESSIONS AND THE OTC MARKET



Source: Annual Report of the Georgian Stock Exchange

DIAGRAM 8.12. NUMBER OF TRANSACTIONS THROUGH EXCHANGE TRADING SESSIONS AND THE OTC MARKET



Source: Annual Report of the Georgian Stock Exchange

8.4. OVERVIEW OF THE ACTIVITIES OF THE GEORGIAN PENSION FUND

Legislative Framework Update

On 1 May 2025, significant changes came into effect in the Law of Georgia "On Accumulative Pensions". These changes aimed to refine and improve the management system of the Pension Fund.

As a result of the implemented changes, the highest governing body of the Pension Fund—the Governing Board—was created, replacing the previous Investment and Supervisory Boards. A decree of the Government of Georgia determined the number of members of the Pension Fund's Governing Board, and established the rules and procedures for selecting members, including the criteria for their education and work experience. Accordingly, the Governing Board was staffed with nine members. The Governing Board also established corresponding committees (the Risk Committee, Investment Committee, Audit Committee, and Remuneration Committee) and approved the updated charter of the Pension Fund.

According to the changes made to the law, a new rule for administering pension contributions was also defined. Under this rule, for obligations arising from 1 May 2025, pension contributions are made solely through the income declaration of the Revenue Service, provided the corresponding amount exists in the Pension Fund's nominal ownership account. The changes also established the rule for settling obligations for the period prior to 1 May 2025, via annual corrective declarations, the procedure for voluntary or re-enrollment in the pension scheme, mechanisms for monitoring employers' fulfillment of obligations, and the rules for imposing and enforcing liability, fines, and penalties in the event of failure to fulfill the pension contribution obligation.

In 2025, the NBG approved a unified rule regulating the activities of the Pension Fund, which defines the primary regulatory framework for the fund's operations. Specifically, this legislation regulates the suitability criteria for the Pension Fund's executive directors and the procedure for coordinating their candidacies with the NBG, the activities of the Pension Fund's committees, and the requirements set for individuals performing special functions. Furthermore, the regulatory framework establishes rules for the investment, operational, and administrative activities of the Pension Fund; ethical principles for Governing Board members, executive directors, and employees; mechanisms for reviewing participant complaints and protecting their rights; obligations for maintaining documentation and records; and reporting and transparency requirements. Additionally, the NBG's legislation defines the conditions for applying a temporary special administration regime and the rules for imposing sanctions against the Pension Fund, its executive directors, Governing Board members, or employees.

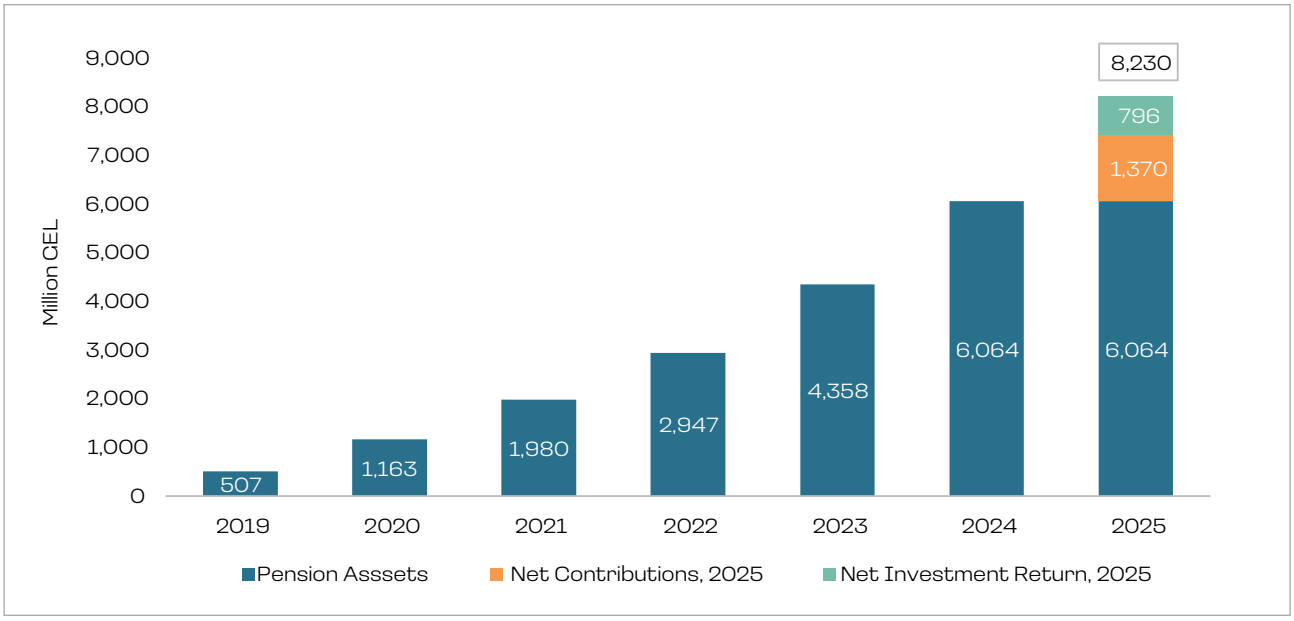
As a result of the legislative changes, the supervisory role of the NBG increased significantly. It should be noted that, prior to 2025, the NBG's supervisory mandate was strictly limited to overseeing investment activities and did not cover the supervision of the administrative/operational and other functions of the Pension Fund.

Investment Performance Results

As of 31 December 2025, the volume of the Pension Fund amounted to GEL 8.23 billion.

In 2025, the net return of the Pension Fund was GEL 796 million, while net contributions amounted to GEL 1.37 billion.

DIAGRAM N 8.13. PENSION ASSETS BY YEAR

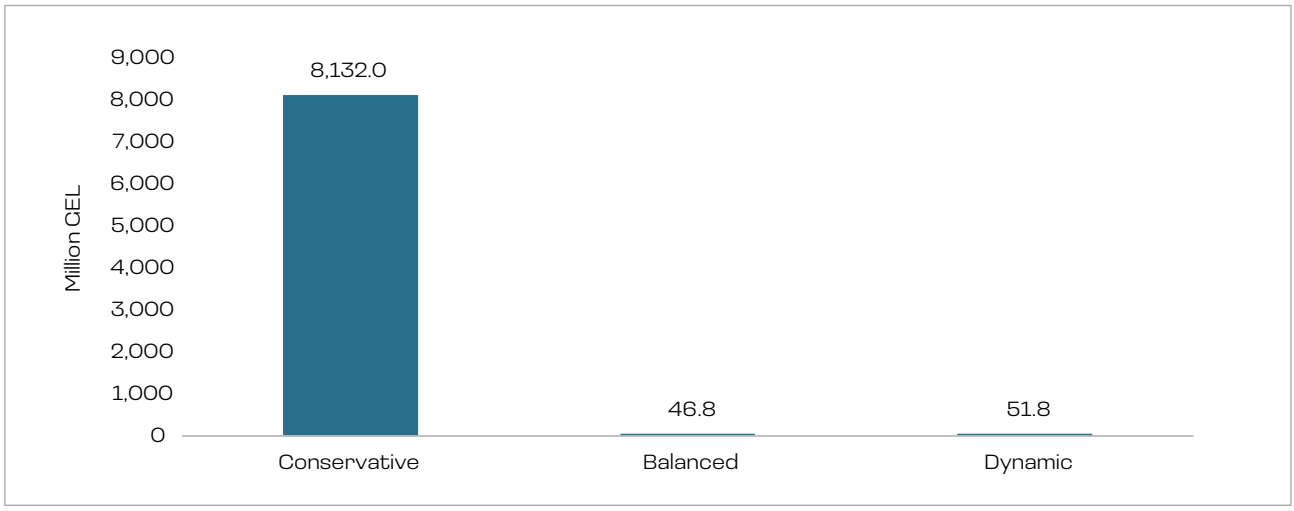


Source: NBC; Georgian Pension Fund

The net nominal return of the Pension Fund's conservative portfolio from the fund's inception (on 1 January 2019) through December 2025 amounted to 96.60% (annualized 10.14%), while the real return (adjusted for inflation) over the same period was 34.77% (annualized 4.35%). The net nominal returns of the Pension Fund's balanced and dynamic portfolios from their launch (on 6 August 2023) through December 2025 amounted to 34.29% (annualized 13.05%) and 37.71% (annualized 14.24%), respectively. The corresponding real returns (adjusted for inflation) over the same period were 24.54% (annualized 9.57%) and 27.72% (annualized 10.72%). The 2025 real return for the conservative portfolio was 7.53%, for the balanced portfolio 8.97%, and for the dynamic portfolio 10.78%.

As for the distribution of total pension assets, according to the data of 31 December 2025, GEL 51.8 million was placed in the dynamic portfolio, GEL 46.8 million in the balanced portfolio, and GEL 8,132 million in the conservative portfolio.

DIAGRAM N 8.14. PENSION FUND ASSETS BY PORTFOLIO (31 DECEMBER 2025)



Source: NBC; Georgian Pension Fund

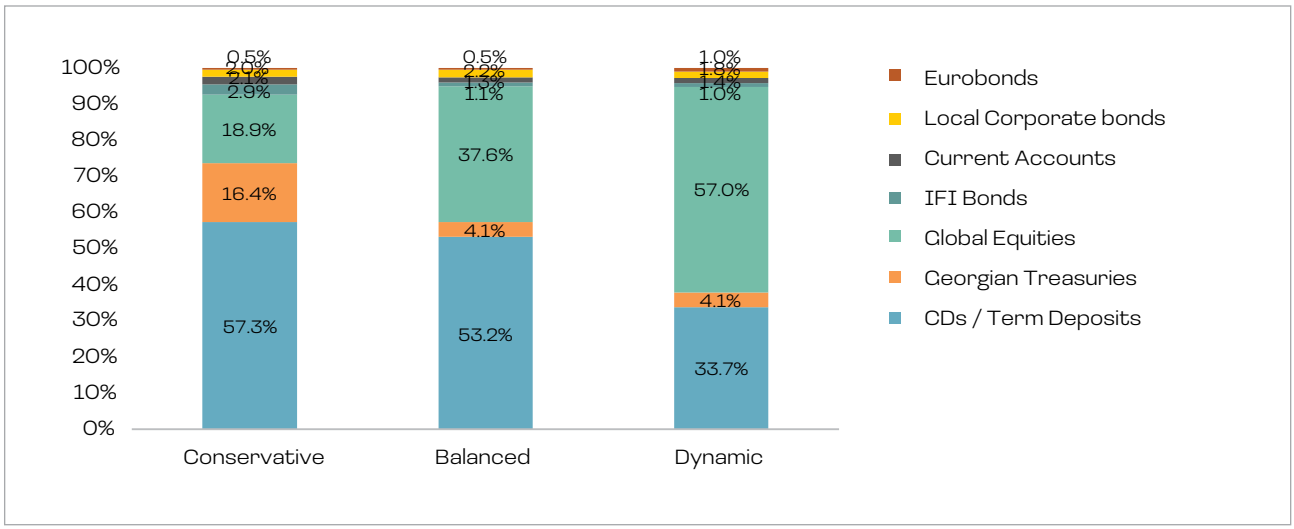
As of 31 December 2025, assets in the investment portfolios were distributed as follows:

Conservative investment portfolio: 2.1% of the portfolio was placed in interest-bearing current accounts, 16.4% in local treasury bonds, 18.9% in global equities, 0.5% in Eurobonds, 2.0% in local corporate bonds, 2.9% in bonds of international financial institutions, and 57.3% in local certificates of deposit and term deposits.

Balanced investment portfolio: 1.3% of the portfolio was placed in interest-bearing current accounts, 4.1% in local treasury bonds, 37.6% in global equities, 0.5% in Eurobonds, 2.2% in local corporate bonds, 1.1% in bonds of international financial institutions, and 53.2% in local certificates of deposit and term deposits.

Dynamic investment portfolio: 1.4% of the portfolio was placed in interest-bearing current accounts, 4.1% in local treasury bonds, 57.0% in global equities, 1.0% in Eurobonds, 1.8% in local corporate bonds, 1.0% in bonds of international financial institutions, and 33.7% in local certificates of deposit and term deposits.

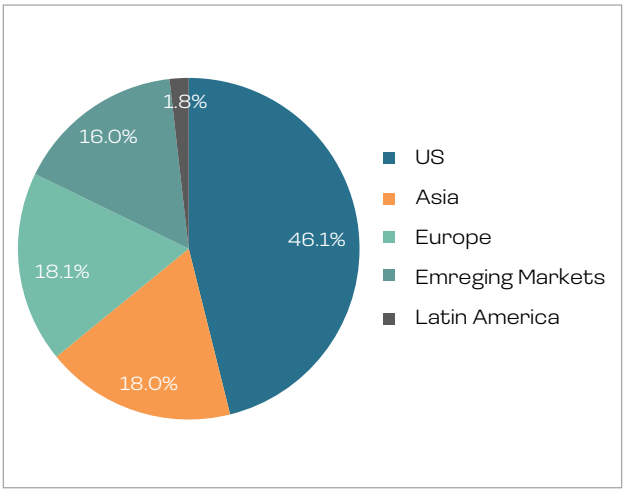
DIAGRAM N 8.15. DECOMPOSITION OF PENSION FUND PORTFOLIOS BY FINANCIAL INSTRUMENT (31 DECEMBER 2025)



Source: NBG; Georgian Pension Fund

One of the main differences among the investment portfolios of the Pension Fund is the proportion of global equities in each. As of the end of December 2025, the share of equities in the dynamic portfolio was 57%, in the balanced portfolio 37.6%, and in the conservative portfolio 18.9%. In turn, the equities held within the Pension Fund's assets are geographically well diversified. According to the data from the end of December, 46.1% of the Pension Fund's existing equities were allocated to the US market, 18.0% to Asia, 18.1% to Europe, 16.0% to emerging markets, and 1.8% to Latin America.

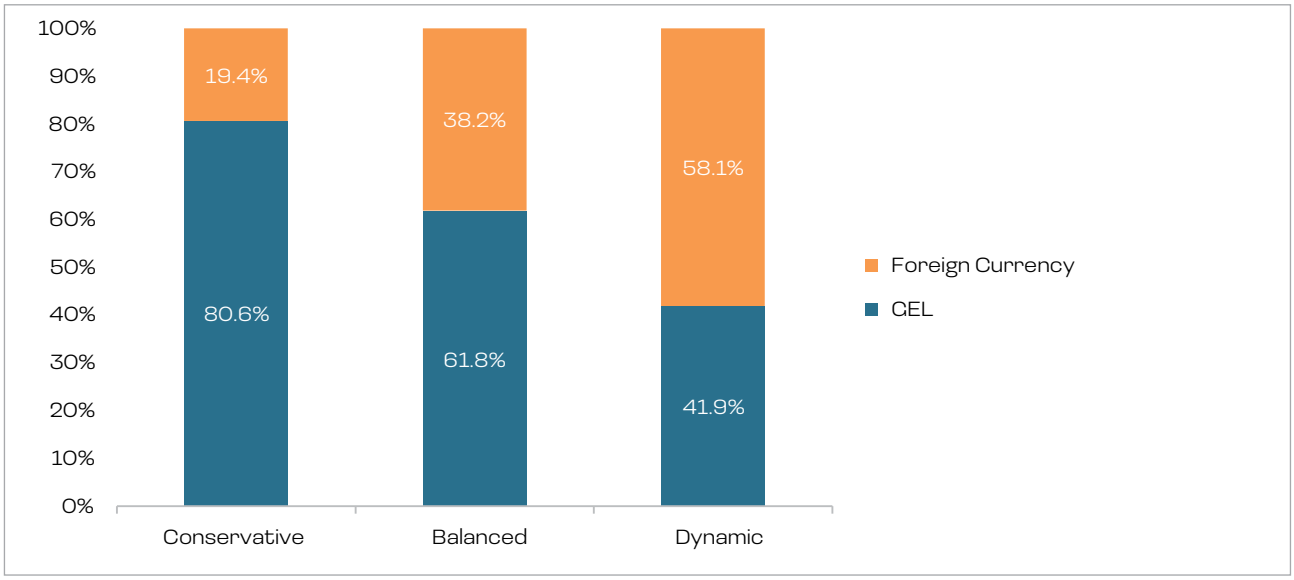
DIAGRAM N 8.16. GEOGRAPHICAL DISTRIBUTION OF SHARES IN PENSION ASSETS (31 DECEMBER 2025)



Source: NBG; Georgian Pension Fund

As for the share of foreign currency, as of 31 December 2025, the share of US dollar-denominated assets in the conservative portfolio was 19.4%, in the balanced portfolio 38.2%, and in the dynamic portfolio 58.1%.

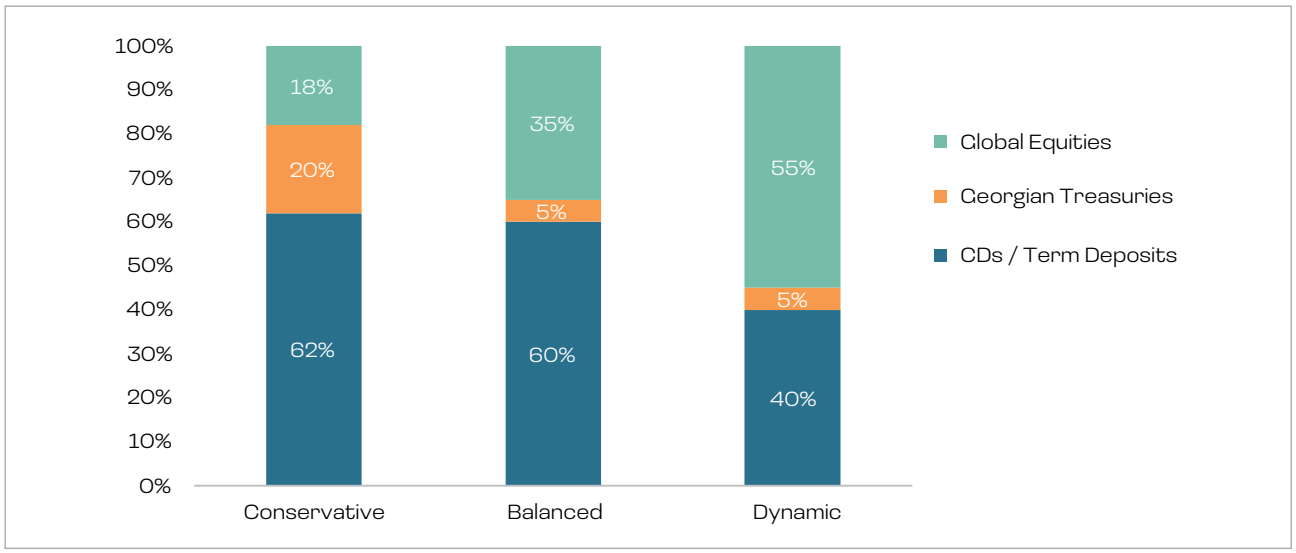
DIAGRAM N 8.17. DISTRIBUTION OF ASSETS IN PORTFOLIOS BY CURRENCY (31 DECEMBER 2025)



Source: NBG; Georgian Pension Fund

Diagram N 8.18 shows the benchmark portfolios of the Pension Fund in effect in 2025, as defined by the investment policy document approved in 2024.

DIAGRAM 8.18. BENCHMARK PORTFOLIOS OF THE PENSION FUND APPLICABLE IN 2025



Source: NBG; Georgian Pension Fund

Pension distribution statistics

As of 31 December 2025, 26,820 individuals benefited from the funded pension, and GEL 124 million was distributed to them in the form of pensions. In total, over 1.52 million people are active participants enrolled in the pension scheme, and more than 119 thousand companies are involved.

8.5. UPDATE OF THE REGULATORY FRAMEWORK FOR VOLUNTARY PRIVATE PENSION SCHEMES

On 1 January 2025, the Law of Georgia "On Voluntary Private Pensions" came into effect. According to this law, the LEPL Insurance State Supervision Service of Georgia supervises voluntary private pension schemes, pension companies, as well as insurers managing pension schemes. Meanwhile, the asset management companies of pension schemes and specialized depositories are supervised by the NBG.

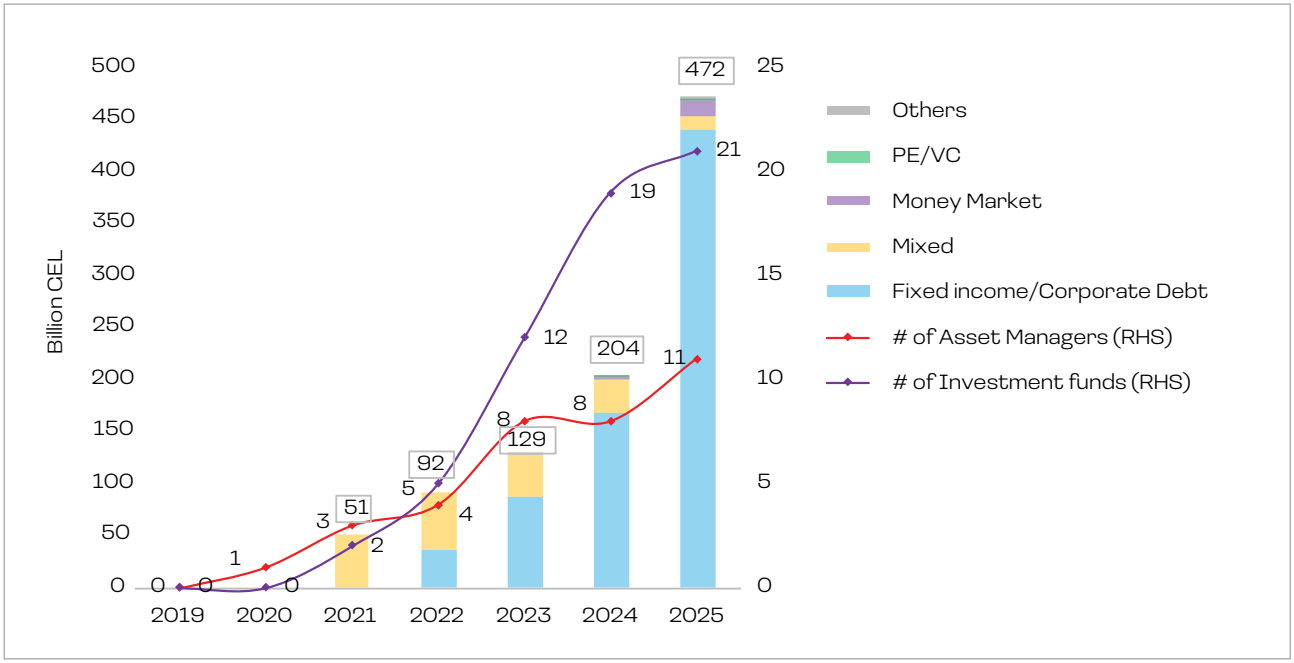
In 2025, based on the regulatory legislation, three licensed asset management companies obtained consent from the NBG to manage the assets of voluntary private pension schemes. At this stage, the voluntary pension market comprises two voluntary pension schemes established by insurance companies and one voluntary pension scheme established by a pension company.

8.6. OVERVIEW OF THE ACTIVITIES OF ASSET MANAGEMENT COMPANIES AND INVESTMENT FUNDS

In 2020, the regulatory framework for investment funds was fully updated and brought into compliance with European Union directives. In addition, in recent years, awareness-raising activities have been actively carried out by the National Bank and the private sector. As a result of these initiatives, the market became more active and grew dynamically. The year 2025 was distinguished by significant growth, as the total volume of assets under the management of investment funds increased 2.3 times compared to the previous year, reaching GEL 472 million. The market features funds investing in debt instruments, as well as private and venture capital, "mixed", and other types of funds.

In 2025, two investment funds and three asset management companies became registered. By the end of the year, 21 investment funds and 11 asset management companies were operating in Georgia. Furthermore, three commercial banks were represented on the market providing specialized depository services.

DIAGRAM N 8.19. INVESTMENT FUNDS AND ASSET MANAGEMENT COMPANIES



Source: NBG

09.

MONEY LAUNDERING INSPECTION AND SUPERVISION

In accordance with the "Supervisory Framework for Anti-Money Laundering and Combating the Financing of Terrorism", the National Bank of Georgia implements supervisory measures that are based on the process of off-site identification and assessment of risks at both the sectoral level and for each individual financial institution.

For the purpose of off-site risk identification and assessment, during 2025, the NBG received and processed anti-money laundering and terrorism financing risk supervision reports twice from each entity indicated in Table N 9.1.

TABLE 9.1. OFF-SITE SUPERVISION, 2025

Financial Sector	Number
Commercial bank	16
Microbank	2
Microfinance organization	29
Payment service provider	36
Brokerage	10
Investment fund	5
Asset management company	11
Securities registrar	3
Credit union	1
Currency exchange point	537
Lending entity	141

In 2025, for the purpose of off-site evaluation of commercial banks' compliance control systems with the legislation on the prevention of money laundering and financing of terrorism, as well as the requirements set by the NBG and international best practices, supervision questionnaires for the compliance control systems of commercial banks were requested, and a corresponding analysis was conducted. Alongside the above, to improve financial institutions' perception of internal risks and promote the planning process for mitigation measures, the AML Inspection and Supervision Department evaluated the organizational and group-wide risk assessment documents of commercial banks, as well.

In 2025, efforts continued to further develop and refine the supervisory framework for Virtual Asset Service Providers (VASPs).

Significant actions were taken regarding compliance with international sanctions. Specifically, to mitigate and control sanctions risks, throughout 2025 the NBG received and processed relevant reports submitted by financial institutions. Furthermore, on-site inspections of financial institutions were conducted to verify compliance with sanctions requirements and directives issued concerning Iran. Supervisory measures implemented during 2025 included complex, thematic, special, control, and "quick check" on-site inspections, as well as remote follow-up reviews. Based on the threats and risks identified across sectors during the reporting year, on-site inspections focused on the following areas:

Focus Areas by Sector

1. Commercial Banks:
- The process of customer identification and verification through remote channels.
- The adequacy of customer risk classification (especially for customers with high-risk activities or exhibiting other risk factors), risk reassessment, and corresponding preventive measures.
- The implementation of proportionate preventive measures regarding the volume of operations from offshore and high-risk jurisdictions, and geographical risk factors associated with the registration state of foreign enterprises.
- The effectiveness of determining the origin of cash when funds are deposited into accounts in cash.
- The effectiveness of the process for detecting suspicious/unusual transactions. This includes identifying the use of shell/transit companies, ensuring the adequacy of software (including measures for implementing UN resolutions on TF/PF), and monitoring the bank's awareness of transactions conducted by charitable and non-profit (non-commercial) legal entities.

2. Payment Service Providers:
- The adequacy of customer risk classification, risk reassessment, and corresponding preventive measures.

- The effectiveness of the process for detecting suspicious/unusual transactions (including measures taken for the implementation of UN resolutions on TF/proliferation, and the adequacy of software).
- The accuracy of completing the AML/CFT risk supervision reports.

3. Microfinance Organizations:
- The adequacy of customer risk classification, risk reassessment, and corresponding preventive measures.
- The effectiveness of the process for detecting suspicious/unusual transactions (including measures taken for the implementation of UN resolutions on TF/proliferation, and the adequacy of software).

4. Virtual Asset Service Providers (VASPs):
- The adequacy of customer risk classification and corresponding preventive measures based on risk.

To determine compliance with Georgian legislation on facilitating the prevention of money laundering and the financing of terrorism, 50 representatives of the financial sector were inspected during 2025. Significant attention was paid to the process of verifying compliance with international sanctions.

In 2025, the total amount of financial penalties imposed for violations of Georgian legislation on the prevention of money laundering and terrorism financing amounted to GEL 9,588,950.

TABLE 9.2. AMOUNT OF FINES, 2025

Financial Sector	**Amount of fine (GEL)**
Commercial bank	330 000
Microfinance organization	287 200
Payment service provider	60 000
Virtual asset service provider	470 000
Brokerage company	71 600
Investment fund	4 000
Asset management company	2 000
Lending entity	497 000
Currency exchange point	7 867 150

Source: NBG

In addition to the financial penalties imposed as a result of on-site inspections, corrective measures were actively applied to financial sector representatives during 2025. To ensure the immediate elimination of identified weaknesses and to enhance the compliance level of financial sector representatives, numerous recommendations were issued in 2025 based on the results of the on-site inspections.

TABLE 9.3. NUMBER OF RECOMMENDATIONS, 2025

Financial sector	**Number of recommendations**
Commercial banks	20
Microfinance organization	44
Payment service provider	28
Virtual asset service provider	6
Brokerage companies	18
Asset management company	7
Lending entity	67
Currency exchange point	125

Source: NBG

To raise the compliance culture in supervised sectors, share supervisory expectations, and improve the risk identification and assessment processes, methodological guidelines are continuously developed and updated in line with best international supervisory practices.

In 2025, the "Updated Manual on Remote Supervision of Money Laundering and Terrorism Financing Risks of Commercial Banks" was approved, while the "Manual on Remote Supervision of Money Laundering and Terrorism Financing Risks for Microbanks" was developed for microbanks.

In order to come into compliance with international standards and domestic legislation, amendments were made to Decree No. 189/04 of the Governor of the National Bank of Georgia dated 21 October 2020, "On Approving the Rule for the Study of the Client's Ownership and Control Structure and the Identification and Verification of the Beneficial Owner by the Accountable Person". For the same purpose, the "Rule on Electronic Implementation of Preventive Measures by the Obliged Entity" was updated, which defines the requirements and standards in the event of remote identification and verification of a person by the obliged entities.

It should also be noted, that for the purposes of assessing the compliance control system of financial institutions, the "Rule for Completing and Submitting the Questionnaire on the Supervision of the Anti-Money Laundering and Combating the Financing of Terrorism Compliance Control System of Obliged Entities" was updated, as well. Prior to the amendment, only commercial banks had the obligation to submit the questionnaire. Under the updated rule, the obligation to submit the compliance control system supervision questionnaire was additionally imposed on microbanks, microfinance organizations, brokerage companies, securities registrars, asset management companies, investment funds, and payment service providers.

It is important to note that the National Bank of Georgia attaches special importance to the implementation of preventive supervisory measures, which ensures the systematic communication of supervisory expectations to financial sector representatives and contributes to enhancing compliance standards. For this purpose, to familiarize them with methodological guidelines and supervisory documents, to effectively implement them in practice, and to effectively manage current challenges, the training of financial sector representatives was ongoing during 2025. The topics of the training modules and the number of attendees at each of the meetings by sector are presented in Table 9.4.

TABLE 9.4. TRAINING MODULES, 2025

Training module	Commercial banks/microbanks	Payment service providers	Microfinance organizations	Investment funds/asset management companies	Brokerage companies	Securities registrars	Currency exchange points
Discussion of the updated rules for completing and submitting the supervisory questionnaire on AML/CFT compliance control systems for reporting entities	18	25	20	7	7	3	-
Raising the awareness of the non-banking sector regarding the completion and submission of the money laundering and terrorism financing risk supervision reporting	-	-	-	-	-	-	144

Alongside thematic training activities, communication with representatives of the financial sector remained intensive throughout 2025. Individual and group meetings were actively conducted to facilitate information sharing and raise awareness of supervisory expectations.

In addition, throughout the year, financial sector representatives received ongoing feedback on matters relevant to their operations, particularly regarding the effective practical implementation of legislative requirements and methodological guidelines.

10.

PAYMENT SYSTEMS

In accordance with the "Rule for Determining Subcategories of an Important System and Granting the Status of an Important System to a Payment System", as approved by Decree No. 298/04 of 3 November 2023, issued by the Governor of the National Bank of Georgia, the National Bank of Georgia divides the payment systems operating in Georgia into three categories: systemically important payment systems, prominently important payment systems, and other payment systems. This classification is fully consistent with the approach of the European Central Bank.

Annually, prior to 1 April, the National Bank of Georgia evaluates the annual data of all payment systems operating in Georgia, and, in the event of their compliance with the recognition criteria, grants the status of an important system to the respective system. Accordingly, on 1 April 2025, as in the previous year, the NBG granted important system status to six payment systems.

One of these—the National Bank of Georgia's Real Time Gross Settlement (RTGS) system—was recognized as a systemically important payment system, while the remaining five were recognized as prominently important payment systems. Among the prominently important payment systems, the card payment systems of JSC "United Financial Corporation" and JSC "Georgian Card", as well as the internal payment systems of JSC "Bank of Georgia" and JSC "TBC Bank", were granted this status due to their significant share in the respective market (which exceeds 25%). Meanwhile, the card payment system of JSC "Liberty Bank" was recognized as a prominently important system due to the services of social and public importance that are carried out through it.

The registry of important systems is published on the website of the National Bank of Georgia (Important Payment Systems). Considering the significance of payment systems, the National Bank of Georgia actively conducts oversight over these systems, which includes reviewing the self-assessment reports of payment system operators, issuing recommendations, and monitoring their implementation. The NBG conducts both individual and joint reviews with system operators, supports them in the process of methodological development, and shares its own experience as a system operator.

10.1. IMPORTANT PAYMENT SYSTEMS

The National Bank of Georgia is actively implementing a project aimed at ensuring the transparency of payment service providers' fees and enhancing consumer awareness. The project allows consumers to easily compare the tariffs of various payment services, calculate the fees for using these services through calculators placed on the website, and receive prompt information regarding current and historical currency exchange rates. This project will simplify access to payment services and strengthen competition in the market. This initiative also represents the implementation of part of the European Union's Payment Accounts Directive (PAD).

In 2025, the development of the core components of the system envisaged under the project was completed. Training sessions were conducted for commercial banks, and data on their basic payment service tariffs were entered into the tariff portal. In addition, various legal acts and documentation were prepared for the purpose of implementing the project:

- Draft regulatory acts defining the rule for publishing fees and currency exchange rates on the website of the National Bank of Georgia.
- A detailed description of the tariff comparison website and the operating logic of the calculators.
- A user manual that describes, in detail, issues related to the use of the tariff comparison page.
- A list of services related to the payment account and their standard terminology was formulated, the use of which will be mandatory for payment service providers when interacting with consumers.

Due to the complexity and scale of this project, the decision was made to introduce the tariff comparison website in phases during 2026. The website will first be launched in a pilot mode and subsequently made available in a wide-scale access mode.

Disputes Related to Payment Services

Since December 2023, in accordance with the Organic Law "On the National Bank of Georgia" and the Law of Georgia "On Payment Systems and Payment

Services", disputes between consumers and payment service providers have been reviewed by the Dispute Resolution Commission at the National Bank of Georgia. The commission reviews disputes completely free of charge and conducts administrative proceedings in accordance with the principles of adversarial process, fairness, transparency, objectivity, impartiality, and equality of the parties. The legislation sets a maximum of 90 calendar days for dispute resolution. Depending on the complexity and specifics of the dispute, as well as the progress of the dispute and the scale of the issues to be investigated, that term may be extended by no more than 30 calendar days.

During the first two years of operation, the Dispute Resolution Commission achieved significant results, demonstrating its effectiveness and efficiency. The following information is worth noting:

- The commission received 158 complaints, of which 111 were accepted for proceedings. In the remaining cases, grounds—as defined by the legislation—for leaving the complaint unreviewed were identified. These included cases where the value of the subject matter of the dispute exceeded the limit allowed by legislation, where the consumer withdrew the complaint or failed to correct a deficiency, and where the issue fell outside the commission's competence. This indicator points to the growing trust of consumers towards the commission and its ability to ensure a systematic and prompt response to each complaint.
- Out of the complaints accepted for proceedings, 96 disputes were concluded, of which 75 (78%) were resolved in favor of the consumers. This reflects the effectiveness of the commission's actions in terms of consumer rights protection.
- The total amount of funds requested within the framework of the disputes accepted for proceedings exceeded GEL 1 million (including foreign currency equivalents), which indicates the financial scale of the cases reviewed by the commission and the substantial impact its decisions can have on consumers.
- The amount remaining to be reimbursed is GEL 213,000, of which approximately GEL 211,000 corresponds to decisions appealed in court by commercial banks. At this stage, no court proceedings have been completed for any of the cases. These indicators reflect the seriousness of the decisions made by the commission and their impact on financial matters.
- The total amount of funds already actually reimbursed/transferred as part of the commission's activities amounted to GEL 412,000, which confirms the practical effectiveness of the commission's decisions and helps strengthen consumer confidence in both payment services and their protective mechanisms.

These data confirm that the commission represents a viable, results-oriented, and independent mechanism that ensures the protection of consumer rights, increases the transparency and trust of the payment market, and promotes the establishment of proper banking practices; accordingly, it constitutes an effective mechanism for the fast, fair, and prompt resolution of disputes.

The analysis of the commission's activities also includes an assessment of the consumer profile, which allows for a better evaluation of the accessibility of the commission's services, the level of engagement, and the behavioral characteristics of consumers. The following statistics reflect the main demographic and behavioral characteristics of the consumers who have applied to the commission and provide important information regarding their engagement and degree of independent participation in the proceedings:

- 95% of consumers are citizens of Georgia;
- 49% are women and 51% are men;
- The average age of the consumers is 46 (42 years for women, and 50 years for men);
- The lowest age is 21 years, and the highest is 73 years;
- During the disputes, 93% of consumers chose to represent themselves.

This indicates that the dispute resolution process at the commission is simple, accessible, and consumer-oriented, which allows people to protect their rights without additional costs or significant effort.

10.2. OPERATIONS CARRIED OUT IN RTGS SYSTEM

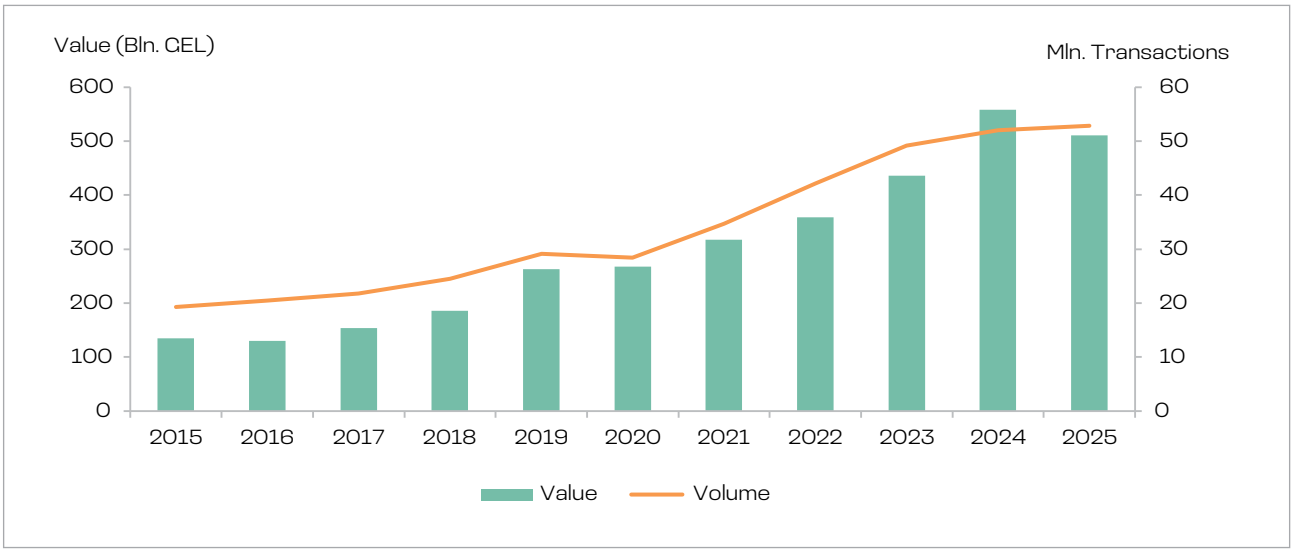
The primary mechanism for GEL interbank settlement is the National Bank of Georgia's Real Time Gross Settlement (RTGS) system. In 2025, similar to the previous year, the RTGS system was granted the status of a systemically important payment system.
In 2025, two new participants joined the RTGS

system. As a result, as of the end of the year, the system's participants comprised 19 commercial banks licensed in Georgia, the National Bank of Georgia, and the Treasury Service of the Ministry of Finance. The RTGS system processes both large-value interbank payments and the retail payments of the participants' clients. Furthermore, the system ensures the settlement of operations processed within the Government Securities Settlement System (GSSS) operating in Georgia, as well as in international card systems. The RTGS system maintains a business continuity plan designed in accordance with best international practices, which is regularly tested against pre-developed scenarios. These measures facilitate a rapid and effective response in the event of disruptions caused by technical or external factors during the system's operation, reduce the risk of losses, and minimize system downtime. In 2025, as in previous years, a high degree of operational continuity for the RTGS system was ensured. System availability for participants exceeded 99.8%, which is highly significant given the RTGS system's role as a settlement agent for other systems (GSSS and card systems).

In 2025, 52.9 million payment operations were executed through the RTGS system, amounting to GEL 515.7 billion. Compared to the previous year, this represents a 1.7% increase in quantity and a 7.5% decrease in total amount. The decline in volume was driven by a reduction in automatic intraday and overnight loan operations by commercial banks. This instrument serves as a liquidity management tool for commercial banks and reflects the movement of funds between the National Bank of Georgia and commercial banks. In 2025, compared to the previous year, the annual numerical indicator for this type of transaction decreased by 38%, which also affected the dynamics of operations between the National Bank of Georgia and commercial banks, resulting in a 19% reduction (see Diagram N 10.3). Excluding these liquidity management operations, the volume indicator for RTGS operations increased by 3% compared to 2024. Notably, the transaction amount between commercial banks increased by 10.7% in 2025 compared to the previous year, totaling GEL 157 billion. In terms of quantitative numerical indicators, the number of operations between commercial banks decreased by 8.5% to 28.1 million, whereas the number of operations between commercial banks and the State Treasury increased by 16.3%, reaching 24.6 million operations.

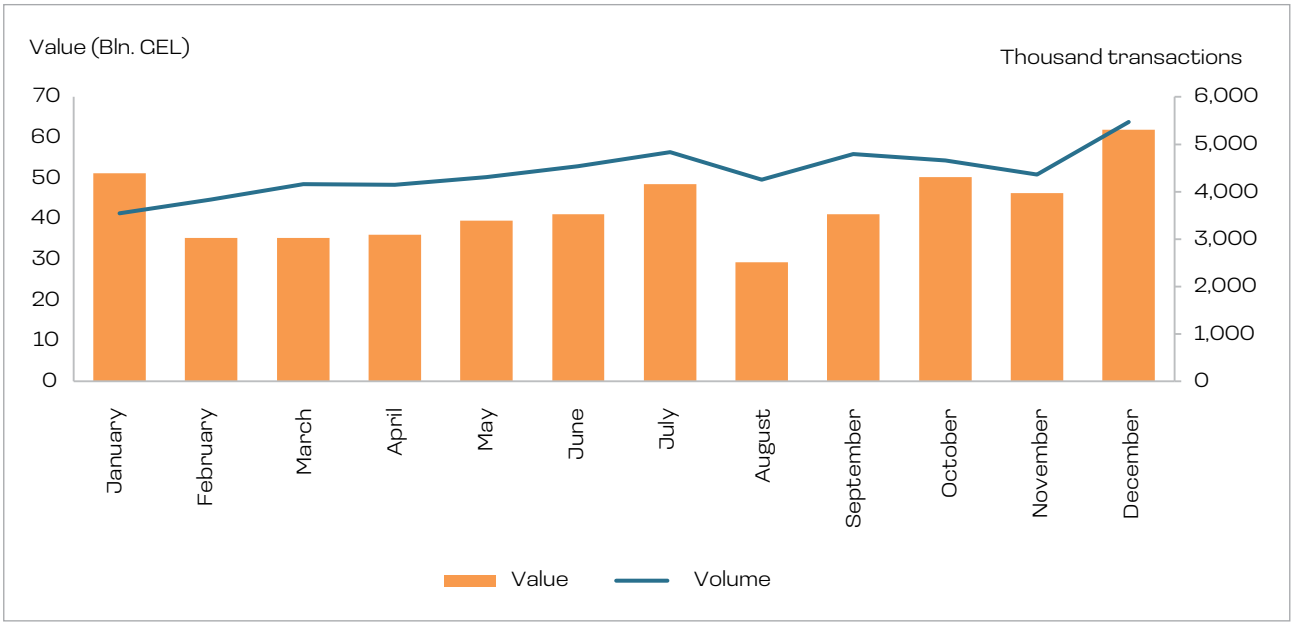
The dynamics of the volume and quantitative numerical indicators of payments executed through the RTGS system are illustrated in Diagrams N 10.1 – N 10.4 below.

DIAGRAM N 10.1. TRANSFERS EXECUTED THROUGH RTGS SYSTEM (2015-2025)



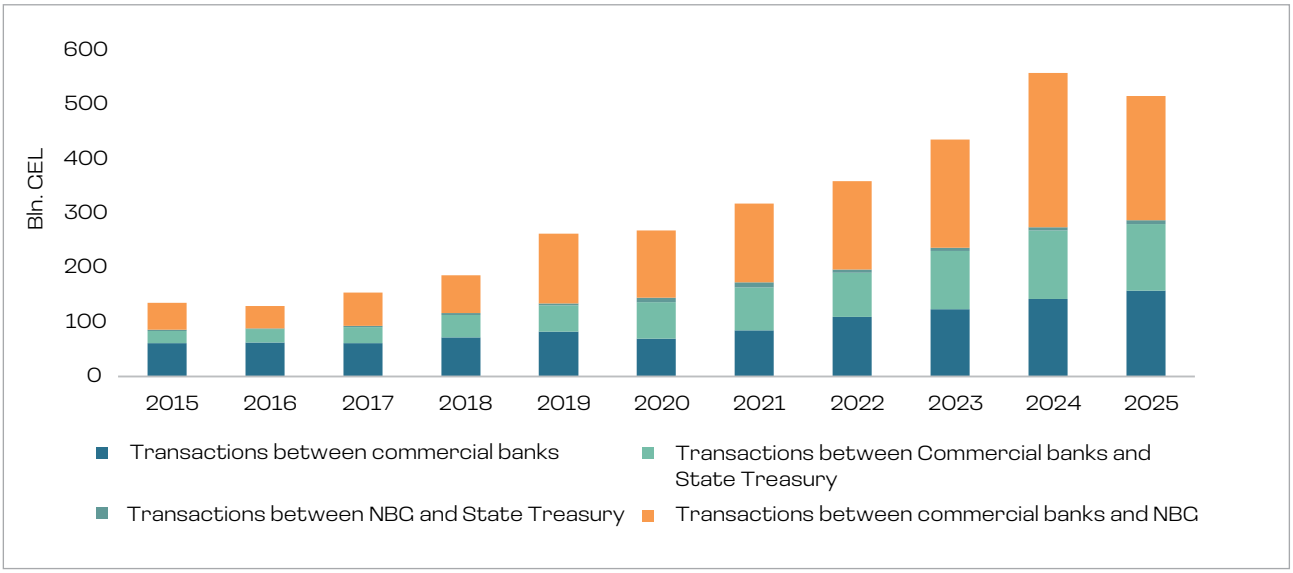
Source: NBG

DIAGRAM N 10.2. TRANSFERS EXECUTED THROUGH RTGS SYSTEM (2025)



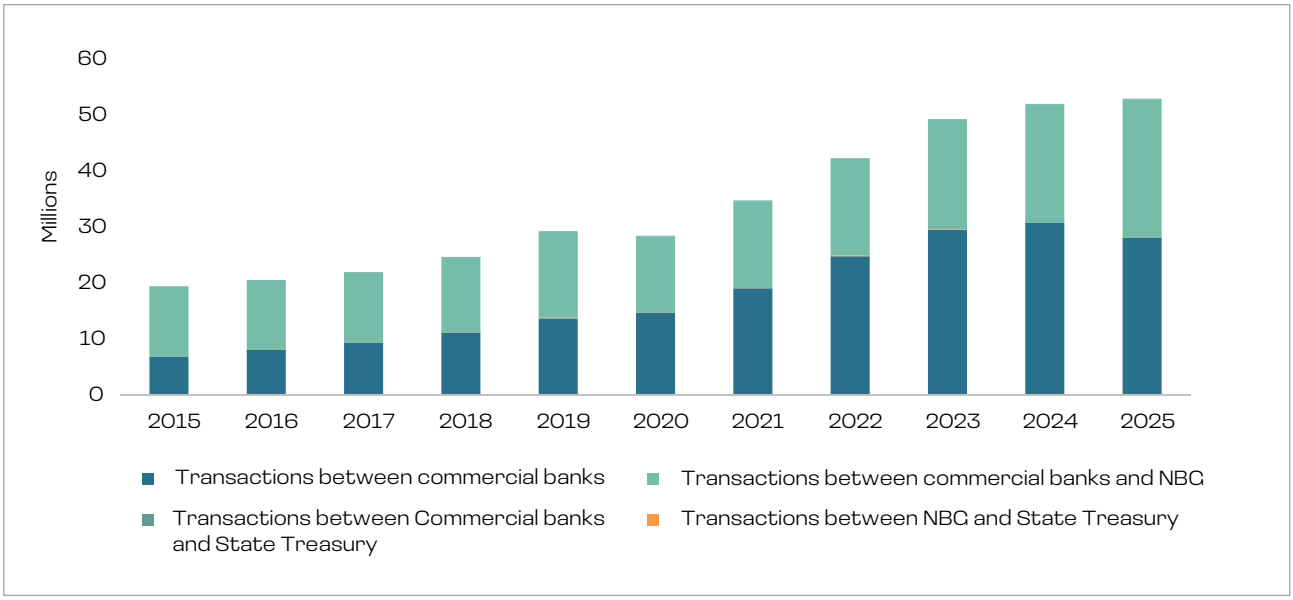
Source: NBG

DIAGRAM N 10.3. AMOUNT OF RTGS TRANSACTIONS BY PARTICIPANTS (2015-2025)



Source: NBG

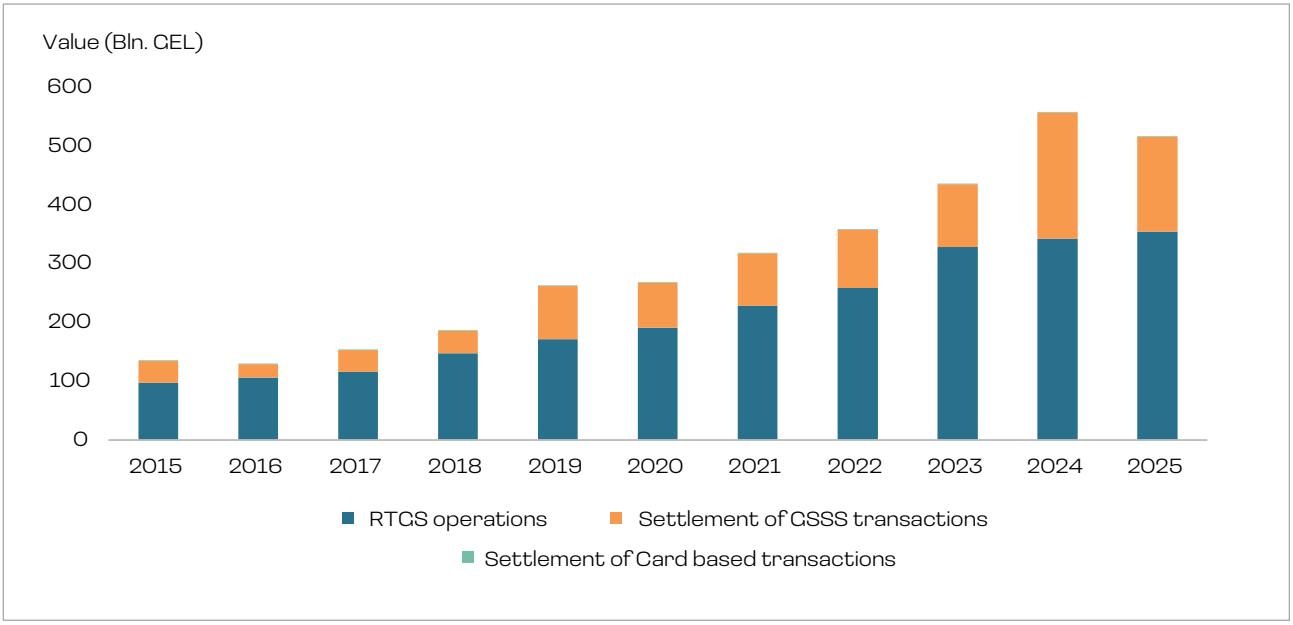
DIAGRAM N 10.4. NUMBER OF RTGS TRANSACTIONS BY PARTICIPANTS (2015-2025)



Source: NBG

Although the total amount of final settlement operations for other systems decreased by 24.7% in 2025, their share in the total operations executed through the RTGS system amounted to 31.2% (see Diagram N 10.5). The decline was driven by the reduced volume of liquidity management operations (overnight and intraday loans). Accordingly, as in previous years, the role of the RTGS system as a settlement agent for other systems remained significant.

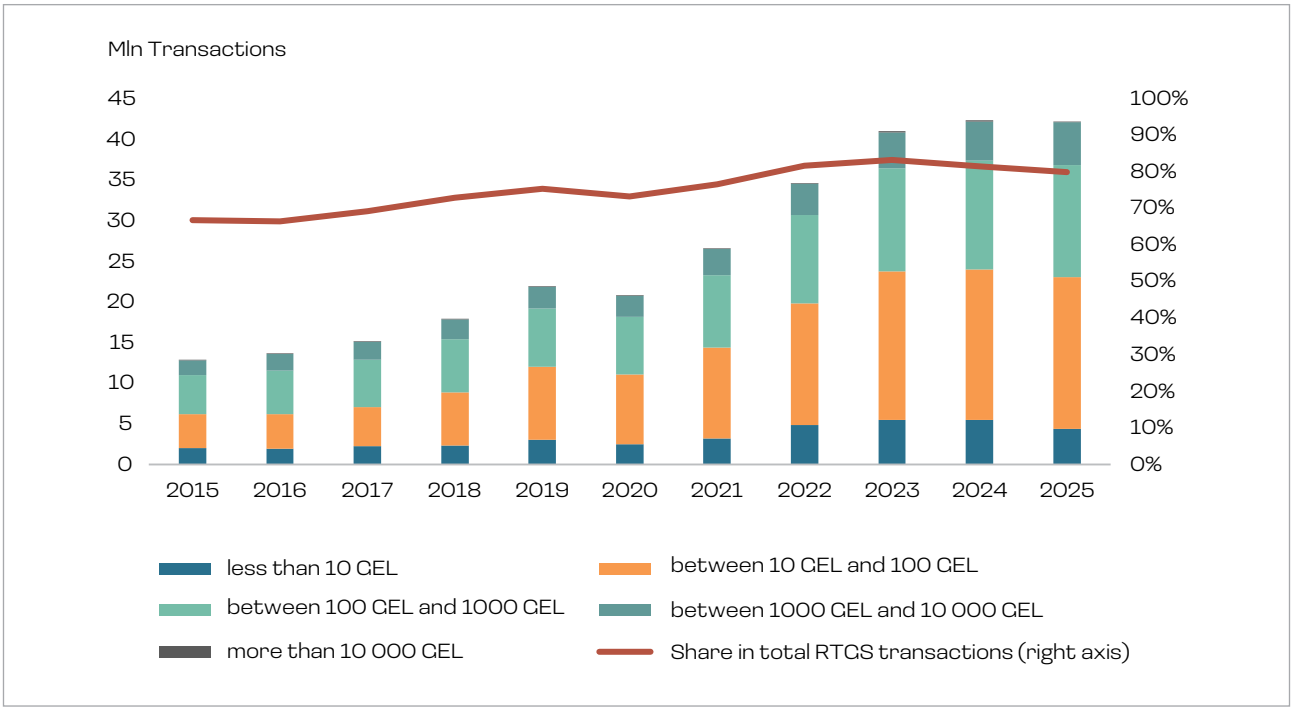
DIAGRAM N 10.5. AMOUNT OF RTGS TRANSACTIONS BY SETTLEMENT (2015-2025)



Source: NBG

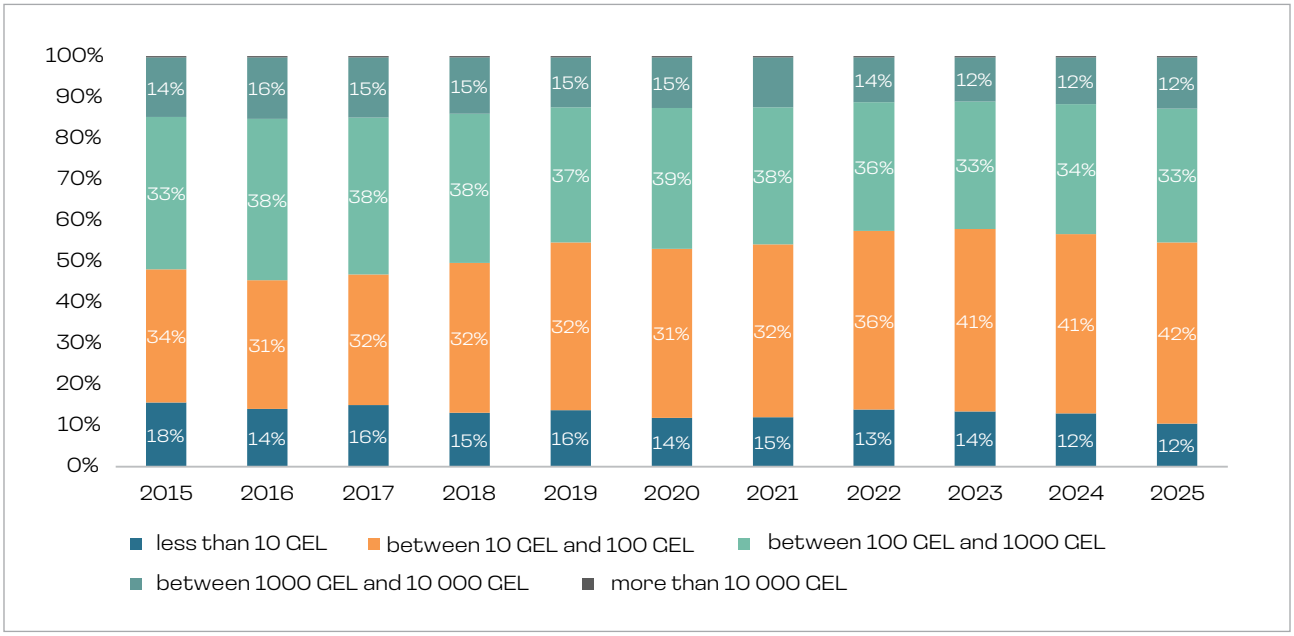
The RTGS system plays a highly significant role in terms of both large-value (wholesale) payments and retail payments. In 2025, the share of payments by commercial banks' clients accounted for 28.8% of total RTGS payments in terms of amount and 81.8% in terms of quantity. It is noteworthy that the largest share of the quantity of retail payments (44%) falls on payments ranging from GEL 10 to 100, followed by payments ranging from GEL 100 to 1,000 (33%) (see Diagrams N 10.6 10.7).

DIAGRAM N 10.6. NUMBER OF PAYMENTS BY BANK CLIENTS BY AMOUNT



Source: NBG

DIAGRAM N 10.7. DISTRIBUTION OF THE NUMBER OF PAYMENTS BY BANK CLIENTS BY AMOUNT



Source: NBG

10.3. ELECTRONIC MEANS OF PAYMENT

One of the more significant factors in increasing the efficiency, flexibility, and speed of non-cash payments is the development of electronic payment methods. The integration of innovations and digital technologies into everyday life has promoted the creation of new products that better respond to the needs of modern consumers.

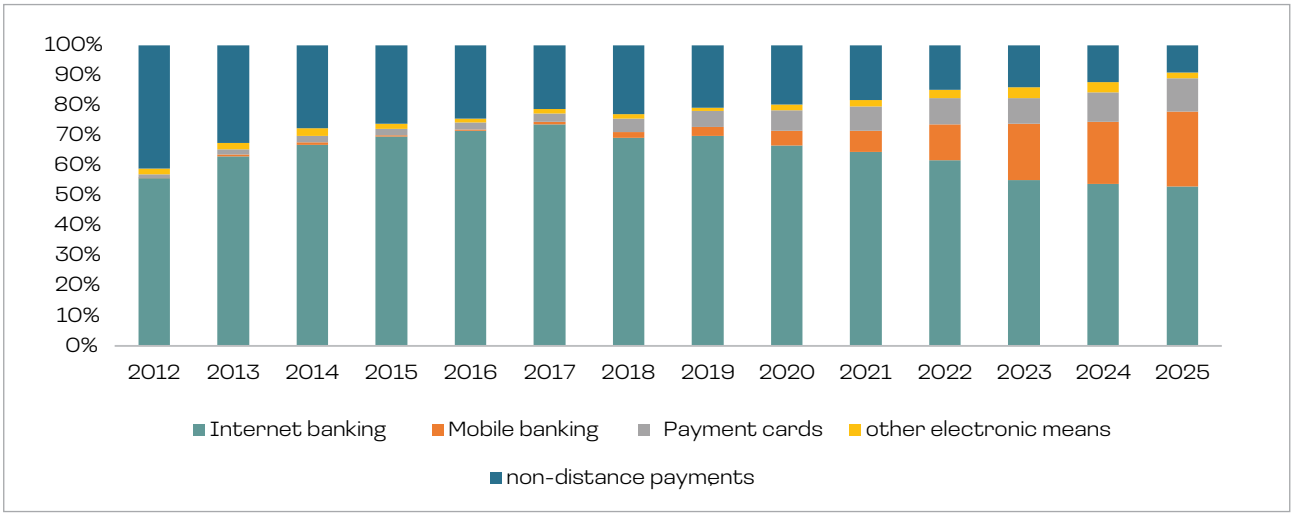
Over the past 15 years, the non-cash payments market in Georgia has been characterized by a steady growth in the use of electronic payment methods. Traditionally, the most frequently used electronic payment method is the card instrument, through which the number of non-cash payments executed during 2025 increased by 19.2%, accounting for 71.6% of the total number of non-cash payments. This is 1 percentage point higher than the corresponding indicator in 2024. Furthermore, out of the total card payments executed using POS terminals at trade and service facilities, 95% of the total amount and 97% of the total quantity comprised contactless card payments, which is one of the best indicators globally. The second most frequently used payment method in 2025 remained mobile banking. This channel has taken a significant place in payments, with every fourth non-cash payment executed through mobile banking. The growth in the number of payments initiated via mobile banking during the reporting period amounted to 15.8% compared to the previous year, and its share in the total number of non-cash payments reached 24.7%. Just 10 years ago, the share of the number of payments initiated through mobile banking did not exceed 1%, which clearly demonstrates its rapid popularization. Such dynamics indicate that mobile banking is already considered an established, convenient, and reliable payment method for consumers, and it has substantial potential for the future development of non-cash payments.

In 2025, payments initiated via internet banking increased by 12.8% and accounted for 2.9% of the total number of non-cash payments. Thus, as in 2024, it ranked third in terms of the total number of non-cash payments. The number of non-remote payments initiated from bank branches decreased by 4.9% in 2025 compared to the previous year, amounting to 0.8% of the total number of payments.

According to the value of transactions, in contrast to the number of transactions, internet banking was the most utilized among non-cash payment methods. In 2025, the total amount of payments executed via internet banking increased by 7.1% compared to the previous year and accounted for 53% of the total value of non-cash payments, which is 1 percentage point lower than in 2024. This reduction in market share was driven by the growth of other payment methods—mobile banking and payment cards—which was four times higher. The number of payments executed via mobile banking increased by 29.2% in 2025, representing the highest growth rate among other non-cash payment methods, and accounted for 25% of the total value of non-cash payments. This was 4 percentage points higher than in the previous year. It should be noted that the annual growth rate of the number of payments executed via mobile banking increased by 11 percentage points in 2025. As for payments executed with payment cards, in 2025 their number increased by 25.4% compared to the previous year, and they accounted for 11% of the total value of non-cash payments, which is 1 percentage point higher than in 2024. Over the past 15 years, the share of the value of non-remote/bank branch-initiated payments in total non-cash payments has been steadily declining. In 2025, compared to the previous year, the number of payments executed through bank branches decreased by 19.6%, marking the largest decrease in the last 10 years. In the reporting year, the share of the number of non-remote payments in total non-cash payments amounted to 9%, which is 3 percentage points lower than the corresponding indicator in 2024.

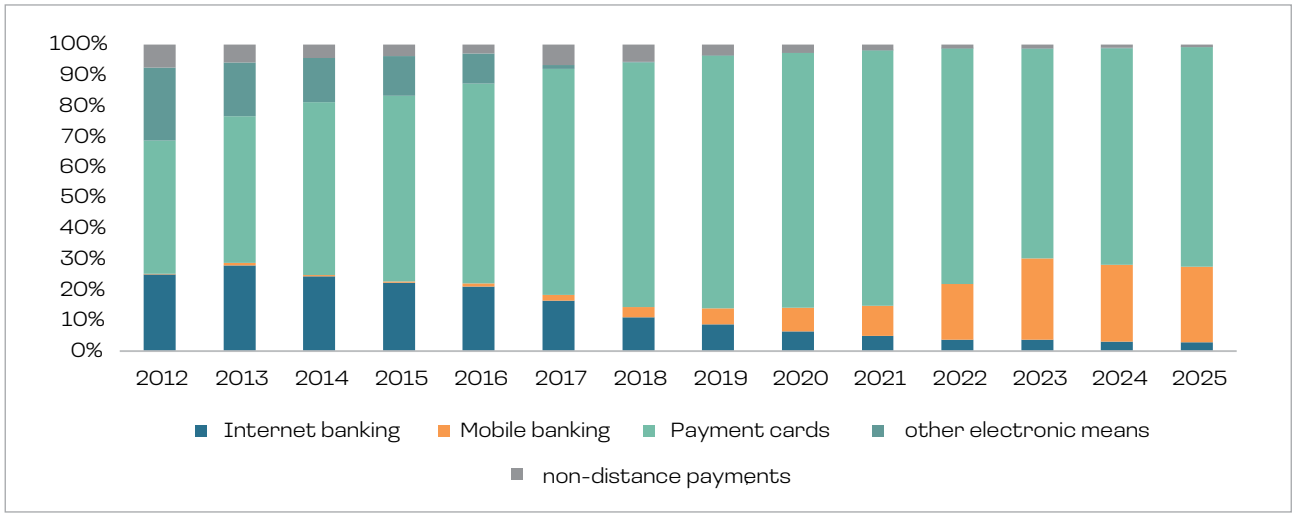
The statistical data for non-cash payments, broken down by their initiation methods, are shown in Diagrams N 10.8 and 10.9.

DIAGRAM N 10.8. USE OF CASHLESS PAYMENT INITIATION MEANS IN GEORGIA, 2012-2025
(SHARES BY TRANSACTION VALUE)



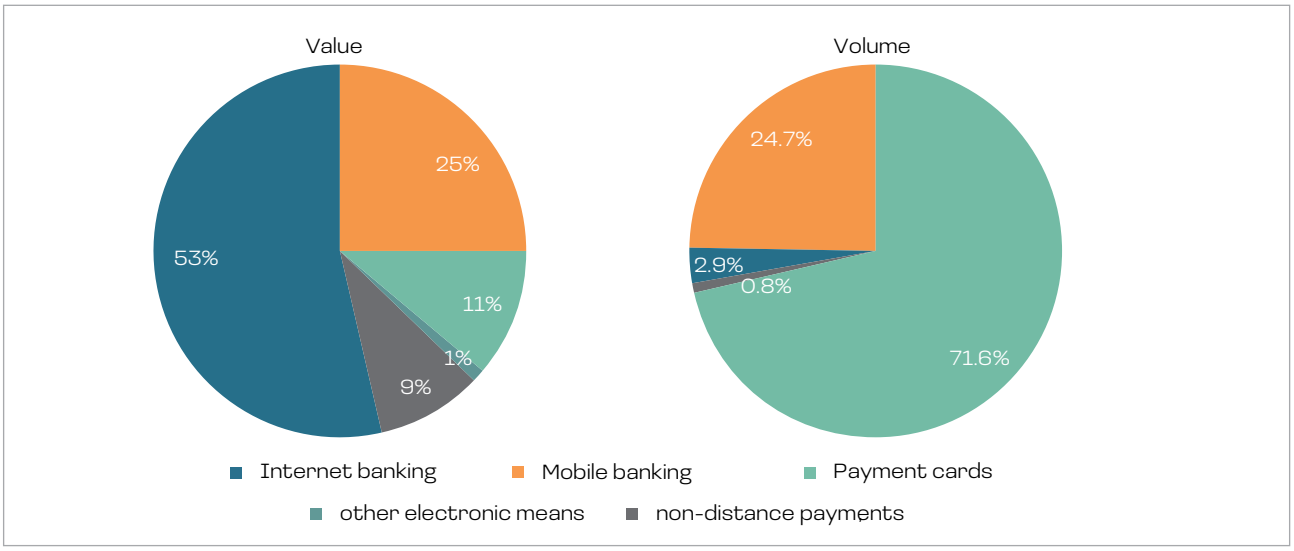
Source: NBG

(SHARES BY NUMBER OF TRANSACTIONS)



Source: NBG

DIAGRAM N 10.9. DISTRIBUTION OF NON-CASH PAYMENTS IN GEORGIA BY MEANS OF INITIATION (2025)



Source: NBG

The dynamics of the use of non-cash payment initiation methods indicate that since 2016-2017, the proportional distribution was largely driven by the rapid growth in the popularity of mobile banking, which resulted in its establishment as the second most frequently used method in terms of both the number and value of payments. Although the share of payments executed via payment cards in terms of value also grew steadily over the same period, it still significantly lagged behind the growth in the quantity of mobile banking payments, and the share of payment cards in the total number of non-cash payments decreased.

The share of the number of payments executed via mobile banking and payment cards in total non-cash payments increased at the expense of a decrease in the share of payments executed via internet banking and non-remote methods (in 2025, compared to 2017, the share of the number of payments via mobile banking and payment cards increased by 23 pp and 8 pp, respectively).

In terms of the number of transactions, only the share of mobile banking payments in total non-cash payments increased, while the shares of all other payment methods declined . Compared to 2017, the share of the number of mobile banking payments in 2025 increased by 23 percentage points, while the share of the number of payments executed via payment cards, internet banking, and non-remote methods decreased by 3, 13, and 6 percentage points, respectively.

10.4. MARKET FOR CARD INSTRUMENTS

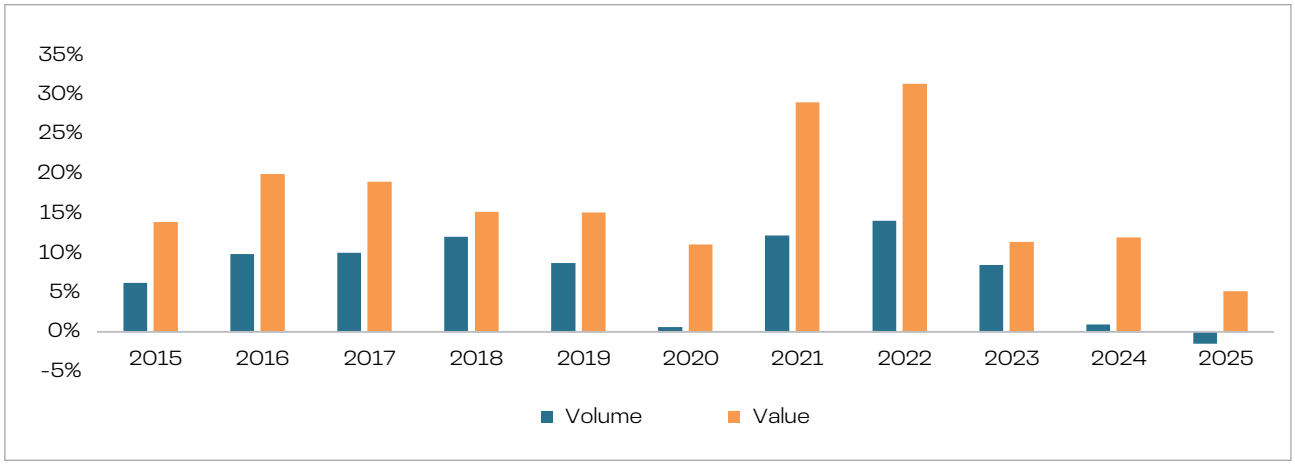
Among the means of initiating card operations, mobile applications such as Google Pay and Apple Pay are gaining increasing popularity. As of 2025, compared to 2024, operations executed via mobile applications increased by 44% in number and by 47% in value. In 2025, the total value of operations executed via mobile applications reached GEL 7.1 billion, representing 21% of total payments.

In 2025, the annual growth rate of the value of cash withdrawal operations using card instruments was 5.2%, which is 5.5 percentage points lower than the growth indicator of 2024. This growth is the lowest recorded since 2015 and even falls below the indicators observed during the pandemic period.

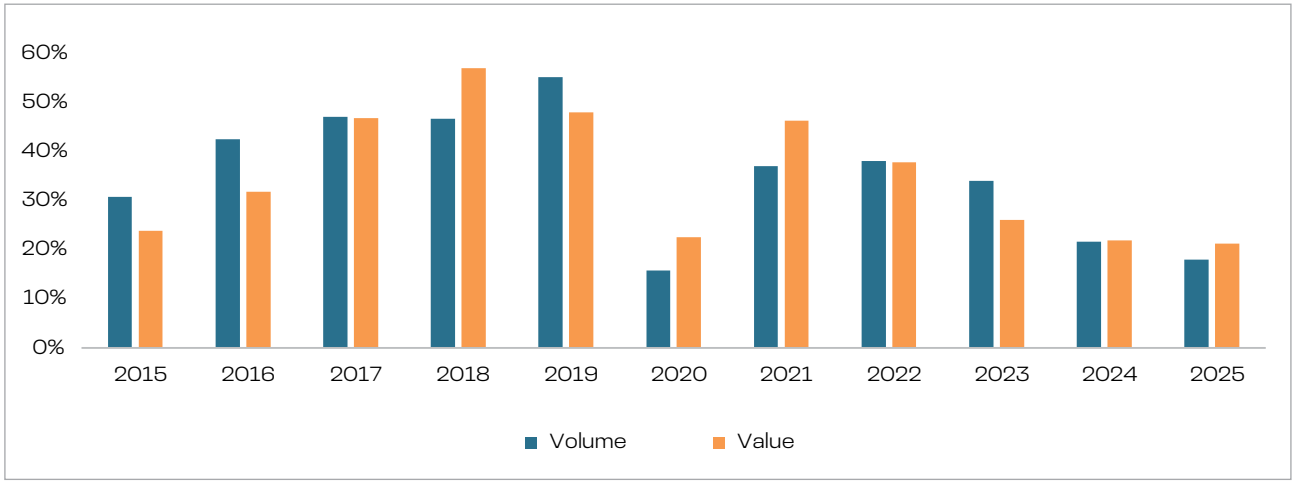
The annual growth rate of the value of non-cash card payment operations in 2025 once again significantly exceeded the growth indicator for the value of cash withdrawal operations, standing at 21.2%, which is close to the corresponding indicator in 2024. It is noteworthy that the growth rate of payments executed via mobile applications significantly exceeded the growth rate of total payments executed with cards. This indicates the growing popularity of mobile application payments compared to other payment methods.

A similar trend is observed regarding the number of operations executed with card instruments: in 2025, the decrease in the number of cash withdrawal operations compared to the previous year amounted to 1.5%, which is 2.8 percentage points lower than the corresponding indicator in 2024. The growth rate of the quantity of non-cash payments utilizing card instruments significantly exceeds the corresponding indicator for cash withdrawal operations, amounting to 17.9%.

DIAGRAM N 10.10. ANNUAL GROWTH OF CARD TRANSACTIONS, IN VALUE AND NUMBER



Source: NBC

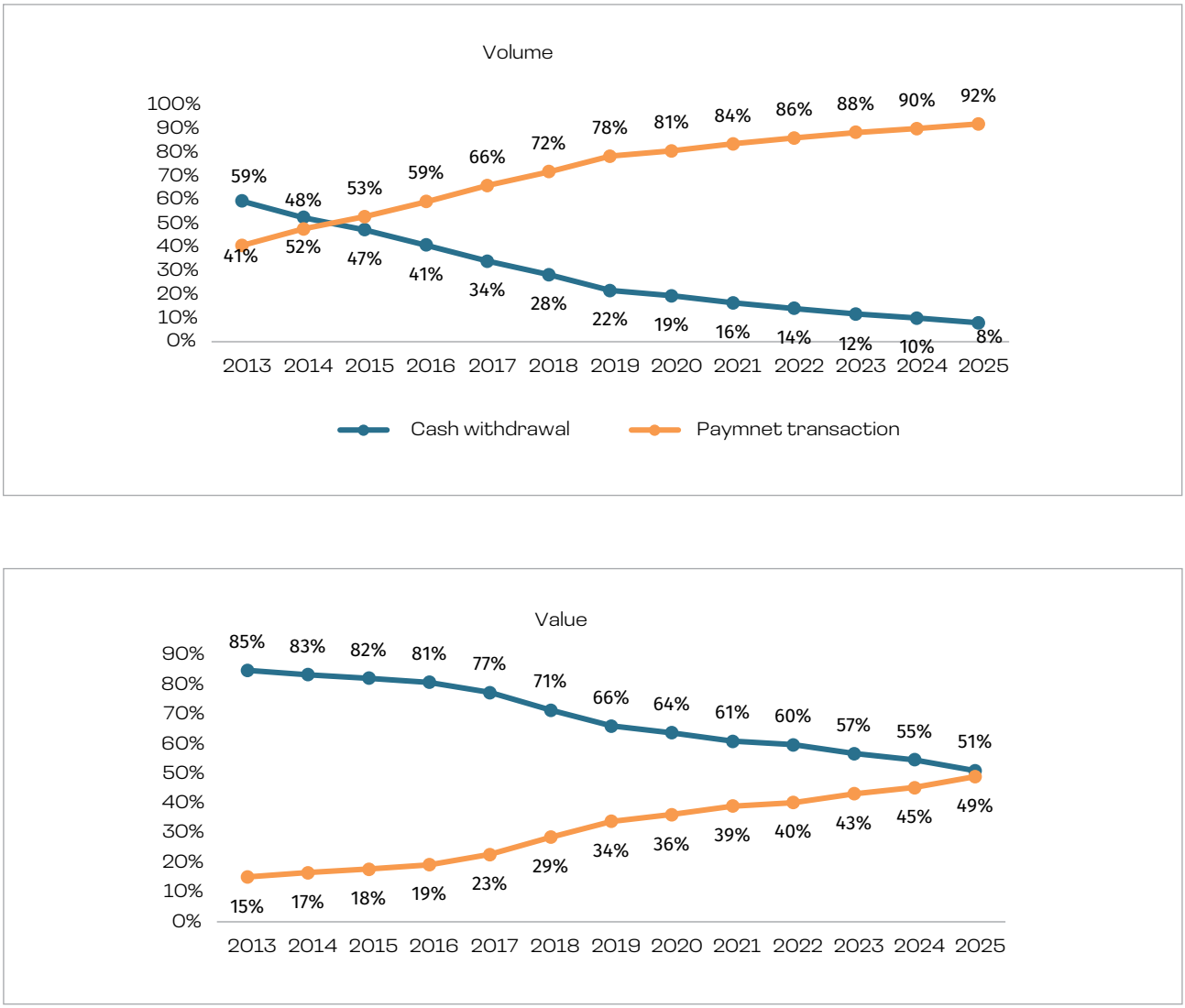


Source: NBC

The dynamics of cash withdrawals and non-cash payments executed with card instruments indicate an increasing trend toward the utilization of non-cash payments. Over the past 10 years, the share of non-cash payments in total card operations has been steadily increasing in terms of both number and value. Furthermore, the number of non-cash card payments has exceeded cash withdrawal operations since 2015, and in 2025, the share of the number of non-cash payments in total card payments reached 92%. In terms of value, non-cash payments slightly lag behind cash withdrawal operations, accounting for 49% of the total value of card payments in 2025, which is 4 percentage points higher than the corresponding indicator of the previous year.

The 2024 Annual Report, considering the trends of preceding years, projected that the value of non-cash payments utilizing payment cards would surpass cash withdrawal operations within 2–3 years. However, current dynamics indicate that this turning point may occur earlier than anticipated (see Diagram N 10.11).

DIAGRAM N 10.11. DYNAMICS OF THE SHARE OF CASH WITHDRAWALS AND NON-CASH PAYMENTS MADE WITH CARD INSTRUMENTS, 2013-2025

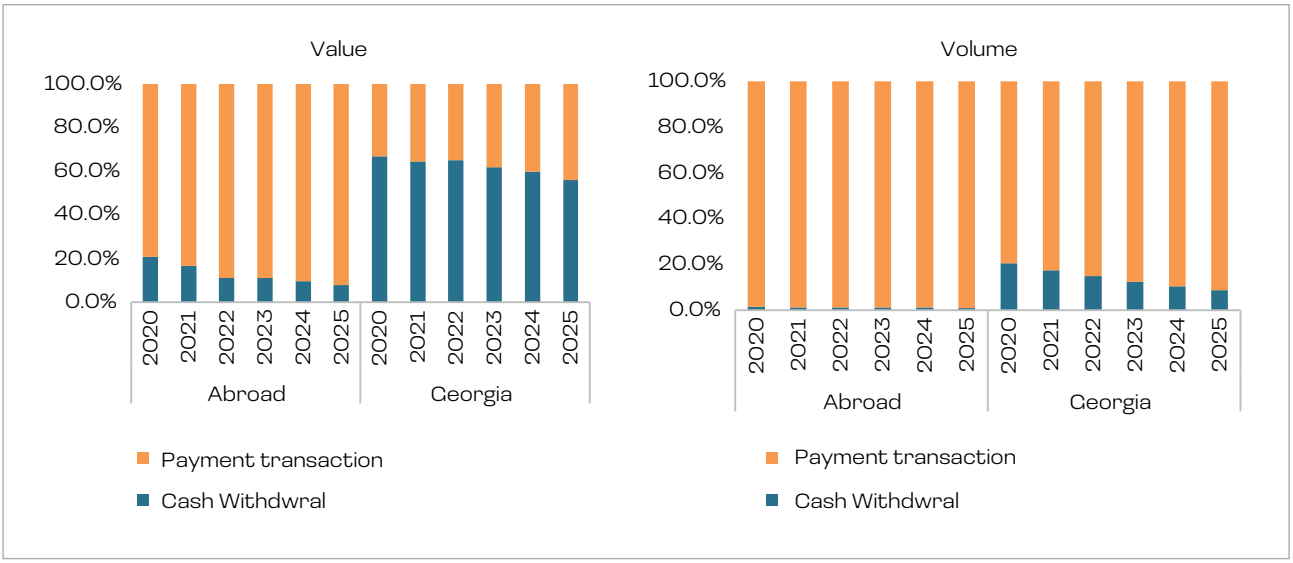


Source: NBG

In 2025, a total of 1.28 billion operations were executed using card instruments issued in Georgia, with a total value of GEL 101.7 billion. Of these, 93% of the total number and 88% of the total value of operations were executed domestically, which differs insignificantly from the corresponding indicators of the previous year.

It is noteworthy that in operations executed abroad using Georgian cards, the share of non-cash payments was significantly higher (in both number and by value) compared to operations executed domestically with the same cards. According to 2025 data, the share of cash withdrawal operations in the total value of operations executed abroad with Georgian cards stood at 7.7% (1% in number), whereas cash withdrawal operations accounted for 56% of the total value (8.8% in number) of operations executed in Georgia using Georgian cards (see Diagram N 10.12).

DIAGRAM N 10.12. DYNAMICS OF THE SHARE OF CASH WITHDRAWALS AND PAYMENTS MADE WITH A CARD INSTRUMENT AT POS TERMINALS ABROAD AND IN GEORGIA, 2020-2025



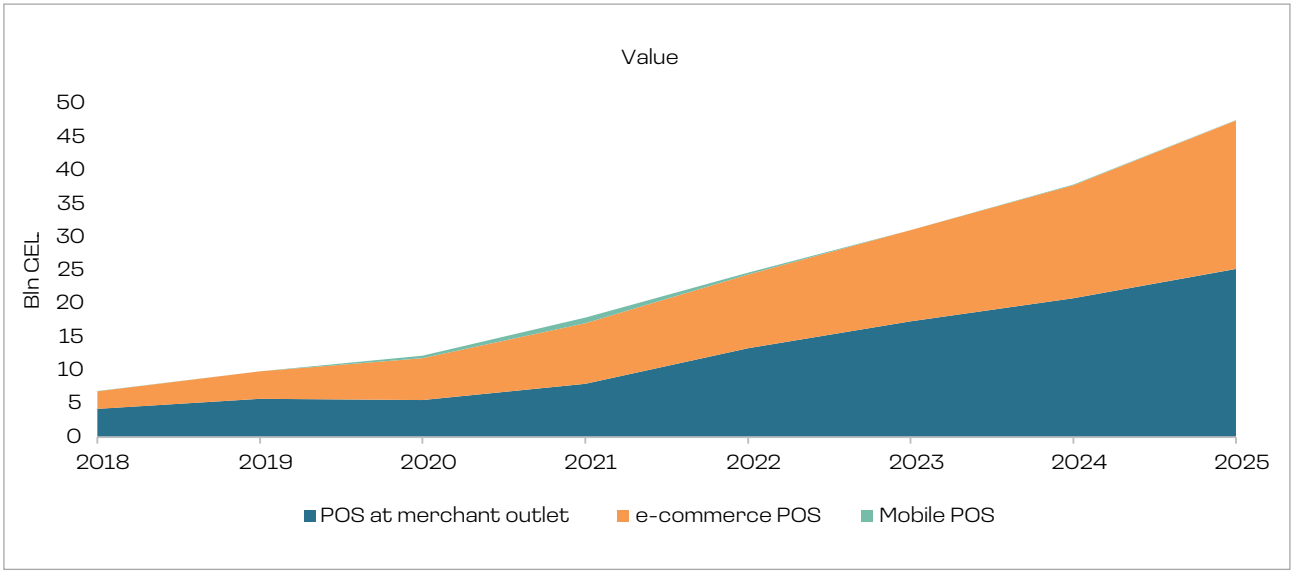
Source: NBG

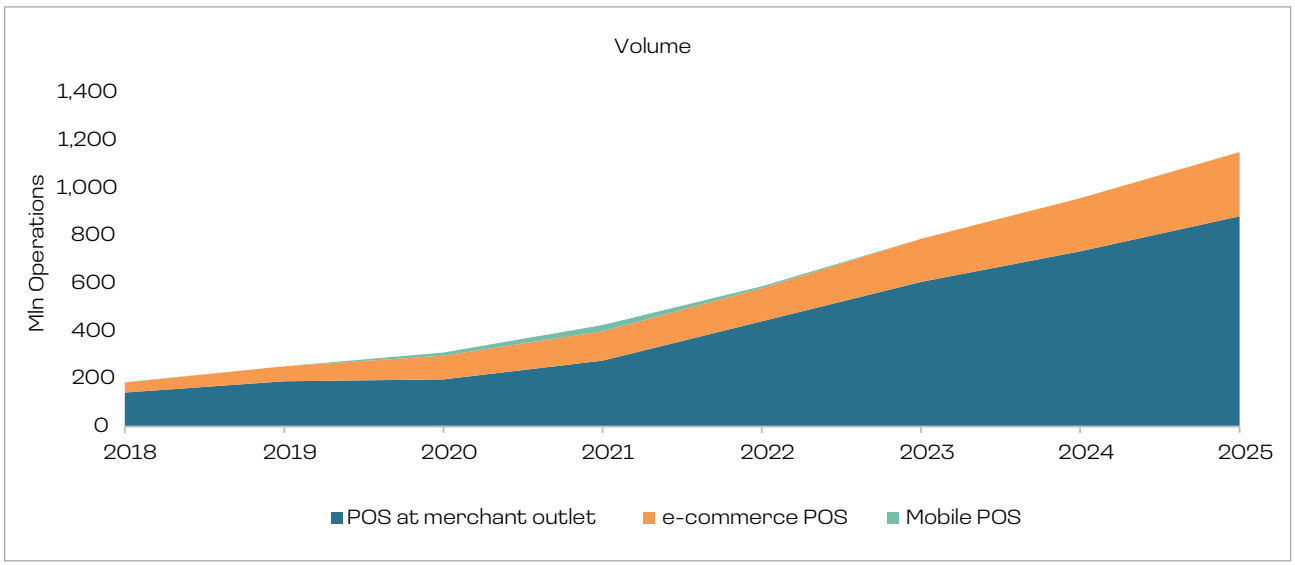
In 2025, the share of e-commerce operations in the total number of non-cash payment operations executed in Georgia and abroad changed insignificantly, accounting for 23%. However, in terms of value, it increased by 2 percentage points, reaching 47% of the total.

Furthermore, the share of the number of e-commerce payments executed abroad in the total number of e-commerce operations increased by 2.2 percentage points compared to the 2024 indicator, reaching 19.7%. Conversely, the share of the value of e-commerce operations executed abroad decreased slightly, accounting for 27.7% of total e-commerce payments, which is 0.5 percentage points lower than the corresponding indicator in 2024.

As for payments executed abroad through physical POS terminals, their share in the total payments executed via POS terminals remained practically unchanged, amounting to only 14% in terms of value and 3.8% in terms of number (for the dynamics of non-cash payment operations, see Diagram N 10.13).

DIAGRAM N 10.13. DYNAMICS OF NON-CASH PAYMENT TRANSACTIONS MADE WITH CARDS ISSUED IN GEORGIA, 2018-2025

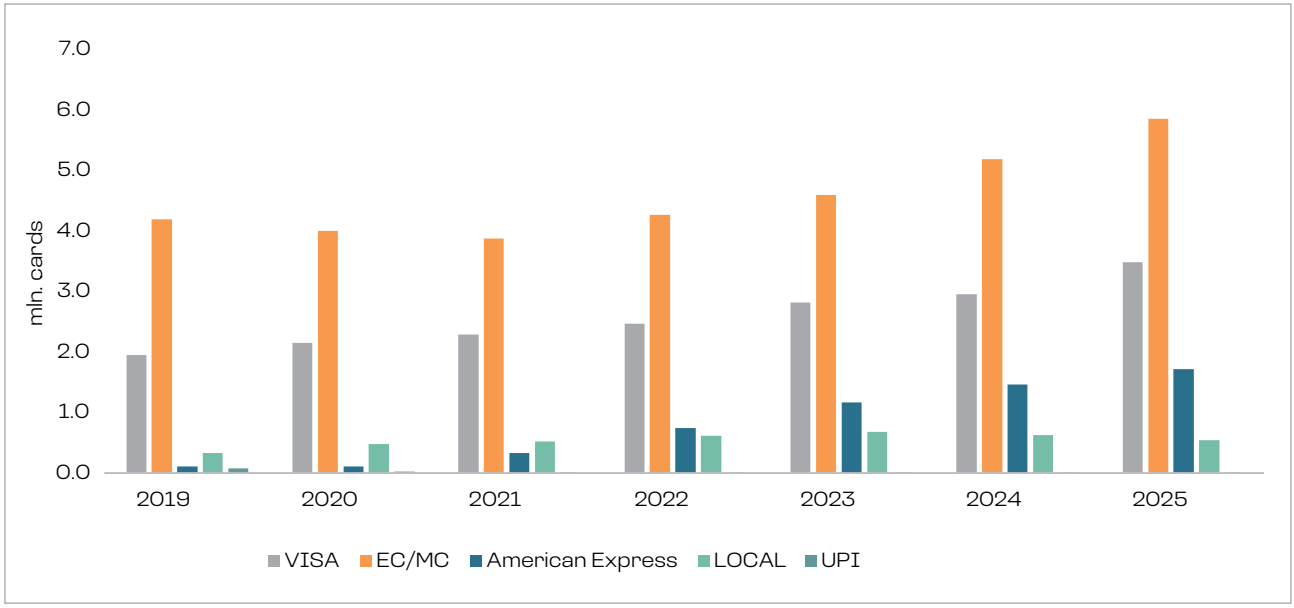




Source: NBG

As of 31 December 2025, the number of debit and credit payment cards issued by commercial banks in Georgia amounted to 11.6 million, representing a 13% increase compared to the corresponding indicator in 2024. Credit cards account for 7% of the total cards issued. The number of payment cards issued per capita stands at 3.1. The vast majority of cards issued in Georgia belong to international card schemes (comprising 95% of the total issued cards). The dynamics of issued payment cards over the years, categorized by card scheme, are illustrated in Diagram N 10.14.

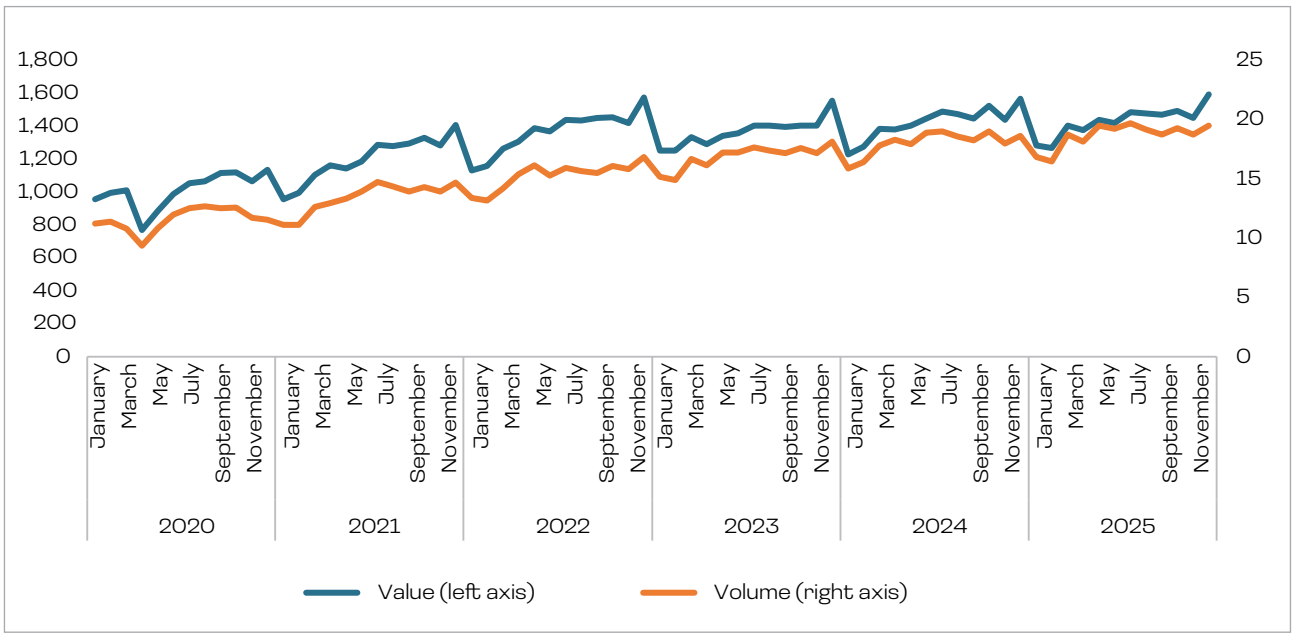
DIAGRAM N 10.14. NUMBER OF CARDS ISSUED BY COMMERCIAL BANKS BY CARD SCHEME



Source: NBG

In 2025, the average monthly number of active cards amounted to 5.6 million, which constitutes 51.2% of the average monthly number of issued cards. In 2025, the average monthly number of operations executed per active card was 19, with a corresponding value of GEL 1.51 thousand, which slightly exceeds the 2024 indicator. For the dynamics of the quantity and amount of average monthly payments executed per active card, refer to Diagram N 10.15.

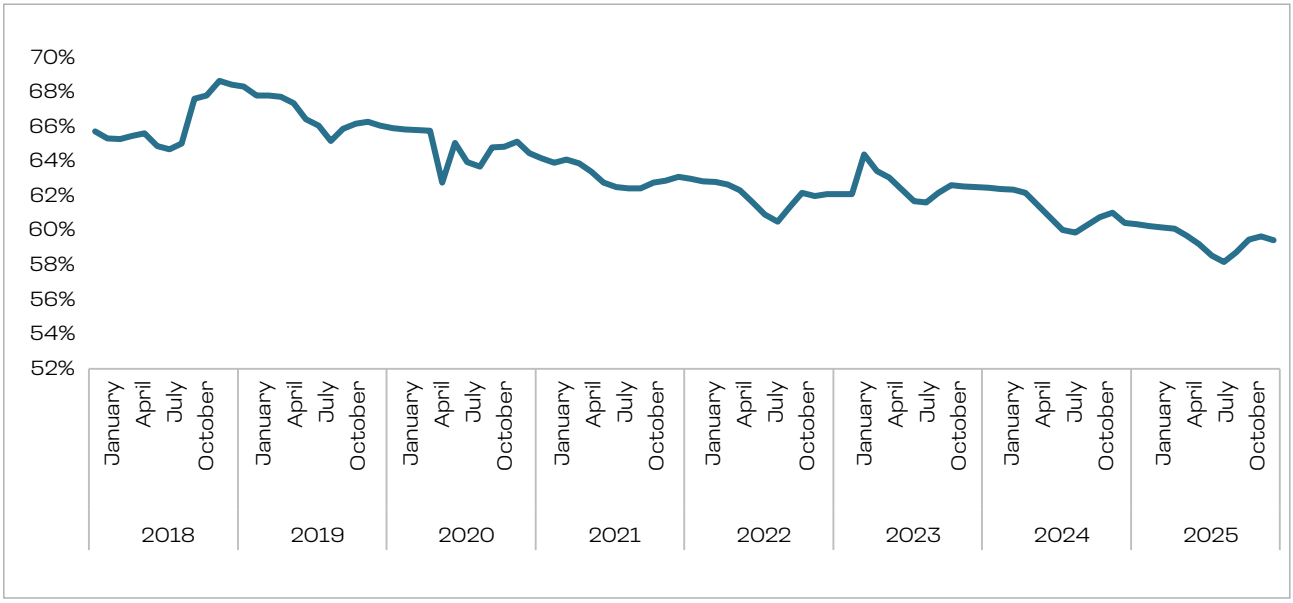
DIAGRAM N 10.15. AVERAGE NUMBER AND AMOUNT OF PAYMENTS MADE PER MONTH WITH AN ACTIVE CARD



Source: NBG

As of December 2025, approximately 127.4 thousand payment POS terminals were deployed in Georgia, representing an 8% increase compared to the corresponding period of the previous year. Of these terminals, 59.4% are located in the capital. Despite such concentration, a declining trend in the share of payment POS terminals located in Tbilisi has been observed over the last five years, reflecting the expansion of the POS terminal network in the regions.

DIAGRAM N 10.16. SHARE OF THE NUMBER OF PAYMENT POS TERMINALS LOCATED IN TBILISI IN TOTAL PAYMENT POS TERMINALS (2019-2025)



Source: NBG

In 2025, a total of 1 billion operations were executed through card devices (POS terminals and ATMs) deployed in Georgia, amounting to GEL 95.6 billion. These figures exceeded the corresponding indicators of the previous year by 17% in number of transactions and by 16% in value. In 2025, 96% of the total number and 95% of the total value of operations were executed using Georgian card instruments, while the remainder comprised operations executed with foreign card instruments. Non-cash payment operations accounted for 89% of the total number of card operations executed (and 42% of the value).

The amount spent via non-cash payments by foreign cardholders in Georgia increased from GEL 2.8 billion in 2024 to GEL 3.4 billion in 2025. The value of payments executed abroad using Georgian cards amounted to GEL 3.6 billion in 2025 (with a 14.4% share in the total payments executed with Georgian cards), which exceeds the 2024 indicator by GEL 0.5 billion.

A similar trend is evident in terms of the number of transactions. In 2025, the number of non-cash payments executed abroad using Georgian cards amounted to 33.3 million transactions, whereas payments executed in Georgia using foreign cards stood at 34.3 million.

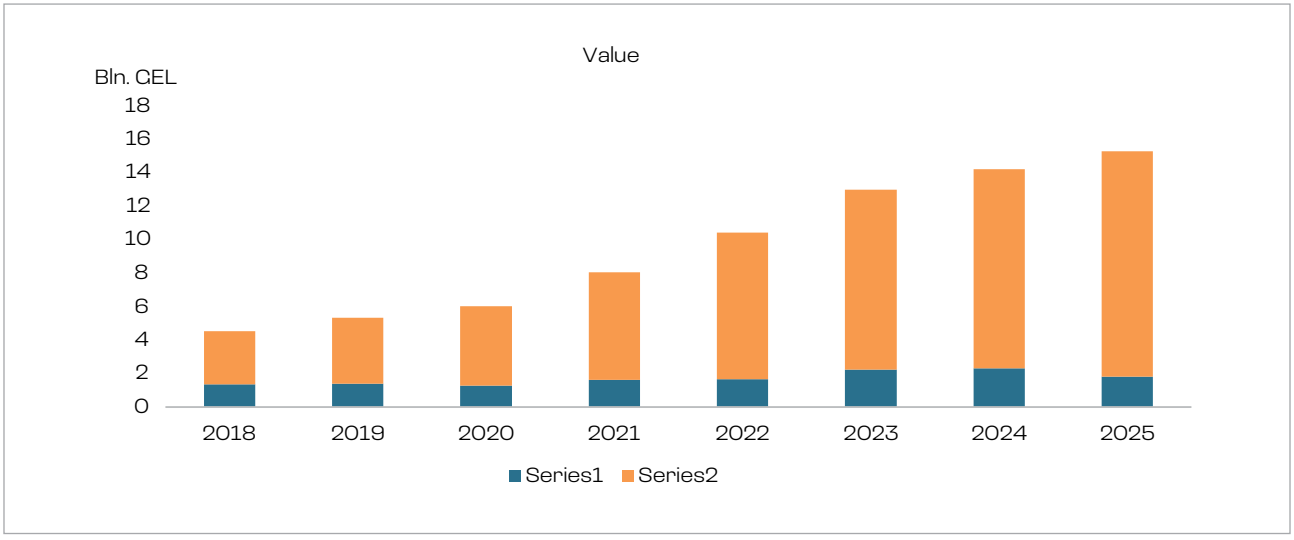
10.5. NON-BANK PAYMENT SERVICE PROVIDERS

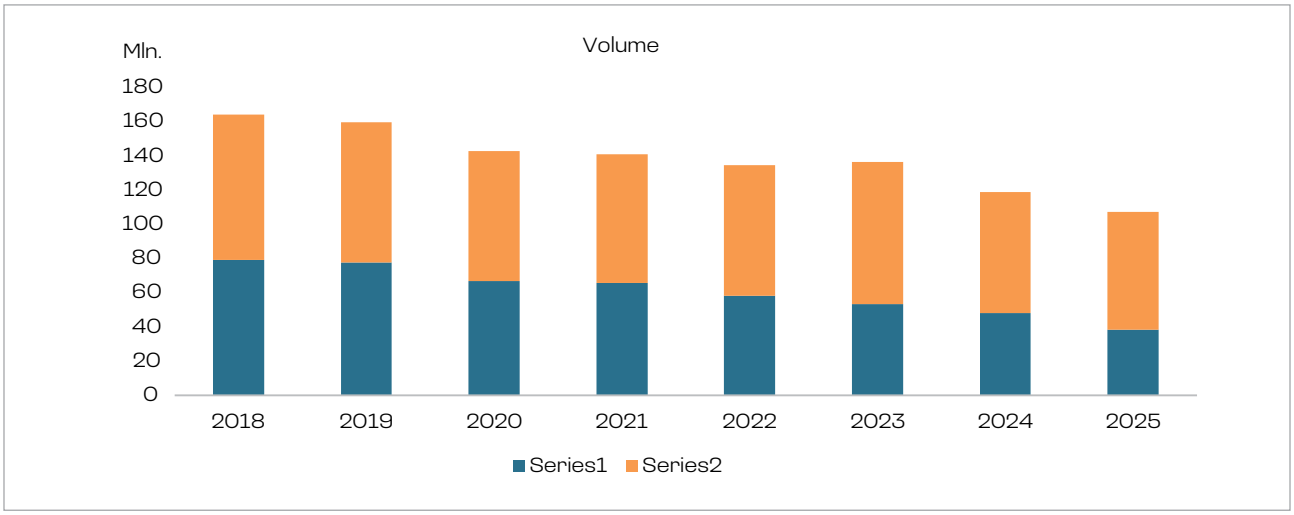
Providers' Payments (Excluding E-Money Operations)

In 2025, payment service providers executed 107.4 million operations amounting to GEL 15.3 billion. Compared to 2024, the number of payments decreased by 9.7%, while the value increased by 7.6%. The dynamics of providers' payments (excluding electronic money) are presented in Diagram N 10.17.

Traditionally, self-service kiosks, which enable the initiation of electronic payments using cash, were the most frequently utilized method for executing payments. Similar to 2024, in 2025, 94% of the total number and 98% of the total value of payments were executed via kiosks.

DIAGRAM N 10.17. PAYMENTS MADE BY PAYMENT SERVICE PROVIDERS (EXCLUDING ELECTRONIC MONEY)





Source: NBC

Electronic Money Payments

In the electronic money payments market, prepaid transport cards have traditionally held a prominent position. The average amount of a single payment executed using these cards is CEL 0.47, which differs significantly from payments executed using other forms of electronic money. Moreover, as transport cards are actively utilized to pay fares in urban public transport; the quantity of payments executed through them significantly exceeds those through other electronic money, accounting for 98% of the total number of electronic money payments and 39% of the total value. In 2025, electronic money providers excluding transport payments executed 0.7 million payments amounting to CEL 113.5 million.

11.

SUPERVISION OF PAYMENT SERVICE PROVIDERS AND REGISTRATION OF VIRTUAL ASSET SERVICE PROVIDERS

During 2025, the Department of Supervision of Payment Service Providers and Registration of Virtual Asset Service Providers actively exercised its supervisory functions, which include the registration of interested parties as payment service providers and virtual asset service providers (VASPs), the registration of changes defined by legislation, the prudential supervision of payment service providers and enhancing the Legislative Framework. Alongside its supervisory activities, the NBG continuously promotes the development of new payment services and innovative products. In this regard, it maintains ongoing communication with market participants and studies their needs. Within the framework of this engagement, the project to integrate payment service providers into the Real-Time Gross Settlement (RTGS) system proceeded during 2025. Following its implementation, payment service providers will be given the opportunity to execute transfers among system participants without the assistance of a commercial bank[40].

As the payment services market develops, payment processes are becoming simpler and more convenient. The number of payment service providers offering open banking services to consumers continues to grow, fostering increased speed and security, and the innovative development of payment services. At the same time partnerships between payment service providers and virtual asset service providers are expanding. Subject to the National Bank's approval, these entities have cooperated to create combined service models that facilitate the exchange of virtual assets for cash, thereby offering users with alternative payment options.

The ecosystem for virtual asset services is exhibiting dynamic and rapid growth globally. New types of services and products are emerging, and the number of users of these services is increasing. Furthermore, the recommendations from international organizations and international best practices regarding the supervision of virtual asset service providers are of particular importance. During 2025, efforts were focused on studying and analyzing these recommendations and practices to establish a solid foundation for the comprehensive regulation of VASPs.

Based on these developments, the NBG recognized the need to expand its supervisory mandate and, in September 2025, initiated a draft law in the Parliament of Georgia aimed at expanding the supervisory framework for virtual asset service providers.

Throughout 2025, the National Bank of Georgia actively collaborated with international partners. Specifically, support was provided to the payment services team of the Central Bank of Azerbaijan regarding the development of a legislative framework for payment services. Additionally, within the framework of a memorandum of mutual cooperation, technical assistance was provided to specialists from the Central Bank of Kazakhstan. Joint work was also conducted with the Bank of Korea to evaluate the role of non-cash payments in the payment system in Georgia and mechanisms for their encouragement.

In 2025, significant steps were taken towards international cooperation regarding the regulation of VASPs. Specifically, within the framework of the Multilateral Memorandum of Understanding signed between the National Bank of Georgia and the International Organization of Securities Commissions (IOSCO), and with the organization's support, a self-assessment of the existing regulation was conducted, and a thematic review document was prepared.

It is noteworthy that in 2023, IOSCO issued 18 principle-based and outcome-oriented recommendations covering six key areas in relation to virtual assets. These principles encompass the following issues: conflicts of interest arising from the vertical integration of activities and functions, market manipulation and fraud, cross-border risks and regulatory cooperation, the custody and protection of consumer assets, operational and technological risks, and access rights.[41]

World Bank experts provided technical assistance to the National Bank regarding regulatory issues surrounding stable virtual asset (stablecoin) issuers. Also noteworthy is the cooperation between the OSCE and the National Bank of Georgia on matters related to the supervision and regulation of virtual assets, within the framework of which numerous training sessions were conducted.

40. The RTGS system is a domestic interbank settlement mechanism whose participants currently comprise only commercial banks and the State Treasury.

41. The National Bank of Georgia became a full member of IOSCO in 2021. Currently, 134 supervisory authorities worldwide hold membership status in the organization, the primary objectives of which are investor protection, ensuring market transparency, and supporting financial stability through the reduction of systemic risks.

A significant event in 2025 was the CFTN Tbilisi Finance Summit, held in Tbilisi on 22-23 October, where considerable attention was devoted to critical issues and legislative initiatives in the virtual asset services sector.

Legislative Changes

The National Bank of Georgia continuously strives to create a favorable ecosystem for improving the business environment and developing innovative financial products in the country. Through effective regulations and oversight, it ensures both the introduction and development of new technologies and services, as well as the protection of consumer interests, which strengthens consumer trust in the sector and enhances their engagement.

Throughout 2025, the NBG continued to refine the regulatory legislation to promote transparency in the virtual asset services market and protect consumer rights. In December 2025, amendments were made to the Organic Law of Georgia "On the National Bank of Georgia" concerning the supervision of virtual asset service providers. Specifically, in Subparagraph "h-13" of Article 2 of the law, virtual asset services were clarified, and the NBG was granted authority to define the types of virtual asset services through a normative act. This amendment was driven by the dynamics in the virtual asset sector, where the creation and implementation of new services and products occur at a rapid pace, making it impossible for the law to establish a comprehensive and exhaustive list of services subject to regulation. Furthermore, an amendment was made to Article 52^5 of the Organic Law, expanding the supervisory mandate of the NBG, including the authority to define the requirements to be fulfilled by a virtual asset service provider. This encompasses establishing the minimum supervisory capital amount and the rule for its calculation, capital and asset requirements, risk management standards, requirements related to risk frameworks, and the authority to establish other additional requirements. In addition, to extend consumer rights protection standards to virtual asset service providers, amendments were made to the Organic Law, including Paragraph 12 of Article 48, which granted the NBG the authority to establish rules related to the protection of consumer rights for virtual asset service providers.

Following these changes, work proceeded in 2025 on the draft rule for the initial coin offering of stablecoin by virtual asset service providers. The objective of the project was to establish a secure and transparent regulatory and supervisory framework related to the initial coin offering (including issuance) of stablecoin in Georgia. During the drafting process, the best practices of various jurisdictions (the US Genius Act, Dubai VARA, EU MiCA, etc.) were studied. New terms, reserve asset composition, and capital requirements were defined and, with the involvement of various departments of the NBG, joint work was conducted to formulate the components of the risk management framework, the obligations of a stablecoin issuer, the structure and content of the Whitepaper, and other matters. The draft rule will be approved and enter into force in early 2026. The implementation of the rule will ensure the legal certainty and sustainable development of the stablecoin ecosystem in Georgia; the enhancement of the protection of consumer rights and interests; the improvement of risk management standards in the virtual asset service provider sector; and increased compliance with international practices.

During 2025, instances were recorded where entities provided virtual asset services within the territory of Georgia, including in Free Industrial Zones, without being registered as virtual asset service providers, thereby misleading consumers. In response to this, in October 2025, the NBG published a statement on the internet, urging citizens not to use the virtual asset services of unregistered entities. To ensure additional transparency for consumers, an amendment was made to the "Rule for the Registration, Cancellation of Registration, and Regulation of Virtual Asset Service Providers at the National Bank of Georgia". Specifically, under the change, virtual asset service providers are obligated to display or make easily accessible the individual administrative act confirming their registration as a virtual asset service provider in a visible location and format for consumers across all service channels where they provide virtual asset services (head office, branch, self-service kiosk, website, application, etc.). The amendment facilitated increased consumer awareness and thereby strengthened the protection of their interests. At the same time, it ensured the effective practical enforcement of the legislative requirement for virtual asset service providers to register with the NBG.

A further amendment was made to Decree No. 94/04 of the Governor of the National Bank of Georgia of 13 June 2023, "On Approving the Rule for the Registration, Cancellation of Registration, and Regulation of Virtual Asset Service Providers".

According to this amendment, the National Bank of Georgia obtained the authority to no longer require from an interested party—for the purpose of registration as a virtual asset service provider—information/documentation regarding administrators and/or direct/indirect significant shareholders, as well as beneficial owners/people with significant influence, if such documentation had already been submitted to the National Bank of Georgia and had passed the suitability check corresponding to this decree and/or a more complex check. This amendment simplified the registration process for interested parties and reduced the number of registration documents they must submit.

During 2025, a group worked on amendments to the "Rule for Imposing a Monetary Penalty on a Representative of the Financial Sector by the National Bank of Georgia, the Enforcement Procedure, and the Definition of the Functions of the Person Responsible for Enforcement," approved by Decree No. 92/01 of the Governor of the National Bank of Georgia on 25 June 2010. One of the objectives of this amendment is to monitor the enforcement of monetary penalties imposed by the National Bank of Georgia on payment service providers and virtual asset service providers, and to implement enforcement procedures effectively and consistently. The amendments to the rule will enter into force in 2026.

In February 2025, amendments were made to the "Rule for the Registration and Regulation of Payment Service Providers", approved by Decree No. 77/04 of the Governor of the National Bank of Georgia on 1 May 2023. Through this amendment, a reference provision was added to Article 11 of the rule, according to which a payment service provider is obliged to maintain records of complaints and submit them to the National Bank of Georgia in accordance with Article 13[1] of the "Rule for the Protection of Consumer Rights During the Provision of Services by Financial Organizations", as approved by Decree No. 32/04 of the Governor of the National Bank of Georgia dated 9 March 2021. As a result of the amendment, the rule for receiving and reviewing consumer complaints, the timelines for reviewing a complaint and making a decision, and the timelines for storing complaint records in an electronic format were all clarified.

During 2025, work was also underway to create a rule for joining the payment systems of the National Bank of Georgia, which also provides for the integration of payment service providers into the RTGS system of the National Bank. Joining the NBG's payment system will reduce market entry barriers for representatives of the financial market and will help promote the development of innovative financial products and services. With this rule, payment service providers will be given the opportunity to offer new electronic payment services to the broader public (mobile money, direct debit, etc.) and their reliance on commercial banks will decrease. Commercial banks sometimes restrict access to the payment system for competing legal entities in the financial sector or limit the execution of cashless transactions when such legal entities provide payment services to consumers. This amendment will thereby increase competition in the payment sector. According to the draft rule, initially, only significant payment service providers will be granted the right to join the RTGS system, provided they meet the operational, cybersecurity, anti-money laundering, and other requirements stipulated by the rule.

Generating payment accounts in the International Bank Account Number (IBAN) format also becomes mandatory for payment service providers by 1 July 2026. After the expiration of this deadline, these entities will be prohibited from using any other type of account number to execute payment operations. This amendment was prepared based on corresponding provisions in Decree No. 44/01 of the Governor of the National Bank of Georgia dated 17 March 2010, "On the Approval of the Instruction on the Use of the International Bank Account Number in Banking Institutions of Georgia", which will enter into force from 2026.

Payment Service Providers

Payment service providers play a significant role in ensuring the stability and efficiency of the financial sector, as well as in the overall development of the country's economy. The types of payment services that these entities execute within the territory of Georgia are defined by the Law of Georgia "On Payment Systems and Payment Services", which has been in force since 1 July 2012. The law also defines the principles for the regulation and supervision of payment services, as well as the role and functions of the NBG as the regulator and supervisor.

As of 31 December 2025, 36 payment service providers were registered by the National Bank of Georgia, two providers were in the process of liquidation, and two payment service providers were registered during the year. Throughout the year, the NBG conducted comprehensive on-site inspections of two payment service providers.

TABLE 11.1. INFORMATION ABOUT PAYMENT SERVICE PROVIDERS (2025)

2025 Data	Number of registered providers
Number at the beginning of the year	34
Registration passed	2
Registration canceled	0
Number at the end of the year	36
In the process of liquidation	2
Liquidation completed	0

Out of the registered payment service providers, 27 provided acquiring services, while 27 were engaged in the issuance of electronic money and/or the execution of payment operations utilizing electronic money. Providers[42] also executed money remittance services, the issuance of payment instruments, including payment cards, and the servicing of operations executed through them.[43]

In 2025, the number of applications submitted to the NBG requesting the implementation of open banking services increased. Open banking promotes the development of innovative financial services and the growth of competition in the market, representing a modern direction for the development of the financial sector. This implies secure and standardized access to account information and the initiation of payment operations based on the user's prior consent. According to the data as of the end of 2025, five payment service providers provided account information service, and five providers executed payment initiation services. Three of these providers obtained the right to execute these services during the year.

Starting from 2025, the National Bank of Georgia began receiving financial statements from significant payment service providers in accordance with the "Rule on Capital Adequacy Requirements for Payment Service Providers", approved by Decree No. 79/04 of the Governor of the National Bank of Georgia dated 1 May 2023. According to the rule, providers are required to engage an external auditor to conduct an annual financial audit and to submit the audited financial statements from the preceding year to the National Bank of Georgia by 15 July of the year following the end of each calendar year. Significant providers are also obliged to submit quarterly reporting forms to the NBG. By the end of 2025 significant 14 payment service providers are registered with the National Bank of Georgia.

TABLE 11.2. NUMBER OF PROVIDERS BY PAYMENT SERVICES OFFERED

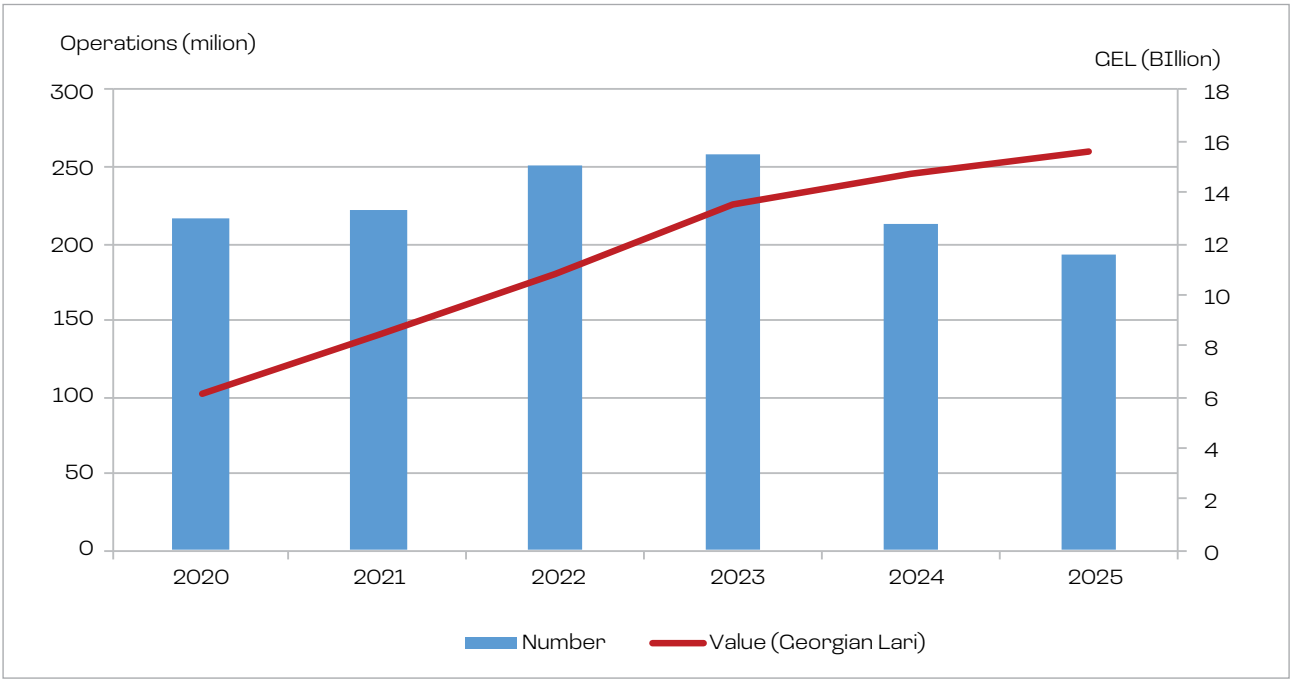
N	Payment Service	Number of payment service providers that perform the relevant payment service
1	Making a payment within the user's own funds using a payment card or other electronic means	12
2	Issuance of a payment instrument, including an electronic money instrument	14
3	Acquiring	27
4	Money transfer	20
5	Issue of electronic money, execution of payment transactions using electronic money, mobile phone, Internet or other electronic means	27
6	Payment initiation service	5
7	Account information service	5

42. A total of 20 providers.

43. A total of 14 providers.

During 2025, registered payment service providers executed 193 million payment operations, amounting to GEL 15.6 billion. Compared to 2024, the number of operations decreased by 10%, while the value increased by 6%. The dynamics of payment operations executed by payment service providers registered with the National Bank of Georgia over the last six years are illustrated in Diagram N 11.1.

DIAGRAM N 11.1. DYNAMICS OF PAYMENT TRANSACTIONS PERFORMED BY RECISTERED PAYMENT SERVICE PROVIDERS



Source: NBG

Electronic money payments accounted for 44% of the total operations executed in terms of the number and 2% in terms of the value.[44] Operations executed through self-service kiosks accounted for 52% of the total number and 96% of the total value of operations executed by providers. It is noteworthy that through kiosks, providers primarily offer money remittance and acquiring services to consumers. During 2025, compared to 2024, the number of operations executed via self-service kiosks decreased by 13%, while the value increased by 8%. In total, during 2025, the number of operations executed via kiosks amounted to 100.5 million operations, corresponding to a value of GEL 14.9 billion. According to data from the end of December 2025, the total number of self-service kiosks in the country amounted to 13.8 thousand units, which is 5% less than during the corresponding period of the previous year.

By the end of 2025, payment service providers had issued a total of 7.9 million prepaid cards, representing a 7% increase over those issued during 2024. Transport and social cards constitute 93% of the payment cards issued by providers.

During 2025, a total of 143 million card operations were carried out with payment cards issued by the payment service providers, which amounted to 448 million GEL in value. Transactions carried out with transport and social cards accounted for 98% of total card transactions in terms of volume and 8% in terms of value. It is also noteworthy that 99.98% of the total number of card transactions and 98.06% of the value were carried out inside the country.

44. Electronic money operations only include electronic money payments and do not include electronic money issuance and redemption operations.

Virtual Asset Service Providers

The NBG has been actively conducting the registration of virtual asset service providers since 2023. As of the end of 2025, 12 entities successfully underwent registration with the NBG, bringing the total number of registered virtual asset service providers to 31 by the end of the year.

Alongside the development of the virtual asset services sector, the involvement of commercial banks in this field is increasing. However, their role primarily remains infrastructural. Under the current legislative framework, commercial banks and microbanks can only execute a limited number of virtual asset services, and their activities in this field are thus mainly concentrated on providing banking services to virtual asset service providers. In 2025, the NBG reviewed virtual asset service schemes submitted by several commercial banks.

The majority of registered virtual asset service providers execute virtual asset exchange operations involving both fiat currency and other virtual assets. Additionally, a minor segment offered consumers digital wallets (the custody of virtual assets), trading platform administration, and the initial coin offering of closed-loop stablecoins.

In 2025, one global virtual asset service provider obtained authorization to operate in Georgia. Consequently, new demands emerged from the sector, including those for staking, margin trading, and the issuance of loans to Physical persons by virtual asset service providers. A project proposed by one of the virtual asset service providers was submitted to the regulatory laboratory of the NBG, and the review process was initiated.

The NBG actively collaborates with the VASP ecosystem through dialogue, a "working environment", and research to ensure that regulation remains proportionate and future-oriented. These legislative amendments and robust prudential regulation will play a significant role in addressing existing challenges and fostering sustainable growth of the sector.

12.

DEVELOPMENT OF INFORMATION TECHNOLOGIES

The year 2025 was marked by significant technological changes and the execution of large-scale initiatives for the National Bank of Georgia. Throughout the year, the primary focus of the Information Technology Department was on the development of information technology infrastructure, the implementation of critical systems, and the enhancement of operational processes.

The implemented projects aimed at modernizing the organization's technological environment, increasing the quality and availability of services, and strengthening security standards. Special attention was devoted to the development of banking systems, as well as the stability and uninterrupted functioning of high-load platforms.

The divisions of the Information Technology Department were actively involved in strengthening the technological ecosystem, making a significant contribution to the development of the NBG's IT environment.

Improvement of IT Processes and Implementation of the Service Management System

One of the strategic directions of the IT Department is the development of a Service Management System in compliance with the ISO 20000 standard. Within the framework of this process, the implementation and enhancement of processes and practices defined by both international standards and IT Service Management best practices (ITIL) are ongoing.

During the reporting period, a comprehensive review and improvement of existing IT processes was carried out, including the following:

- Detailed documentation of processes;
- Implementation of effective controls;
- Aligning processes with international standards and best practices.

The updated and implemented processes are as follows:
- Problem Management;
- Change Management;
- Service Level Agreement (SLA) Management.

Implementation of the Problem Management Process

During 2025, the Problem Management procedure was developed and approved. This procedure defines the stages of problem lifecycle management, the sequence of execution, and the people responsible for resolution.

The process ensures the following:
- Timely detection and effective management of IT problems;
- Identification of root and potential causes of incidents;
- Prevention of problems at an early stage;
- Minimization of negative impacts on business processes.

Implementation of the Change Management Process

Within the framework of the development of the Service Management System, the Change Management process was implemented, which ensures the controlled and structured management of changes within the IT environment.

This process ensures:
- The secure and manageable implementation of changes in a live environment;
- The continuity of IT services;
- The minimized risk of disruptions to systems and services.

Service Level Agreement (SLA) Management

Within the framework of the Service Level Management process, the primary parameters for IT service delivery and support were defined, ensuring the effective management of expectations between business and IT units.

Particularly significant are the following:
- The separate definition of SLA documents for critical and non-critical IT services;
- The definition of target resolution times for incidents in agreement with business units;
- The establishment of clear criteria for service prioritization.

This approach ensures the transparency, efficiency, and controllability of service delivery.

Operating System Updates

Taking into account the discontinuation of Windows 10 support announced by Microsoft in 2024, a phased update of operating systems was executed on the

decision of the Information Security Management Committee.

The works executed by the Service Division ensured the following:

- Compliance of systems with modern security standards;
- An increase in the stability of the working environment;
- Improvement of technical support.

Implementation of the IT Infrastructure Management System (Endpoint Central)

During 2025, the implementation of the IT infrastructure management system Endpoint Central began. This constitutes a centralized platform for managing computer devices (servers, laptops, desktops). The implementation of the system ensures the following:

- The automation of IT processes;
- An increase in operational efficiency;
- The centralized management of IT assets and resources.

The functional capabilities of the system include the following:

- Management of operating system and software updates;
- Remote installation of software;
- Inventory and tracking of assets and licenses;
- Monitoring of software usage;
- Remote technical support for users.

During the year, the Application Administration Division was focused on the development and improvement of banking and financial systems. Numerous technological solutions were implemented, which significantly contributed to the efficiency of the NBG's core operational activities, the optimization of processes, and the improvement of service quality.

Update of the SWIFT System and Configuration of the New Environment

The National Bank of Georgia conducts an annual self-assessment process in compliance with the Customer Security Program (CSP) framework established by the Society for Worldwide Interbank Financial Telecommunication (SWIFT). To ensure compliance with the 2025 requirements and to successfully complete the self-assessment process, significant technical and organizational measures were executed by the Application Management and Infrastructure Management Divisions of the Information Technology Department.

SWIFT represents one of the critical business systems of the National Bank, and ensuring its secure and uninterrupted functioning is a key priority of the Application Administration Division. During the year, a comprehensive update of the SWIFT system and its migration to a new infrastructure environment was executed. Within the framework of the project:

- The system was updated to the latest version, with the aim of implementing functionality compliant with modern standards.
- The migration of messages to a format compliant with the international ISO 20022 standard was executed.
- System performance was optimized, which increases the speed of transaction processing and reduces the risk of disruptions.
- New security mechanisms were implemented, which significantly reduce cybersecurity risks.

Implementation of the SWIFT Message Routing System

The SWIFT message routing system (Alliance Gateway), which represents the official SWIFT solution for the secure and efficient exchange of data, was successfully implemented and fully configured within the NBG. The implementation of the system ensured the following:

- Direct communication from the National Bank's infrastructure to the SWIFT network, and the exchange of all incoming and outgoing messages without intermediary components, which ensures the secure exchange and effective management of data.
- The implementation of high security standards, which ensures the confidentiality, integrity, and availability of SWIFT messages.

This update constitutes an important part of modernization of the SWIFT system and is directed toward elevating the level of security and improving the efficiency of operational processes.

Implementation of the Document Archiving System

Within the framework of the project for the digitization of physical archival documents, document archiving software was successfully implemented within the

NBG during 2025. This system ensures the following:

- The centralized and digital management of documents;
- The protection and accessibility of information;
- The reduction of operational risks;
- An increase in the efficiency of internal processes.

Update of the Enterprise Resource Planning (ERP) Unified System

The unified Enterprise Resource Planning (ERP) system was updated, which provides various structural units of the NBG with the capability to automate significant processes. The update ensured the following:

- The expansion and improvement of functionality;
- The elevation of the security level;
- The improvement of the stability and performance of the system.

Development of the Core Banking System (ALTA B6)

Throughout the year, the core banking system (ALTA B6) was updated several times, which was directed toward improving its stability, productivity, and security.

Within the framework of the update:

- The speed and efficiency of processing banking operations increased;
- The integration of the system with other financial and payment systems was improved;;
- The update of technological components was executed.

Update of the Human Resource Management System (HRMS)

In 2025, the automated Human Resource Management System (HRMS) was successfully updated to reflect the updated organizational structure. As a result of the implemented changes, the security of confidential information existing within the system was improved.

These technological initiatives represent significant stages in the development of the NBG's digital infrastructure. These updates ensure a secure, fast, and high-tech banking environment, compliance with international standards, and the effective automation of internal processes.

In 2025, the Data Management and Software Division executed a number of significant initiatives directed toward improving the functionality of electronic systems implemented within the NBG and the effective implementation of new technological projects. The executed works encompassed both the optimization of existing systems as well as the implementation of new modules and services, which ensures the efficiency and reliability of data management processes.

Development of the SebStat (MTD) System

During the reporting period, the update of the unified statistical information system of the National Bank of Georgia was executed. Within the framework of the project:

- A new MTD data family was implemented for microfinance organizations, for the purpose of recording daily money remittances.
- The migration of the respective version from the test environment to the live environment was executed.

Expansion of the Message Distribution Service:

The functionality of the message distribution service developed by the Data Management and Software Division was expanded and successfully implemented in the Chancellery Division of the Office of the Governor. The following resulted from the implemented changes:

- The system was adapted to specific business processes;
- Communication based on message templates was implemented;
- The promptness and efficiency of communication with citizens significantly increased.

Development of the Access Management System

The existing access management system was expanded in 2025 and was successfully integrated into the new office space. As a result of the implemented changes:

- The centralized management of employee movement is ensured;
- Access control across various locations was simplified;
- The efficiency of administrative processes increased.

Optimization of the ITRS System

In response to the sharp increase in data volumes, data processing processes within the International Transactions Reporting System (ITRS) were optimized in 2025. As a result:

- The speed of data processing was improved;
- The efficiency of statistical analysis increased;
- The data storage and management process was optimized.

System Modernization and Data Infrastructure Development

In 2025, a large-scale modernization of systems was executed, aimed at ensuring high standards of system performance, security, and business continuity. The primary directions in which changes were implemented are as follows:

- **Update of systems** - migration of servers and databases to the latest versions, which ensures stability and compatibility with modern technologies.
- **Improvement of analytical capabilities** - implementation of modern Data Warehouses, which simplifies reporting and analytical processes.
- **Enhancement of security** - implementation of database audit mechanisms for the purpose of the timely detection and prevention of cyber incidents.
- **Optimization of critical systems** - application performance increased as a result of data archiving in the RTGS and WSS systems.

Development of the ISAC Portal

A complex search functionality was added to the ISAC portal, which provides the capability to search data received from commercial banks using advanced filtration. The new capabilities include:

- Searching data by bank, category, and registration date;
- Exporting search results;
- Accelerating and simplifying the data analysis process.

The Infrastructure Management Division carried out the modernization of the IT infrastructure, including upgrades to data centers and server systems, thereby enhancing the stability, reliability and security of the NBG's IT infrastructure. In additional, the division developed a resilient technology architecture that fully complies with the modern requirements of the NBG.

Update of Critical Infrastructure Systems

The software of critically important infrastructure systems was updated in 2025, including:

- The user management system;
- The internet and email filtration systems;
- The data backup and archiving system;
- The primary components of the server infrastructure.

These updates ensure the continuity of IT services and a high level of information security.

Update and Migration of Virtual Infrastructure

As a scope of the project, a comprehensive update of the existing virtual infrastructure and the implementation of a new, high-performance hardware complex were executed. New, significantly more powerful hardware was procured, which will meet the NBG's requirements for several years. The results of the executed project were as follows:

- The server and storage infrastructure in the data centers was upgraded;
- A virtualized environment with functionality aligned with modern standards was implemented;
- The core systems were successfully migrated to the new platform;
- Stress testing and disaster recovery scenario simulations were successfully completed.

Infrastructure of the Instant Payment System (IPS)

As part of the IPS project, the creation of the infrastructure necessary for the uninterrupted and reliable functioning of the Instant Payment System (IPS) was ensured, both at the physical and virtual layers. At the physical layer, the deployment of high-performance server resources and the optimization of network components were executed, ensuring the high availability and resilience of the system. At the virtualization layer, an isolated, high availability environment was created, specifically tailored to the unique requirements of the IPS. This environment ensures the flexible management of resources, which is critically important for processing a large volume of transactions in real-time.

Such a combined configuration of the infrastructure created a reliable foundation for the instant payments ecosystem. The system fully complies with modern security and performance standards, guaranteeing that the payment process will be secure, fast, and accessible at all times. The following steps took place:

- The deployment of the server and storage infrastructure across the data centers;
- The installation and configuration of the new virtualized environment with functionality compliant with modern standards were executed.
- Hardware and software testing was conducted across various scenarios to preclude any failure to the IPS functionality in the event of a future disaster scenario.

Update of the Infrastructure for Security (Video Surveillance) Systems

To meet growing business requirements, a comprehensive modernization of the security systems' infrastructure was executed. New physical servers and large-capacity storage arrays were deployed, resulting in a significant increase in the system's performance and reliability.

Strengthening of the SWIFT Infrastructure

As part of the SWIFT update project, Application division employees actively participated in the network configuration, parameterization, and physical installation of Hardware Security Module (HSM) devices. As a result, the SWIFT message routing system was successfully implemented and fully configured. This infrastructure upgrade provided the NBG with a top-tier banking security environment. The integration of HSM modules ensured a high level of security, resilience, and compliance with international financial standards for communication with SWIFT payment systems.

Infrastructure Support for New Systems (RTGS, IPS, VASP)

To support the implementation of new projects, virtual servers were prepared in accordance with technical requirements. Additionally, a certificate authorization system was implemented for the RTGS system, which was successfully integrated into the existing infrastructure.

Update of Voice Communication Systems (VOIP)

As a result of the update to the NBG's existing telephony infrastructure, a modern VOIP platform was implemented, and the quality and reliability of the telephony system were significantly improved. Within the framework of the new system, modern capabilities that were previously unavailable were implemented, including:

- An improved interactive voice menu;
- Advanced call management capabilities;
- Integration with other enterprise systems.

As a result of the update, the organization's operational efficiency and communication quality increased, the risk of technical disruptions was minimized, and a modern, secure communication environment was created that fully complies with current technological standards.

Update of the Network Security Infrastructure

A comprehensive modernization of the NBG's network security infrastructure was executed. Firewalls were upgraded, significantly enhancing network performance and security. In addition, during the year, modern security capabilities were implemented, including:

- Application-level control;
- User identification;
- Real-time threat prevention.

During the final stage of the process, the optimization of existing configurations and migration to the new platform were conducted, minimizing system downtime. As a result, a more flexible and secure environment was established that fully complies with modern enterprise standards and is prepared for future technological challenges.

Update of the Data Backup System

A comprehensive update of the data backup management system was executed as a separate project. The deduplication ratio was improved, and the duration of backup operations was reduced. The increased capacity enables an extension of the data retention period, which is critically important for business continuity and upholding data security standards.

Update of Core Switches

Within the framework of the network infrastructure upgrade, network core switches were upgraded. With the deployment of new-generation switches, network speed and overall performance significantly increased, which eliminated bottlenecks and ensured the fast and reliable data exchange.

As a result of the modernization, the organization acquired a scalable and high-tech network core. The new network switches provide sufficient port capacity to support future expansion and fully meet the requirements of a modern enterprise network standards, which guarantees system reliability.

Upgrade of Top-of-Rack (TOR) Switches

Within the framework of the data center infrastructure upgrade, the existing Top-of-Rack (ToR) switches were successfully replaced. The change was critically necessary to support the performance requirements of the new generation of server infrastructure.

The deployment of the new switches significantly increased server connectivity bandwidth and throughput, enabling high-speed data transfer with minimal latency. This directly enhanced the stability and performance of critical applications and the virtualized environment.

As a result of the modernization, a high-tech and scalable network layer was established within the server racks. The new infrastructure is fully compatible with modern computing resources, allowing the organization to utilize server capacities with maximum efficiency and ensure a high-performance data processing.

Implementation of DWDM Network Equipment

To improve the connectivity between data centers, DWDM (Dense Wavelength Division Multiplexing) technology was deployed. The implementation of DWDM enabled multiple independent communication channels to operate over a single pair of optical fibers, significantly increasing the available transmission capacity.

The new system enables the strict logical segmentation of network traffic. Dedicated, isolated transport channels were provisioned for the server infrastructure supporting individual projects, ensuring high bandwidth, low latency, and enhanced security.. This approach eliminated network bottlenecks and established a fully scalable transport infrastructure.

This infrastructure upgrade was critically important for the synchronization of data centers and ensuring business continuity. By deploying DWDM equipment, the NBC has acquired a high-speed, reliable, and resilient optical backbone connection capable of supporting future growth without requiring additional physical fiber cabling.

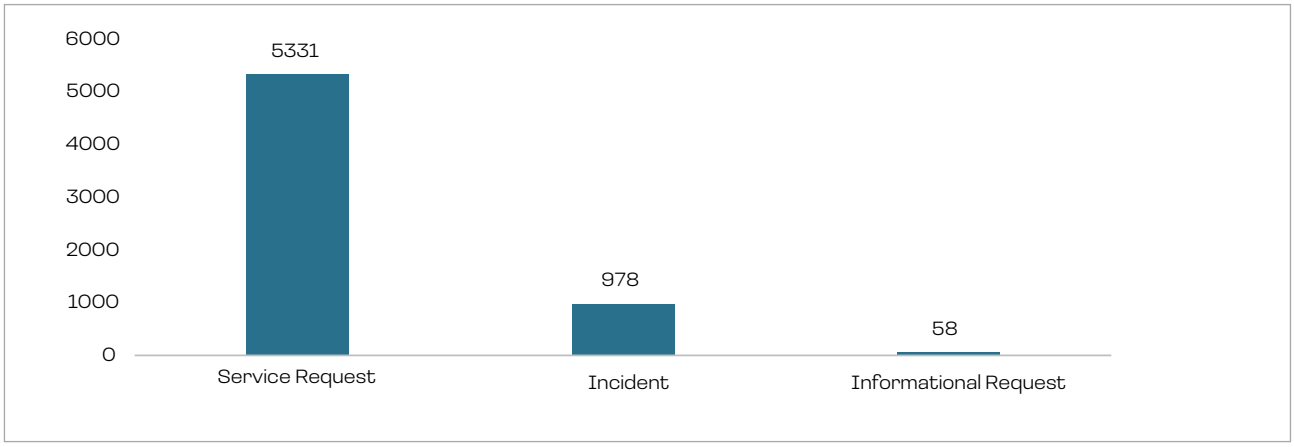
NBC User Support

A centralized user support model functions within the NBC, which is based on the single-point-of-contact principle. The function is realized through the Service Desk system, where the registration, classification, prioritization, and monitoring of user requests (Service Requests) and incidents takes place.

The Service Desk system ensures the structured and transparent execution of IT service management processes, which significantly contributes to both the improvement of service delivery quality as well as the reduction of response times and an increase in user satisfaction.

During 2025, 6,367 applications were registered on the Service Desk portal. Among the NBC's employees, service-type requests constituted the highest volume of applications.

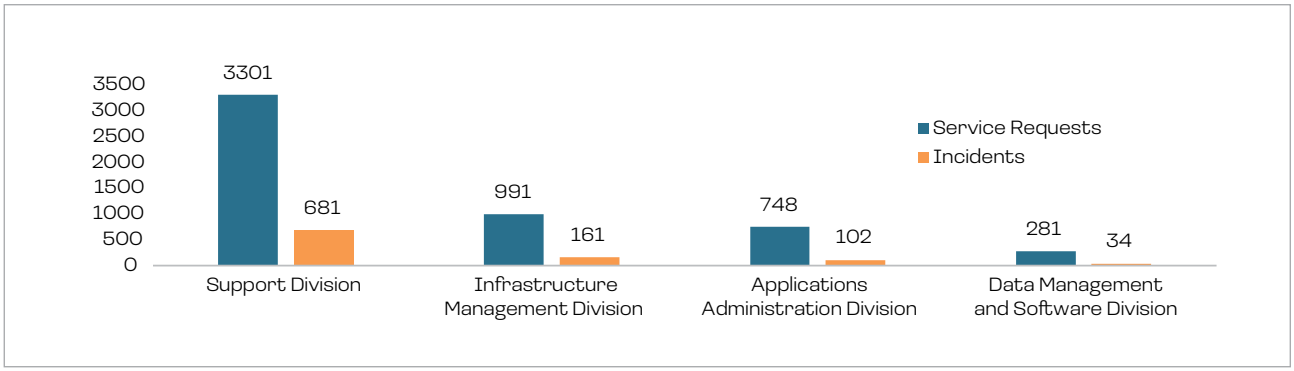
DIAGRAM N 12.1. REQUEST TYPES



Source: NBC

The distribution of applications among the divisions of the Information Technology Department remained unchanged in 2025. Some 62% of applications pertained to issues falling within the competence of the Service Division. Diagram N 12.2 reflects the number of incidents and service requests distributed among the divisions.

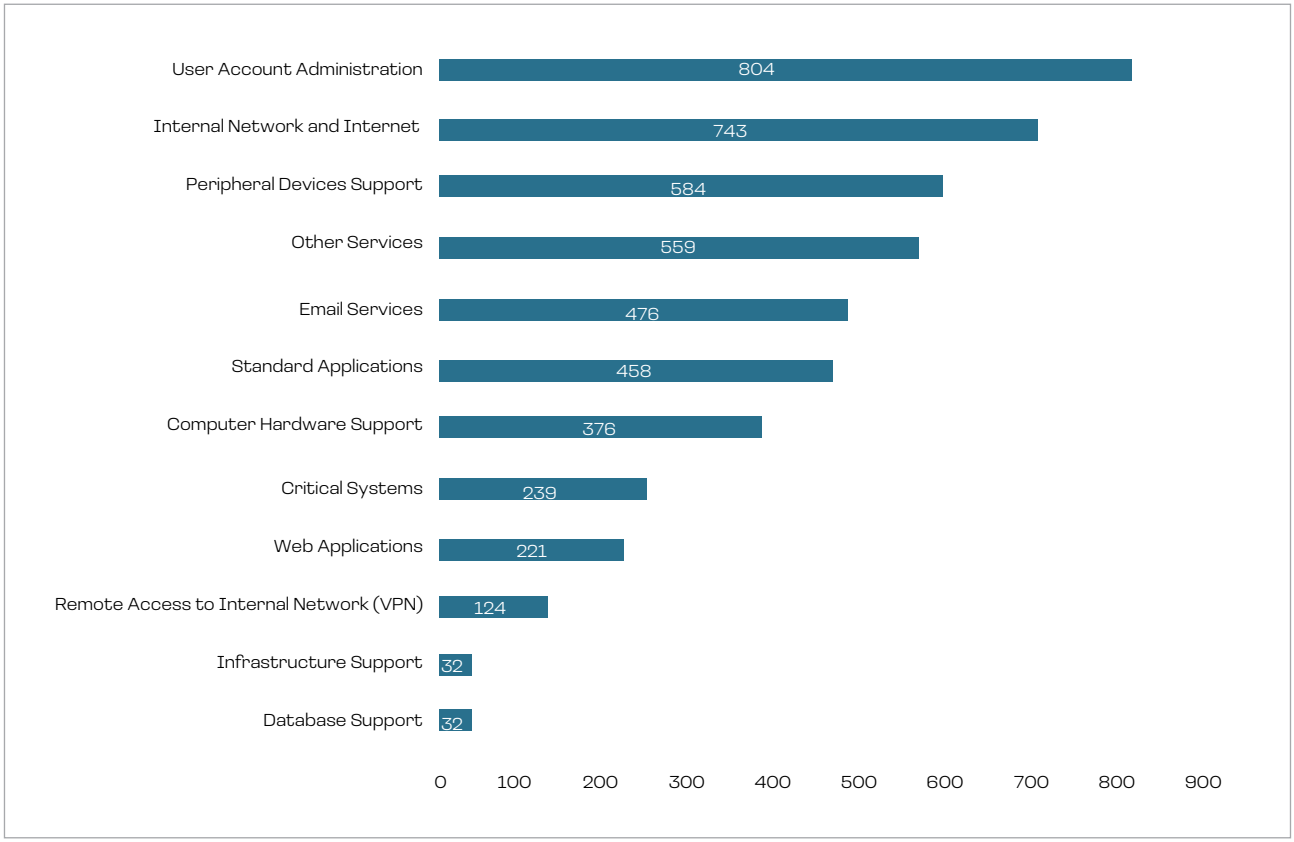
DIAGRAM N 12.2. STATISTIC REGARDING DIVISIONS



Source: NBG

During 2025, user requests by category followed the trend of previous years (see Diagram N 12.3).

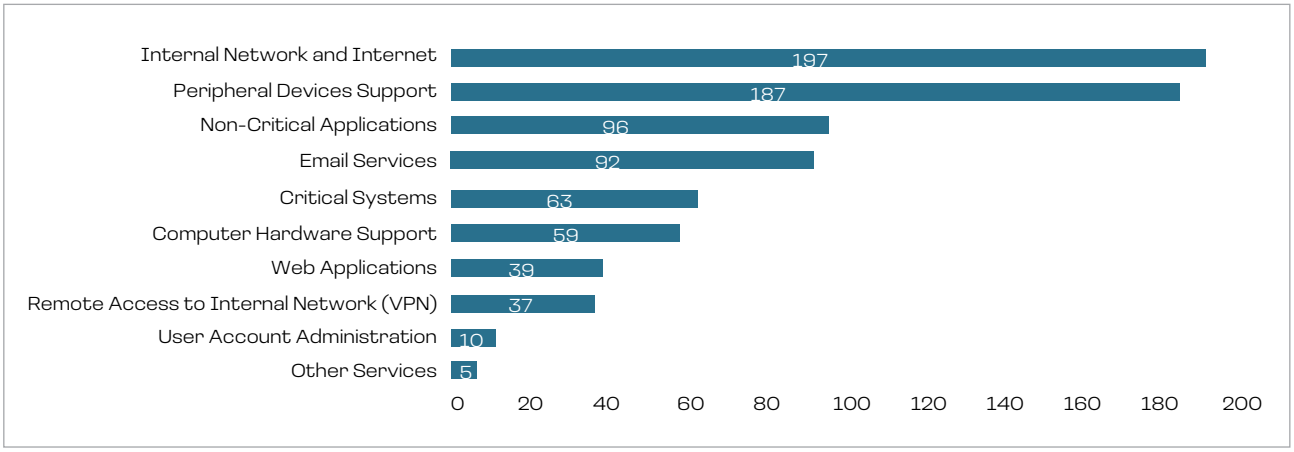
DIAGRAM N 12.3. CATEGORIES OF SERVICE REQUESTS



Source: NBG

The incident statistics were proportional to the relevance of the services (see Diagram N 12.4).

DIAGRAM N 12.4. CATEGORIES OF INCIDENTS



Source: NBC

During 2025, the NBC successfully executed a large-scale technological transformation that encompassed both the development of critical information systems and the comprehensive modernization of the infrastructure, security, and communication environment.

The executed projects collectively serve the NBC's strategic objectives: increasing operational efficiency, improving service quality, developing digital services, and ensuring compliance with international standards. Of particular significance are initiatives such as the implementation of the Instant Payment System (IPS) and the support for new financial platforms (RTGS, VASP), which significantly strengthen the organization's role within the financial ecosystem.

The infrastructure updates ensured high availability, scalability, and compliance with modern security requirements. Concurrently, system integration and process optimization have increased both the efficiency of internal operations and the speed and reliability of user-oriented services.

It is essential to note that the implemented changes do not merely represent a response to current needs; rather, they establish a sustainable technological foundation for the organization's long-term development. The implemented architecture and management practices ensure flexibility, enabling the NBC to effectively address future technological and business challenges.

Consequently, the organization is transitioning to a new stage of development, featuring a stronger, more secure, and modern IT ecosystem that is prepared to support growing workloads, new services, and digital transformation.

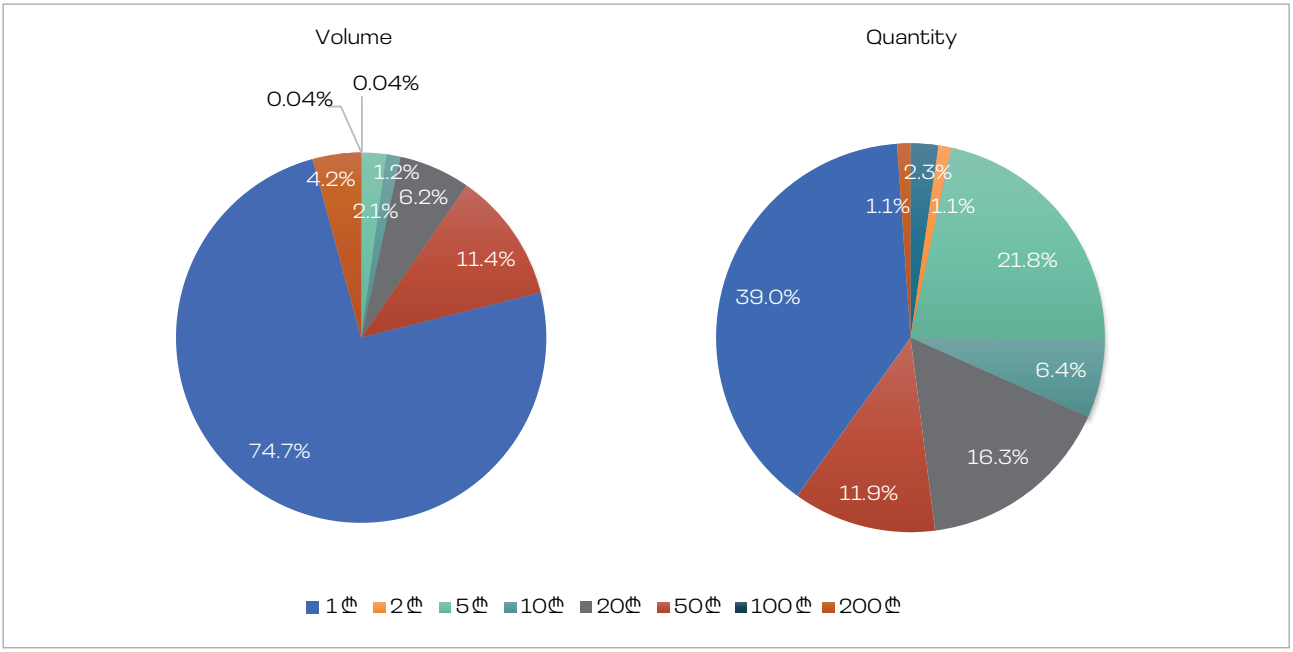
13.

ORGANIZATION OF CASH AND EMISSION ACTIVITIES

During the reporting year, the Cash Operations and Currency Circulation Department continued to supply the country's economy with banknotes and coins; create favorable conditions for the circulation of the national currency; manage the quality of the national currency in circulation; facilitate the fight against the proliferation of counterfeit currency; and conduct activities related to the popularization of the national currency.

As of 31 December 2025, the volume of cash in circulation amounted to GEL 7,442.2 million. Of this total, banknotes accounted for GEL 7,215.5 million, while coins amounted to GEL 226.7 million. Diagram N 13.1 illustrates the respective share of individual banknote denominations in circulation by number and value as of 31 December 2025.

DIAGRAM N 13.1. SHARE OF BANKNOTES IN CIRCULATION BY DENOMINATION*

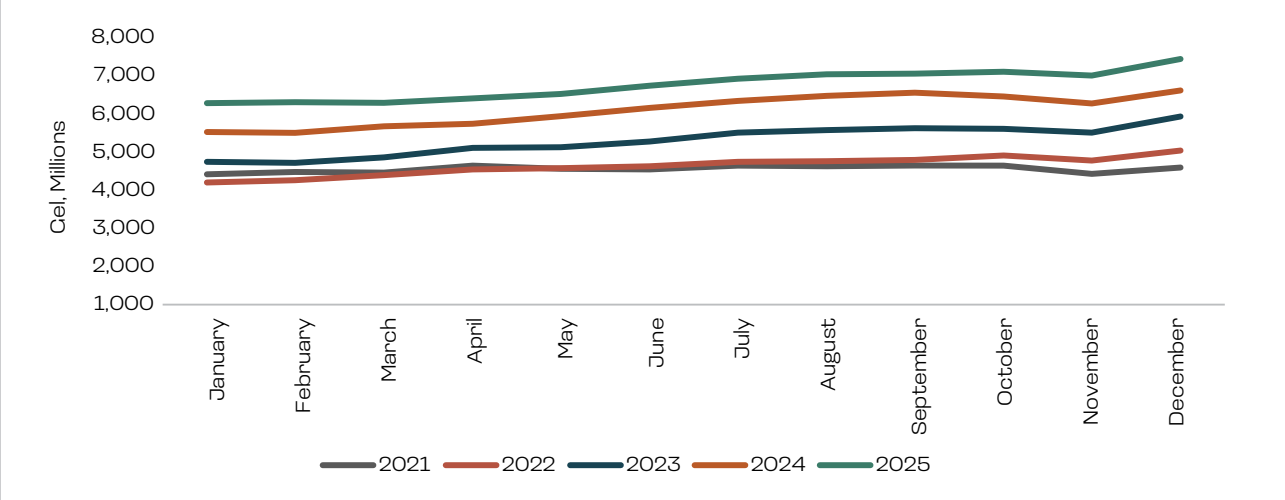


Including the 1 and 2 lari banknotes in circulation, the production of which was discontinued following the introduction of coins of the same denominations.

Source: National Bank of Georgia

During the reporting period, cash in circulation increased by GEL 825.2 million, or 12.5%, compared to the beginning of the year. Diagram N 13.2 shows the dynamics of the circulation of the lari for the period 2021-2025.

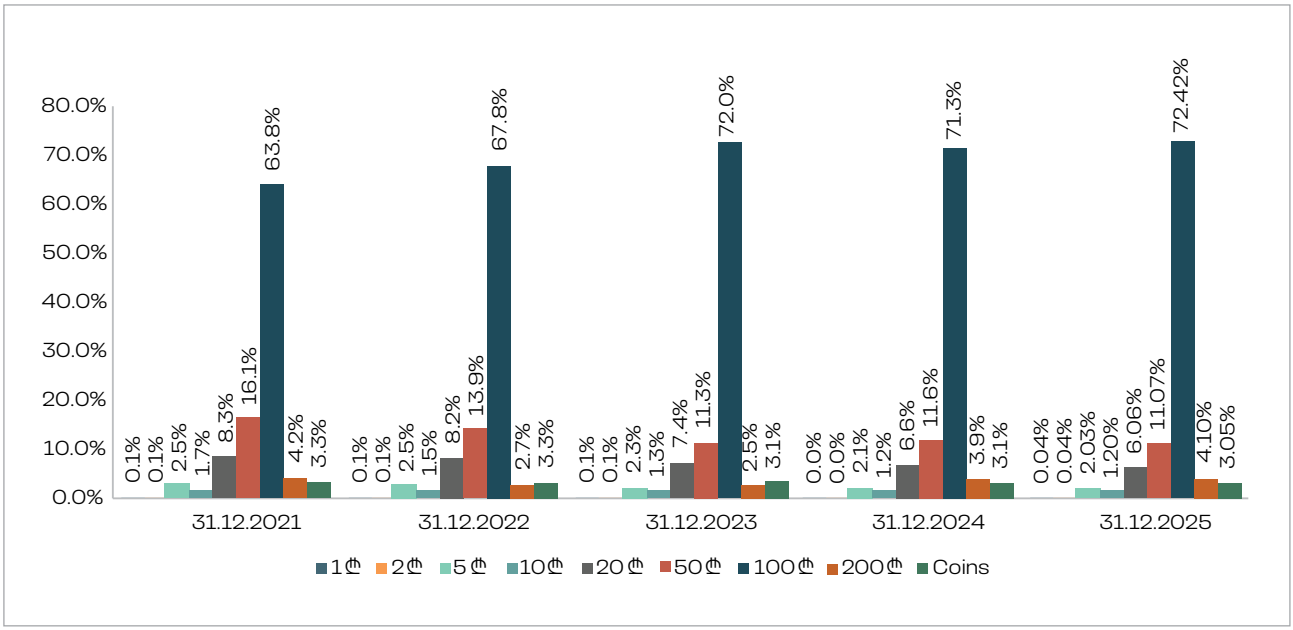
DIAGRAM N 13.2. CASH IN CIRCULATION (2021-2025)



Source: NBG

During 2025, the total value of banknotes in circulation increased by GEL 805.9 million, and their proportional share in the total volume of currency in circulation amounted to 97%. Compared to the previous year, the total value of coins in circulation increased by 9.3%, and their proportional share in total circulation amounted to 3% (see Diagram N 13.3).

DIAGRAM N 13.3. SHARE OF BANKNOTES OF INDIVIDUAL DENOMINATIONS AND COINS IN CIRCULATION (2021-2025)*

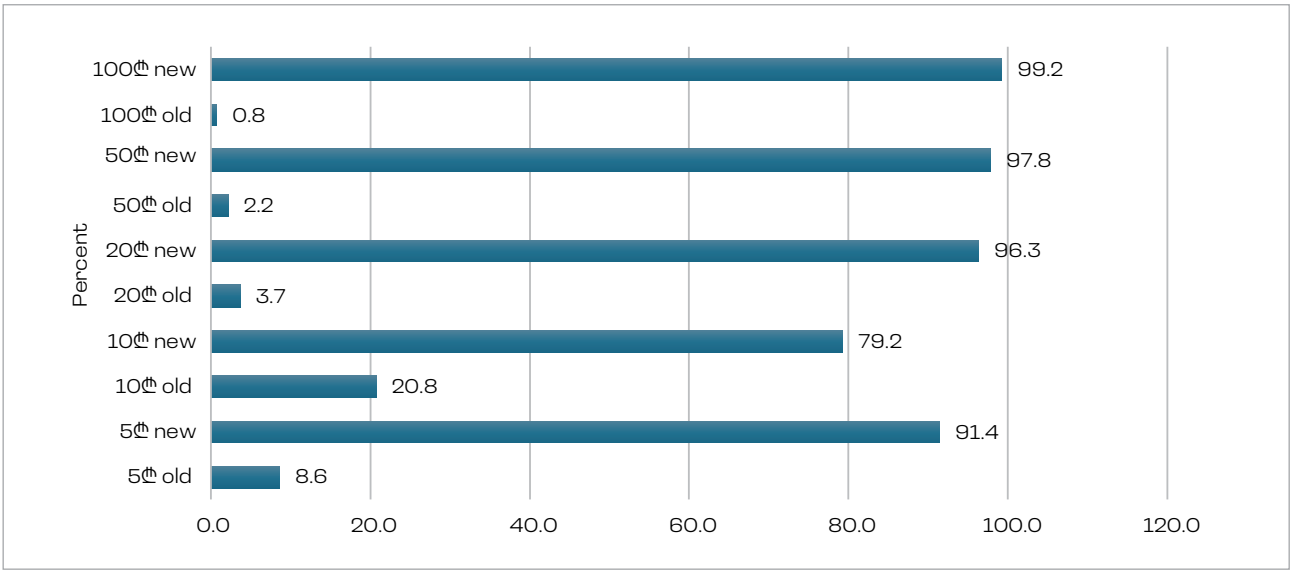


**Including the 1 and 2 lari banknotes in circulation, the production of which was discontinued following the introduction of coins of the same denominations.*

Source: NBG

During the year, the process of renewing the circulation of lari banknotes issued prior to 2016 with the upgraded 5, 10, 20, 50, and 100 lari banknotes continued. By the end of the reporting period, the upgraded 5 lari banknotes accounted for 91.4% of that denomination in circulation; the upgraded 10 lari banknotes accounted for 79.2%; the upgraded 20 lari banknotes for 96.3%; the upgraded 50 lari banknotes for 97.8%; and the upgraded 100 lari banknotes for 99.2% (see Diagram N 13.4).

DIAGRAM N 13.4. 5, 10, 20, 50 AND 100 LARI BANKNOTES IN CIRCULATION, BY MODIFICATION (PERCENTAGE)



Source: NBG

By the end of the reporting period, the proportional share of the quantity of old modification (pre-2016) banknotes, relative to the total number of new modification banknotes of the same denominations in circulation, amounted to only 4.6% (in 2024, this indicator was 5.2%).

During this period, the total value of 1 and 2 lari coins in circulation increased by 9.8%, amounting to GEL 157.2 million by the end of 2025. The withdrawal rate of the 1 and 2 lari banknotes from circulation is insignificant, as the quantity of these banknotes in circulation has substantially decreased following the introduction of coins of the same denominations. Over the past year, only GEL 1.8 thousand worth of banknotes of both denominations were withdrawn from circulation.

Compared to 2024, the total value of the national currency's tetri coins in circulation increased by 8.5% during the reporting period (demand increased for all denominations of tetri coins, particularly for the 20 tetri coin, rising by 9.6%).

For the purpose of ensuring the uninterrupted supply of cash to the country's economy and the replenishment of the National Bank's reserve stocks, the following activities were carried out:

- In 2025, delivery of the second half of a quantity of 10 and 50 tetri, and 1 lari circulation coins was completed, as stipulated by contracts concluded with the mints. In addition, work commenced on the production of a circulation coin of another denomination. During the reporting period, the production process of the coin was completed, and its first batch was delivered. The delivery of the remaining quantity of these coins is scheduled for 2026.
- During the reporting period, partner selection procedures for the production of lari circulation banknotes of three different denominations were executed, appropriate contracts were concluded with the selected partner enterprises, and the respective works for their production commenced. The completion of the banknote production process and the delivery of their first batch are scheduled for 2026.

For the purpose of popularizing the national currency and the country, the National Bank of Georgia continued the issuance of collector and investment products during the reporting period (for detailed information, see the "Collector and Investment Products" section below).

In 2025, compared to the previous year, the inflow of national currency in cash from commercial banks to the National Bank of Georgia decreased. The total amount was GEL 8,444.3 million, which is 23.1% less than the 2024 indicator. This decline is driven by the fact that during the period 2020-2024, temporary vaults of the Cash Center registered by the National Bank of Georgia had operated within commercial banks, and consequently, the deposit of cash by commercial banks into their correspondent accounts, as well as the fulfillment of other commercial banks' demand for cash, were regularly executed through those vaults.

Banknotes issued prior to 2016 accounted for 1.3% of the quantity of lari banknotes deposited by commercial banks, which once again attests to the significant reduction of banknotes from this issue in circulation. Furthermore, 78.1% of the proportional value of the deposited lari banknotes corresponded to the upgraded 50 and 100 lari banknotes, accounting for 30.1% and 48%, respectively.

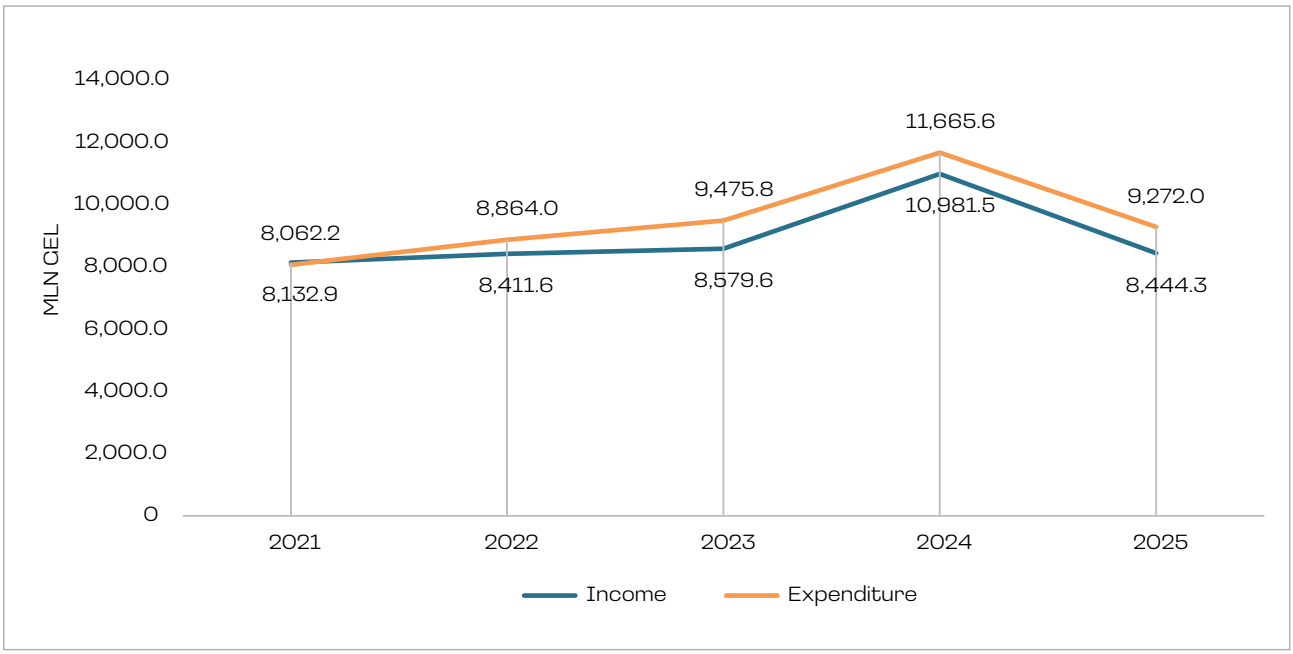
During the reporting year, foreign currency banknotes were also received from commercial banks, in the amount of 43.5 million US dollars and 6 million euros.

During the same period, funds issued by the National Bank of Georgia amounted to GEL 9,272.0 million, which is 20.5% less than the corresponding indicator for 2024. The outflow of national currency exceeded inflows by GEL 827.8 million, or 9.8%. Banknotes constituted 99.3% of the total issued amount.

Throughout the year, the most in-demand lari banknotes were the 50 and 100 lari denomination notes. The proportional share of such notes constituted 79.6% of the total value of lari banknotes issued to commercial banks during the year.

The dynamics of lari banknotes/coins received by and issued from the Cash Center during the years 2021-2025 are illustrated in Diagram N 13.5.

DIAGRAM N 13.5. CASH IN AND OUT OF THE CASH CENTER IN 2021-2025



Source: NBG

During the reporting year, in accordance with the demand of commercial banks, foreign currency was issued in the amount of 35 million US dollars.

To ensure the proper functioning of the technical means for counting and processing currency within the system of the National Bank of Georgia, and to determine the compliance of fit banknotes with the defined sorting level, the "BPS-M7" type banknote processing and sorting machines located in the Cash Center underwent inspections at least once every two months.

In 2025, for the purpose of conducting cash and emission activities without interruption, the currency processing equipment was updated. This resulted in 12 units of CashMAX CMX20 coin counting machines being procured and installed.

To ensure the safe and uninterrupted transportation of cash and other valuables, in 2025

- The cash-in-transit personnel of the Cash Center underwent scheduled practical firearms training twice.
- The armored vehicle owned by the National Bank of Georgia for transporting valuables underwent annual diagnostics and technical inspection.

During the reporting period, the National Bank of Georgia continued to work on the production of lari banknotes and coins, intended for both circulation and collection, ensuring that these were of the appropriate quality. To this end, the following pre-production specimen samples received from the respective manufacturing enterprises were examined and approved:

- Proof circulation coin samples.
- Proof samples of investment gold coins of 10, 25, 50, 100, 300, and 1,000 lari denominations.
- A proof sample of the 1 lari silver collector coin dedicated to "Handball 2026".
- Proof samples of the polymer banknote dedicated to the 30th anniversary of the lari.
- Proof samples of banknotes of two different denominations intended for circulation.

During the reporting period, quality control was also conducted on the following items received from the respective manufacturers:

- The circulation coins of one denomination.
- The second batch of 5 lari silver collector coins dedicated to the "Euro 2024".
- Gold investment coins of 10, 25, 50, 100, 300, and 1,000 lari denominations.
- The 5 lari silver collector coins dedicated to King Parnavaz I and King Bagrat III, produced as replacements for defective coins.
- Silver collector coins dedicated to the "Handball 2026".
- The polymer banknotes dedicated to the 30th anniversary of the lari.

For the purpose of preventing defective and poor-quality currency from entering circulation, the process of counting and sorting the total received quantity of 10 and 20 tetri coins, as well as the first batch of 50 tetri and 1 lari coins, was completed during the year. At this stage, the process of counting and sorting the second batch of 50 tetri and 1 lari coins, as well as circulation coins of another denomination, is ongoing.

Throughout the past year, expert examination works on currency continued. Specifically, an expert examination was conducted on 6,573 suspicious currency notes and coins submitted by commercial banks, currency exchange bureaus, microfinance organizations, law enforcement agencies, and individuals, the results of which are shown in Table 13.1 below.

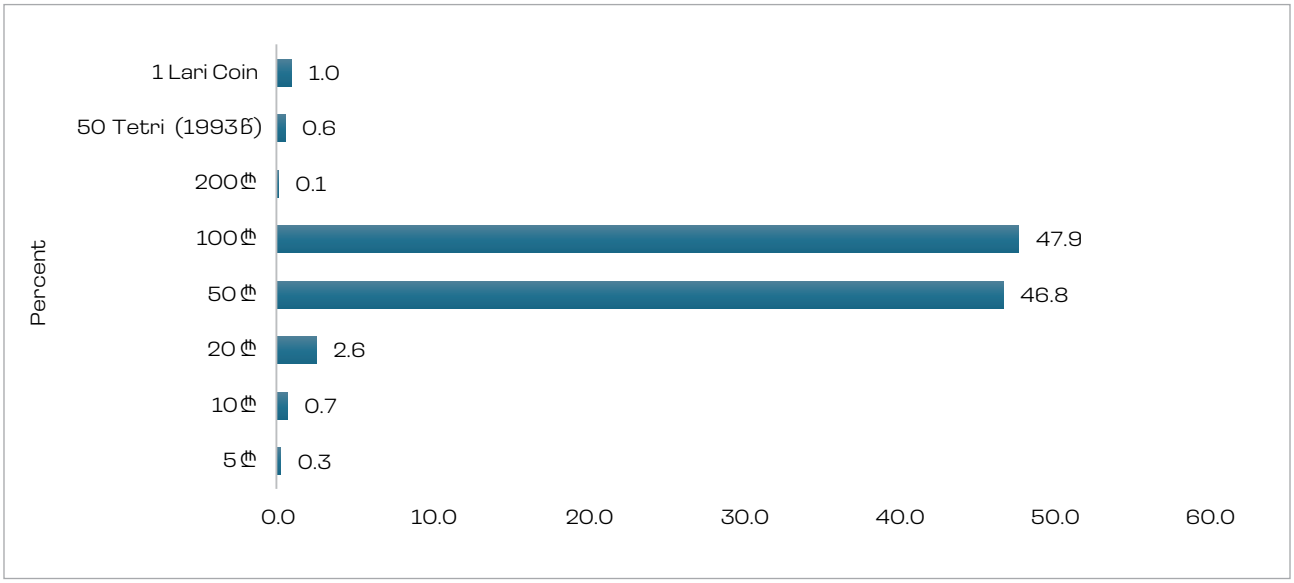
TABLE 13.1. RESULTS OF EXPERT EXAMINATION OF SUSPICIOUS CASH IN 2025 (QUANTITY):

	Suspicious	**Counterfeit**	**Genuine**	**Unfit**
Lari banknotes	3099	687	1331	1081
Lari coins	27	11	16	-
USD	3113	2014	1099	-
EUR	186	123	63	-
Other foreign currency	148	132	16	-
Total	6573	2967	2525	1081

Source: NBG

Diagram N 13.6 shows the percentage distribution of counterfeit lari banknotes and coins detected during the reporting period, by denomination.

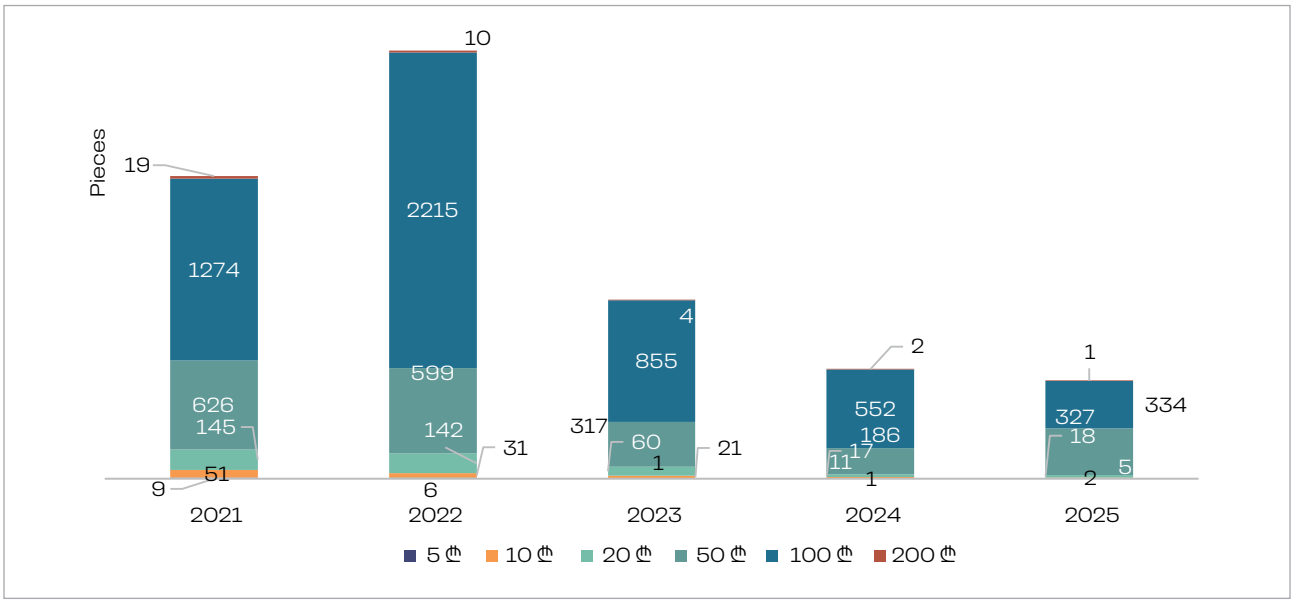
DIAGRAM N 13.6. COUNTERFEIT GEL BANKNOTES AND COINS DETECTED IN 2025 (PERCENTAGE)



Source: NBG

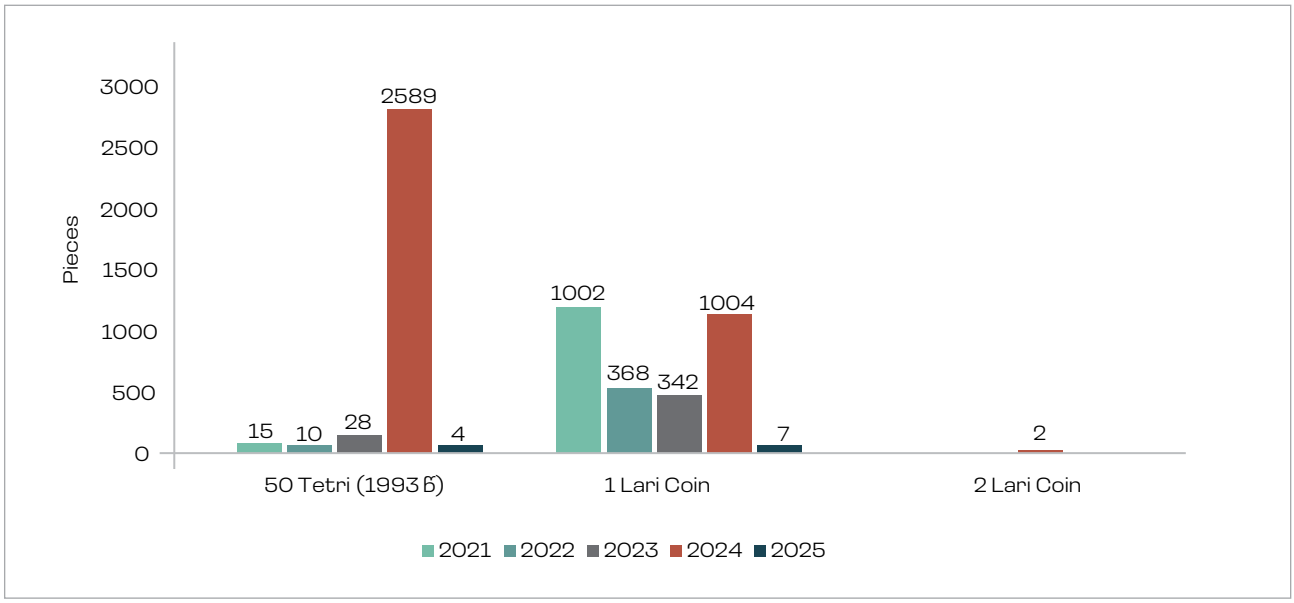
The quantity of counterfeit lari banknotes detected in 2025 decreased by 10.7% compared to 2024. The quantity of counterfeit US dollar banknotes increased by 8.9%, while the quantity of counterfeit euro banknotes decreased by 23.6%. Additionally, detection of other counterfeit foreign currency decreased by 32.3%. The quantity of counterfeit lari coins is insignificant compared to 2024 (having decreased by 99.7%). The quantity of counterfeit lari banknotes and coins detected during the 2021-2025 period, categorized by denomination, is illustrated in Diagrams N 13.7 and 13.8.

DIAGRAM N 13.7. COUNTERFEIT GEL BANKNOTES DETECTED IN 2021-2025



Source: NBG

DIAGRAM N 13.8. COUNTERFEIT GEL BANKNOTES DETECTED IN 2021-2025



Source: NBG

During 2025, attention continued to be directed toward enhancing the qualifications of personnel executing cash operations. For the purposes of providing instruction on currency security features, determining the fitness of lari banknotes and coins, and enhancing the qualifications for handling cash, training sessions were conducted for 78 interested individuals. In addition, booklets detailing the security features of the national currency's banknotes and coins, necessary for the training process, were produced.

During the reporting period, the sale of collector (including investment coins) and numismatic products, as well as gold bars, was carried out. Specifically, during 2025, the following were sold:

- Collector banknotes and coins (including investment coins): 36.9 thousand units.
- Numismatic and other products: 1.6 thousand units.
- Gold bars: 1.5 thousand units.

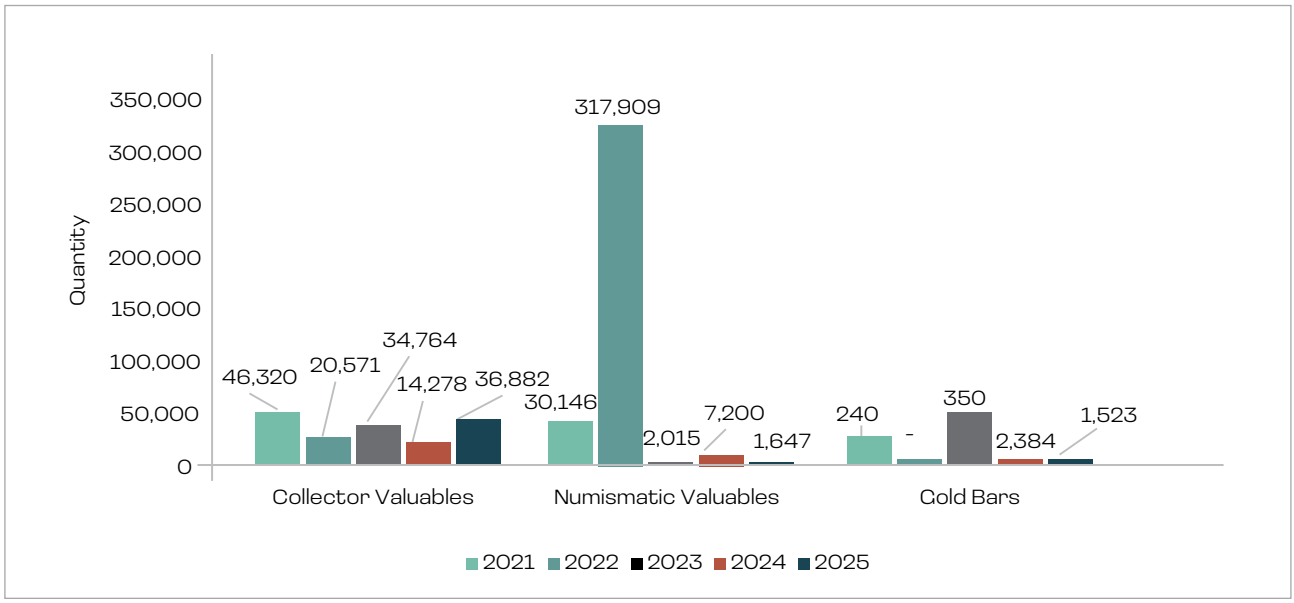
A total of 40.1 thousand product units were sold, including:

- From the cash desk of the Cash Center: 28.1 thousand units.
- From the cash desk of the Kvareli Money Museum: 851 units.
- Through remote channels: 11.1 thousand units.

The volume of products sold during 2025 increased approximately 1.7 times compared to the previous year. The increase is attributed to the commencement of sales of collector coins dedicated to three new themes (the silver collector coin dedicated to the theme of "Bakuriani 2025", the gold and silver collector coins dedicated to the theme of "Euro 2024", and the gold, silver, and cupronickel collector coins dedicated to the theme of the "30th Anniversary of the Lari").

The dynamics of the sale of collector (including investment coins) and numismatic products, as well as gold bars, during the years 2021-2025 are illustrated on Diagram N 13.9.

DIAGRAM N 13.9 QUANTITY OF VALUABLES SOLD IN 2021-2025



Source: NBG

For the purpose of introducing the history of Georgian money and the National Bank of Georgia as the central bank of the country, as well as its core activities, the Money Museum of the National Bank offered educational courses to the public during the reporting period.

During 2025, 98 educational tours (excursions) were conducted at the Money Museum, which encompassed a review of Georgian numismatics and the direct viewing of exhibits. These courses were attended by 1,582 students and 114 educators.

In May 2025, within the framework of the events dedicated to International Museum Day and the week of the Restoration of the Independence of Georgia, the Money Museum hosted the exhibition "Unknown Pages of the History of the State Bank (1919-1921)". As part of the exhibition, visitors became acquainted with the history of the establishment, organizational structure, and operations of the State Bank of Georgia, as well as the financial-economic history of Georgia from 1918 to 1921.

Throughout 2025, the Money Museum hosted educational meetings for students, within the framework of which 343 students and professors from various higher education institutions of Georgia became acquainted with the history of Georgian money and banking.

During the reporting period, a total of 4,293 visitors (including 4,052 local and 241 international visitors) visited the museum.

In 2025, within the framework of events dedicated to the 30th anniversary of the introduction of the lari into circulation, an exhibition covering the 26-century history of Georgian money was organized, with the involvement of the museum, at an international conference hosted by the NBG. The event exhibited historical Georgian coins, bonds of the Democratic Republic of Georgia, 19th-20th century securities, historical documents of the State Bank, lari banknotes and coins, as well as photographs of the design history of lari banknotes. The Money Museum was also involved in the preparation of a commemorative video clip for the 30th anniversary of the lari and the creation of branded informational and promotional products. During the anniversary year, catalogs of Georgian money and the lari were published.

In addition, the Money Museum provided assistance to the Georgian Post in the creation of a commemorative stamp project "Georgian Money National Currency - 30 Years".

COLLECTOR AND INVESTMENT PRODUCTS

Euro 2024

In 2025, the production and delivery of the remaining portion of collector coins dedicated to the "Euro 2024" theme were executed, and the sale of the gold and silver coins commenced.



Design: Georgian Football Federation

Bakuriani 2025

In 2025, the issuance and sale of collector coins dedicated to the "Bakuriani 2025" theme commenced.

Obverse **Reverse**



Design: Organizing Committee of the European Youth Olympic Winter Festival

The obverse of the coin depicts an image of a skier and the denomination name "5 lari" as colored details against the background of a snow-capped mountain. Along the edge, in a semi-circle, are inscriptions denoting the event "European Youth Olympic Winter Festival" and "Bakuriani 2025" (in Georgian), separated from each other by images of snowflakes.

The reverse of the coin features the festival's logo (in colored detail) against the background of a snow-capped mountain and the inscription "საქართველო", and "Georgia", between which snowflakes are placed.

30th Anniversary of the Lari

In 2025, the issuance and sale of gold, silver, and cupronickel collector coins dedicated to the theme of the 30th anniversary of the lari commenced.

Obverse **Reverse**

Silver



Gold



Copper-nickel



Design: Mariam Chachanidze
& Shorena Chachanidze

On the right side of the coin's obverse, security features present on lari banknotes are depicted in the form of ornaments; on the left side, there is a stylized inscription "30 Years" (on the silver coin, that detail is colored), and in the central part, the inscription "Georgian Lari" (in Georgian).

In the central part of the coin's reverse there is a combination of the figure "5" indicating the denomination and the lari symbol "₾", along with the inscription "five lari" (in Georgian), which is surrounded by a circle of lines representing a symbolic image of the sun's rays. Additionally, the inscriptions "საქართველო", "Georgia", and "1995-2025" are inscribed, between which a detail existing on the reverse of tetri coins is depicted.

In addition, during the reporting period, the process of the production and delivery of a collector banknote dedicated to the 30th anniversary of the lari was conducted and completed. Their issuance and sale are planned for the near future.

Handball 2026

In 2025, the production of 3,000 silver collector coins dedicated to the participation of the Georgian national handball team in the 2026 European Championship was completed and their delivery was executed. The issuance and sale of the coins will commence in January 2026.

Georgian Radio

In 2025, preparatory works for the issuance of a silver collector coin dedicated to the theme of "Georgian Radio" commenced. During the reporting period, a sketch of the respective design was prepared in cooperation with the Public Broadcaster. The production and issuance of these coins are planned for 2026.

Gold Investment Coins

During the reporting period, procedures for selecting a partner for the production of gold investment coins in the denominations of 10 lari (1/10 ounce) - 500 pieces, 25 lari (1/4 ounce) - 500 pieces, 50 lari (1/2 ounce) - 200 pieces, 100 lari (1 ounce) - 300 pieces, 300 lari (5 ounces) - 30 pieces, and 1,000 lari (10 ounces) - 10 pieces were executed. An appropriate contract was concluded with the selected partner, the Mint of Poland, and the necessary work for the production was carried out in cooperation with the manufacturer. During the reporting period, the production and delivery of the full quantity of the coins were completed.

Gold bars

In 2025, the procurement and receipt of 1-kilogram standardized gold bars of the highest purity from an LBMA-accredited enterprise were ensured.

14.

INTERNAL AUDIT AND CENTRALIZED RISK MANAGEMENT

14.1. INTERNAL AUDIT SERVICE

The 2025 assurance services plan of the Internal Audit Department was developed in accordance with the risk-based audit planning methodology and primarily relied on data from the NBG's risk register. During the preparation of the annual plan, when prioritizing audited entities, the following factors were taken into consideration: the risk rating of the object, the dates of the last executed audit, assessments assigned based on the results of audits conducted in the previous period, and the audit cycle. Additionally, an audit plan for the Information Security Management System, the consulting services plan, and an orientational long-term plan were each prepared. Moreover, within the framework of the annual planning, a review of the audited entities universe list was executed. Also, taking into account the dynamic principle of planning, a review of the annual work plan was executed at six-month intervals.

During the reporting period, 27 audits/reviews stipulated by the 2025 work plan were executed, and the corresponding results were communicated to the Governor of the National Bank and the Audit Committee of the Board. Furthermore, within the framework of the dynamic monitoring of the implementation of recommendations, the Internal Audit Department continued to verify and update information regarding the implementation status of recommendations issued as a result of various audits, and to conduct corresponding reporting. This process was managed through the audit and risk management software, which provides the capability for owners of the audited entity to update data, upload evidence, and consolidate the information placed in the system. During the monitoring process, the implementation status of active recommendations was verified, their statuses were updated, and appropriate reporting to the Governor of the NBG and the Audit Committee was executed.

Additionally, periodic and annual summary reports regarding activities performed by the Internal Audit Department during the reporting period were submitted to both the executive management of the NBG and the Audit Committee. Moreover, reporting to the Audit Committee was also executed in the format of presentations of individual reports.

The Internal Audit Department actively collaborated with the Audit Committee of the Board of the NBG regarding various aspects of its activities. Over the course of 2025, 11 meetings of the Audit Committee were held, within the framework of which both the results of activities executed in terms of assurance services and thematic issues related to the internal audit function were reviewed. In addition, during the reporting period, active monitoring was conducted by the Audit Committee on measures ensuring the implementation of recommendations by the structural units of the NBG.

In accordance with existing practice, the Internal Audit Department maintained appropriate communication with representatives of the external audit company as part of the financial statement audit of the National Bank of Georgia. Requested information and documents were submitted to the external auditor.

During the reporting period, a certifying company conducted a certification audit of the NBG's Information Security Management System for compliance with the ISO 27001 international standard. The Internal Audit Department appropriately participated in this process.

Throughout the reporting year, the Internal Audit Department continued its involvement in the Central Bank Data Analytics Working Group (CBDAWG), which includes internal auditors from the central banks of Canada, Switzerland, the Netherlands, Morocco, Germany, and France. Within this framework, working group meetings were held, in which employees of the Internal Audit Department participated.

Taking into account the practice of sharing knowledge and experience accumulated in the field of internal audit at the National Bank, employees of the Internal Audit Department shared their professional experience with representatives of another country's central bank, as well as with internal auditors from one of Georgia's state agencies.

As of January 2025, the updated International Professional Practices Framework (IPPF) and the Global Internal Audit Standards, issued by the Institute of Internal Auditors, came into effect. Reflecting these changes in operations represents a significant challenge, considering that one of the primary strategic goals of the Internal Audit Department is to ensure that the quality of its activities align with international standards. This matter acquires particular significance since, according to the results of comprehensive external quality assessments of activities ex-

ecuted in both 2016 and 2022, international experts awarded the activities of the NBG's Internal Audit Department the highest category—"Generally Conforms with the International Professional Practices Framework (IPPF) and the Code of Ethics of the Institute of Internal Auditors (IIA)". During the reporting period, the Internal Audit Department thus continued preparatory work aimed at ensuring compliance with the new standard. Corresponding reporting was executed regarding the progress of implementing the measures stipulated by the preparatory plan for the internal/external assessment.

Furthermore, in consideration of the principle of continuous professional development, employees of the Internal Audit Department participated in various seminars and training sessions organized by the NBG, as well as by partner central banks and international organizations.

During the reporting period, the Internal Audit Department prepared a strategy document that defined the department's strategic objectives for the period 2026-2028. Furthermore, the department continued its work toward the development and update of its methodological documents. Specifically, the Internal Audit Manual was updated; and existing procedural documents were reviewed, taking into account accumulated experience, structural changes, and the requirements of the new internal audit standard. A consolidation of instructional documents adopted during the recent period was executed. Also, the Internal Audit Manual of the NBG's Information Security Management System was reviewed and updated.

In addition, the Quality Assurance and Improvement Program of the Internal Audit Department was updated, the objective of which was to facilitate the effective operation of the internal audit function. Furthermore, to support the individual professional development of internal auditors, a Continuous Professional Development Program for the employees of the Internal Audit Department was developed.

14.2. NON-FINANCIAL RISK MANAGEMENT

A centralized risk management framework is implemented in the NBG, which ensures a unified, consistent, and systematic approach to the identification, analysis, assessment, determination of appropriate response measures, monitoring, and reporting of non-financial risks—including operational and reputational risks. The framework is based on best international practices and is in compliance with the principles defined by the COSO ERM and ISO 31000 standards.

In the risk management process, the NBG utilizes the "Three Lines Model", which ensures the clear distribution of functions and responsibilities among the various tiers of the organization, as well as effective interaction among them. The model plays a significant role in strengthening corporate governance and consolidating the accountability system. Within the framework of the "Three Lines Model," the first line is represented by structural units that act as risk owners and are responsible for the day-to-day management of risks. The second line is represented by the Centralized Risk Management Department, which ensures the coordination, methodological support, and supervision of the risk management framework. The third line is represented by the Internal Audit Department, which independently assesses the effectiveness of the risk management and internal control systems.

In accordance with the risk management framework, during 2025, the Centralized Risk Management Department continued the systematic identification and analysis of risks related to the NBG's activities. The assessment of identified risks was executed based on an analysis of their probability and potential impact, and took into account the effectiveness of existing control mechanisms. As part of this process, the NBG's risk register was regularly updated, which ensured that it reflected ongoing changes in both the internal and external environments. For the purpose of effectively executing the risk assessment process, the NBG utilizes the Risk and Control Self-Assessment (RCSA) methodology, which ensures the structured assessment of risks and corresponding controls within each functional direction of the NBG.

As part of the model risk management framework operating in the NBG, a comprehensive model register has been created, which encompasses the primary parameters associated with each model, their assessment, and the determination of the corresponding risk level. During 2025, work continued on documenting models in a standardized format, as well as on identifying the non-financial risks associated with them and reflecting any such risks in the register.

During the reporting period, the incident management system continued to be utilized. This is one of

the most important tools of operational risk management, ensuring the identification, registration, and analysis of incidents related to business processes. This facilitates the detection of existing weaknesses in processes and allows the planning of corresponding improvement measures to reduce the probability a recurrence of similar incidents.

For the purpose of the effective administration processes, their formalization, and the preservation of institutional knowledge, the NBG systematically develops and updates its internal procedures. During 2025, both the updating of existing internal procedures and the development of new procedures were actively ongoing. This process is a significant mechanism for supporting the centralized risk management framework, as well as for establishing and maintaining an effective internal control environment.

The centralized risk management framework also entails the determination of the non-financial risk appetite, which is approved annually by the Board of the NBG. In general, the NBG maintains a conservative approach toward non-financial risks, as a result of which the defined risk appetite corresponds to a low-risk level. For the purpose of maintaining these parameters, the NBG ensures the allocation of appropriate resources and seeks the continuous improvement of the internal control environment.

For the purpose of enhancing risk culture and awareness within the organization, in 2025, training sessions on risk and incident management matters were conducted for various interested groups of NBG employees. The training sessions encompassed both a review of the relevant rules and procedures operating within the NBG, as well as the practical aspects of utilizing the respective systems.

During the reporting period, the sharing of the knowledge and experience accumulated by the NBG in the field of risk management at the international level also continued. This occurred both within the framework of on-site and remote meetings, as well as through international seminars and conferences.

14.3. BUSINESS CONTINUITY MANAGEMENT

The National Bank of Georgia, as an organization possessing critical national infrastructure, attaches particular importance to ensuring the continuity of critical services and strengthening institutional resilience. To achieve this objective, the NBG systematically plans, executes, and monitors measures directed toward the continuous provision of critical services and the assurance of the organization's operational resilience.

Within the business continuity management framework, the NBG regularly assesses the readiness of its human, technological, and logistical resources. To this end, various types of testing and practical exercises are conducted, which are directed toward ensuring the continuity of the functioning of critical processes and assessing the organization's readiness under various potential scenarios. During 2025, work continued regarding the assessment of the resilience of such resources and the practical testing of business continuity plans.

In 2025, the execution of the Business Impact Analysis (BIA) also continued, which represents one of the primary instruments of business continuity management. The process entails the systematic determination and analysis of the resources required for the delivery of the NBG's critical services. Within the BIA framework, the technical, human, and logistical resources necessary for the delivery of critical services are identified, as well as those third parties participating in the delivery of these services.

The Business Impact Analysis also ensures the assessment of potential threats that may cause disruption or the temporary suspension of service delivery. Based on this analysis, the temporal parameters of the organization's tolerance to the disruption of critical service delivery are determined, along with the target time indicators required for the technical recovery of services.

During the reporting period, various types of testing and training events were conducted, which were directed toward raising employee awareness regarding business continuity management matters and improving coordination during the crisis management process. These activities facilitated an increase in employee readiness and the strengthening of the capability to effectively respond to crisis situations.

In 2025, the NBG actively participated in the interagency command-staff exercise "Didgori 2025", which aimed to refine coordination and decision-making mechanisms among state agencies under the condi-

tions of crisis situations, states of emergency, and martial law. The exercise was conducted based on a pre-defined simulated scenario and encompassed both staff and field components. The participation of the NBG was of particular importance from the perspective of managing the financial-economic direction. NBG representatives made an active contribution to the development of corresponding scenarios and so-called "injects" within the framework of the financial-economic component, based on which various response measures were executed during the execution phase of the exercise. The exercise facilitated the practical testing of the continuity of the financial system's functioning and corresponding response mechanisms in a crisis environment, and once again highlighted the significant role of the NBG in strengthening coordinated cooperation with state agencies, supporting financial stability, and consolidating the country's institutional resilience.

15.

PUBLIC RELATIONS AND INTERNATIONAL COOPERATION

Public Relations

The year 2025 was an anniversary year for the National Bank of Georgia. Throughout the year, the NBG celebrated the 30th anniversary of the introduction of the national currency, the lari, into circulation through a diverse range of activities and events.

To commemorate this event, a large-scale communication campaign was planned, the primary objective of which was to demonstrate to the public the significance of the lari as a symbol of cultural identity and economic independence. The campaign was united by a common message: "Lari 30 - The Symbol of Georgia's Economic Independence".



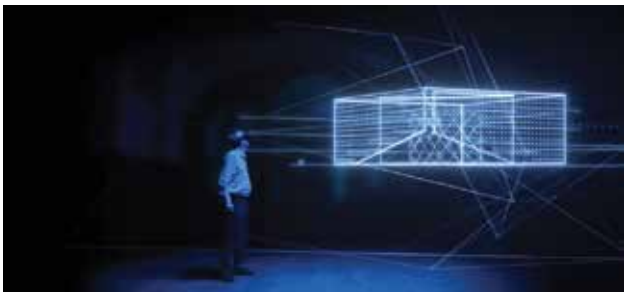
Within the framework of the campaign, a high-level international conference, "From Trust to Close Cooperation", was held, in which more than 300 representatives from 30 countries participated, including governors of central banks and representatives of international companies.



Concurrently, a commemorative collector coin and banknote were created; a complete catalog of the Georgian currency and a special edition dedicated to the lari were published; a presentation of a commemorative postage stamp was held; a documentary film about the first Governor of the National Bank, Iason Lortkipanidze, was prepared; and the publication of the NBG's scientific-analytical journal *Monetary Economics* was resumed—this had first been published 25 years ago under the name *Bank* and subsequently *Economics and Banking*.



The video created for the campaign was particularly impressive, the primary objective of which was to present the past, present, and future of the lari.



The video narrates the legacy of the lari, its present role, and the idea that the lari is not merely money—it is a symbol of a nation that comprehends the value of freedom. The video was produced in both Georgian and English languages and was broadcast on Georgian television channels. To date, the video has garnered over one million views on social networks and has reached more than 500,000 people on the National Bank of Georgia's Facebook page.





Based on the creative concept behind the anniversary events, branded merchandise was created, and thematic posts were prepared for social media, the visual design of which was inspired by core elements depicted on the lari banknotes. The objective of these initiatives was to celebrate the development path of the lari and to convey the 26-century history of the Georgian currency to a broad audience.



The 7th National Scientific Conference of Economists in 2025 —"The Role of the National Currency in the Georgian Economy"—was also dedicated to the 30th anniversary of the introduction of the lari into circulation.



Within the framework of the event, renowned economists and representatives of the National Bank of Georgia discussed economic globalization and the development prospects of the Georgian economy.

Additionally, the National Bank of Georgia's financial education platform, Finedu, with the support of several commercial banks, conducted a drawing competition titled "The Lari is 30 Years Old". Children and adolescents aged 6 to 18 were eligible to participate. Over 550 artworks were submitted to the competition, reflecting the younger generation's vision of the lari.



The lari anniversary campaign constitutes one of the most successful and memorable initiatives of the National Bank of Georgia, which once again reminded the public why the lari is an integral part of Georgia's national identity.



In 2025, to ensure the maximum transparency of the National Bank of Georgia's activities and to promptly provide the public with information regarding ongoing processes within the banking system, public relations were conducted utilizing various communication instruments.

The NBG promptly disseminated press releases and statistical data. It hosted conferences, press conferences, seminars, and meetings with analysts on relevant topics. Concurrently with ongoing commu-

nication activities, topics related to the activities of the NBG were actively covered on various television channels, where representatives from various departments of the NBG regularly appeared as guests.

It is noteworthy that the NBG's website is visited daily by numerous users, including representatives of the financial sector and academic circles, the media, industry experts, analysts, numismatists, and students. The information is regularly accessed not only domestically but also internationally—by international partners, investors, representatives of international financial institutions, and others. This is evidenced by the growth of active website users, which exceeded 1.2 million over the year.

Considering the significance of digital media and the growing potential audience, throughout 2025, relevant and interesting information was regularly published on the digital channels of the National Bank of Georgia, including activities of historical and state significance, as well as informational and educational content. Consequently, in 2025, on the NBG's "Meta" digital platforms alone, we reached the absolute majority of the potential audience—70%; content interactions exceeded 375,000, and the number of views surpassed 21.5 million. Furthermore, it is noteworthy that the activities published on the NBG's professional social network, LinkedIn, met with high user engagement, with the number of views exceeding 1.2 million.

As in previous years, the National Bank of Georgia, published the "Monthly Review" on a monthly basis, the "Monetary Policy Report" on a quarterly basis, the analytical reports "Financial Sector Indicators" and "Current Macroeconomic Indicators", and promptly published statistical data and the press releases of the Monetary Policy Committee. Additionally, in 2025, the NBG prepared and published in print the "Annual Report 2024 of the National Bank of Georgia". Electronic versions of the National Bank of Georgia's publications are available on the official website: https://nbg.gov.ge/publications/annual-reports.

For the purpose of promptly informing international audiences, the Strategic Communications Department of the National Bank of Georgia, in cooperation with the International Relations Department, published an informational newsletter on a monthly basis. The newsletter details relevant and interesting activities, events, and initiatives of the past month. The informational newsletter is distributed to international organizations and media outlets such as the IMF, ADB, EBRD, IFC, World Bank, *Central Banking*, *The Banker*, *The Financial Times, and Euromoney.*

In 2025, the NBG continued its work on improving monetary policy communication, which was directed toward enhancing public trust and managing inflation expectations. To this end, the NBG hosted an international event, "The Impact and Risks of Global Economic Trends". The objective of this was to highlight existing economic trends and analyze future risks. Presentations were delivered by leading experts in the global economy and international advisors to the NBG. Through such discussions, the National Bank of Georgia facilitates the deepening of cooperation between professionals and academic circles, offering them a sound platform for discussion.



During the reporting period, the National Bank of Georgia actively continued to facilitate the development of financial technologies. In 2025, the NBG hosted the "Tbilisi Finance Summit," which was a high-level international event held within the framework of the "Silk Road" forum. This united representatives of regional central banks, international investors, financial institutions, and leaders of the fintech industry.



The primary theme of the summit was future financial technologies, the development of innovative infrastructure, and the positioning of the Middle Corridor as one of the significant hubs for global trade and digital finance. The event was attended by more than

1,000 delegates from over 50 countries, while the summit itself became part of the series of events organized by the Global Finance & Technology Network (GFTN) of Singapore, thereby integrating Georgia into the international fintech ecosystem.



The Strategic Communications team ensured the planning and execution of a large-scale communication campaign around the summit. The objective of the campaign was to inform both local and international audiences, position the event as a significant networking platform, present Georgia as a regional financial hub, and strengthen the role of the NBG as one of the organizers.



The summit was widely covered in online and traditional media, including television and radio. Interviews with international speakers were prepared, and their assessments of the summit and Georgia's potential as a financial technology hub were disseminated in online media. During the course of the campaign, the total number of views via the Facebook social network exceeded 4 million.

Enhancing financial education is a priority for the NBG, as it constitutes one of the primary prerequisites for the financial well-being of the population and the country.

In 2025, upon the initiative of the NBG and its educational platform "Finedu", with the involvement of representatives from the financial sector, the Ministry of Education, Science, and Youth, and hundreds of schools, Georgia joined World Savings Week. The celebration was dedicated to the 30th anniversary of the lari. Within the framework of the informational campaign devoted to the event, employees of the NBG and commercial banks visited students in grades V-XII across Georgia. Utilizing a game-based learning format, they conducted engaging and educational open lessons for up to 5,700 students.

Furthermore, a seminar on the topic of financial education was held for students of higher education institutions in Tbilisi and the regions. The objective was to better acquaint students with the functions and directions of the NBG, as well as the activities of the financial sector. As part of the seminar, sessions were conducted on topics such as financial market stability, consumer rights, financial reserve management, anti-money laundering, and the regulation of banking and non-banking supervision.



For the purpose of protecting the rights of consumers in the financial sector, throughout the year, the NBG provided information and warned consumers through television and digital media channels regarding potential financial fraud widespread on the internet.

In 2025, within the framework of International Consumer Protection Week, the third international conference on competition and consumer protection was held in Georgia, co-organized by the NBG.



Similar to previous years, the National Bank of Georgia recognized Banker's Day in 2025, which was also dedicated to the 30th anniversary of the introduction of the lari. Within the framework of the event, in recognition of their professional achievements and exceptional service contributions, honorary certificates and commemorative gifts were awarded to NBG employees with over 30 years of tenure, as well as to representatives of commercial banks. Banker's Day has been celebrated annually since 2021.

During 2025, for the purpose of effectively fulfilling its supervisory mandate and strategic priorities, the National Bank of Georgia actively collaborated with supervised entities, the Bankers' Association, external auditors, public institutions, media outlets, the central banks of various countries, and international financial organizations.



To improve access to finance for women entrepreneurs, the National Bank of Georgia implemented a new reporting methodology in 2025 that ensures the systematic collection and publication of gender-disaggregated data concerning micro, small, and medium enterprises. The initiative will facilitate inclusive economic growth and strengthen the economic role of women in the long-term perspective.

The multifaceted and large-scale activities executed by the Strategic Communications Department of the National Bank of Georgia in 2025 clearly reflect the institution's focus on transparency, effective communication, and the consolidation of public trust. The various campaigns, along with international and local initiatives executed within the framework of the jubilee year, as well as active communication across digital and traditional channels, significantly facilitated both the strengthening of the NBG's reputation and the enhanced perception of the lari as the symbol of the country's economic independence.

The consistent and targeted policy of strategic communications will remain a significant priority for the NBG's activities.

International Cooperation

The development of international cooperation is one of the priority directions for the NBG. Throughout the year, the NBG hosted various high-level conferences; bilateral meetings were held with representatives of the diplomatic corps, other central banks, financial institutions, and international organizations; and memoranda of mutual cooperation were signed.

It is noteworthy that in 2025, in connection with the 30th anniversary of the introduction of the lari into circulation, a large-scale international conference was held in Tbilisi, organized by the National Bank of Georgia. More than 300 guests from approximately 30 countries around the world participated. Among the invited guests were representatives of the Black Sea Trade and Development Bank, the Asian Development Bank, the World Bank, and the International Monetary Fund, as well as central banks of other countries, major international companies, the Georgian financial sector, and business associations. Participants in panel discussions reflected on topics such as global financial systems and monetary policy, initiatives in the financial sector, new challenges, and the role of central banks in the development of regional cooperation.

In 2025, the NBG collaborated closely with GFTN, an organization established by the central bank of Singapore. On 22-23 October 2025, co-organized by the National Bank of Georgia, the Ministry of Economy and Sustainable Development, and GFTN, the Tbilisi Finance Summit was held for the first time within the framework of the Tbilisi Silk Road Forum. Leaders of the fintech industry and the financial sector, heads of central banks, representatives of major companies, and experts invited from various countries around the world participated in the summit. The primary theme of the summit was future financial technologies, the region's innovative infrastructure, and the development of the Middle Corridor as a major hub for global trade and digital finance. Representatives from more than 50 countries and over 1,000 delegates attended the summit. Within the framework of the event, the management of the NBG participated in panel discussions. Natia Turnava, the Governor of the NBG, also met with leading global investment funds participating

in the summit and world-leading companies operating in the financial sector.

In 2025, initiated and organized by the National Bank of Georgia, the international conference "The Development of Financial Technologies - Challenges and Perspectives" was conducted. Within the framework of the conference, a presentation of the fintech development strategy was held, which was prepared in partnership with the World Bank and consolidates a long-term vision in the direction of financial technologies.

The National Bank of Georgia and the Ministry of Finance also hosted the Steering Committee meeting of the International Monetary Fund's Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC). Subir Lall, Deputy Director of the IMF's Middle East and Central Asia Department, and Andrew Jewell, the IMF's Resident Representative in Georgia, participated in the meeting. At the meeting, the activities of the center were summarized, and the work program for the upcoming year was discussed.

In cooperation with the NBG, the rating agency Moody's hosted the "Georgia Sovereign, Banking and Covered Bond Briefing" international conference in Tbilisi regarding Georgia's macroeconomic perspectives, current trends in the banking sector, and the development of the covered bond market.

Throughout the year, the National Bank of Georgia signed a number of memoranda of mutual cooperation with various central banks and organizations.

For the purpose of expanding and strengthening bilateral cooperation between the National Bank of Georgia and the Central Bank of China, a memorandum of understanding was signed, whereby the parties agree to cooperate in the field of monetary policy, as well as to share information and experience in the areas of financial technologies, payment systems, and securities market development. The agreement was signed by the Governor of the National Bank of Georgia, Natia Turnava, and the Governor of the Central Bank of China, Pan Gongsheng. The memorandum with the Central Bank of China was signed within the framework of the NBG delegation's visit to China.

In 2025, the delegation of the National Bank of Georgia also visited the Central Bank of the Republic of Azerbaijan. A meeting was held between the Governor of the National Bank of Georgia, Natia Turnava, and the Governor of the Central Bank of the Republic of Azerbaijan, Taleh Kazimov. The parties discussed matters regarding monetary policy, the improvement of cross-border payment efficiency, and regional cooperation in the fintech sector. Within the framework of the meeting, a memorandum of mutual cooperation was also signed between the parties. Through the memorandum, the parties agree to cooperate in the regulation and supervision of the financial sectors of the two countries, including in the areas of financial technologies, monetary policy, payment systems, and the securities market.

Within the framework of close cooperation with the Central Bank of Korea, a representative delegation from the Central Bank of Korea and the Korea Financial Telecommunications and Clearings Corporation (KFTC) visited Georgia. A cooperation agreement was signed between the National Bank of Georgia and the Central Bank of Korea, on the basis of which a partnership in the cashless payments development project was officially formalized. Within the framework of the agreement, organized by the Central Bank of South Korea and KFTC, a visit by the payment systems team of the National Bank of Georgia took place in Seoul, headed by the Vice-Governor of the NBG, Ekaterine Caldava.

Within the framework of technical cooperation during the year, the National Bank of Georgia provided technical assistance in various directions to numerous central banks, including the central banks of Azerbaijan, Kyrgyzstan, Uzbekistan, Kazakhstan, and Armenia. Additionally, representatives of the NBG were invited on official visits to central banks of various countries to share experience and knowledge.

Throughout the year, the management of the NBG held meetings with various high-ranking representatives with the aim of deepening relations. Natia Turnava held an introductory meeting with Tamás Vojnits, Director of the Constituency at the European Bank for Reconstruction and Development (EBRD), during which matters related to the long-standing cooperation between the National Bank of Georgia and the EBRD were discussed.

NBG Governor Natia Turnava and Minister of Finance Lasha Khutsishvili met with up to 15 investment and

asset management companies in the USA. The meetings were held within the framework of preparatory works for the refinancing of Georgia's Eurobond in 2026, organized by JP Morgan, Societe Generale, CITI, and ICBC, where Georgia's macroeconomic and fiscal parameters and future projections, international markets, and the existing investment environment in Georgia were discussed in detail.

In 2025, the Governor of the National Bank of Georgia held a meeting with Fu Huang, the President of China's Cross-Border Interbank Payment System (CIPS). The parties discussed cooperation opportunities between the NBG and CIPS, as well as matters related to facilitating access for the country's financial institutions to the CIPS global network.

Within the framework of international cooperation, meetings with representatives of the diplomatic corps were held regularly throughout the year. Within the framework of these meetings, the NBG management provided parties with information regarding ongoing macroeconomic trends in the country, and the steps taken within the NBG's mandate to ensure financial stability and the stability of the financial sector.

In 2025, the NBG actively collaborated with international financial institutions and international organizations. By the decree of the Government of Georgia, Natia Turnava was appointed as the Governor representing Georgia at the International Monetary Fund (IMF) and the Black Sea Trade and Development Bank (BSTDB), and as the Alternate Governor at the European Bank for Reconstruction and Development (EBRD).

In January 2025, Natia Turnava held a meeting with representatives of the International Monetary Fund mission. At the meeting, the NBG management provided members of the IMF mission with detailed information regarding key macroeconomic trends, and also discussed financial stability.

In April 2025, the delegation of the National Bank of Georgia participated in the Spring Meetings of the International Monetary Fund and the World Bank in Washington, D.C. Meetings were held with the Director of the Middle East and Central Asia Department of the International Monetary Fund, Jihad Azour; the Deputy Managing Director of the IMF, Bo Li; and the IMF Mission Chief for Georgia, Alejandro Hajdenberg. During the meeting, the resilience and high profitability of the Georgian banking sector, along with its strong capital and liquidity buffers, were emphasized.

Within the framework of the Annual Meetings of the IMF and the World Bank, Natia Turnava and other members of the NBG management also held high-level meetings with representatives of the Federal Reserve Bank of New York; representatives of the World Bank Treasury's RAMP program; IMF Executive Director Jeroen Clicq and Alternate Executive Director Marnix van Rij; Governor of the National Bank of Kazakhstan Timur Suleimenov; Governor of the Central Bank of the Republic of Türkiye Fatih Karahan; and international investors.

In 2025, Natia Turnava participated in the Annual Meetings of the European Bank for Reconstruction and Development (EBRD) in London and briefed financial organizations on Georgia's macroeconomic environment and forecasts.

Natia Turnava and Vice-Governor Nino Jeladze met with members of the International Monetary Fund's Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC). The mission was represented by the IMF Resident Advisor for Banking Supervision, Serdar Güner, and IMF Expert Linda van Goor.

In October 2025, Natia Turnava, together with a Georgian delegation, participated in the Annual Meetings of the IMF and the World Bank. During these events, a bilateral meeting was held with the Governor of the Reserve Bank of India, Sanjay Malhotra. During the meeting, it was decided that a memorandum of understanding would be signed between the central banks of Georgia and India, which will encompass cooperation in various areas, including monetary policy, payment systems, financial sector supervision, and the regulatory framework. Within the framework of the visit, meetings were also held with investors from American investment companies J.P. Morgan, Citibank, and Bank of America.

At the end of the year, a concluding meeting was held with the International Monetary Fund mission. At the meeting, the parties reviewed matters of monetary and fiscal policy, the existing situation in the country's economy, and medium-term forecasts.

Throughout the year, representatives of the NBG participated in various high-level international conferences and forums. In 2025, Natia Turnava participated in the Lamfalussy Conference - "The Era of Geoeconomics: Evolution of the Central Bank," which is hosted annually by the Central Bank of Hungary. The event was dedicated to the 100th anniversary of the establishment of the Central Bank of Hungary.

The Governor of the NBG also participated in the Invisso (formerly Euromoney) Central and Eastern European Forum held in Vienna. In the panel discussion "Central Banks After Global Shocks", the Governor spoke about existing challenges and measures implemented by the NBG. Within the framework of the visit to Vienna, Natia Turnava also participated in a meeting organized by Raiffeisen Bank with major investors from Central and Eastern Europe. The Governor delivered a presentation regarding the stable macroeconomic situation and investment environment existing in Georgia.

First Vice-Governor of the NBG, Ekaterine Mikabadze participated in the event "Astana Finance Days 2025", organized by the Astana International Financial Centre (AIFC) in the capital of Kazakhstan.

In Amsterdam, Natia Turnava participated in a conference held for the central bank governors of the member countries of the International Monetary Fund's Dutch-Belgian-Luxembourg constituency, entitled "Overcoming Geoeconomic Fragmentation". During the course of the conference, the Governor also met with IMF Executive Director Jeroen Clicq and Alternate Executive Director Marnix van Rij, with whom she discussed current matters and future cooperation.

The Governor of the NBG participated in the international event "Beyond Blockchain", held in Lugano, Switzerland, the primary theme of which was the discussion of technological innovations in the banking, financial, and business sectors. Delivering a speech, the Governor spoke about facilitating innovations in the financial sector and emphasized the role of central banks in terms of the development of financial technologies.

Vice-Governor of the National Bank of Georgia, Nino Jeladze, participated in an annual forum organized in Riyadh with the support of the IMF's Regional Office in Saudi Arabia.

First Vice-Governor of the NBG, Ekaterine Mikabadze, participated in the 50th Annual Meeting of the International Organization of Securities Commissions (IOSCO), held in Doha, the capital of Qatar.

Natia Turnava participated in the Reykjavik Economic Conference, which is held annually, organized by the Central Bank of Iceland in cooperation with the Center for International Macroeconomics at Northwestern University. The primary topics of discussion were the challenges of macroeconomic analysis and policy.

The Governor of the NBG also participated in the 95th Annual Meeting of the Bank for International Settlements (BIS) held in Basel, the primary topic of discussion was the experience of transition economy markets and emerging economies in the direction of expanding cross-border payments. Within the framework of the annual meetings, Natia Turnava also attended the 24th BIS Annual Conference "Central Banks in an Era of Digitalisation and Fragmentation".

Natia Turnava, together with the Minister of Finance, Lasha Khutsishvili, attended the official opening session of the constituency meeting of the member countries of the International Monetary Fund and the World Bank in Luxembourg. Within the framework of the meeting, the Governor participated in the panel discussion "The Role of Central Banks in the Green Economy". Prior to the discussion, the Governor of the NBG also moderated a session entitled "The Role of Central Banks in the Green Economy".

The delegation of the National Bank of Georgia, headed by Vice-Governor Ekaterine Caldava, participated in the Point Zero Forum 2025 in Zurich, Switzerland. The event was hosted by the Swiss State Secretariat for International Finance (SIF) and the organization CFTN.

The Vice-Governor of the National Bank of Georgia, Ekaterine Caldava, participated in the "Global Payments Week 2025" organized by the World Bank in Brazil.

The Governor of the National Bank of Georgia appeared as a keynote speaker at the SIBOS international conference organized by SWIFT. Delivering her

speech, Natia Turnava spoke about Georgia's experience and visions in terms of implementing innovations in the sphere of financial services. Within the framework of the conference, a meeting was also held with SWIFT, where future cooperation plans were discussed. The Governor of the NBG also visited the Frankfurt Stock Exchange, where she met with the Chief Executive Officer of 360T, a member company of the Deutsche Börse Group, and representatives of the Chinese cross-border payment system, CIPS.

Nino Jeladze participated in an international financial education conference organized by OECD/INFE in Sarajevo called "Trends and Challenges of Financial Education". The Vice-Governor participated in the panel discussion on "The Significance of Financial Education for Robust Economic Growth".

The Governor of the NBG participated in a panel discussion held in Tirana at a conference dedicated to the 100th anniversary of the Bank of Albania, entitled "A World of Less Trade and Reduced Capital: A Transformation of the Global Economy?".

Ekaterine Mikabadze participated in a high-level regional event organized by the International Monetary Fund in Zurich, entitled "Central Bank Governance and Policy Frameworks in a Changing Environment".

16.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

Statistical Information Regarding the Number of Employees

At the end of 2025, 665 employees were employed at the National Bank of Georgia, 535 of whom were public servants.

Women constituted 55.49% of the total number of employees, while men accounted for 44.51%. The average age of employees was 41 years.

For the purpose of increasing organizational efficiency and fulfilling the NBG's strategic objectives, changes were implemented in Decree No. 10 of the Board of the National Bank of Georgia of 8 April 2015, "On the Approval of the Regulation of the National Bank of Georgia".

1. In accordance with Decree No. 8 of the Board of the National Bank of Georgia of 10 March 2025, changes were implemented to the **Anti-Money Laundering Inspection and Supervision Department.** Taking into account the volume and significance of the activities, the supervision direction of virtual asset service providers was separated from the International Sanctions Implementation and Virtual Asset Service Providers Inspection and Off-Site Supervision Division, while the inspection direction of payment service providers was separated from the Commercial Banks, Microbanks, and Payment Service Providers Inspection Division.

Taking into consideration these changes, the following divisions were formed within the composition of the Anti-Money Laundering Inspection and Supervision Department:

ბThe Non-Banking Institutions Inspection Division.

- The Commercial Banks and Microbanks Inspection Division.
- The Methodology and Off-Site Supervision Division.
- The International Sanctions Implementation Division.
- The Payment Service Providers and Virtual Asset Service Providers Inspection and Supervision Division.

- **The functions of the Commercial Banks and Microbanks Inspection Division were defined as:**

a) Inspection of/participation in the process of inspecting the fulfillment of the requirements established by the legislation on facilitating the prevention of money laundering and terrorism financing by commercial banks and microbanks, and the measures implemented for this purpose.
b) In case of necessity, the inspection of those commercial banks and microbanks that fail to ensure the fulfillment of the requirements of the National Bank, the LEPL Financial Monitoring Service of Georgia, and the legislation on facilitating the prevention of money laundering and terrorism financing, including cases involving the non-provision of requested information, the incomplete submission of information, or where there is a substantiated concern that the submitted information contains inaccuracies.
c) In case of necessity, upon the implementation of significant changes in the managerial and/or ownership structure of a commercial bank and microbank, conducting an inspection, participating in the inspection process, and/or participating in the assessment of documents submitted to the National Bank, to determine the extent to which the measures implemented/executed by the commercial bank/microbank under the conditions of the new management/ownership comply with the requirements of the Georgian legislation on facilitating the prevention of money laundering and terrorism financing.
d) Receipt, processing, and analysis of relevant information/documentation existing in any electronic and/or material format, which is necessary for the flawless execution of its functions.
e) Preparation and submission of proposals regarding the imposition of appropriate requirements and recommendations, and the application of supervisory measures and/or sanctions concerning violations, flaws, or deficiencies identified in commercial banks and microbanks as a result of the inspection.
f) Analysis of the violations identified as a result of the inspection and the generalization of the supervisory approaches utilized in the inspection process.
g) Execution of control over the fulfillment of requirements, mandatory and/or recommendatory measures imposed as a result of the inspection.
h) Participation in the development of the supervisory plan.

- **The functions of the International Sanctions Implementation Division were defined as:**

a) Execution of methodological activities necessary for the implementation of international financial sanctions requirements by accountable persons.

b) For the purpose of controlling compliance with international financial sanctions requirements, conducting on-site inspections of accountable persons and preparing and submitting proposals regarding the imposition of appropriate requirements and recommendations, and the application of supervisory measures and/or sanctions concerning flaws and deficiencies identified as a result of the inspection.
c) Supporting other structural units of the National Bank on matters regarding the implementation of international financial sanctions requirements.
d) Requesting information/documentation from accountable persons regarding the implementation of international financial sanctions, processing respective statistical information, assessing existing risks within the sectors, and preparing proposals regarding the execution of necessary supervisory measures.
e) Preparing responses to incoming correspondence regarding international financial sanctions and discussing them with other structural units of the National Bank.
f) Participating in meetings with international organizations and financial institutions regarding matters related to the implementation of international financial sanctions.
g) Organizing necessary training sessions for accountable persons regarding matters related to the implementation of international financial sanctions.

- **The functions of the Payment Service Providers and Virtual Asset Service Providers Inspection and Supervision Division were defined as:**

a) Inspection of/participation in the process of inspecting the fulfillment of the requirements established by the legislation on facilitating the prevention of money laundering and terrorism financing by payment service providers and virtual asset service providers, and the measures implemented for this purpose.
b) In case of necessity, the inspection of those payment service providers and virtual asset service providers that fail to ensure the fulfillment of the requirements of the NBG, the LEPL Financial Monitoring Service of Georgia, and the legislation on facilitating the prevention of money laundering and terrorism financing, including the non-provision of requested information, the incomplete submission of information, or where there is a substantiated concern that the submitted information contains inaccuracies.
c) In case of necessity, upon the implementation of significant changes in the managerial and/or ownership structure of payment service providers and virtual asset service providers, conducting an inspection, participating in the inspection process, and/or participating in the review of documents submitted to the NBG, to determine the extent to which the measures implemented/executed by the payment service providers/virtual asset service providers under the conditions of the new management/ownership comply with the requirements of Georgian legislation on facilitating the prevention of money laundering and terrorism financing.
d) Receipt, processing, and analysis of relevant information/documentation existing in any electronic and/or material format, which is necessary for the flawless execution of its functions.
e) Preparation and submission of proposals regarding the imposition of appropriate requirements and recommendations, and the application of supervisory measures and/or sanctions concerning the violations, flaws, or deficiencies of payment service providers and virtual asset service providers identified as a result of the inspection.
f) Analysis of the violations identified as a result of the inspection and the generalization of the supervisory approaches utilized in the inspection process.
g) Execution of methodological activities necessary for the supervision of the activities of virtual asset service providers.
h) Preparing responses to incoming correspondence regarding matters related to the activities of virtual asset service providers and discussing them with other structural units of the NBG.
i) Supporting other structural units of the NBG on matters regarding the supervision of the activities of virtual asset service providers.
j) Requesting information/documentation from accountable persons regarding the activities of virtual asset service providers, processing respective statistical information, assessing existing risks within the sectors, and preparing proposals regarding the execution of necessary supervisory measures.

In accordance with Decree No. 9 of the Board of the National Bank of Georgia of 11 April 2025, changes were implemented to the **Pension Funds Supervision Division of the Securities Market Supervision Department**. According to the decree, the functions of the division were defined as:

a) Supervision of the activities of the LEPL Pension Fund of Georgia in accordance with the applicable legislation.
b) Based on the applicable legislation, including respective normative acts, the assessment/review of the suitability of persons to be appointed to the positions of directors and their deputies (or persons entrusted with the execution of the duties of a deputy director) of the Pension Fund, as well as throughout the entire period of such persons holding the respective position, and preparation of corresponding proposals.
c) Assessment of the regulation of the Pension Fund, the charters of the committees of the Pension Fund, the risk management framework, the investment policy document and other policy documents defined by the National Bank, and the preparation of proposals.
d) Review of the information/documentation submitted regarding the outsourcing of activities related to the special functions of the Pension Fund and the preparation of proposals for making a decision on granting consent.
e) Supervision of the activities of commercial banks, microbanks, and asset management companies (within the framework of their execution of intermediary activities related to the Pension Fund, including the execution of the specialized depository function by commercial banks and microbanks) in accordance with the applicable legislation.
f) Development of the supervisory plan, as well as, based on necessity, conducting thematic or full-scale inspections, and the preparation and submission of the inspection report.
g) Based on the reporting submitted by the Pension Fund, the analysis and assessment of its activities, and the preparation and submission of corresponding conclusions and recommendations.
h) Execution of control over the fulfillment of mandatory and recommendatory measures imposed on the Pension Fund.
i) Review of correspondence and preparation of responses.
j) Participation in the determination of the supervisory framework of the Pension Fund and, according to necessity, offering and submitting proposals regarding the introduction of changes to the regulatory framework.
k) Coordination of the Pension Fund's inspection plan and respective supervisory measures with the Specialized Risks Department of the NBG.
l) Supervision of the activities of commercial banks, microbanks, and asset management companies (within the framework of their execution of intermediary activities related to the pension schemes stipulated by the Law of Georgia "On Voluntary Private Pension", including the execution of the specialized depository function by commercial banks and microbanks) in accordance with the applicable legislation.
m) Preparation and execution of matters regarding the introduction and revocation of the temporary administration regime in the Pension Fund, as well as the appointment and dismissal of the temporary administrator.
n) Identification of violations in the activities of the Pension Fund, and the preparation and submission of respective decisions regarding the application of a sanction.
o) Execution of the authorities defined by the Organic Law of Georgia "On the National Bank of Georgia", the Law of Georgia "On Funded Pension", the Law of Georgia "On Voluntary Private Pension", and other normative acts.

Professional Development of Employees

In 2025, the NBG continued to foster the professional development of its employees. For the purpose of enhancing their professional qualifications, 239 NBG employees attended courses and seminars organized by central banks and financial institutions of various countries.

In 2025, the Human Resources Management and Development Division of the Office of the Governor planned and executed the following training sessions and educational activities in various directions for representatives of different structural units of the NBG:

- Communications and challenging situation management;
- Modern methods and tools of time management;
- Feedback and the team-building process;
- "Web platform for AI tools" and "Utilization of ChatGPT";
- Protection of personal information in labor relations.

In addition, internal training sessions were planned and executed, with the objective of familiarizing the NBG's employees with the activities, ongoing processes, and achievements of various structural units.

Professional Development of Financial Sector Employees

The National Bank of Georgia continuously facilitates the professional development of financial sector employees. To this end, experts from the Luxembourg Agency for Financial Technology Transfer conducted

two training sessions in Tbilisi and one remote training session in 2025, in which employees of both the NBG and commercial banks participated. In total, 79 participants attended the seminars.

Employment Competitions at the National Bank of Georgia

The Human Resources Management and Development Division conducted 52 employment competitions in 2025, as a result of which 35 employees were selected for the positions of professional public servants in various structural units.

Facilitation of Youth Professional Development

For the purpose of acquiring professional experience and developing practical skills, 51 individuals completed internships in various structural units of the National Bank of Georgia during the course of 2025.

The selection competition for interns at the National Bank of Georgia was executed in accordance with Decree No. 177 of the Government of Georgia of 15 May 2023.

A total of 333 students from various educational institutions participated in the internship competition and, as a result of the internship competition, nine interns were selected. They completed internships in the Cash Operations and Currency Circulation Department, the Strategic Communications Department, the Specialized Risks Department, Internal Audit Department, and the Chancellery Division of the Office of the Governor.

Development of a Sound Corporate Culture

In 2025, one of the primary priorities of the Human Resources Management and Development Division was the development of a sound corporate culture. For the purpose of establishing team spirit, different motivational, sports, educational, team-building, and social events were organized and executed for NBG employees. Moreover, a culture of volunteerism was established, as a result of which employees made a significant contribution to two large-scale international events planned and executed by the NBG.

Institutional Development of the NBG

For the purpose of implementing and developing systems in the direction of human resources management, the draft of the 2026-2029 Human Resources (HR) Strategy Document of the National Bank of Georgia was developed in 2025. Its objective is to facilitate organizational development through the implementation and improvement of systems that enhance employee qualifications, motivation, and recognition, support the retention of strategic personnel, and strengthen other significant aspects of human resource management.

The primary directions defined by the strategy are:

- Automation and digitization.
- Talent management and development.
- Development of employee engagement.
- Development of organizational culture.
- Development of motivational schemes.
- Development of social packages for employees.
- Creation of a diverse, equal, and inclusive environment.

Projects executed in the Chancellery Division of the Office of the Governor in 2025

Digitization of the NBG's Archive

The objective of the project was the automation and systematization of the registration/storage and the process of working with material documents located in the archival repository of the Chancellery Division of the Office of the Governor of the National Bank of Georgia.

For the purpose of executing the project, "DS Electronic Document Archive" software was created and implemented in 2025. During the same period, 35% of the documents in the NBG's archival repository were digitized.

Modernization of the NBG's Reception and Call Center

For the purpose of enhancing the operational efficiency of the Reception and Call Center of the Office of the Governor of the National Bank of Georgia, the following activities were executed in 2025:

- Specific conversational scripts were developed.
- Unified communication standards were established.
- A practical communication guideline was developed.
- Training sessions for reception and call center employees were conducted, and individual coaching sessions were provided that covered the following:
  - o Telephone communication techniques.
  - o Management of difficult customers.
  - o Empathetic communication.
  - o Service standards.

17.

DEVELOPMENT OF THE NORMATIVE AND LEGAL FRAMEWORK

LEGAL ACTS OF THE NATIONAL BANK OF GEORGIA

REGULATION OF THE SUPERVISORY FRAMEWORK OF COMMERCIAL BANKS AND MICROBANKS

Parallel to the rapid growth of the utilization of derivatives within the Georgian banking system, for the purpose of introducing a comprehensive risk-based approach predicated on the counterparty risk management framework established by the Basel Committee on Banking Supervision and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, **Decree No. 8/04 of the Governor of the National Bank of Georgia of 31 January 2025, "On the Approval of the Regulation on Counterparty Credit Risk",** was adopted. This encompasses interest rate and foreign exchange derivatives, as well as equity, credit, and commodity derivatives. The updated approach for determining counterparty credit risk stipulated by the decree more accurately reflects both the inherent risks of a derivative and the counterparty credit risk. Arising from this decree, amendments were introduced to the following:

- **Decree No. 100/04 of the Governor of the National Bank of Georgia of 28 October 2013, "On the Approval of the Regulation on Capital Adequacy Requirements for Commercial Banks".**
- **Decree No. 111/04 of the Governor of the National Bank of Georgia of 21 June 2023, "On the Approval of the Regulation on Capital Adequacy Requirements for Microbanks".**
- **Decree No. 214/04 of the Governor of the National Bank of Georgia of 26 September 2018, "On the Approval of the Regulation on Leverage Ratio Requirements for Commercial Banks".**
- **Decree No. 109/04 of the Governor of the National Bank of Georgia of 21 June 2023, "On the Approval of the Regulation on Leverage Ratio Requirements for Microbanks".**
- **Decree No. 26/04 of the Governor of the National Bank of Georgia of 10 March 2015, "On the Approval of the Regulation on the Management of Conflicts of Interest".**
- **Decree No. 107/04 of the Governor of the National Bank of Georgia of 21 June 2023, "On the Approval of the Regulation on the Management of Conflicts of Interest for Microbanks".**
- **Decree No. 92/04 of the Governor of the National Bank of Georgia of 22 June 2017, "On the Approval of the Rule on Information Disclosure within the Framework of Pillar 3 by Commercial Banks".**
- **Decree No. 110/04 of the Governor of the National Bank of Georgia of 21 June 2023, "On the Approval of the Rule on Information Disclosure within the Framework of Pillar 3 by Microbanks".**

Amendments were introduced to Decree No. 84/04 of the Governor of the National Bank of Georgia of 14 May 2018, "On the Approval of the Real Estate Valuation Instruction for Commercial Banks," and Order No. 118/04 of the Governor of the National Bank of Georgia of 21 June 2023, "On the Approval of the Real Estate Valuation Instruction for Microbanks". These amendments were conditioned by the necessity to refine the real estate valuation processes/principles stipulated by the real estate valuation instruction for commercial banks and microbanks and to clarify individual matters. Specifically, the definition of credit was clarified, and it was also specified that if the credit amount does not exceed GEL 200,000 or its equivalent in another currency, the inspection of the real estate may be executed by an authorized person of the commercial bank/microbank, including an appraiser's assistant. However, if the credit amount exceeds GEL 200,000 or its equivalent in another currency, it is mandatory that the inspection of the real estate be executed by the appraiser responsible for the preparation of the corresponding real estate valuation.

To ensure that commercial banks and microbanks properly fulfil the requirements established in the direction of open banking by the Law of Georgia "On Payment System and Payment Services" and the requirements established by the "Rule on Engagement in Open Banking", as approved by Decree No. 80/04 of the Governor of the National Bank of Georgia of 3 May 2023, amendments were introduced to **Decree No. 242/01 of the Governor of the National Bank of Georgia of 25 December 2009, "On the Approval of the Rule for Determining and Imposing Monetary Penalties against Commercial Banks and Their Administrators",** and Decree No. 123/04 of the Governor of the National Bank of Georgia of 21 June 2023, "On the Approval of the Rule for Determining and Imposing Monetary Penalties against

Microbanks and Their Administrators". Through these amendments, monetary penalties were determined for commercial banks and microbanks for violations of Articles 22–22[3] of the Law of Georgia "On Payment System and Payment Services" (requirements established in the direction of open banking) and the requirements established by the "Rule on Engagement in Open Banking", as approved by Decree No. 80/04 of the Governor of the National Bank of Georgia of 3 May 2023, as well as for the non-fulfillment of the corresponding written instructions of the National Bank of Georgia arising from such requirements (including repeated and multiple non-fulfillment). The specific amounts of monetary penalties are determined on a case-by-case basis, taking into consideration the existing practice and the significance/seriousness of the violation.

Amendments were introduced to **Decree No. 215/04 of the Governor of the National Bank of Georgia of 26 September 2018, "On the Approval of the Corporate Governance Code for Commercial Banks", and Decree No. 112/04 of the Governor of the National Bank of Georgia of 21 June 2023, "On the Approval of the Corporate Governance Code for Microbanks".** Through these amendments, the requirement defined by the Corporate Governance Code regarding the established limit for differences in remuneration among the members of the Supervisory Board was clarified. In addition, the obligation of a commercial bank/microbank was determined to establish, in compliance with the requirements set by the Corporate Governance Code, the remuneration for those members of the Supervisory Board of the commercial bank/microbank who receive remuneration for activities executed in the commercial bank/microbank from an enterprise that is a member of the group (for example, from the parent enterprise). Furthermore, the amendments clarified that if, taking into consideration the scale and complexity of the commercial bank's/microbank's activities, the Supervisory Board consists of three members, no less than one member of the Supervisory Board must be a representative of a different gender.

For the purpose of increasing the possible maximum amount of the monetary penalty applied in the event of a violation of the banking license or any condition or restriction appended to the respective legal act of the National Bank of Georgia, or for the execution of operations prohibited by the applicable legislation (including an instruction, regulation, rule, or resolution of the National Bank of Georgia) or the requirements and written instructions of the National Bank of Georgia, or for the non-fulfillment of the imposed restrictions, limits, requirements, and prohibitions, an amendment was introduced to **Decree No. 242/01 of the Governor of the National Bank of Georgia of 25 December 2009, "On the Approval of the Rule for Determining and Imposing Monetary Penalties against Commercial Banks and Their Administrators".** According to the amendment, in the event of the mentioned instances, the National Bank of Georgia shall be authorized to impose on a commercial bank a monetary penalty in the amount of 0.5% or 1%, in addition to 0.01%, 0.05%, or 0.1% of the supervisory capital existing according to the latest reporting at the time the violation was identified. Furthermore, the amount of the monetary penalty is still determined according to the seriousness of the violation, the damage inflicted and the possible threat to the commercial bank's assets.

An amendment was introduced to **Decree No. 176/04 of the Governor of the National Bank of Georgia of 18 December 2017, "On the Rule for Determining Capital Buffers for Commercial Banks within the Framework of Pillar 2".** According to this decree, the National Bank of Georgia was granted the authority, at its own discretion, to periodically alter the buffers imposed on a commercial bank as a result of the commercial bank's risk profile and the probability and/or realization of various stress situations. The provision implied the right of the National Bank of Georgia to make a decision based on the analysis of individual instances, taking into consideration the respective specific circumstances. Through the amendments to this decree, the norms that determined the possibility of reducing the total Pillar 2 capital as a result of exchange rate depreciation were removed. According to the provisions of the decree, the volume of the capital requirement reduction within the framework of Pillar 2 should be calculated using a methodology agreed upon by the commercial bank with the National Bank of Georgia. Taking into consideration that, in cases of necessity, the National Bank of Georgia is authorized to make a decision regarding the alteration of buffers based on the consideration of specific circumstances, separate regulation of the matters covered by the aforementioned provisions was no longer required.

Decree No. 66/04 of the Governor of the National Bank of Georgia of 12 March 2025, "On Introducing an Amendment to Decree No. 44/01 of the Governor of the National Bank of Georgia of 17 March 2010, 'On the Approval

of the Instruction on the Use of the International Bank Account Number in Georgian Banking Institutions'", was adopted. This was driven by the necessity to assign an International Bank Account Number (IBAN) to JSC "Microbank Crystal" in order for it to be able to utilize an IBAN in accordance with the rule established by the Georgian legislation.

LEGISLATION REGULATING THE ACTIVITIES OF NON-BANKING INSTITUTIONS

Effective and sound corporate governance and ensuring a proper operational environment in financial institutions is particularly significant. This facilitates both the establishment of an effective risk management framework and the proper functioning and sustainable development of the organization. In pursuit of these goals, an amendment was introduced to **Decree No. 143/04 of the Governor of the National Bank of Georgia of 5 July 2018, "On the Approval of the Rule for the Supervision and Regulation of the Activities of Microfinance Organizations".** Through the amendment, requirements for corporate governance and operational risk management were established for microfinance organizations. The amendments incorporated matters regarding the staffing of the general meeting, the supervisory board—and of the audit committee or other committees attached—as well as the director/directorate of the microfinance organization, along with their functions, rights, and obligations. Additionally, arising from the amendments implemented in the Law of Georgia "On Microfinance Organizations", it was determined that the total amount of loans issued by a microfinance organization to a single borrower or a group of interconnected borrowers must not exceed GEL 200,000, an increase over the previous limit of GEL 100,000. Furthermore, for the purpose of risk mitigation, it was established that the total amount of all loans issued by a microfinance organization over GEL 100,000 must not exceed more than 50% of the microfinance organization's regulatory capital.

An amendment was introduced to **Decree No. 58/04 of the Governor of the National Bank of Georgia of 5 April 2018, "On the Approval of the Rule and Conditions for the Registration of a Microfinance Organization with the National Bank of Georgia".** The amendment clarified individual norms regulating the activities of a microfinance organization, including registration requirements, requirements towards partners/shareholders and beneficial owners, as well as administrators. Taking into consideration the supervisory authority of the National Bank of Georgia, the grounds for refusal of registration as a microfinance organization and for the revocation of registration were specified. Furthermore, corresponding amendments were introduced, and the annexes to the rule were refined. Through these amendments, it was determined that the supervisory board of a microfinance organization is subject to both the requirements established by the Law of Georgia "On Entrepreneurs" and the additional requirements established by Decree No. 143/04 of the Governor of the National Bank of Georgia of 5 July 2018, "On the Approval of the Rule for the Supervision and Regulation of the Activities of Microfinance Organizations".

For the purpose of further refining the liquidation process and increasing transparency, an amendment was introduced to **Decree No. 34/04 of the Governor of the National Bank of Georgia of 14 February 2024, "On the Approval of the Rule for the Liquidation of a Microfinance Organization".** Through this amendment, an article was added to the rule determining the criteria for selecting an independent auditor, including establishing qualification requirements.

For the purpose of service diversification, transparency of operations, and the enhancement of competition in the market, **Decree No. 167/04 of the Governor of the National Bank of Georgia of 9 July 2025, "On the Approval of the Rule for the Registration and Regulation of Currency Exchange Bureaus",** was adopted. This regulated the activity of currency exchange in a cashless form. The decree determined the conditions for the registration and the issuance of the right to operate for currency exchange bureaus, the obligations of currency exchange bureaus, matters related to reporting, and other aspects. The regulations have not substantially changed for existing currency exchange bureaus that continue to operate solely with cash currency exchange operations. However, if seeking to execute currency exchange services in a cashless form, bureaus must satisfy the requirements defined by the decree and obtain the right for the respective activity from the National Bank of Georgia.

Arising from the above decree, amendments were introduced to:

- **Decree No. 143/04 of the Governor of the National Bank of Georgia of 5 July 2018, "On the Approval of the Rule for the Supervision and Regulation of the Activities of Microfinance Organizations".** According

to this amendment, a microfinance organization that executes activities through remote/digital channels must have an effective cybersecurity risk management framework, which must be appropriate for the size and complexity of the microfinance organization and must be in compliance with the activities rendered and the business development strategy of the organization. For the purpose of preventing the materialization of cybersecurity risks, the microfinance organization must annually ensure the management of cyber risks through appropriate mechanisms and submit the proper documentation/information to the National Bank. Furthermore, the microfinance organization must submit reporting regarding operational risk events and losses to the National Bank of Georgia on a monthly basis. Additionally, in the event of executing cashless currency exchange operations, the microfinance organization is assigned an obligation regarding the monetary funds necessary to secure these and other operations.

- **Decree No. 17/04 of the Governor of the National Bank of Georgia of 5 February 2020, "On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of Monetary Penalties against Currency Exchange Bureaus and Their Directors".** Through this amendment, corresponding articles were added to the listed violations that regulate the obligations of a currency exchange bureau operating in a cashless form;
- **Decree No. 16/04 of the Governor of the National Bank of Georgia of 5 February 2020, "On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of Monetary Penalties against Microfinance Organizations and Their Administrators".** Through this amendment, a monetary penalty was determined in the event of a microfinance organization's non-fulfillment of other requirements defined by the Law of Georgia "On Microfinance Organizations" or any regulation, rule, or resolution of the National Bank of Georgia.
- **Decree No. 69/04 of the Governor of the National Bank of Georgia of 13 April 2020, "On the Approval of the Rule for the Use of the NBFI Remote Supervision Portal".** In accordance with this amendment, the reports to be submitted by currency exchange bureaus and microfinance organizations via the NBFI system of the National Bank of Georgia were added to the definition of reporting obligations.

LEGISLATION REGULATING SECURITIES

The necessity to react to sustainable development challenges and the requirement to adapt the regulatory policy of the securities market conditioned the adoption of Decree No. 197/04 of the Governor of the National Bank of Georgia of 21 August 2025, "On the Approval of the Rule for the Assignment, Maintenance, and Revocation of the Status of Green, Social, Sustainability, and Sustainability-Linked Bonds". The objective of this decree is to regulate matters regarding the public issuance of bonds with sustainable targets on the Georgian capital market and thereby facilitate the implementation of social and environmental objectives by enterprises. Specifically, the decree defines the requirements for the assignment, maintenance, and revocation of the right to utilize the designations of "Green Bond", "Social Bond", "Sustainability Bond", and "Sustainability-Linked Bond" in relation to public bonds on the Georgian securities market.

The decree serves the implementation of the objectives of the National Bank of Georgia's sustainable finance (green and social) taxonomies and has become part of the National Bank of Georgia's sustainable finance framework. According to the decree, mechanisms were established for determining and maintaining the green, social, sustainability, and sustainability-linked status for publicly issued bonds.

According to the decree, in order to acquire and maintain the status of a green, social, or sustainability bond, it is necessary that the activity/activities financed or refinanced by the bond comply with one or more economic activities defined by the same decree. The acquisition of the respective status is dependent upon the positive assessment of external experts holding international recognition. For the purpose of acquiring such a status for securities, an external expert's review must be submitted to the National Bank of Georgia together with the emission prospectus. Furthermore, the issuer's emission prospectus must disclose the bond administration framework, the timelines/website for the publication of annual reports, and other material information.

The decree also defined the reporting requirements that the issuer must fulfill for the purpose of maintaining the corresponding status. In the event of a violation of the reporting or other additional requirements, taking into consideration the seriousness and potential risk of the violation, the National Bank of Georgia is authorized to revoke the status assigned to the bond. Furthermore, in the event of a violation of the requirements defined by the decree, the Na-

tional Bank of Georgia is authorized to apply supervisory measures and sanctions (including monetary penalties) established by the Organic Law of Georgia "On the National Bank of Georgia", the Law of Georgia "On the Securities Market", and other normative acts issued on their basis.

Decree No. 190/04 of the Governor of the National Bank of Georgia of 5 August 2025, "On Introducing an Amendment to Decree No. 167/04 of the Governor of the National Bank of Georgia of 22 September 2020, 'On the Approval of the Rule for the Licensing, Registration, Recognition, and Regulation of an Asset Management Company'", and Decree No. 191/04 of the Governor of the National Bank of Georgia of 5 August 2025, "On Introducing an Amendment to Decree No. 145/04 of the Governor of the National Bank of Georgia of 5 July 2018, 'On the Approval of the Rule for the Licensing and Regulation of a Brokerage Company'", were both adopted. In accordance with the decrees, requirements regarding the documents to be submitted by a candidate to be appointed to the governing body as well as those to be submitted by a significant shareholder at the licensing stage received additional clarification. Specifically, additional requirements were determined in connection with the certificate of conviction, information regarding the sources of income and its origin for a significant shareholder, as well as the submission of recommendations by a candidate for membership in the governing body. In addition, the suitability criteria for a candidate to be appointed to the governing body and for a significant shareholder were formulated anew.

Furthermore, the annexes to the rules were updated. In accordance with Annex No. 2, a candidate to be appointed to the governing body of an asset management company/brokerage company and a significant shareholder shall complete the updated suitability declaration form, which encompasses general information regarding both a natural and legal person. In addition, the following annexes were added:

- Annex No. 4, which defines the form for submitting information regarding conflicts of interest and data reflecting the candidate's capability to execute their assigned functions and duties in the event that they are simultaneously an employee of one or several other companies.
- Annex No. 5, which establishes the form of written confirmation related to the verification of a candidate to be appointed to the governing body, which an applicant for a license, registration/recognition submits to the National Bank of Georgia.
- Annex No. 6, which defines the list of information that must be included on the personal resume to be submitted by a candidate to be appointed to the governing body/significant shareholder. It is noteworthy that this annex is not exhaustive, and the individual remains able to submit additional information.

Arising from the above decrees, amendments were introduced to **Decree No. 198/04 of the Governor of the National Bank of Georgia of 11 November 2020, "On the Approval of the Rule for the Liquidation of an Investment Fund", and Decree No. 170/04 of the Governor of the National Bank of Georgia of 22 September 2020, "On the Approval of the Rule for the Authorization, Registration, Recognition, and Regulation of an Investment Fund".**

Decree No. 90/04 of the Governor of the National Bank of Georgia of 8 April 2025, "On Introducing an Amendment to Decree No. 206/04 of the Governor of the National Bank of Georgia of 18 September 2018, 'On the Approval of the Rule for the Maintenance and Keeping of the Registry of Registered Securities'" was adopted. This decree regulates the process of reflecting legal succession in the securities registry as a result of reorganization and the registration of a new securities owner.

An amendment was introduced to **Decree No. 20/01 of the Governor of the National Bank of Georgia of 22 February 2010, "On the Approval of the Rule on the Procedures for Establishing the Record Date of Ownership Rights on Public Securities, Holding by Book-Entry, Determining the Rights and Obligations Arising from Share Ownership, and the Origination, Alteration, and Termination of Ownership Rights on Public Securities".** Through this amendment, the rule for publishing a tender offer statement was formulated anew; the means for publishing the tender offer statement and sharing it with the registered owners of the securities were clarified and the rule was approximated to the current standard of information disclosure by accountable enterprises.

LEGISLATION REGULATING THE ACTIVITIES OF THE PENSION FUND OF GEORGIA

On the basis of the amendments adopted by the Parliament of Georgia to the Law of Georgia "On Funded

Pension" on 27 June 2024, as well as the accompanying amendments to the Organic Law of Georgia "On the National Bank of Georgia", whereby the mandate of the National Bank of Georgia for regulating and supervising the activities of the LEPL Pension Fund of Georgia (hereinafter - the Pension Fund) was newly defined, **Decree No. 51/04 of the Governor of the National Bank of Georgia of 28 February 2025, "On the Approval of the Rule Regulating the Activities of the Legal Entity of Public Law - Pension Fund of Georgia",** was adopted. According to this decree, the following became regulated: the suitability criteria for the executive directors of the Pension Fund and the procedure for agreeing on their candidacies with the National Bank of Georgia; the activities of the committees of the Pension Fund and the requirements towards persons executing special functions; the investment, operational, and administrative activities of the Pension Fund; the ethical principles applicable to the members of the managerial board, executive directors, and employees of the Pension Fund; the rules for reviewing claims of the Pension Fund participants and protecting participants' rights; the obligations for maintaining the documentation and records of the Pension Fund; the reporting and transparency requirements applicable to the Pension Fund; the temporary regime of special administration; and the rule for applying sanctions against the Pension Fund, its executive directors, members of the managerial board, or employees.

LEGISLATION REGULATING PAYMENT SERVICE PROVIDERS AND VIRTUAL ASSET SERVICE PROVIDERS

An amendment was introduced to Decree No. 69/04 of the Governor of the National Bank of Georgia of 13 April 2020, "On the Approval of the Rule for the Use of the NBFI Remote Supervision Portal". This amendment was conditioned by the necessity to simplify the reporting submission procedure. Specifically, when submitting reporting via the NBFI remote supervision portal by payment service providers—in accordance with Annex No. 1 of Decree No. 99/04 of the Governor of the National Bank of Georgia of 4 July 2017, "On the Approval of the Reporting Forms on Payment Services and the Instruction for Their Completion" and Annexes Nos. 1 and 2 approved by Decree No. 79/04 of the Governor of the National Bank of Georgia of 1 May 2023, "On the Approval of the Rule on the Capital Adequacy Requirement for Payment Service Providers"—the confirmation of the reporting with an electronic signature (token) will no longer be mandatory. Accordingly, payment service providers will not have the obligation to purchase the token necessary for an electronic signature. As a result, the procedure for the submission of reporting by the supervisory subject becomes significantly simplified, and their financial resources will be saved.

An amendment was introduced to **Decree No. 156/04 of the Governor of the National Bank of Georgia of 2 September 2020, "On the Approval of the Rule on Strong Customer Authentication".** According to the amendment, a payment service provider (issuer and acquirer) is obligated, no later than 1 January 2027, to ensure the implementation of mechanisms complying with the requirements of the rule for e-commerce operations, as well as another secure model agreed upon with the National Bank of Georgia, through which the execution of the rule's objectives will be possible, including the reduction of risks of fraud and other illegal activities related to e-commerce operations. Furthermore, for the purpose of effectively ensuring the above obligation within the established timeframe, an obligation was determined that payment service providers jointly (both issuer and acquirer) must submit, no later than 30 June 2026, the respective model and proposal(s) regarding the use of these mechanisms and model for e-commerce operations to the National Bank of Georgia for agreement.

Decree No. 85/04 of the Governor of the National Bank of Georgia of 1 April 2025, "On Introducing an Amendment to Decree No. 99/04 of the Governor of the National Bank of Georgia of 4 July 2017, 'On the Approval of the Reporting Forms on Payment Services and the Instruction for Their Completion'" was adopted. The need for this decree was driven by structural changes implemented in the National Bank of Georgia, as a result of which the structural unit executing the supervision of payment service providers was altered. Accordingly, in compliance with the amendment, in the event of using a new currency when completing reporting, the payment service provider will be obligated to contact the respective structural unit of the National Bank of Georgia within the established timeframe.

For the purpose of further refining the liquidation process and increasing transparency, an amendment was introduced to **Decree No. 144/04 of the Governor of the National Bank of Georgia of 5 June 2024, "On the Approval of the Rule for the Liquidation of a Payment Service Provider".**

Through this amendment, an article was added to the rule that determined the criteria for selecting an independent auditor, including establishing qualification requirements.

For the purpose of increasing consumer awareness and thereby protecting their interests, as well as facilitating the process of the effective registration of virtual asset service providers with the National Bank of Georgia, an amendment was introduced to **Decree No. 94/04 of the Governor of the National Bank of Georgia of 13 June 2023, "On the Approval of the Rule for the Registration, Revocation of Registration, and Regulation of a Virtual Asset Service Provider with the National Bank of Georgia".** According to this amendment, a virtual asset service provider is obligated to display, or make easily accessible for the consumer, the individual administrative-legal act confirming registration issued by the National Bank of Georgia. This should be placed in a visible location and accessible format across all spaces/channels where virtual asset services are rendered (head office, branch, self-service kiosk, website, application, and others).

LEGISLATION ON FACILITATING THE PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING

Decree No. 104/04 of the Governor of the National Bank of Georgia of 29 April 2025, "On the Approval of the Rule for the Electronic Execution of Preventive Measures by an Accountable Person", was adopted. This was conditioned by the amendments implemented to the Law of Georgia "On Facilitating the Prevention of Money Laundering and Terrorism Financing", in accordance with which both terminological changes and the matter of subjecting virtual asset service providers to the supervision of the National Bank of Georgia were incorporated into the decree. The decree rendered Decree No. 48/04 of the Governor of the National Bank of Georgia of 30 March 2021, "On the Approval of the Rule for the Electronic Execution of Preventive Measures by an Accountable Person" invalid. The new decree, in accordance with the existing legislative regulations and the necessities identified in practice, further regulated the authority of the National Bank of Georgia in the process of electronic execution of preventive measures in the financial sector; the procedures for implementing the process, the stages of its execution, and the termination of the process; the process for updating information/documentation regarding the identified/verified client; and, in the event of utilizing outsourcing services, the conditions for rendering services by the outsourcing service provider.

An amendment was introduced to **Decree No. 189/04 of the Governor of the National Bank of Georgia of 21 October 2020, "On the Approval of the Rule for the Examination of the Client's Ownership and Control Structure and the Identification and Verification of the Beneficial Owner by an Accountable Person".** In addition to modifying certain provisions in that decree, this amendment was conditioned by the amendment implemented in the Law of Georgia "On Facilitating the Prevention of Money Laundering and Terrorism Financing" relating to the expansion of the circle of accountable persons subject to the supervision of the National Bank of Georgia, and to alteration to the existing system of risk classification—with the "high" and "low" risk categories of money laundering and terrorism financing being replaced by "elevated" and "reduced" risk levels. The amendment helps ensure the compliance of the decree with the law and, relying on accumulated experience and taking into consideration the principle of risk-based supervision, it simplifies the process of identifying and verifying the beneficial owner of a client for an accountable financial institution.

For the purpose of increasing the efficiency of the remote supervision process, **Decree No. 287/04 of the Governor of the National Bank of Georgia of 16 December 2025, "On the Approval of the Rule for the Completion of the Supervision Questionnaire of the Compliance Control System of Accountable Persons against Money Laundering and Terrorism Financing and the Submission of Information",** was adopted. Through this decree, along with the supervision questionnaire of the compliance control system for commercial banks, questionnaire forms were developed for other accountable persons, specifically for microbanks, brokerage companies, securities registrars, asset management companies, investment funds, payment service providers, and microfinance organizations.

Decree No. 166/04 of the Governor of the National Bank of Georgia of 8 July 2025, "On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of a Monetary Penalty against an Asset Management Company and the Members of its Governing Body for the Violation of the Georgian Legislation on

Facilitating the Prevention of Money Laundering and Terrorism Financing", was adopted. This determined matters related to the imposition and enforcement of monetary penalties against an asset management company and members of its governing body.

The objective of developing this decree was to ensure the effective supervision of asset management companies as accountable persons, as defined by the Law of Georgia "On Facilitating the Prevention of Money Laundering and Terrorism Financing". The decree permits the determination, imposition, and enforcement of monetary penalties in the event that the National Bank of Georgia establishes that an asset management company has violated the Law of Georgia "On Facilitating the Prevention of Money Laundering and Terrorism Financing", the legal acts issued by the LEPL Financial Monitoring Service of Georgia, those of the National Bank of Georgia regarding the prevention of money laundering and terrorism financing, or the requirements or written instructions determined as a result of an inspection/supervision by the National Bank of Georgia, and/or has failed to fulfill the instructions of the LEPL Financial Monitoring Service of Georgia.

To ensure a uniform approach to the imposition of sanctions against entities subject to the supervision of the National Bank of Georgia, refine the existing rules, and enable the possibility of applying a sanction commensurate with the seriousness of the violation, it became necessary to apply a sanctioning mechanism against other supervised entities, similar to that which applies to microfinance organizations. Accordingly, the National Bank may impose an alternative sanction for the same violation, either instead of or in addition to imposing a monetary penalty, ensuring that the measure applied corresponds to the identified violation while avoiding undue disruption to the activities of the supervised entities.

Taking the above circumstances into consideration, amendments were introduced to the following normative acts:

- **Decree No. 133/04 of the Governor of the National Bank of Georgia of 29 May 2024, "On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of a Monetary Penalty against a Virtual Asset Service Provider and Its Administrators".**
- **Decree No. 87/04 of the Governor of the National Bank of Georgia of 13 June 2017, "On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of a Monetary Penalty against a Payment Service Provider and Its Administrators".**
- **Decree No. 218/04 of the Governor of the National Bank of Georgia of 27 September 2018, "On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of a Monetary Penalty against a Lending Entity".**
- **Decree No. 35/04 of the Governor of the National Bank of Georgia of 14 February 2012, "On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of a Monetary Penalty against Persons and the Members of Their Governing Body for the Violation of the Securities Legislation, the Law of Georgia 'On Accounting, Reporting, and Auditing,' the Law of Georgia 'On Voluntary Private Pension,' and the Legislation of Georgia 'On Facilitating the Prevention of Money Laundering and Terrorism Financing'".**
- **Decree No. 17/04 of the Governor of the National Bank of Georgia of 5 February 2020, "On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of Monetary Penalties against Currency Exchange Bureaus and Their Directors".**
- **Decree No. 257 of the Governor of the National Bank of Georgia of 8 October 2002, "On the Approval of the Rule for Applying Sanctions against Non-Banking Depository Institutions – Credit Unions".**

Through the amendments to these normative acts, the National Bank of Georgia was granted the authority, following the imposition of a monetary penalty against a respective entity subject to its supervision—and/or its administrator/member of the governing body/head—for the non-fulfillment of the requirements of preventing money laundering and terrorism financing, to apply additional sanctions in the event of non-fulfillment of these requirements instead of imposing a monetary penalty.

In the event that a lending entity, non-banking depository institution—credit union, investment fund, brokerage company, securities registrar, payment service provider, microfinance organization, microbank, commercial bank, currency exchange bureau, virtual asset service provider, or asset management company—fails, in accordance with the risk level and relevant legislation, to update information relating to

a person and/or obtaining management approval for the establishment and/or continuation of a business relationship with that person (other than a politically exposed person), the entity shall be subject to the prescribed fine in relation to each such person.

For the purpose of ensuring the above, the following decrees were adopted:

- **Decree No. 299/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 218/04 of the Governor of the National Bank of Georgia of 27 September 2018, 'On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of a Monetary Penalty against a Lending Entity'".**
- **Decree No. 300/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 257 of the Governor of the National Bank of Georgia of 8 October 2002, 'On the Approval of the Rule for Applying Sanctions against Non-Banking Depository Institutions – Credit Unions'".**
- **Decree No. 301/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 70/04 of the Governor of the National Bank of Georgia of 29 June 2022, 'On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of a Monetary Penalty against Investment Funds and the Members of Their Governing Body for the Violation of the Georgian Legislation on Facilitating the Prevention of Money Laundering and Terrorism Financing'".**
- **Decree No. 302/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 35/04 of the Governor of the National Bank of Georgia of 14 February 2012, 'On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of a Monetary Penalty against Persons and the Members of Their Governing Body for the Violation of the Securities Legislation, the Law of Georgia "On Accounting, Reporting, and Auditing," the Law of Georgia "On Voluntary Private Pension," and the Legislation of Georgia "On Facilitating the Prevention of Money Laundering and Terrorism Financing'".**
- **Decree No. 303/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 87/04 of the Governor of the National Bank of Georgia of 13 June 2017, 'On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of a Monetary Penalty against a Payment Service Provider and Its Administrators'".**
- **Decree No. 304/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 16/04 of the Governor of the National Bank of Georgia of 5 February 2020, 'On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of Monetary Penalties against a Microfinance Organization and Its Administrators'".**
- **Decree No. 305/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 123/04 of the Governor of the National Bank of Georgia of 21 June 2023, 'On the Approval of the Rule for Determining and Imposing Monetary Penalties against Microbanks and Their Administrators'".**
- **Decree No. 306/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 242/01 of the Governor of the National Bank of Georgia of 25 December 2009, 'On the Approval of the Rule for Determining and Imposing Monetary Penalties against Commercial Banks and Their Administrators'".**
- **Decree No. 307/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 17/04 of the Governor of the National Bank of Georgia of 5 February 2020, 'On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of Monetary Penalties against Currency Exchange Bureaus and Their Administrators'".**
- **Decree No. 308/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 133/04 of the Governor of the National Bank of Georgia of 29 May 2024, 'On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of**

a Monetary Penalty against a Virtual Asset Service Provider and Its Administrators'".

- **Decree No. 309/04 of the Governor of the National Bank of Georgia of 29 December 2025, "On Introducing an Amendment to Decree No. 166/04 of the Governor of the National Bank of Georgia of 8 July 2025, 'On the Approval of the Rule for Determining, Imposing, and Enforcing the Amount of a Monetary Penalty against an Asset Management Company and the Members of Its Governing Body for the Violation of the Georgian Legislation on Facilitating the Prevention of Money Laundering and Terrorism Financing'".**

Amendments were introduced to **Decree No. 104/04 of the Governor of the National Bank of Georgia of 29 April 2025, "On the Approval of the Rule for the Electronic Execution of Preventive Measures by an Accountable Person".** Under to this amendment, as stipulated by the legal acts of the National Bank of Georgia regarding the completion of reporting and submission of information on the supervision of money laundering and terrorism financing risk, in offshore jurisdictions the electronic execution of preventive measures in accordance with the rule approved by the decree shall be permissible not only if the offshore zone is simultaneously a member of the European Union/Schengen area, but also if the offshore zone is simultaneously included in the list of countries stipulated by Annex No. 1 of the rule. The latter encompasses a list of both individual countries as well as the countries of the Schengen/European Union area.

In addition, another amendment was implemented to the same decree and was conditioned by the necessity to clarify the deadline for ensuring compliance with an individual requirement of the rule. Specifically, for accountable persons executing preventive measures electronically, in the event of utilizing outsourcing services, the deadline for submission of an independent audit conclusion regarding the storage/deletion of information/information assets, including backup copies, on the side of the service provider, was determined to be no later than 1 February 2026.

PROTECTION OF CONSUMER RIGHTS

For the purpose of updating existing regulations regarding the protection of consumer rights of payment service providers registered by the National Bank of Georgia in accordance with the best international practices, **Decree No. 49/04 of the Governor of the National Bank of Georgia of 27 February 2025, "On Introducing an Amendment to Decree No. 32/04 of the Governor of the National Bank of Georgia of 9 March 2021, 'On the Approval of the Rule for the Protection of Consumer Rights During the Rendering of Services by Financial Organizations'"** was adopted. This decree defined the characteristics of complaints statistics to be submitted monthly to the National Bank of Georgia by payment service providers. This will provide the National Bank of Georgia with the possibility to analyze how correctly payment service providers react to consumer complaints, as well as whether flaws exist in this direction both within individual organizations and at the systemic level. A corresponding amendment was consequently introduced to **Decree No. 77/04 of the Governor of the National Bank of Georgia of 1 May 2023, "On the Approval of the Rule for the Registration and Regulation of a Payment Service Provider".**

For the purpose of strengthening the competitive environment in the sector and enhancing the standard of consumer rights protection, a further amendment was introduced to the aforementioned **Decree No. 32/04 "On the Approval of the Rule for the Protection of Consumer Rights During the Rendering of Services by Financial Organizations".** With this change, for individual consumers, as well as for consumers other individuals whose total obligations to a specific financial organization do not exceed GEL 2,000,000 (or its equivalent in another currency), the maximum prepayment commission fee in the event of full or partial refinancing of a loan/credit from another financial organization was set at no more than 0.5% of the amount applied to the outstanding principal balance at the moment of repayment. In addition, a prepayment commission fee was also determined for documentary operations (including letters of credit, documentary collection, bank guarantee, acceptances, and similar instruments).

OTHER LEGAL ACTS

In accordance with the Organic Law of Georgia "On the National Bank of Georgia," one of the functions of the National Bank of Georgia is to facilitate the secure, sustainable, and efficient functioning of the payment system. Operational risks and technical disruptions are inherent risks for payment systems. In the process of identifying and resolving flaws, depending on the nature of the issue, it may become necessary to share information regarding activities conducted

within the system with software and hardware service providers who support payment systems and/or foreign counterparties who are responsible for the technical functioning of the payment system. In such cases, it is possible that the shared information may include, among other things, personal data, including special categories of personal data.

According to the Georgian legislation, the transfer of personal data may be executed both to countries that provide appropriate guarantees for personal data protection and to countries that are not recognized as providing such safeguards. In accordance with the Law of Georgia "On Personal Data Protection", the international transfer of personal data to a country lacking appropriate guarantees for data protection is permissible if the data transfer is stipulated by a normative act adopted on the basis of the Organic Law of Georgia "On the National Bank of Georgia". Accordingly, **Decree No. 230/04 of the Governor of the National Bank of Georgia of 26 September 2025, "On the Approval of the Rule for the International Transfer of Personal Data by the National Bank of Georgia During the Operation of Payment Systems"** was adopted. This determines the conditions for the international transfer of data, including the obligation for information protection by the manufacturer of the software-hardware support of payment systems and/or the counterparty responsible for the technical functioning of the system. The decree also defines the purpose and scope of data processing, and further regulates the matter of data transfer.

In accordance with the decision adopted at the 26 February 2025 meeting of the Financial Stability Committee of the National Bank of Georgia, **Decree No. 47/04 of the Governor of the National Bank of Georgia of 27 February 2025, "On Introducing an Amendment to Decree No. 44/04 of the Governor of the National Bank of Georgia of 13 March 2020, 'On the Approval of the Regulation on the Lending to Individuals'"** was adopted. Against the backdrop of the normalization of economic activity, for the purpose of maintaining sustainable activity in the real estate market, the maximum indicator of the loan-to-value ratio (LTV) for mortgage loans issued in GEL and consumer loans secured by real estate was increased from 85% to 90%, which will facilitate access to loans. The decree also stipulates the alleviation of the loan-to-value ratio (LTV) requirement for those borrowers who receive income from outside the borders of Georgia. For such persons, the loan-to-value ratio (LTV), which must be maintained through co-participation in the form of monetary funds, was determined at 80% instead of 70% for mortgage loans. Furthermore, the approach to determining the maximum loan duration for foreign-currency mortgage loans of up to 20 years was revised. Under the amendment, a mortgage loan in foreign currency may be granted with a maximum maturity of 20 years, provided that the borrower possesses sufficient income denominated in the loan currency to service the mortgage loan. This requirement does not apply to mortgage loans issued for a term of up to 10 years.

Against the backdrop of the measures implemented by the National Bank of Georgia, dollarization in the economy has significantly decreased; however, dollarization and its associated structural risks remain a key challenge for the financial sector. In accordance with the declared policy and taking into consideration the macroeconomic environment and risks, the National Bank of Georgia, in coordination with the industry, continues the implementation of the long-term de-dollarization plan. Following the decision adopted at the 28 May 2025 meeting of the Financial Stability Committee of the National Bank of Georgia, which concerned the increase of the limit for unhedged foreign currency loans, **Decree No. 176/04 of the Governor of the National Bank of Georgia of 21 July 2025, "On Determining the Rule for the Issuance of Loans/Bank Credit up to GEL 750,000 by Lending Organizations"** was adopted. This decree raised the limit for unhedged foreign currency loans from GEL 500,000 to GEL 750,000. Additionally, the decree clarifies that the rule also applies to obligations payable to a lending organization under a repayment schedule where such obligations arise from a bank guarantee, letter of credit or similar documentary operation.

Since August 2018, the National Bank of Georgia has been publishing the primary index of the money market—the Tbilisi Interbank Interest Rate (TIBR). For the purpose of facilitating the development of the financial market, the TIBR term index and the TIBR compounded index were introduced in 2019 and 2021.

Taking into consideration the practical experience over the past years, an assessment of the TIBR index calculation methodology and a search for a means of its improvement were executed in 2025. As a result of these initiatives, **Decree No. 291/04 of the Governor of the National Bank of Georgia of 22 December 2025, "On Introducing an Amendment to Decree No. 146/04 of the Governor of the**

National Bank of Georgia of 12 October 2021, 'On the Approval of the Rule for the Calculation of TIBR Indexes'", was adopted. In accordance with the decree, 80% of the volume of interbank transactions complying with the criteria defined by this rule will participate in the calculation of the TIBR rate, instead of 70% as in the previous decree. Furthermore, the methodology for calculating the fallback plan for the TIBR rate calculation was refined. As a result, the TIBR rate provides a more accurate and timely reflection of the interest rate existing on the interbank money market and its fluctuations.

Decree No. 125/04 of the Governor of the National Bank of Georgia of 23 May 2025, "On the Approval of the Regulation on the Creation of the Regulatory Sandbox Framework by the National Bank of Georgia and Its Usage" was adopted. With this development, Decree No. 110/04 of the Governor of the National Bank of Georgia of 25 May 2020, "On the Approval of the Regulation on the Creation of the Regulatory Sandbox Framework by the National Bank of Georgia and Its Usage" was declared invalid. Unlike the old regulation, the new regulation no longer contains a reference specifically to the offering of innovative financial services and products in the financial sector. Accordingly, under the new regulation, the regulatory sandbox can also be utilized by those entities subject to the supervision of the National Bank of Georgia that are not representatives of the financial sector but that seek to offer innovative services and/or products, provided that such products or services do not contradict the existing requirements of the National Bank of Georgia or require its prior consent. According to the new regulation, the National Bank of Georgia was also granted the authority to request additional information/documentation from an applicant that would be necessary to evaluate the results of the idea testing phase within the regulatory sandbox. Furthermore, the applicant became obliged to inform the consumer in a visible manner regarding any testing of their service and/or product in a real environment within the framework of the regulatory sandbox. Also, if the applicant expresses a desire to exit the regulatory sandbox before the completion of the testing phase, they are obligated to notify the National Bank of Georgia in writing, indicating the reason for their decision. The new regulation also establishes a maximum timeframe of one year for testing a service or product in a real environment. Upon the decision of the National Bank of Georgia, as necessary, this may be prolonged by no more than one year (including multiple times).

Decree No. 144/04 of the Governor of the National Bank of Georgia of 25 June 2025, "On Introducing an Amendment to Decree No. 112/04 of the Governor of the National Bank of Georgia of 26 November 2015, 'On the Use of the Unified Financial and Statistical Information System of the National Bank of Georgia - SebStat'" was adopted. The objective of this decree was the expansion of the Unified Financial and Statistical Information System of the National Bank of Georgia - SebStat. According to the amendment, a new annex, the MTD data family of "Daily Money Transfer Statistics", was added to expand the statistical database of the National Bank of Georgia. Specifically, the following areas were expanded:

- The circle of indicators of money transfer statistics, which is significant for an in-depth analysis of financial inflows into the country, the monitoring of the foreign exchange market, and the perfection of the information base of the balance of payments.
- The circle of accountable financial institutions, which implies receiving information regarding money transfers from microfinance organizations as well those from commercial banks and microbanks. Furthermore, according to the amendment, the integration of microfinance organizations into the SebStat system was executed, which is significant from the perspective of the gradual digitization of their statistical activities.

Amendments were also introduced **to Decree No. 70/04 of the Governor of the National Bank of Georgia of 2 September 2011, "On the Approval of the Regulation on the Realization of the Property of the National Bank of Georgia in the Form of an Auction".** These amendments introduced the possibility of the disposal of the property of the National Bank of Georgia at an electronic auction. Through the implemented amendments, the disposal of the property of the National Bank of Georgia is possible by means of an electronic auction via the auction system www.eauction.ge, in accordance with the procedures and rules of the auction system and the respective provisions of this decree. Through the amendment, it was also determined that, upon the decision of the Governor of the National Bank of Georgia, it is possible to determine the initial price of the property to be realized in an amount greater than the sum indicated in the assessment of an independent auditor (expert).

18.

STATISTICAL ACTIVITIES

18.1. MONETARY AND FINANCIAL STATISTICS

In 2025, Georgia became a member country of the International Monetary Fund's Monetary and Financial Statistics Advisory Committee. The committee unites international experts who deliberate on methodological matters and current challenges related to the production of monetary and financial sector statistics. Participation in the committee provides the NBG with the possibility to familiarize itself with the development of international statistical standards and to take into consideration modern methodological practices in its own activities.

Within the framework of cooperation with the International Monetary Fund, the NBG continued the implementation of the recommendations the technical assistance mission (conducted in April-May 2024) on Financial Soundness Indicators (FSIs) and Monetary and Financial Statistics (MFS). In accordance with the agreed action plan, significant progress was achieved in 2025 in the direction of improving the methodological framework and expanding sectoral coverage. Specifically, the methodology of the central bank's sectoral balance sheet was reviewed and updated, which ensures its compliance with the latest standards of the IMF's monetary and financial statistics. Furthermore, a thorough review of the methodology of the banking sector's balance sheet was executed, including the recalculation and harmonization of historical data, which ensures the consistency and comparability of the data.

In addition, the coverage of the Other Financial Corporations (OFC) sector was significantly expanded through the integration of the Pension Fund, which increases the analytical value of the sector and ensures a more comprehensive representation of the financial sector as a whole.

In the same context, the process of developing and publishing Financial Soundness Indicators (FSIs) was further refined and expanded. A methodological review of the banking sector's FSIs was executed, bringing it into full compliance with the standards of the International Monetary Fund. The data dissemination framework was also updated, and two new tables encompassing the data of the Pension Fund and insurance companies were added to the existing tables, which ensures the expansion of the institutional coverage of the financial sector.

For the purposes of FSIs, in accordance with the methodology and recommendations of the International Monetary Fund, the banking sector's Concentration and Distribution Measures (CDM) were introduced, which More Natural ENG enhances the analytical capabilities for assessing of the financial sector's structure.

Furthermore, the exploration of additional data sources is underway to support the compilation of FSIs and Financial Accounts, particularly in the direction of the Non-Financial Corporations (NFC) sector. In this context, the NBG is exploring the possibility of utilizing the data collected by the Service for Accounting, Reporting and Auditing Supervision (SARAS). Ongoing work is directed towards assessing the availability of those data and their applicability for statistical purposes.

The completion of the implementation of the new data family for money transfer statistics within the statistical data collection system of the NBG (SebStat) was a major milestone. In accordance with the updated system, financial institutions submit data to the NBG on a monthly basis at the transaction level (with daily granularity). Data collection commenced in January 2026. In addition to the volume of transactions, the expanded database encompasses additional analytical dimensions, including the receiving sector, age group, gender, and municipality. The same level of detail will also be available regarding the senders of the transfers. The initiative will significantly expand the possibilities for the analysis of money transfers.

The Macroeconomics and Statistics Department continued to expand the use of modern data visualization tools in the dissemination of statistical data. Over the course of the year, in collaboration with other structural units of the NBG, several interactive (BI) dashboards were developed and published. Although the primary compilation of statistical data is performed within the relevant departments, the Macroeconomics and Statistics Department played a key role in the design of data architecture, the development of data extraction, processing, and transformation processes, and the creation of interactive visualization instruments. Among the new products, the interactive dashboards concerning bonds issued by international financial institutions and the green loan portfolio are particularly noteworthy, which significantly improves data accessibility and analytical applicability.





Source: NBG

In the same direction, the tables previously published in Excel format in the price indices section on the website of the NBG were replaced by interactive reports. As a result, information is more accessible and flexible for users, including on annual and average annual inflation, monthly inflation, as well as consumer and producer price indices.

In 2025, preliminary exploratory and experimental activities were undertaken to assess the potential adoption of modern statistical data exchange infrastructure based on international standards, including the Statistical Data and Metadata eXchange (SDMX) framework and Application Programming Interfaces (APIs). For this purpose, a test environment was established and is being used to test data structures and related components. In parallel, employees of the Macroeconomics and Statistics Department participated in relevant training programs aimed at strengthening their knowledge and expertise in this area. At the current stage, these activities are primarily experimental and educational in nature and will continue in the coming period.

In addition, a representative of the Macroeconomics and Statistics Department participated in the SDMX Global Conference, which contributed to a better understanding of current approaches and international practices in the field. Over the course of the year, the automated data processing procedures utilized in the compilation of monetary and financial statistics were further strengthened. New processes were developed for data extraction, preparation, and transformation, which ensures the efficient integration of large volumes of data into databases. These efforts facilitated the further refinement of data management and processing processes and increased the efficiency of statistical compilation.

In 2025, pilot works commenced to explore the possibility of utilizing machine learning methods to improve the processes of statistical data quality control and validation. Under the conditions of the increasing volume and complexity of the financial sector's data, advanced analytical instruments create an additional opportunities to identify possible anomalies in the data and to increase the efficiency of the validation processes.

18.2. BALANCE OF PAYMENTS AND EXTERNAL SECTOR STATISTICS

In 2025, the National Bank of Georgia became a member country of the International Monetary Fund's Balance of Payments Statistics Committee (https://www.imf.org/external/bopage/bopindex.htm). The committee unites international experts who provide consultative support in compiling the balance of payments and determining the respective methodology; furthermore, the committee is responsible for the development and continuous advancement of methodological standards for external sector statistics. In the upcoming years, the committee will focus on the implementation of the new methodology ("Integrated Balance of Payments and International Investment Position - BPM7") on a global scale.

In addition, the NBG's membership in Eurostat's Balance of Payments Working Group represents a significant opportunity for Georgia in terms of maximizing the approximation of external sector statistics with European Union standards, thereby effectively fulfilling the obligations under the EU-Georgia Association Agreement. Subsequent stages of this cooperation will focus on the coordination of preparatory works related to the implementation of the BPM7 methodology and engaging in active discussions within the working group. These efforts will ensure the compilation of high-quality and internationally comparable external sector statistics.

19.

CYBERSECURITY

Information and Cyber Security

Given the National Bank of Georgia's functions and responsibilities, the information security of the organization remains a key priority. To ensure a high level of information security, the Security Department continuously executes appropriate measures.

Under the coordination of the Security Department, a control audit of the information security management system was successfully conducted. The control audit stipulates certification according to the ISO 27001 standard and was executed by the German certifying body TUV SUD. The NBG completed certification in 2025 in accordance with the updated standard—the ISO/IEC 27001:2022 version.

Given the modern challenges of cyber security, it is essential that the NBG is able to obtain timely information regarding any possible leakage of its assets, employees, and their personal data, as well as threats related to the external-facing domains and systems of the NBG's computer infrastructure. To help ensure this, a Cyber Threat Intelligence system was implemented by the Security Department.

In 2025, mandatory cyber security awareness-raising training was conducted across the entire Bank by the Information and Cyber Security Division. Special attention was devoted to the security of artificial intelligence utilization and other modern challenges existing in the sphere of information security. In addition, for the purpose of examining the level of cyber awareness of employees and determining incident response times, a so-called "phishing" simulation was executed.

Personal Data Protection

Substantial steps were taken to perfect the legal framework from the perspective of personal data protection; specifically, Decree No. 230/04 of the Governor of the National Bank of Georgia of 26 September 2025, "On the Approval of the Rule for the International Transfer of Personal Data by the National Bank of Georgia During the Operation of Payment Systems", was issued; the personal data recording document was revised and submitted to the supervisory body; the "Rule for Executing Audio Monitoring in the National Bank of Georgia" was revised and approved; and, within the framework of the latter, a data protection impact assessment document was prepared.

The data protection policy for a number of significant projects was established and refined. To ensure the principle of transparency and comply with the standard stipulated by legislation, forms for informing and obtaining consent from the data subject were developed within the framework of a number of projects. Furthermore, draft agreements to be concluded with authorized persons were revised, and a legal compliance assessment of a series of regulatory acts of the NBG was undertaken from the perspective of compatibility with the data protection legislation.

20.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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NATIONAL BANK OF GEORGIA

STATEMENT ON MANAGEMENT RESPOSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

Management is responsible for the preparation of the financial statements that present fairly the financial position of the National Bank of Georgia (the "Bank") at 31 December 2025, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board ("IFRS Accounting Standards").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements for the year ended 31 December 2025 were authorized for issue on 24 April 2026 by the Council of the Bank.

On behalf of the Council of the Bank:

Chairman of the Council

Natela Turnava

Head of Finance and Accounting Department
Andria Manelashvili

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INDEPENDENT AUDITORS' REPORT

To the Council of the National Bank of Georgia

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

KPMG Georgia LLC, a company incorporated under the Laws of Georgia and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Nino Chikhladze

KPMG Georgia LLC
24 April 2026

NATIONAL BANK OF GEORGIA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025
(in thousands of Georgian Lari)

	Notes	Year ended 31-Dec-25	Year ended 31-Dec-24
Interest income from international reserves			
Cash and cash equivalents		81,750	82,203
Investments measured at fair value through other comprehensive income ("FVOCI")		282,097	309,042
Other		38,023	47,936
		401,870	**439,181**
Interest income from monetary policy operations			
Due from resident financial institutions		536,318	334,180
Investments measured at fair value through other comprehensive income		136,760	175,679
		673,078	**509,859**
Other interest income			
Investments measured at amortised cost		708	4,356
		708	**4,356**
Total interest income calculated using the effective interest rate method		**1,075,656**	**953,396**
Interest expense from monetary policy operations			
Debt securities issued		(4,772)	(5,124)
Due to resident financial institutions		(124,559)	(90,237)
		(129,331)	**(95,361)**
Other interest expenses			
Due to the International Monetary Fund		(73,248)	(101,102)
Due to customers		(870)	(714)
Lease liabilities		(444)	(286)
		(74,562)	**(102,102)**
Total interest expense		**(203,893)**	**(197,463)**
NET INTEREST INCOME		**871,763**	**755,933**
Impairment (charge)/recovery	29	(1,694)	821
NET INTEREST INCOME AFTER IMPAIRMENT CHARGES		**870,069**	**756,754**
Net gains/(losses) from foreign currencies:			
Unrealized gain from revaluation of Foreign Currencies	8	879,333	447,385
Dealing gains		17,995	13,120
Fee and commission income	4	5,522	5,410
Fee and commission expense	4	(3,332)	(5,872)
Net realized gain/(losses) on instruments measured at fair value through other comprehensive income		14,540	(29,097)
Net realized gains on financial instruments measured at fair value through profit or loss		2,855	16,766
Net unrealized gain/(losses) on financial instruments measured at fair value through profit or loss		5,734	(13,370)
Other revenue	5	16,924	429,250
NON-INTEREST INCOME, NET		**939,571**	**863,592**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)
(in thousands of Georgian Lari)

	Notes	Year ended 31-Dec-25	Year ended 31-Dec-24
Personnel expenses	6	(69,989)	(59,443)
General and administrative expenses	6	(25,780)	(19,251)
Money printing expenses		(12,235)	(17,076)
Depreciation and amortization	6	(9,216)	(8,034)
Other expenses	5	(11,607)	(412,381)
NON-INTEREST EXPENSES		**(128,827)**	**(516,185)**
PROFIT FOR THE YEAR		**1,680,813**	**1,104,161**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of investments measured at fair value through other comprehensive income		38,993	21,342
Net change in fair value of investments measured at fair value through other comprehensive income reclassified to profit or loss		(14,540)	29,097
Total other comprehensive Income		**24,453**	**50,439**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,705,266**	**1,154,600**

The financial statements as set out on pages 6 to 57 were approved by management on 24 April 2026 and were signed on behalf of the Council of the Bank by:

Chairman of the Council
Natela Turnava

Head of Finance and Accounting Department
Andria Manelashvili

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

NATIONAL BANK OF GEORGIA

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025
(in thousands of Georgian Lari)

	Notes	31-Dec-25	31-Dec-24
ASSETS:			
Foreign currency assets			
International reserves			
Cash and cash equivalents	7	3,515,685	3,289,907
Monetary Gold	8	2,701,336	1,681,645
Special Drawing Rights holdings with the International Monetary Fund	10	1,285,611	1,273,804
Assets related to derivative instruments	11	7,325	5,488
Investments measured at fair value through profit or loss	12	295,507	291,431
Investments measured at fair value through other comprehensive income	13	8,794,308	5,944,958
Other foreign currency assets			
Other assets	18	10	2,545
		16,599,782	**12,489,778**
National currency assets			
Monetary policy instruments			
Due from resident financial institutions	9	6,167,078	7,003,577
Assets related to derivative instruments	11	3,483	2,520
Investments measured at fair value through other comprehensive income	13	1,496,259	1,871,247
Other national currency assets			
Investments measured at amortised cost	14	-	41,010
Right-of-use assets	15	6,543	8,435
Property and equipment	16	110,443	86,704
Intangible assets	17	8,988	10,058
Other assets	18	32,855	11,649
		7,825,649	**9,035,200**
TOTAL ASSETS		**24,425,431**	**21,524,978**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025 (CONTINUED)
(in thousands of Georgian Lari)

	Notes	31-Dec-25	31-Dec-24
LIABILITIES AND EQUITY:			
LIABILITIES:			
Foreign currency liabilities			
Monetary policy instruments			
Due to resident financial institutions	19	5,863,318	6,369,707
Other foreign currency liabilities			
Due to resident financial institutions	19	6,749	17,835
Due to the Ministry of Finance of Georgia	20	400,569	428,426
Due to the International Monetary Fund	10	2,093,371	2,259,246
Other liabilities	17	80,820	66,195
		8,444,827	**9,141,409**
National currency liabilities			
Money issued in circulation	22	7,442,164	6,617,018
Monetary policy instruments			
Debt securities issued	23	59,350	59,384
Due to resident financial institutions	19	1,746,732	695,619
Liabilities related to derivative instruments	11	-	2,143
Other national currency liabilities			
Due to the Ministry of Finance of Georgia	20	1,672,488	1,018,824
Due to the International Monetary Fund	10	1,972	1,870
Due to customers	21	17,645	1,528
Other liabilities	18	605,822	686,511
		11,546,173	**9,082,897**
TOTAL LIABILITIES		**19,991,000**	**18,224,306**
EQUITY:			
Capital		15,000	15,000
Reserve fund		1,377,774	1,153,535
Foreign currency revaluation reserve		3,006,898	2,127,565
Other revaluation reserve		23,663	17,929
Revaluation reserve of investments measured at fair value through other comprehensive income		11,096	(13,357)
Retained earnings		-	-
TOTAL EQUITY	24	**4,434,431**	**3,300,672**
TOTAL LIABILITIES AND EQUITY		**24,425,431**	**21,524,978**

The financial statements as set out on pages 6 to 57 were approved by management on 24 April 2026 and were signed on behalf of the Council of the Bank by:

Chairman of the Council
Natela Turnava

Head of Finance and Accounting Department
Andria Manelashvili

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

NATIONAL BANK OF GEORGIA

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025
(in thousands of Georgian Lari)

	Capital	Reserve fund	Foreign currency revaluation reserve	Other revaluation reserve	Revaluation reserve of investments measured at FVOCI	Retained earnings	Total equity
1-Jan-24	**15,000**	**1,153,535**	**1,680,180**	**31,299**	**(63,796)**	**-**	**2,816,218**
Total comprehensive income							
Profit for the year						1,104,161	**1,104,161**
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of investments measured at fair value through other comprehensive income during the year	-	-	-	-	21,342	-	**21,342**
Net change in fair value on investments measured at fair value through other comprehensive income reclassified to profit or loss	-	-	-	-	29,097	-	**29,097**
Total other comprehensive income	**-**	**-**	**-**	**-**	**50,439**	**-**	**50,439**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**50,439**	**1,104,161**	**1,154,600**
Transactions recorded directly in equity							
Distribution to the Ministry of Finance from 2024 profit under the Law* (Note 24)	-	-	-	-	-	(670,146)	**(670,146)**
Transfer to foreign currency revaluation reserve under the Law* (Note 24)	-	-	447,385	-	-	(447,385)	**-**
Transfer from other revaluation reserve under the Law* (Note 24)	-	-	-	(13,370)	-	13,370	**-**
Total transactions recorded directly in equity	**-**	**-**	**447,385**	**(13,370)**	**-**	**(1,104,161)**	**(670,146)**
31-Dec-24	**15,000**	**1,153,535**	**2,127,565**	**17,929**	**(13,357)**	**-**	**3,300,672**
Total comprehensive income							
Profit for the year	-	-	-	-	-	1,680,813	**1,680,813**
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of investments measured at fair value through other comprehensive income during the year	-	-	-	-	38,993	-	**38,993**
Net change in fair value on investments measured at fair value through other comprehensive income reclassified to profit or loss	-	-	-	-	(14,540)	-	**(14,540)**
Total other comprehensive income	**-**	**-**	**-**	**-**	**24,453**	**-**	**24,453**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**24,453**	**1,680,813**	**1,705,266**
Transactions recorded directly in equity							
Distribution to the Ministry of Finance from 2024 profit under the Law* (Note 24)	-	-	-	-	-	(571,507)	**(571,507)**
Transfer to reserve fund from 2024 profit under the Law* (Note 24)	-	224,239	-	-	-	(224,239)	**-**
Transfer to foreign currency revaluation reserve under the Law* (Note 24)	-	-	879,333	-		(879,333)	**-**
Transfer from other revaluation reserve under the Law* (Note 24)	-	-	-	5,734	-	(5,734)	**-**
Total transactions recorded directly in equity	**-**	**224,239**	**879,333**	**5,734**	**-**	**(1,680,813)**	**(571,507)**
31-Dec-25	**15,000**	**1,377,774**	**3,006,898**	**23,663**	**11,096**	**-**	**4,434,431**

* Organic Law of Georgia on the National Bank of Georgia

The financial statements as set out on pages 6 to 57 were approved by management on 24 April 2026 and were signed on behalf of the Council of the Bank by:

Chairman of the Council
Natela Turnava

Head of Finance and Accounting Department
Andria Manelashvili

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

NATIONAL BANK OF GEORGIA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025
(in thousands of Georgian Lari)

	Notes	Year ended 31-Dec-2025	Year ended 31-Dec-2024
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		1,028,350	882,949
Interest paid		(204,784)	(199,645)
Fees and commissions received		5,522	5,410
Fees and commissions paid		(3,332)	(5,872)
Net realized gains from dealing in foreign currencies		17,995	13,120
Other revenue received		17,301	429,180
Other expenses paid		(1,025)	(410,360)
Personnel expenses paid		(69,989)	(59,443)
Cash paid for printing money		(10,391)	(17,200)
Other general and administrative expenses paid		(34,447)	(12,542)
Net cash inflow from operating activities before changes in operating assets and liabilities		**745,200**	**625,597**
Net (increase)/decrease in operating assets:			
Due from resident financial institutions		834,532	(3,261,837)
Special Drawing Rights holdings with the International Monetary Fund		(345)	(38,106)
Assets measured at fair value through profit or loss		34	(1,014)
Other assets		(21,535)	(1,720)
Net increase/(decrease) in operating liabilities:			
Money issued in circulation		825,146	682,880
Due to resident financial institutions		636,322	846,514
Due to the Ministry of Finance of Georgia		594,661	(991,091)
Due to customers		16,118	(6,050)
Liabilities related to derivative instruments		(2,143)	2,143
Other liabilities		21,651	22,347
Net cash inflow/(outflow) from operating activities		**3,649,641**	**(2,120,337)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment		(14,547)	(39,808)
Purchase of intangible assets		(3,094)	(2,945)
Increase in right-of-use assets		-	(2,300)
Purchase of monetary gold		-	(1,362,109)
Purchase of investments measured at fair value through other comprehensive income		(8,865,235)	(5,042,878)
Proceeds from redemption and sale of investments measured at fair value through other comprehensive income		6,372,281	10,083,488
Net cash (used in)/ from investing activities		**(2,510,595)**	**3,633,448**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfer to the Ministry of Finance of Georgia	24, 27	(670,146)	(302,877)
Debt securities issued		255,195	255,034
Debt securities redeemed		(255,756)	(255,361)
Repayment of lease liability		(918)	(924)
Repayments to the International Monetary Fund	10, 27	(183,930)	(110,575)
Net cash used in financing activities		**(855,555)**	**(414,703)**
CASH AND CASH EQUIVALENTS, at the beginning of the year	7	**3,289,907**	**2,123,328**
Net cash flow from Operating, Investing and Financing Activities		283,491	1,098,408
Effect of exchange rates changes on cash and cash equivalents		(57,713)	68,171
CASH AND CASH EQUIVALENTS, at the end of the year	7	**3,515,685**	**3,289,907**

The financial statements as set out on pages 6 to 57 were approved by management on 24 April 2026 and were signed on behalf of the Council of the Bank by:

Chairman of the Council
Natela Turnava

Head of Finance and Accounting Department
Andria Manelashvili

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

1. ORGANIZATION

The National Bank of Georgia (the "Bank") is the central bank of Georgia and the banker and fiscal agent of the Government of Georgia. The Bank was founded on 2 August 1991 based on the law of Republic of Georgia "On the National Bank of Republic of Georgia". Currently, the Bank operates in accordance with the Organic Law of Georgia "On the National Bank of Georgia" enacted effective 1 December 2009 (the "Law").

The responsibilities of the Bank focus on the goals of price stability, financial system stability and efficiency, national currency issuance, and efficient management of international reserves. These responsibilities are carried out as part of the broad functions described below.

Monetary policy

The main objective of the monetary policy of the Bank is to maintain price stability. Price stability implies the existence of a moderate and predictable rate of inflation, which is a necessary precondition for long run economic growth. Furthermore, the Bank supports financial system stability and promotes the country's economic growth as long as the latter objectives do not contradict its main goal – maintaining price stability. Monetary and exchange rate policies serve the objective of preserving the purchasing power of the national currency, raising the growth potential of gross domestic product, and improving the investment climate.

Supervision and financial stability

The main objective of the Bank is to ensure the stability and efficiency of Georgia's financial system. In achieving those objectives, the Bank is responsible for the supervision and regulation of separate participants on the financial market – commercial banks, micro banks, banking groups, non-bank depository institutions, micro-finance organisations, independent securities registrars, brokerage companies (except for insurance brokerage companies), the stock exchange, central depository, specialised depository, asset management companies, publicly accountable enterprises, foreign currency exchange offices, investment funds, payment system operators, payment service providers, credit information bureaus, loan issuing institutions, virtual asset service providers and the Pension Agency of Georgia.

Within the relevant regulatory framework, the National Bank of Georgia supports the protection of consumer and investor rights. Moreover, the Bank, with the involvement of different stakeholders from the Government institutions, the private financial sector and civil society has developed the National Strategy of Financial Education as a complement to financial consumer protection and inclusion efforts, with a view to supporting financial stability and financial well-being of individuals.

Currency issuance

The Bank is the only body in the country authorized to issue Georgian Lari banknotes and coins on the territory of Georgia. The Bank determines the design, composition and other features of the Georgian Lari banknotes and coins, printed and minted by leading international suppliers.

International reserve management

The Bank maintains a portfolio of foreign currency reserves for policy and operational purposes, for instance, to protect the country from external vulnerability by maintaining sufficient liquidity to absorb shocks during a financial crisis and to support day-to-day foreign currency payment needs of the Georgian Government and those of the Bank.

Payment systems

The Bank operates the largest payment system in the country – the Real Time Gross Settlement (RTGS), which processes and settles interbank and Government payments in the national currency.

Governance

As at 31 December 2025 and 2024, the members of the Council of the Bank (the "Council") were as follows:

Position	Name (2025)	Name (2024)
Chairman	Ms. Natela Turnava (Governor)	Ms. Natela Turnava (Acting Governor, first Vice-governor)
Member	Ms. Ekaterine Mikabadze (First Vice-governor)	Ms. Ekaterine Mikabadze (Vice-governor)
Member	Ms. Ekaterine Galdava (Vice-governor)	Ms. Ekaterine Galdava (Vice-governor)
Member	Ms. Nino Jeladze (Vice-Governor)	-
Member	Ms. Nana Keinishvili	Ms. Nana Keinishvili
Member	Mr. Teimuraz Khomeriki	Mr. Teimuraz Khomeriki
Member	Mr. Otar Shamugia	-
Member	Mr. Vakhtang Burkiashvili	-
Member	Mr. Levan Dzneladze	-

The Council is defined to consist of 9 members. Ms. Natela Turnava is Governor and head of the Council.

The Bank's main office is located at 1 Zviad Gamsakhurdia Embankment, 0114, Tbilisi, Georgia. As at 31 December 2025 and 2024, the Bank operated one cash service center. The Bank employed 665 and 626 personnel as at 31 December 2025 and 2024, respectively.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

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

Presentation of these financial statements is framed within an economic and accounting framework that fairly reflects the financial position of the Bank, and at the same time, contributes to the economic analysis of the Bank's operations. Assets and liabilities within the statement of financial position are segregated as captions of foreign and national currencies, which better reflects economics and risks underpinning the Bank's operations. The Bank's assets in foreign currencies are mainly related to its international reserve management function. At the same time, the Bank's assets and liabilities in national currency are mainly recognised as a result of operations related to the conduct of monetary policy, issue of money in circulation and other functions of the Bank, as defined under the Law. For these reasons, the economic concepts of international reserves and monetary policy are additionally grouped under the sub-captions "international reserves" and "monetary policy instruments", respectively. Statement of Profit or Loss and Other Comprehensive Income separately presents interest income/expenses and non-interest income/expenses by functional operations of the Bank. Statement of cash flows is presented using the direct method.

Basis of measurement

These financial statements are prepared on the historical cost basis, except for financial instruments measured at fair value through profit or loss, investments measured at fair value through other comprehensive income and monetary gold, which is measured at fair value through profit or loss.

Monetary Gold

In establishing its definitions and accounting and presentation treatment for monetary gold, the Bank realizes that IFRS Accounting Standards do not provide any specific guidance in this regard. Therefore, the bank applies provisions of paragraphs 10-12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to establish its own approach considering international practices.

Functional and presentation currency

The Bank's main objective is to maintain price stability, which implies that open-market operations play a significant role in the development of the monetary policy, accordingly, its main activity is the issuance of banknotes and coins in Georgian Lari, which is the national currency of Georgia and which has been defined as the functional and presentation currency for the purpose of preparing these financial statements. Consequently, all balances and transactions denominated in currencies, other than the Georgian Lari are considered as denominated in "foreign currency". These financial statements are presented in thousands of Georgian Lari ("GEL"), except when otherwise indicated.

All financial information presented in GEL has been rounded to the nearest thousands, expect when otherwise indicated.

3. MATERIAL ACCOUNTING POLICIES

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

Financial Instruments

A financial instrument is defined as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

The Bank's portfolio of financial instruments comprise Georgian Lari-denominated securities, foreign government, supranational or agency securities, derivative financial instruments, holdings in the International Monetary Fund (IMF), cash and cash equivalents, due from financial institutions, due to commercial banks, the Ministry of Finance of Georgia, the IMF and other financial assets and liabilities. The Bank accounts for its financial instruments in accordance with IFRS 9–*Financial Instruments* and reports these instruments under IFRS 7–*Financial Instruments: Disclosures* and IFRS 13–*Fair Value Measurement*.

Classification

The Bank classifies its financial assets in the following categories: measured at amortised cost (AC), measured at fair value though other comprehensive income (FVOCI) and measured at fair value through profit or loss (FVTPL). The classification depends on business model under which the financial assets are managed and their cash flow characteristics. The Bank classifies its financial liabilities as subsequently measured at amortized cost except for derivatives liabilities, which are measured at fair value through profit or loss. Classification of the financial assets and the financial liabilities is determined at initial recognition.

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

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

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

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

For debt instruments measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

– Interest income using the effective interest method;
– Expected credit losses (further referred to as “ECL”) and reversals; and
– Foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

All other financial assets are classified as measured at FVTPL.

On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

– Objectives of holding a portfolio;
– Frequency, value and timing of sales (both past and future);
– How the performance of the business model and financial assets are evaluated and reported to the Bank's key management personnel;
– The risks that affect the performance of the business model, in particular, the way in which those risks are managed (to meet the objectives); and
– Whether collection of contractual cash flows (e.g. interest income received) represents significant portion of the portfolios’ returns.

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

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

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

– contingent events that would change the amount and timing of cash flows;
– leverage features;
– prepayment and extension terms;
– terms that limit the Bank’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
– features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Initial recognition of financial assets and liabilities

The Bank recognises financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting.

Financial assets and liabilities are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Derecognition of financial assets and liabilities

Financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred to another party or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification, is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

Measurement principles

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active, if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Bank uses quoted market prices to determine fair value of the Bank's investment securities. The quoted market prices for international securities are provided daily by Bloomberg and are based on current bid prices. In Management's opinion, such prices reflect reasonably the value of investments in international securities, considering the current market information and the accounting policies established by the Bank's Management.

If the market for investments is not active, the Bank establishes fair value by using discounted cash flow analysis and other relevant valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for cumulative allowance for expected credit losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Financial assets

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand in foreign currency, unrestricted balances on correspondent accounts and amounts due from financial institutions, including time deposit accounts and overnight deposits, that mature within ninety days from the date of origination. Cash and cash equivalents are subsequently measured at amortised cost.

Monetary Gold

The monetary gold is the gold held by the Bank and designated as part of international reserves. The monetary gold may be held as gold bars as well as gold-accounts (allocated or unallocated) with non-residents that give title to claim the delivery of gold. The monetary gold is held in form of gold bars purity of which is not less than 995/1000.

On the face of the statement of financial position the monetary gold is considered as foreign currency asset and is presented as separate line item within international reserves. Monetary gold is measured at fair value though profit or loss and is valued on a daily basis, based on London gold market closing price (London Bullion Market Association - LBMA) at the date of the valuation. The Bank applies same accounting policy to monetary gold as with foreign currencies, both for accounting and reporting purposes. Respectively changes in the valuation are treated as unrealized gain/loss in profit or loss together with revaluation of foreign currencies. Difference between sales price and carrying amount of the monetary gold is recognized as realized gain/loss in profit or loss.

Membership in the International Monetary Fund (the "IMF") and other international financial institutions

Based on the provision of Article 5 of the Law, being the representative of Georgia, the Bank may undertake obligations and carry out operations related to participation of Georgia in the activities of international organizations (i.e. the IMF, World Bank), including payment of membership fees to such organizations.

Financial assets measured at amortised cost

In the normal course of business, the Bank maintains loans, deposit, current accounts, and other receivables for various periods with financial institutions. Objective of the business model under which these assets are managed is achieved by collecting contractual cash flows. Contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amounts due from financial institutions and other financial assets are considered in this category. The Bank's investments measured at amortised cost also include Georgian Government bonds.

Any premium or discount of the instruments representative of debt measured at amortised cost is recognised with the calculation of the amortised cost by applying the effective interest rate method, recognising the accrued interest in respective caption of the statement of profit or loss and other comprehensive income. The effective interest method uses the rate inherent in a financial instrument that discounts the estimated future cash flows over the expected life of the financial instrument so as to recognise interest on a constant-yield basis.

Investments measured at fair value through profit or loss

The Bank's investments measured at FVTPL comprise part of international reserves managed by the Bank for International Settlements ("BIS") which represent investments placed in the Bank for International Settlements Investment Pool (BISIP CNY). The objective of the business model under which the investment is managed is achieved by collecting contractual cash flows. However, contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Derivative financial instruments

The Bank uses interest rate futures and options contracts on overseas exchanges to manage interest rate risk on its portfolio of foreign securities. Exchange traded interest rate futures are futures contracts with an underlying instrument that pays interest, which allows the Bank to lock in the price of an interest-bearing asset for a future date. An interest rate option on exchange traded interest rate futures is a financial derivative that allows the holder to benefit from changes in interest rates. The Bank also uses foreign currency derivative instruments to manage currency risk for some of its foreign currency investments.

Interest rate futures and options positions are classified as at fair value through profit or loss (FVTPL). Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The positions are marked to market on the reporting date at the relevant bid price provided by Bloomberg and valuation gains and losses are taken to net unrealized gains/losses in the statement of profit or loss and other comprehensive income. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative.

Investments measured at fair value through other comprehensive income

The Bank's investments measured at FVOCI comprise debt securities issued by Georgian and foreign governments, international financial institutions and agencies. The securities are either part of the Bank's international reserve portfolio or represent monetary policy instruments. The objective of the business model under which the debt securities are managed is achieved by both collecting contractual cash flows and selling financial assets. The debt securities are classified as investments measured at FVOCI given that their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Expected credit losses

The Bank recognises loss allowances for expected credit losses (ECL) on debt financial instruments that are measured at amortised cost or FVOCI.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date;
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers debt investment securities to have low credit risk when their credit risk rating is equivalent to the globally accepted definition of 'investment grade'. Considering the Bank's strict investment guidelines, which allow for holding of only top credit-rated investments, financial instruments held as international reserves are considered to have low credit risk. In addition, the Bank considers exposure to the Georgian Government, which is denominated in Georgian Lari, to bear low credit risk. Such approach reflects the general assumption that sovereign debt denominated in national currency is considered to have a minimal risk of default (usually referred to as "risk-free" from market participant perspective) as well as the fact that due to the unique link between the Bank and the Government of Georgia, the Bank maintains the main current account of the Ministry of Finance of Georgia. The Bank does not apply the low credit risk exemption to any other financial instruments.

ECL calculation

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive). Shortfalls are estimated based on historical corporate and sovereign default and recovery rates;
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired financial assets. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

All financial assets measured at amortised cost or FVOCI, which are overdue for 90 days or more, are considered to be in default except for exposure to the Government of Georgia which would be considered to be in default if overdue for more 180 days. This represents a rebuttal of the presumption under IFRS 9 that the default does not occur later than when the financial asset is 90 days past due. However, it reflects the circumstances of the Government's budgetary approval processes and the Bank's unique relationship with the Government as it acts as the banker and fiscal agent of the Government.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the respective caption of the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the revaluation reserve of investments measured at fair value through other comprehensive income.

Write-offs

Financial assets measured at amortised cost or FVOCI are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in the caption for impairment (recovery)/charge in the statement of profit or loss and other comprehensive income.

Financial liabilities measured at amortised cost

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder. Such instruments include amounts due to the Government, amounts due to resident financial institutions, amounts due to customers, debt securities issued, liabilities to the International Monetary Fund and other financial liabilities. These are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, these financial instruments are subsequently measured at amortised cost using the effective interest method.

Money issued in circulation

Money issued in circulation represents banknotes and coins issued by the Bank in accordance with the Law and its function as the central bank. Banknotes and coins in circulation are recorded in the statement of financial position at their nominal value net of cash in the Bank's cash desks.

The expenses for the production of notes and coins are expensed as incurred.

When notes and coins are returned to the Bank by the commercial banks, they are removed from money in circulation and depending on their condition or tender status, are either sent for destruction or held by the Bank as cash in vaults outside of the statement of financial position.

Provisions (included in other liabilities)

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

Non-monetary gold and other precious metals (included in other assets)

Gold investment coins and gold bars are recognised and subsequently measured in accordance with the requirements of IAS 2-*Inventories*. Gold investment coins and gold bars are initially measured at cost, including expenses on minting, transportation and other direct costs, subsequently measured at the lower of cost and net realizable value. When investment coins and bars are sold, respective income and expense is recorded in the statement of profit or loss and other comprehensive income. Expenses on other commemorative coins and bars are recognised as current expenses when produced and reflected in the statement of profit or loss and other comprehensive income.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and recognised impairment loss, if any. Land is not depreciated.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Depreciation is charged on the historical cost of property and equipment and is designed to write off assets over their useful economic lives. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Depreciation is charged to profit or loss on a straight-line basis at the following annual prescribed rates:

	%
Buildings	2
Computers, office equipment and fixtures	6.6 – 33.3
Vehicles and Other	6.6 - 33.3

Expenses related to repairs and maintenance are charged when incurred and included in other expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount; impairment is recognised in the respective period in the statement of profit or loss and other comprehensive income. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Intangible assets

Intangible assets include computer software and licenses.

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

Leases

From time to time, the Bank may lease particular assets for its administrative purposes.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, incremental borrowing rate is used as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments or in assessment of whether the Bank will exercise extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset, or the amount is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The Bank presents right-of-use assets as separate line-item and lease liabilities in 'other liabilities' in the statement of financial position.

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value items and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Taxation

According to the Law, assets, property and income of the Bank, as well as its activities and operations are exempt from all taxes and other levies.

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.

Recognition of income and expense

Revenue is recognised when the Bank satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to counterparties. An asset is transferred when (or as) the counterparties obtain control of that asset.

Interest and similar income and expense

For all financial instruments that are measured at amortised cost or fair value through other comprehensive income interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or the amortised cost of 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 gross carrying amount of the financial asset or the amortised cost of financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Interest income recognition base

The original effective interest rate is applied to the gross carrying amount (carrying amount without reduction by expected credit loss allowance) of financial assets for which:

– credit risk has not increased significantly since initial recognition;
– credit risk has increased significantly since initial recognition, but which are not credit-impaired.

For financial assets which are credit-impaired, the original effective interest rate is applied to the net carrying amount (carrying amount after reduction by expected credit loss allowance).

Presentation of negative interest on financial assets and liabilities

Negative interest on financial assets is considered as expense and is presented under interest expenses as a separate line-item. Similarly, negative interest on financial liabilities is considered as income and is presented under interest income as a separate line-item.

Fee and commission income and expense

The Bank earns fee and commission income from a diverse range of services it provides to its counterparties. Fee and commission income includes cash operations fees and fund transfer fees, which are recognised as the services are provided. Fee and commission expense consists of cash operations, settlement fees and fees paid to the external manager, which are recognised as expense as the services are rendered.

Foreign currency translation

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

Differences between the contractual exchange rate of a transaction in a foreign currency and the Bank's exchange rate on the date of the transaction are included in net gains/(losses) from dealing in foreign currencies.

Rates of exchange

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

	31-Dec-25	31-Dec-24
GEL/1 US Dollar (USD)	2.6951	2.8068
GEL/1 Euro (EUR)	3.1737	2.9306
GEL/10 Chinese Renminbi (CNY)	3.8556	3.8452
GEL/1 Canadian Dollar (CAD)	1.9695	1.9511
GEL/1 Special Drawing Right (SDR)	3.6909	3.6604

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the Bank intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the Bank does not offset the transferred asset and the associated liability. No offset of financial assets and liabilities have been made as of and during the reporting periods ended 31 December 2025 and 2024.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing these financial assets.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Bank's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Significant areas of critical judgments and estimates are described in the following notes:

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest on the principal amount outstanding – Note 3;
- Application of low credit risk exemption and rebuttal of the presumption that the default does not occur later that when the financial asset is 90 days past due – Note 3;
- Accounting and reporting of monetary gold – Note 3;
- Fair valuation of financial instruments - Note 28.

Application of new and revised International Financial Reporting Standards (IFRS)

The following amendment that are effective from 1 January 2025, did not have significant effect on the Bank's financial statements:

– Lack of Exchangeability (Amendments to IAS 21);

The following amendment is not expected to have a significant impact on the Bank's financial statements. The pronouncement is effective for annual periods beginning after 1 January 2025 and earlier application permitted:

– Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) - effective 1 January 2026;
– Subsidiaries without Public Accountability (IFRS 19) - effective 1 January 2027;
– Translation to an Hyperinflationary Presentation Currency (Amendments to IAS 21) - effective 1 January 2027;

The Bank is in the process of assessing the impact of the following new and amended standards:

– Classification and Measurement of Financial instruments (Amendments to IFRS 9 and IFRS 7) – effective 1 January 2026: *The amendment is related to settlement of financial liabilities using electronic payment system as well as assessment of contractual cash flow characteristics of financial assets*
– Annual Improvements to IFRS Accounting Standards (volume 11) - effective 1 January 2026: *among other changes the amendments are related to IFRS 7 Financial instruments: Disclosures (Gain or loss on derecognition, disclosure of deferred difference between fair value and transaction price, credit risk disclosures) and IFRS 9 Financial Instruments (Derecognition of lease liabilities, Transaction price)*
– Presentation and Disclosure of Financial Statements (IFRS 18) – effective 1 January 2027: *According to the new standard reporting entities are required to classify all income and expenses within statement of profit or loss into five categories (operating, investing, financing, income tax and discontinued operations) and also present newly defined subtotals. Also management-defined performance measures (MPMs) are to be disclosed in a separate note.*

4. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31-Dec-25	Year ended 31-Dec-24
Fee and commission income:		
Funds transfer	4,678	4,664
Cash operations	833	733
Other	11	13
Total fee and commission income	**5,522**	**5,410**
Fee and commission expense:		
Cash operations	(170)	(2,298)
Custodian and settlement fees	(1,386)	(1,826)
Fees paid to external manager	(1,776)	(1,748)
Total fee and commission expense	**(3,332)**	**(5,872)**

The Bank owns and manages a real-time gross settlement system, which is an interbank payment system for national currency settlement operations. Funds transfer fee represents billing charges paid by the participants for settlement transactions.

5. OTHER REVENUE

Other revenue comprises:

	Year ended 31-Dec-25	Year ended 31-Dec-24
Revenue from sale of commemorative coins and non-monetary gold bars	16,810	428,592
Revenue from fines	37	548
Other	77	110
Other income	**16,924**	**429,250**

Other expenses comprise:

	Year ended 31-Dec-25	Year ended 31-Dec-24
Expense related to commemorative coins and non-monetary gold bars	(7,333)	(410,856)
Other	(4,274)	(1,525)
Other expenses	**(11,607)**	**(412,381)**

6. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31-Dec-25	Year ended 31-Dec-24
Salaries and bonuses	64,993	55,187
Paid vacation and sick leave	4,996	4,256
Total personnel expenses	**69,989**	**59,443**
Software maintenance fees	5,483	4,741
Social benefits expenses	4,229	3,396
Representative expenses	3,221	785
Subscription to information services	3,085	2,841
Utilities	2,184	2,088
Business travel and related expenses	1,616	1,025
Repairs and maintenance	1,347	573
Security	1,220	897
Personnel training	703	460
Advertisement Expenses	460	174
Fuel expenses	250	230
Legal and consultancy	241	353
Other	1,741	1,688
Total general and administrative expenses	**25,780**	**19,251**
Depreciation charge (Note 16)	6,275	5,062
Amortization charge (Note 17)	2,941	2,972
Total depreciation and amortization charges	**9,216**	**8,034**

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2025 and 2024 comprise:

	31-Dec-25	31-Dec-24
Cash on hand in foreign currencies	405,308	370,606
Current accounts	74,357	374,452
Time deposits with credit institutions	3,036,020	2,544,849
Total cash and cash equivalents	**3,515,685**	**3,289,907**

As at 31 December 2025 and 2024, GEL 2,549,353 thousand and GEL 2,574,314 thousand, respectively, were placed in current accounts and time deposits up to ninety days with eight (31 December 2024: six) internationally recognised banks and central banks from the Organization of Economic Co-operation and Development member countries (OECD).

As at 31 December 2025 and 2024, annual interest rate range of time deposits with credit institutions varied from 1.98% to 4.06% and 2.94% to 4.66%, respectively.

8. MONETARY GOLD

As at 31 December 2025 and 2024 the Bank holdings of monetary gold were as follows:

	Troy Ounces	Price per troy ounce in USD	Total value in thousands of USD	Total value in thousands of GEL
31-Dec-2025	229,478	4,367.80	1,002,314	2,701,336
31-Dec-2024	229,478	2,610.85	599,133	1,681,645

In 2024 the Bank purchased 229,478 troy ounces of monetary gold (bars) for USD 500,001 thousand, value of which amounted to GEL 1,681,645 thousand at 31 December 2024. Changes in the monetary gold value during 2025 amounted to net unrealized gain of GEL 1,019,691 thousand (2024: net unrealized gain of GEL 319,536 thousand), which is included in amount of net unrealized gain from revaluation of foreign currencies.

9. DUE FROM RESIDENT FINANCIAL INSTITUTIONS

Due from resident financial institutions as at 31 December 2025 and 2024 comprise:

	31-Dec-25	31-Dec-24
Due from resident financial institutions under monetary policy instruments		
Refinancing loans	4,160,913	4,456,310
One-month open market instruments	2,006,165	752,305
Overnight loans	-	1,794,962
Total due from resident financial institutions under monetary policy instruments	**6,167,078**	**7,003,577**

Refinancing loans are the Bank's Monetary Policy instruments that are issued to Georgian commercial banks for liquidity purposes and have 7 days of maturity. Similar to refinancing loans, through one-month open market instruments and overnight loans the Bank supplies short-term liquidity to the national banking system.

As at 31 December 2025 and 2024, respectively, the Bank had a concentration of refinancing loans of GEL 4,150,910 thousand due from three resident commercial banks at annual interest rates of 8.0% - 8.05%, and GEL 4,259,029 thousand due from three resident commercial banks at annual interest rates of 8.188% - 8.71%, respectively.

As at 31 December 2025 and 2024, the Bank had a concentration of one-month open market instruments of GEL 1,868,741 thousand due from two resident commercial banks at annual interest rates of 8.032% - 8.045%, and GEL 554,507 thousand due from two resident commercial banks at annual interest rates of 8.57 – 8.65%, respectively.

As at 31 December 2025 the Bank had no outstanding overnight loans. As at 31 December 2024 Bank had a concentration of overnight loans of GEL 1,789,829 thousand due from one resident commercial bank at an annual interest rate of 8.75%.

For none of the exposures due from resident financial institutions has credit risk increased significantly since initial recognition. For credit risk disclosure, see also Note 29.

Collateral and other credit enhancements

The eligible type of collateral and criteria for each type of collateral is defined by the Council of the Bank.

The accepted types of collateral are: a) debt securities issued by the Bank and by the Government of Georgia, denominated in Georgian Lari; b) debt securities issued by international financial institutions, denominated in Georgian Lari; c) debt securities issued in accordance with the "Law of Georgia on Securities Market" by resident and non-resident legal entities, denominated in Georgian Lari, but excluding debt securities issued by the commercial banks operating in Georgia; d) claims to eligible loan assets of commercial banks; In special cases, the Council of the Bank may determine other type of assets for loan collateral; haircuts to each type of collateral are periodically defined by the Monetary Policy Committee (MPC) of the Bank to the nominal amount of eligible assets. The Bank has the first lien on borrowers' assets according to the Law.

As at 31 December 2025 and 2024, types and fair values of financial assets pledged for amounts due from resident financial institutions were as follows:

	31-Dec-25	31-Dec-24
Government securities (treasury bills/notes)	2,846,815	4,033,005
Loan portfolio of commercial banks	4,346,720	2,722,025
Bonds issued by International Financial Institutions and development banks, denominated in GEL:		
Asian Development Bank (ADB)	-	640,017
European Bank for Reconstruction and Development (EBRD)	-	484,165
Bonds issued by the private sector	59,738	135,088
	7,253,273	**8,014,300**

The Bank monitors the value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the value of collateral obtained during its review of the adequacy of the allowance for expected credit losses. As at 31 December 2025 and 2024, none of the financial instruments issued by the Bank were pledged as collateral.

10. SPECIAL DRAWING RIGHTS HOLDINGS WITH THE INTERNATIONAL MONETARY FUND

Balances with the International Monetary Fund (the "IMF") comprise:

	31-Dec-25	31-Dec-24
Assets:		
Special Drawing Rights (SDR) holdings	1,285,611	1,273,804
Liabilities:		
IMF current accounts		
Current account # 1	1,961	1,860
Current account # 2	11	10
	1,972	**1,870**
Borrowings from the IMF		
Extended Fund Facility (EFF)	811,921	987,118
General SDR allocation	1,160,799	1,152,355
Special SDR allocation	120,651	119,773
	2,093,371	**2,259,246**
Total due to the IMF	**2,095,343**	**2,261,116**
Off-balance sheet balances:		
IMF Quota	784,533	744,115
Security held in custody by the Bank in respect of IMF quota and as collateral of IMF granted facilities	(2,013,295)	(2,171,875)

SDR Holdings

SDR holdings represent the account of the Bank with the IMF used for borrowings and settlements with the IMF. SDR holdings are primarily obtained from the SDR allocations provided by the IMF under its Articles of Agreement. Interest accrued in respect of SDR holdings is calculated using the rate set by the IMF weekly on the basis of short-term market rates in major money markets. The annual nominal interest rate range on the SDR holdings during 2025 and 2024 was 2.657%-3.236% and 3.159%-4.136%, respectively.

IMF current accounts

The Bank is required to maintain two separate accounts: IMF current account number 1 and IMF current account number 2. IMF current account number 1 is for settlement of the IMF's operational transactions, whereas IMF current account number 2 is used for operational expenses incurred by the IMF in Georgian Lari.

IMF granted facilities

Facilities received from the IMF include the Extended Fund Facility (EFF) loan with a carrying amount of GEL 811,921 thousand as at 31 December 2024 (31 December 2024: GEL 987,118 thousand). The EFF loan provides assistance to Georgian authorities in support of their comprehensive program to preserve macro and financial stability and advance structural reforms to bolster growth. The 36-month Extended Fund Facility (EFF) was approved on 12th of April 2017 with access to SDR 210.4 million (100 percent of quota). On 14th of April 2020, an augmentation of access to 130 percent of quota was approved, bringing total access under the EFF to SDR 484 million (230 percent of quota). No Funds were utilized under the facility by the Bank during 2025 and 2024. Repayments started in 2021 and the loan is scheduled to be fully repaid by 2031. The lending rate is tied to the IMF's market-related interest rate, known as the basic rate of charge linked to the Special Drawing Rights (SDR) interest rate, which amounted to 3.264% as at 31 December 2025 (31 December 2024: 3.759%).

All facilities received from the IMF are denominated in SDRs.

SDR allocations

The SDR allocation is an unsecured, interest-bearing distribution of SDRs by the IMF through general and special allocations. The general allocation is made by the IMF according to the Articles of Agreement to all participants in its SDR Department in proportion to countries' quotas in the IMF. General allocations to Georgia were made in 2009 (SDRs 111,419 thousand) and 2021 (SDR 201,658 thousand). In 2009, the Fourth Amendment to the IMF Articles of Agreement providing for a special one-time allocation of SDRs entered into force, according to which Special SDR allocation of SDR 32,540 thousand was made to Georgia. Members and prescribed holders may use their SDR holdings to conduct transactions with the IMF. The Bank treats the allocation as a foreign currency liability to the IMF.

Georgia, as a member country of the IMF and a recipient of the allocations, is obliged to pay to the IMF an amount equal to its net cumulative allocation and any other amounts that may be due and payable because of the membership termination or liquidation of the IMF's SDR Department.

The annual interest rate range on the SDR allocations throughout 2025 and 2024 varied within the ranges of 2.657%-3.236% and 3.159%-4.136%, respectively.

IMF Quota

The IMF Quota of Special Drawing Rights (SDRs) of 210,400 thousand, represents the membership subscription of Georgia with the IMF which is non-interest bearing and is effective from 26 January 2016 as a result of the 14th General Review of Quotas by the Board of Governors of the IMF, the Fund's highest decision-making body. The IMF receives its resources from its member countries. Each member country of the IMF is assigned a quota, based broadly on its relative position in the world economy. A member's quota delineates basic aspects of its financial and organizational relationship with the IMF. As the Bank is the fiscal agent between the Government of Georgia and the IMF, this instrument is not presented in the statement of financial position.

Security held in custody by the Bank in respect of the IMF Quota and as collateral of the IMF granted facilities

As at 31 December 2025, security held in custody (GEL 2,013,295 thousand) comprises GEL 784,533 thousand in respect of the IMF Quota and GEL 1,228,762 thousand held as collateral for the IMF granted facilities.

As at 31 December 2024, security held in custody (GEL 2,171,875 thousand) comprises GEL 744,115 thousand in respect of the IMF Quota and GEL 1,427,760 thousand held as collateral for the IMF granted facilities.

The security was issued by the Government of Georgia in 1992 in settlement of the IMF Quota. The security used as collateral includes the total nominal value of the IMF granted facilities to Georgia: to the Bank and to the Government. As this security is held by the Bank in custody, it is accounted for as an off-balance sheet item and presented at nominal value.

11. ASSETS AND LIABILITIES RELATED TO DERIVATIVE INSTRUMENTS

	Fair value	Notional principal	Fair value	Notional Principal
	31-Dec-25	31-Dec-25	31-Dec-24	31-Dec-24
Assets related to derivative instruments under international reserve management				
Interest rate futures				
Futures margin	7,611		8,785	
Net interest futures				
Interest rate futures	(286)	1,134,098	(3,297)	1,554,967
Net interest futures position	**(286)**	**1,134,098**	**(3,297)**	**1,554,967**
Net assets related to derivative instruments under international reserve management	**7,325**	**1,134,098**	**5,488**	**1,554,967**
Assets related to derivative instruments under monetary policy operations				
FX SWAPs				
FX SWAP assets	3,483	-	2,520	-
FX-SWAP liabilities	-	-	(2,143)	-
Amount receivable	-	259,518	-	530,019
Amount payable	-	(256,035)	-	(529,642)
Net FX SWAPs	**3,483**	**3,483**	**377**	**377**
Net assets related to derivative instruments under monetary policy operations	**3,483**	**3,483**	**377**	**377**

The Bank has been trading SOFR (Secured Overnight Financing Rate) futures since 2023, following the transition from Eurodollar futures as part of its active portfolio management framework. SOFR is based on transactions in the US Treasury repurchase market, while SOFR futures are listed on CME (Chicago Mercantile Exchange) and are centrally cleared, standardized instruments.

SOFR futures settle to the compounded average of an overnight SOFR rate over the contract's reference period, typically the final 3 months prior to expiration. These contracts represent consecutive 3-month forward segments of the yield curve for secured funding markets. When trading exchange-traded futures, the Bank faces credit risk originating solely from the clearing house, where purchases and sales of futures contracts offset one another.

The Bank uses SOFR futures primarily for risk management purposes. This is typically achieved by taking positions in US Treasuries or spread products (such as Agency and Supranational Securities), while entering offsetting in SOFR futures of corresponding size and risk profile (e.g duration and curve exposure). The main objective of these strategies is to manage interest rate risks and to optimize exposure to credit spreads within the portfolio.

SOFR futures held in the Bank's portfolio are not designated for trading purpose; they are used as risk management instruments. The Bank does not aim to generate profits from short-term movements in these contracts. Credit risk associated with futures contracts is considered minimal as exchange margining frameworks ensure contractual performance and positions are settled on a net basis.

As at 31 December 2025 implied interest rate on SOFR futures held by the Bank ranged from 2.91% to 3.375% (31 December 2024: from 2.91% to 4.085%).

12. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2025 and 2024, investments measured at fair value through profit or loss comprised funds managed by the BIS (Bank for International Settlements). The portfolio is related to the investment placed in the Bank for International Settlements Investment Pool (BISIP CNY), a fund comprising Chinese government bonds (CGBs), managed for the investment of international reserves of central banks, with the main objective of transferring know-how and providing consulting services to the Bank. The quota holders of the fund may request partial or complete withdrawal of their investments at any time.

As at 31 December 2025, carrying amount of funds managed by BIS amounted to GEL 295,507 thousand (31 December 2024: GEL 291,431 thousand).

13. INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2025 and 2024, investment securities measured at fair value through other comprehensive income comprised:

	31-Dec-25	31-Dec-24
Government securities		
US Department of Treasury, Washington	5,534,857	3,271,057
Government of France	524,515	232,574
Government of Germany	94,632	56,605
Government of Finland	93,565	28,784
Government of Belgium	61,823	28,428
Government of Austria	32,051	29,491
Government of Denmark	31,950	31,169
Government of the Netherlands	31,561	28,678
Government of Portugal	15,697	-
Government of Canada, Ottawa	2,755	252,386
	6,423,406	**3,959,172**
Supranational securities		
Corporation Andina de Fomento, Supranational	245,949	-
International Bank for Reconstruction & Development, Washington	182,465	123,844
European Investment Bank, Luxembourg	136,065	85,627
African Development Bank, Abidjan	109,934	68,792
Asian Development Bank, Manila	98,953	121,729
Inter-American Investment Corporation	83,727	19,533
Inter-American Development Bank, Washington D.C.	65,143	110,563
European Union	16,196	30,362
EUROFIMA, Basel	3,281	1,727
OPEC Fund for International Development	2,784	1,141
CAEITGU	2,236	-
Nordic Investment Bank	-	56,236
European Bank for Reconstruction and Development	-	22,137
	946,733	**641,691**
Agency and other securities		
Caisse D'Amortissement de la Dette Sociale	185,221	48,104
Korean Development Bank	116,623	59,993
PSP Capital Inc	101,023	19,591
Svensk Exportkredit AB, Stocholm	90,874	77,559
Kreditanstalt fuer Wiederaufbau, Frankfurt	85,476	83,211
Province of Ontario Canada, Toronto	79,516	59,988
Caisse Des Depots et Consignations	74,579	53,285
Export-Import Bank of Korea	59,005	41,739
Province of British Columbia Canada	58,921	19,341
CPPIB Capital Inc, Toronto	53,763	146,199
Kommunalbanken AS	50,777	92,898
Bank Nederlandse Gemeenten, Den Haag	47,875	63,300
Royal Bank of Canada	46,783	34,235
NRW Bank	43,442	55,112
Kommuninvest I Sverige AB, Orebro	38,352	41,496
Agence Francaise de Developpement	36,840	37,152
Japan Bank for International Cooperation, Otemachi	34,957	55,145
OMERS Finance Trust	25,514	25,655
National Bank of Canada	24,485	-
National Australia Bank Ltd	22,946	-
CDP Financial In, Montreal	8,824	36,582
Nederlandse Waterschapsbank N.V.	5,471	24,042
Oesterreichische Kontrollbank AG, Vienna	3,559	42,661
Landeskreditbank Baden-Wuerttemberg Foerderbank	2,806	35,376
Province of Alberta Canada	-	48,272
Other	126,537	143,159
	1,424,169	**1,344,095**
Total investments measured at fair value through other comprehensive income in foreign currency	**8,794,308**	**5,944,958**
Marketable government securities in national currency		
Georgian government bonds	1,496,259	1,871,247
Total investments measured at fair value through other comprehensive income in national currency	**1,496,259**	**1,871,247**

Analysis of interest rates (coupon) and maturities on investments measured at fair value through other comprehensive income comprise:

	31-Dec-25		31-Dec-24	
In foreign currency:	**Interest rate p.a.**	**Maturity**	**Interest rate p.a.**	**Maturity**
Government securities	0.125%-4.625%	2026-2030	0.125%-5.00%	2025-2027
Supranational securities	0.25%-4.875%	2026-2030	0.5%-4.875%	2025-2027
Agency and other securities	0.01%-5.375%	2026-2030	0.25%-5.375%	2025-2028
In national currency:				
Government bonds	8.125%-10.25%	2026-2030	8.125%-10.5%	2025-2030

Investments measured at fair value through other comprehensive income include funds managed under the RAMP program, which corresponds to the outsourcing of the management of a portion of the international reserves to the World Bank treasury specialized in portfolio management (external manager), with the main objective of transferring know-how and providing consulting services to the Bank. The manager receives a management fee, established in the contract, and is evaluated based on the net asset value of the transferred funds. The assets within the external manager portfolio are held on behalf of the Bank, under the responsibility of a global custodian selected for the purpose of investing in and reinvesting the securities. The Bank may, from time to time, by notice to the external manager, make additions to, or reductions of, the investment amount. As at 31 December 2025, fair value of funds managed under the RAMP amounted to GEL 656,285 thousand (31 December 2024: GEL 671,949 thousand).

For none of the financial assets measured at fair value through other comprehensive income has credit risk increased significantly since initial recognition, see also Note 29.

14. INVESTMENTS MEASURED AT AMORTISED COST

	31-Dec-25		31-Dec-24	
	Carrying value	**Nominal value**	**Carrying value**	**Nominal value**
Georgian Government securities				
Georgia government bonds	-	-	41,010	40,846
Total investments measured at amortised cost in national currency	**-**	**-**	**41,010**	**40,846**

Analysis of interest rate (coupon) and maturity of investments measured at amortised cost:

	31-Dec-25		31-Dec-24	
	Interest rate p.a.	**Maturity**	**Interest rate p.a.**	**Maturity**
Georgian government bonds	-	-	8.505%	2025

Georgian government bonds denominated in the national currency represented interest-bearing securities issued by the Ministry of Finance of Georgia according to the agreement formed between the Government of Georgia and the Bank in March, 2006 to convert, without cash settlement, borrowings of the Government of Georgia into debt securities. The security was issued exclusively for the Bank and was a non-transferable, a non-tradable instrument. Therefore, the investment was carried at amortised cost. The government bonds were repaid by issuance of new bond instrument in the amount of GEL 40,000 thousand annually, which were classified as investments measured at fair value through other comprehensive income. Interest rate of the bond was subject to annual repricing considering market rates.

15. RIGHT-OF-USE ASSET

The Bank leases premises for administrative purposes for part of its personnel and recognizes respective right-of-use asset and lease liability.

Change in the outstanding balance of the related right-of-use asset is provided below:

	2025	2024
Balance as at 1 January	**8,435**	**483**
Additions to right-of-use asset	-	9,459
Depreciation charge for the year	(1,892)	(1,507)
Balance as at 31 December	**6,543**	**8,435**

Change in outstanding balance of lease liability is provided below:

	2025	2024
Balance as at 1 January	**6,552**	**519**
Additions to lease liability	-	7,159
Interest expense for the year	444	286
Repayments for the year	(1,362)	(1,210)
The effect of changes in foreign exchange rates	(245)	(202)
Balance as at 31 December	**5,389**	**6,552**

16. PROPERTY AND EQUIPMENT

	Land and buildings	Computers, office equipment and fixtures	Vehicles and other	Assets under construction	Total
At initial cost:					
1-Jan-24	**52,848**	**20,443**	**29,517**	**36**	**102,844**
Additions	24,119	5,993	3,424	6,752	40,288
Disposals	-	(276)	(2,410)	(36)	(2,722)
31-Dec-24	**76,967**	**26,160**	**30,531**	**6,752**	**140,410**
Additions	-	28,466	1,526	35	30,027
Disposals	-	(3,428)	(515)	-	(3,943)
31-Dec-25	**76,967**	**51,198**	**31,542**	**6,787**	**166,494**
Accumulated depreciation:					
1-Jan-24	**(11,495)**	**(17,139)**	**(22,635)**	**-**	**(51,269)**
Depreciation charge	(1,055)	(1,486)	(2,522)	-	(5,063)
Disposals	-	272	2,354	-	2,626
31-Dec-24	**(12,550)**	**(18,353)**	**(22,803)**	**-**	**(53,706)**
Depreciation charge	(1,053)	(2,226)	(2,996)	-	(6,275)
Disposals	-	3,416	514	-	3,930
31-Dec-25	**(13,603)**	**(17,163)**	**(25,285)**	**-**	**(56,051)**
Carrying amounts:					
As at 31 December 2025	**63,364**	**34,035**	**6,257**	**6,787**	**110,443**
As at 31 December 2024	**64,417**	**7,807**	**7,728**	**6,752**	**86,704**

17. INTANGIBLE ASSETS

At cost:	Software and other
1-Jan-24	**24,466**
Additions	3,795
Disposals	(111)
31-Dec-24	**28,150**
Additions	1,871
Disposals	-
31-Dec-25	**30,021**
Accumulated amortization:	
1-Jan-24	**(15,232)**
Charge for the year	(2,971)
Disposals	111
31-Dec-24	**(18,092)**
Charge for the year	(2,941)
Disposals	-
31-Dec-25	**(21,033)**
Carrying amounts:	
As at 31 December 2025	**8,988**
As at 31 December 2024	**10,058**

18. OTHER ASSETS AND LIABILITIES

	31-Dec-25	31-Dec-24
Other assets in foreign currency:		
Prepayments	-	2,473
Other debtors	10	72
Total other assets in foreign currency	**10**	**2,545**
Other assets in national currency:		
Commemorative gold coins and gold bars	26,159	8,490
Prepayments	5,940	2,390
Inventory	602	511
Loans to employees issued in prior years	49	62
Other debtors	153	231
	32,903	**11,684**
Allowance for expected credit losses on other assets	(48)	(35)
Total other assets in national currency	**32,855**	**11,649**

As at 31 December 2025 and 2024, other financial assets, net of loss allowance, amounted to GEL 164 thousand and GEL 2,804 thousand, respectively.

Allowance for expected credit losses on other assets represents allowance for expected credit losses on loans to employees issued in prior years. The movements in allowance for expected credit losses are presented in Note 29.

Other liabilities comprise:

	31-Dec-25	31-Dec-24
Other liabilities in foreign currency:		
Amounts due to suppliers	5,977	10,169
Other liabilities	74,843	56,026
Total other liabilities in foreign currency	**80,820**	**66,195**
Other liabilities in national currency:		
Profit payable to the Ministry of Finance of Georgia	571,507	670,146
Amount due to suppliers	21,560	4,240
Liability for realized banknotes and coins	2,217	2,109
Lease liability (Note 15)	5,389	6,552
Deferred income	476	59
Other liabilities	4,673	3,405
Total other liabilities in national currency	**605,822**	**686,511**
Total other liabilities	**686,642**	**752,706**

As at 31 December 2025 and 2024, other financial liabilities amounted to GEL 114,663 thousand and GEL 82,500 thousand, respectively.

19. DUE TO RESIDENT FINANCIAL INSTITUTIONS

Due to resident financial institutions comprise:

	31-Dec-25	31-Dec-24
Due to resident financial institutions under monetary policy instruments		
Correspondent accounts in national currency	928,238	486,952
Overnight deposits in national currency	818,494	208,667
Total due to resident financial institutions under monetary policy instruments in national currency	**1,746,732**	**695,619**
Obligatory reserves of banks in foreign currency	5,863,318	6,369,707
Total due to resident financial institutions under monetary policy instruments	**7,610,050**	**7,065,326**
Due to resident financial institutions, other		
Correspondent accounts in foreign currency	6,749	17,835
Total due to resident financial institutions, other	**6,749**	**17,835**
Total due to resident financial institutions	**7,616,799**	**7,083,161**

As at 31 December 2025 and 2024, included in due to resident financial institutions are balances with the three largest local commercial banks of GEL 5,682,618 thousand and GEL 5,465,146 thousand, respectively, that represent 74.61% and 77.16% of the total balances due to resident financial institutions, respectively.

Resident commercial banks are required to maintain obligatory reserves with the Bank. As at 31 December 2025, obligatory reserves are calculated as 5% of their eligible liabilities denominated in national currencies (31 December 2024: 5%), and from 10% to 25% of their eligible liabilities denominated in foreign currencies, which depend on the deposit dollarization rate of a particular commercial bank (31 December 2024: from 10% to 25%). Borrowings with remaining maturities of over one year in the national currency and over two years in a foreign currency are exempt from reserve requirements.

For foreign currency borrowed funds with a remaining maturity of 1-2 years, the reserve requirement rates vary from 10% to 20%, depending on the deposit dollarization rate of a particular commercial bank (31 December 2024: 10% to 20%). As at 31 December 2025 and 2024, the remuneration rate on GEL denominated obligatory reserves was 8.0% and 8.0%, respectively. As at 31 December 2025 and 2024, remuneration rate on USD/EUR denominated obligatory reserves were 3.25%/1.5% and 4.00%/2.5% respectively.

20. DUE TO THE MINISTRY OF FINANCE

Amounts due to Ministry of Finance comprise:

	31-Dec-25	31-Dec-24
Due to the Ministry of Finance of Georgia		
Current accounts in foreign currency	400,569	428,426
Current account in national currency	1,672,488	1,018,824
Total due to the Ministry of Finance of Georgia	**2,073,057**	**1,447,250**

21. DUE TO CUSTOMERS

Amounts due to customers comprise:

	31-Dec-25	31-Dec-24
Due to customers in national currency		
Due to the Deposit Insurance Agency	17,103	1,003
Due to international organizations	542	525
Total due to customers in national currency	**17,645**	**1,528**

22. MONEY ISSUED IN CIRCULATION

Money issued in circulation represents the amount of national currency of Georgia issued by the Bank. Movements during the year ended 31 December 2025 and 2024 were as follows:

	2025	2024
Balance as at 1 January	**6,617,018**	**5,934,138**
Banknotes issued into circulation	9,260,235	11,658,142
Coins issued into circulation	64,133	103,831
Banknotes withdrawn from circulation	(8,454,358)	(10,997,498)
Coins withdrawn from circulation	(44,864)	(81,595)
Balance as at 31 December	**7,442,164**	**6,617,018**

23. DEBT SECURITIES ISSUED

	Interest rate p.a.	Maturity	Nominal value	Carrying value
Certificates of deposit as at 31-Dec-25	7.89%-8.10%	22 Jan - 19 March 2026	60,000	59,350
Certificates of deposit as at 31-Dec-24	7.47%-7.56%	23 Jan - 20 Mar, 2025	60,000	59,384

24. EQUITY

As stated in the Law, the Bank's capital is comprised of its subscribed and fully paid-up capital and reserve fund.

Authorized capital

The authorized and fully paid-up capital of the Bank amounted to GEL 15,000 thousand as at 31 December 2025 and 2024.

Capital management

The Bank defines capital as its total equity measured in accordance with IFRS Accounting Standards. Pursuant to Article 24 of the Law, net income of the Bank for each financial year is calculated as the sum of net operational profit or loss and unrealized gain or loss from revaluation. Net operational profit or loss shall be calculated after deducting from revenues of the reporting year all operating expenses intended for the core operations. Retained earnings are transferred to different reserves based on the requirements of the Law after approval of the Council. Following approval of the annual report of the Bank by the Council, the remaining portion of the retained earnings is transferred to the State budget within six months after the end of financial year.

Reserve fund

According to the amended Article 25 of the Law, the Reserve Fund shall make up 15% of the reserve money, which comprises the national currency in cash put into circulation by the Bank together with the correspondent accounts of commercial banks in national currency and is established by allocations from the realised profit for the year, which comprises net profit for the year excluding net foreign currency translation and other revaluation gains and losses. The Council is entitled to determine the establishment of the Reserve Fund of less than 15% of the reserve money.

The Reserve Fund may only be used to offset losses of the Bank. Following the transfers to the Reserve Fund, the residual balance of realised profit of the Bank shall be transferred to the State Budget of Georgia.

In 2025 the Bank transferred to reserve fund GEL 224,239 thousand (2024: nil) from realized profits.

In accordance with Article 25(c) of the Law, residual amount of GEL 571,507 thousand from realized profit of 2025 is distributed to the Ministry of Finance and will be paid within 6 months after financial year-end. Residual amount of GEL 670,146 thousand was distributed to Ministry of Finance from realized profit of 2024 and was transferred in 2025.

Foreign currency and other revaluation reserves

According to the Article 25(a) of the Law, the Bank transfers net unrealized gains from foreign currency revaluation to the foreign currency revaluation reserve and net unrealized gains arising from changes of the FVTPL financial assets' market prices are transferred to the revaluation reserve created for this purpose. These special reserves shall be used for counteracting (compensating) future losses.

During 2025, net unrealized gain on revaluation of foreign currencies of GEL 879,333 thousand was transferred from Retained Earnings to Foreign Currency Revaluation Reserve (2024: unrealized gain of GEL 447,385). During 2025, other revaluation gain of GEL 5,734 thousand was transferred from to Other Revaluation Reserve from Retained Earnings (2024: revaluation loss of GEL 13,370 thousand was from Other Revaluation Reserve to Retained Earnings).

Revaluation reserve for investments measured at FVOCI

This reserve records fair value changes of investments measured at FVOCI.

25. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Bank is a party to financial instruments with off-balance sheet commitments. The Bank uses the same risk management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

Capital commitments

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

Operating environment

As an emerging market, Georgia does not possess a well-developed infrastructure that would generally exist in a more mature market economy. Therefore, especially sharp changes of operating environment (including global environment) could affect the Bank's results of operations and financial position in a manner not currently determinable.

Over the last few years the Government of Georgia and the Bank have made a number of developments that positively affect the overall investment climate in Georgia, specifically implementing the reforms necessary for creating efficient banking, judicial, taxation and regulatory systems, as well as, using various measures to fulfill the liquidity needs of the economy and to stabilize the exchange rate of the national currency. This has resulted in a stable macroeconomic environment with higher real growth rates and inflow of foreign investments. The existing tendency aimed at the overall improvement of the economy is expected to persist.

However, future development of the economy of Georgia is largely dependent upon these reforms and developments, and the effectiveness of economic, financial and monetary measures undertaken by the Government and the Bank. Management believes that all the necessary measures are implemented to support the Bank's role in maintaining macroeconomic and financial stability.

Legal proceedings

The Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material effect on the financial position or the results of operations of the Bank. Management is of the opinion that no material unaccrued losses will be incurred and, accordingly, no provision has been made in these financial statements.

Credit commitments and contingent liabilities

As at 31 December 2025 and 2024, the Bank has no material credit commitments and contingent liabilities.

26. RELATED PARTY TRANSACTIONS

The Bank, as a state entity, is related to the Government of Georgia. To achieve its policy objectives, the Bank maintains a position of structural and functional independence from the Government of Georgia through its ability to fund its own operations without external assistance and through its management and governance.

Under key management personnel are regarded those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. Key management personnel comprise the members of the Council, Executive Director and heads of departments.

In the normal course of its operations, the Bank enters into transactions with related parties, and material transactions and balances are presented in these financial statements, based on substance of the relationship, and not merely the legal form.

The Bank had the following transactions and outstanding balances with related parties:

	Year ended 31 December 2025		Year ended 31 December 2024	
	Related party transactions	Total category	Related party transactions	Total category
Key management personnel compensation:				
– *short-term employee benefits*	(9,226)	(69,989)	(7,526)	(59,443)

	Notes	31-Dec-25		31-Dec-24	
		Related party balances	Total category	Related party balances	Total category
Statement of financial position					
Assets:					
Investments measured at fair value through other comprehensive income in national currency- *Government of Georgia*	13	1,496,259	1,496,259	1,871,247	1,871,247
Investments measured at amortised cost in national currency- *Government of Georgia*	14	-	-	41,010	41,010
Loans to employees-key management personnel	18	19	49	27	62
Liabilities:					
Due to the Ministry of Finance	20	2,073,057	2,073,057	1,447,250	1,447,250
Other Liabilities - *Profit payable to the Ministry of Finance of Georgia*	18	571,507	571,507	670,146	670,146
Statement of profit or loss and other comprehensive income					
Interest income		137,466	1,075,656	180,035	953,396
- Government of Georgia		*137,465*		*180,034*	
- Key management personnel		*1*		*1*	

As of 31 December 2025, unrealized fair value gain on Georgian Government securities measured at fair value through other comprehensive income amounted to GEL 1,182 thousand (31 December 2024: gain of GEL 15,347 thousand).

27. LIABILITIES RELATED TO FINANCING ACTIVITIES

Table below shows reconciliation of movements of liabilities to cash flows arising from financing activities:

		Cash Movement				Non-Cash Movement				
	Note	1-Jan-2025	Interest paid	Inflow from financing activities	Outflow from financing activities	Accrued interest	Translation differences	Distribution to the Ministry of Finance from 2025 profit	Recognition and other movement	31-Dec-2025
Liabilities arising from financing activities:										
Debt securities issued	23	59,384	(4,245)	255,195	(255,756)	4,772	-	-	-	59,350
Due to the International Monetary Fund	10	2,261,116	(74,389)	-	(183,930)	73,248	19,298	-	-	2,095,343
Other Liabilities - *Lease Liability*	15	6,552	(444)	-	(918)	444	-	-	(245)	5,389
Other Liabilities - *Profit payable to the Ministry of Finance of Georgia*	24	670,146	-	-	(670,146)	-	-	571,507	-	571,507

		Cash Movement				Non-Cash Movement				
	Note	1-Jan-2024	Interest paid	Inflow from financing activities	Outflow from financing activities	Accrued interest	Translation differences	Distribution to the Ministry of Finance from 2024 profit	Recognition and other movement	31-Dec-2024
Liabilities arising from financing activities:										
Debt securities issued	23	59,225	(4,638)	255,034	(255,361)	5,124	-	-	-	59,384
Due to the International Monetary Fund	10	2,341,363	(104,462)	-	(110,575)	101,102	33,688	-	-	2,261,116
Other Liabilities - *Lease Liability*	15	519	(286)	-	(924)	286	(202)	-	7,159	6,552
Other Liabilities - *Profit payable to the Ministry of Finance of Georgia*	24	302,877	-	-	(302,877)	-	-	670,146	-	670,146

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS Accounting Standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

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

Some of the Bank's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial instruments measured at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs:

- Quoted prices in an active market (**Level 1**) – Valuations based on quoted prices in active markets that the Bank has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products do not require a significant amount of judgment. This level entails financial instruments under international reserve portfolio which are classified as derivative financial instruments, investments measured at fair value through profit or loss and investments measured at fair value through other comprehensive income and monetary gold. The instruments are valued on a daily basis, based on the bid prices obtained from Bloomberg at the closing of the markets of the current day.

- Valuation techniques using observable inputs (**Level 2**) – Valuations based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

  a) quoted prices for similar assets or liabilities in active markets;
  b) quoted prices for identical or similar assets or liabilities in markets that are not active;
  c) inputs other than quoted prices that are observable for the asset or liability, for example:

     - interest rates and yield curves observable at commonly quoted intervals;
     - implied volatilities and
     - credit spreads;

  d) market-corroborated inputs

  Georgian government securities, measured at fair value through other comprehensive income, are measured using observable inputs under Level 2, in particular, market yields on similar securities issued by the Georgian government. For fair value assessment, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

- Valuation techniques incorporating information other than observable market data (**Level 3**) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The Bank does not have any financial instruments valued based on unobservable inputs.

The Bank considers that the accounting estimate related to valuation of financial instruments where quoted markets prices or other observable inputs are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported in the statement of financial position as well as its profit or loss could be material.

The table below analyses financial instruments measured at fair value at 31 December 2025 and 2024, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	Note	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
		31-Dec-25	31-Dec-24			
Financial Assets						
International reserves						
Monetary Gold	8	2,701,336	1,681,645	Level 1	Quoted bid prices in an active market	N/A
Derivative financial assets	11	7,325	5,488	Level 1	Quoted bid prices in an active market	N/A
Investments measured at fair value through profit or loss	12	295,507	291,431	Level 1*	Quoted bid prices in an active market	N/A
Investments measured at fair value through other comprehensive income	13	8,794,308	5,944,958	Level 1	Quoted bid prices in an active market	N/A
Monetary policy instruments						
Investments measured at fair value through other comprehensive income	13	1,496,259	1,871,247	Level 2	Market interest rate for similar instruments	N/A
Derivative financial assets	11	3,483	2,520	Level 1	Quoted bid prices in an active market	N/A
Financial liabilities						
Derivative financial liabilities	11	-	2,143	Level 1	Quoted bid prices in an active market	N/A

** The Bank's investments measured at fair value through profit or loss comprise a portion of international reserves managed by the Bank for International Settlements ("BIS"), which represents investments placed in the Bank for International Settlements Investment Pool (BISIP CNY). The investments represent instruments, which have quoted prices in active markets that the Bank has the ability to access for identical assets or liabilities. Therefore, the investment's fair valuation is considered to be Level 1 within fair value hierarchy.*

There were no transfers between Level 1, 2 and 3 during the years ended 31 December 2025 and 2024.

Gains and losses included in other comprehensive income relate to investments measured at fair value through other comprehensive income and are reported as changes in revaluation reserve of investments measured at FVOCI.

Net unrealized gains/(losses) from securities and derivatives included in profit or loss relate to derivative financial assets and investments measured at fair value through profit or loss as changes in fair value during the reporting period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

For fixed interest-bearing financial assets and liabilities that have a short-term maturity, it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without maturity.

For variable interest-bearing financial assets (Georgian government bond classified as investments measured at amortized cost) and liabilities (borrowings from the IMF), it is assumed that the carrying amounts approximate their fair value. Moreover, management of the Bank believes that due to their specific nature, borrowings from the IMF represent a separate segment of borrowings from international financial organizations to support developing countries. As a result, these borrowings were considered to have been received in an "arm's length" transaction.

29. RISK MANAGEMENT

Introduction

The activities of the Bank are exposed to various types of risks. These include financial risks in the form of market, credit, and liquidity risks. The Bank's activities are also exposed to a diverse range of non-financial risks. Due to its unique role and functions, the Bank's risk management and control is not only based on the institutional risk and return considerations, but also takes into account the national interests, in line with its statutory responsibilities prescribed in the relevant legislation. The Bank views risk management as an integral part of overall management process and an essential element of good corporate governance. The Council of the Bank is ultimately responsible for the oversight of the risk management framework, overseeing the management of the key risks and reviewing its risk management policies and procedures.

To support the effective and efficient risk management system the Bank established a three lines of defense model. The model allocates clear roles and responsibilities for business departments, risk management, and internal audit.

First line of defense: Departmental management

The first line of defense (the Bank's departments) is responsible to identify, assess, and manage the risks in their respective departments by designing, implementing and maintaining an adequate and effective systems of control.

Second line of defense: Centralized risk management function

The second line of defense (Centralized Risk Management Department) is responsible to define and implement an effective non-financial risk management framework that is consistent with standards and approaches of best international practices. The Centralized Risk Management Department provides independent forward-looking assessment of the risks, facilitates, risk management processes and provides business continuity support. The department is accountable to the Governor of the Bank.

Third line of defense: Internal audit

Internal Audit represents the third line of defense, which ensures the effectiveness, and appropriateness of the risk management and internal control systems. Internal audit examines both the adequacy of internal controls and the Bank's compliance with the procedures on a regular basis and reports its findings and recommendations to the Chairman of the Council.

Organization of risk management department

Nature of risk	Management	Guidelines policies issued by	Supervision
Financial risks	At department level	Monetary policy committee International reserve management committee	Board
Non-financial risks	At department level	Centralized risk management department	Internal Audit, Audit Committee

Financial risks

The Bank uses financial instruments as a means of achieving its monetary policy objectives and for managing international reserves. These two portfolios have different risk policies and characteristics, both of them are managed by the financial market department. The description of financial risks below presents the main risks to which these two portfolios of financial instruments are exposed, as well as the management policy of these risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The table below shows the maximum exposure to credit risk for financial instruments of the Bank for which impairment requirements are not applied:

Foreign currency assets	Notes	Maximum exposure 31-Dec-25	Maximum exposure 31-Dec-24
International reserves			
Assets related to derivative instruments	11	7,325	5,488
Investments measured at fair value through profit or loss	12	295,507	291,431
National currency assets			
Monetary policy instruments			
Assets related to derivative instruments	11	3,483	2,520
Total credit risk exposure		**306,315**	**299,439**

Exposure to credit risk for instruments where impairment requirements are applied are represented by carrying amounts of the respective assets in the statement of financial position.

International reserve portfolio

According to the Law, the Bank is eligible to hold and manage an international reserve portfolio. The Bank maintains a portfolio to support its monetary and exchange policies and normal functioning of domestic and foreign payments. Reserves are also employed to protect the country from external vulnerability by maintaining sufficient liquidity to absorb shocks during a financial crisis. Therefore, the multiple objectives of holding international reserves feature safety, liquidity, and profitability. Hence, assets under the international reserve portfolio are invested on a conservative basis to facilitate these objectives, with an emphasis on liquidity and capital preservation. For instance, the Bank's Investment Guidelines prioritizes the preservation of capital and a high level of liquidity of reserves. Once these conditions are met, return is to be maximized.

The portfolio is managed in line with investment guidelines approved by the Council. The Reserve Management Committee (the "Committee") of the Bank is responsible for monitoring and implementation of risk mitigation measures prescribed in the investment guidelines and making sure that the Bank operates within the established risk parameters. Typical activities of the Committee are reviewing the monthly reports, approving the list of eligible counterparties and approving changes to the strategy before submitting them to the Council. The Risk Management and Control Division (the "Division") of the Bank is responsible for the overall day-to-day risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing, and reporting risks.

Monetary policy portfolio

The monetary policy is executed mainly through financial instruments such as Georgian government securities, loans to commercial banks, certificates of deposit, minimum reserve requirements for commercial banks and derivative financial instruments. The monetary policy committee is responsible for monitoring and implementation of risk mitigation tools, such as collateral requirements for refinancing loans.

a) Financial instruments under the international reserves portfolio – internationally rated

In order to control the credit risk of the financial instruments used in the international reserves operations, the strategic asset allocation limits the exposures to credit risk of countries, counterparties and issuers, by setting concentration limits and minimum long-term credit rating, established by the international rating agencies (Standard & Poor's, Moody's and Fitch). For instance, investment guidelines define the minimum level of the credit rating for investing in any debt Instruments (Bonds, Bills) as well as for bank deposits and other financial instruments as A-. However, minimum credit rating of BBB is acceptable for counterparties used only for Nostro accounts.

Additionally, the investment guidelines limit the concentration into non-benchmark financial instruments and the portfolio is diversified into various money market instruments, as well as fixed income and floating rate securities (Government Bonds, Agencies including Regional Governments and Supranational Securities) and other liquid, highly secure instruments.

While selecting the Bank's counterparties, the counterparty's credit rating, the country of its residence, the volume of its assets and capital, the experience of working in international markets and with corporate clients and the spectrum of the services and instruments offered to its clients are taken into consideration. In case of downgrade of the long-term credit rating of the Bank's counterparty by the above-mentioned rating agencies, the counterparty will be withdrawn from the list of eligible counterparties.

When different credit ratings are designated by the rating agencies (Standard & Poor's, Moody's and Fitch) for the assets, the second-best credit rating is used for credit risk assessment.

Credit quality analysis

The table below shows, by class of financial instruments, gross carrying amount of assets within the international reserve portfolio for which impairment requirements are applied according to second-best credit rating based on international ratings:

	31 December 2025				31 December 2024			
Second-best credit rating (credit ratings range)	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Cash and cash equivalents (excluding cash on hand)								
AAA *(from AA+ to AAA)*	197,883	-	-	197,883	337,965	-	-	337,965
AA *(from A+ to AAA)*	1,589,773	-	-	1,589,773	1,709,572	-	-	1,709,572
A *(from A- to AA-)*	1,322,721	-	-	1,322,721	871,764	-	-	871,764
Gross carrying amount	**3,110,377**	**-**	**-**	**3,110,377**	**2,919,301**	**-**	**-**	**2,919,301**
Loss allowance	-	-	-	-	-	-	-	-
Net carrying amount	**3,110,377**	**-**	**-**	**3,110,377**	**2,919,301**	**-**	**-**	**2,919,301**
Special Drawing Rights holdings with the International Monetary Fund								
AAA	1,285,611	-	-	1,285,611	1,273,804	-	-	1,273,804
Gross carrying amount	**1,285,611**	**-**	**-**	**1,285,611**	**1,273,804**	**-**	**-**	**1,273,804**
Loss allowance	-	-	-	-	-	-	-	-
Net carrying amount	**1,285,611**	**-**	**-**	**1,285,611**	**1,273,804**	**-**	**-**	**1,273,804**
Investments measured at fair value through other comprehensive income								
AAA *(from AA+ to AAA)*	1,165,644	-	-	1,165,644	1,553,261	-	-	1,553,261
AA *(from A+ to AAA)*	6,750,479	-	-	6,750,479	4,333,978	-	-	4,333,978
A *(from A to AA)*	878,185	-	-	878,185	57,719	-	-	57,719
Net carrying amount - fair value	**8,794,308**	**-**	**-**	**8,794,308**	**5,944,958**	**-**	**-**	**5,944,958**
Loss allowance (recognised in other comprehensive income)	(2,652)	-	-	(2,652)	(971)	-	-	(971)

b) Financial instruments under the monetary policy portfolio – internally rated

Credit risk is associated with open-market operations and facilities that inject liquidity to the financial system. The Bank's securities portfolio is comprised exclusively of securities issued by the Government of Georgia, considered as assets with low credit risk. To mitigate the risk associated with loans to banking institutions, the Bank requires collaterals eligible according to their credit quality, which are valued at market prices at the time of their receipt and subject to the application of discounts or haircuts according to the instrument specific characteristics. As at 31 December 2025 and 31 December 2024 credit rating of monetary policy instrument was assessed as AAA, in accordance with internally developed ratings (for expected credit loss estimation purposes, the internally rated AAA grade corresponds to the B-BB grade of the international rating agencies).

The Bank classifies its financial assets other than international reserves based on internally developed ratings as follows:

AAA grade – borrowers with excellent financial performance, having no changes in the terms and conditions of loan agreements and no overdue in principal and interest.

AA grade – borrowers with stable financial performance, having no changes in the terms and conditions of loan agreements and no overdue in principal and interest.

A grade – borrowers with satisfactory financial performance, having changes in the terms and conditions of loan agreements and no overdue in principal and interest.

B grade – loans issued to borrowers with satisfactory financial performance, having changes in the terms and conditions of loan agreements and overdue in principal and interest.

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. The attributed risk ratings are assessed and updated regularly.

The table below shows, by classes of financial instruments, gross carrying amounts of monetary policy and other financial assets, for which impairment requirements are applied, based on the Bank's internal credit rating system:

	31 December 2025			31 December 2024		
	12-month ECL	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL credit-impaired	Total
Foreign currency assets						
Other financial assets						
AAA grade	-	-	-	2,473	-	2,473
AA grade	10	-	10	-	-	-
A grade	-	-	-	66	-	66
B grade	-	-	-	6	-	6
Gross carrying amount	**10**	**-**	**10**	**2,545**	**-**	**2,545**
Loss allowance	-	-	-	-	-	-
Net carrying amount	**10**	**-**	**10**	**2,545**	**-**	**2,545**
National currency assets						
Monetary policy instruments						
Due from resident financial institutions						
AAA grade	6,167,078	-	6,167,078	7,003,577	-	7,003,577
Gross carrying amount	**6,167,078**	**-**	**6,167,078**	**7,003,577**	**-**	**7,003,577**
Loss allowance	-	-	-	-	-	-
Net carrying amount	**6,167,078**	**-**	**6,167,078**	**7,003,577**	**-**	**7,003,577**
Investments measured at fair value through other comprehensive income						
AAA grade	1,496,259	-	1,496,259	1,871,247	-	1,871,247
Carrying amount - fair value	**1,496,259**	**-**	**1,496,259**	**1,871,247**	**-**	**1,871,247**
Other national currency assets						
Investments measured at amortized cost						
AAA Grade	-	-	-	41,010	-	41,010
Gross carrying amount	**-**	**-**	**-**	**41,010**	**-**	**41,010**
Loss allowance	-	-	-	-	-	-
Net carrying amount	**-**	**-**	**-**	**41,010**	**-**	**41,010**
Other financial assets						
A Grade	154	-	154	258		258
B Grade	-	48	48		35	35
Gross carrying amount	**154**	**48**	**202**	**258**	**35**	**293**
Loss allowance	**-**	(48)	**(48)**	**-**	(35)	**(35)**
Net carrying amount	**154**	**-**	**154**	**258**	**-**	**258**

The following table shows reconciliation of opening and closing balances of the loss allowance by classes of those financial instruments for which expected credit losses are recognized:

	2025			2024		
	12-month ECL	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL credit-impaired	Total
Foreign currency assets						
International reserves						
Investments measured at FVOCI						
Balance at 1 January	**971**	**-**	**971**	**1,789**	**-**	**1,789**
New financial assets recognized	1,895	-	1,895	656	-	656
Remeasurement of loss allowance	184	-	184	(98)	-	(98)
Foreign exchange and other movements	(11)	-	(11)	12	-	12
Financial assets that have been derecognized - repayment	(387)	-	(387)	(1,388)	-	(1,388)
Balance at 31 December	**2,652**	**-**	**2,652**	**971**	**-**	**971**
National currency assets						
Other national currency assets						
Other assets						
Balance at 1 January	**-**	**35**	**35**	**-**	**43**	**43**
New financial assets recognized	-	-	-	-	-	-
Remeasurement of loss allowance	-	18	18	-	-	-
Financial assets that have been derecognized, including repayment	-	(5)	(5)	-	(8)	(8)
Balance at 31 December	**-**	**48**	**48**	**-**	**35**	**35**
Total balance at 1 January	**971**	**35**	**1,006**	**1,789**	**43**	**1,832**
Total balance at 31 December	**2,652**	**48**	**2,700**	**971**	**35**	**1,006**

Excessive risk concentration

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

In order to minimize excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a low credit risk profile. The concentration risks by counterparties and asset quality are disclosed in relevant notes to the financial statements.

Geographical concentration

The Bank's financial assets and liabilities are generally concentrated in Georgia, except for the international reserve portfolio and borrowings from the IMF. The below table provides information on geographical concentration for these financial assets and liabilities outside of Georgia:

As at 31 December 2025	Notes	US	EU*	Korea	Canada	International	Other	Total
Assets:								
International reserves								
Cash and cash equivalents (excluding cash on hand)	7	109,995	1,894,112	121,469	364,164	148,441	472,196	3,110,377
Special Drawing Rights holdings with the IMF	10	-	-	-	-	1,285,611	-	1,285,611
Assets related to derivative instruments	11	-	-	-	-	-	7,325	7,325
Investments measured at fair value through profit or loss	12	-	-	-	-	295,507	-	295,507
Investments measured at fair value through other comprehensive income	13	5,540,317	1,512,528	179,753	511,665	946,732	103,313	8,794,308
		5,650,312	**3,406,640**	**301,222**	**875,829**	**2,676,291**	**582,834**	**13,493,128**
Liabilities:								
Due to the IMF	10	-	-	-	-	2,095,343	-	2,095,343
Net position		**5,650,312**	**3,406,640**	**301,222**	**875,829**	**580,948**	**582,834**	**11,397,785**

As at 31 December 2024	Notes	US	EU*	Australia	Canada	International	Other	Total
Assets:								
International reserves								
Cash and cash equivalents (excluding cash on hand)	7	1,281,178	1,162,916	-	394,810	1,272	79,125	2,919,301
Special Drawing Rights holdings with the IMF	10	-	-	-	-	1,273,804	-	1,273,804
Assets related to derivative instruments	11	-	-	-	-	-	5,488	5,488
Investments measured at fair value through profit or loss	12	-	-	-	-	291,431	-	291,431
Investments measured at fair value through other comprehensive income	13	3,278,413	1,143,880	17,140	730,472	611,327	163,726	5,944,958
		4,559,591	**2,306,796**	**17,140**	**1,125,282**	**2,177,834**	**248,339**	**10,434,982**
Liabilities:								
Due to the IMF	10	-	-	-	-	2,261,116	-	2,261,116
Net position		**4,559,591**	**2,306,796**	**17,140**	**1,125,282**	**(83,282)**	**248,339**	**8,173,866**

**EU-including Norwegian agency securities.*

Liquidity risk

Liquidity risk considers the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

c) Financial instruments under the international reserve portfolio

The purpose of the management of the liquidity risk is to ensure that the Bank fulfills all the financial commitments that it has assumed. Accordingly, the Bank diversifies maturities and also establishes limits aiming to ensure that the securities purchased may be traded in the secondary market without causing abrupt changes in the prices of the assets. Due to these guidelines, even securities with longer maturities have immediate liquidity.

The Bank's Monetary Policy and International Reserves Management Committees set limits on the minimum proportion of maturing funds available to cover cash outflows. The liquidity management policy of the Bank requires:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flows; and
- Maintaining liquidity and funding contingency plans.

The Financial Markets Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future transactions. The Bank's liquidity risk relates to foreign currency cash flows.

The table below summarizes the maturity profile of the Bank's financial liabilities in foreign currency as at 31 December 2025 and 2024 based on contractual undiscounted repayment obligations. The financial assets in foreign currencies are presented in "less than 3 months" category on the basis that the Bank can realize them within the period not exceeding 3 months to meet the liquidity requirements:

As at 31 December 2025	Notes	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency assets						
International Reserves						
Cash and cash equivalents (excluding cash on hand)	7	3,110,377	-	-	-	3,110,377
Special Drawing Rights holdings with the IMF	10	1,285,611	-	-	-	1,285,611
Assets related to derivative instruments	11	7,325	-	-	-	7,325
Investments measured at fair value through profit or loss	12	295,507	-	-	-	295,507
Investments measured at fair value through other comprehensive income	13	8,794,308	-	-	-	8,794,308
Other foreign currency assets						
Other financial assets	18	10	-	-	-	10
Total foreign currency assets		**13,493,138**	**-**	**-**	**-**	**13,493,138**
Foreign currency liabilities						
Due to resident financial institutions	19	5,870,067	-	-	-	5,870,067
Due to the Ministry of Finance	20	400,569	-	-	-	400,569
Due to the IMF	10	1,290,565	225,647	621,527	24,438	2,162,177
Other liabilities	18	80,820	-	-	-	80,820
Total foreign currency liabilities		**7,642,021**	**225,647**	**621,527**	**24,438**	**8,513,633**
Net position		**5,851,117**	**(225,647)**	**(621,527)**	**(24,438)**	**4,979,505**

As at 31 December 2024	Notes	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency assets						
International Reserves						
Cash and cash equivalents (excluding cash on hand)	7	2,919,301	-	-	-	2,919,301
Special Drawing Rights holdings with the IMF	10	1,273,804	-	-	-	1,273,804
Assets related to derivative instruments	11	5,488	-	-	-	5,488
Investments measured at fair value through profit or loss	12	291,431	- -	-	-	291,431
Investments measured at fair value through other comprehensive income	13	5,944,958	-	-	-	5,944,958
Other foreign currency assets						
Other financial assets	18	2,545	-	-	-	2,545
Total foreign currency assets		**10,437,527**	**-**	**-**	**-**	**10,437,527**
Foreign currency liabilities						
Due to resident financial institutions	19	6,387,542	-	-	-	6,387,542
Due to the Ministry of Finance	20	428,426	-	-	-	428,426
Due to the IMF	10	1,282,286	208,468	757,598	123,854	2,372,206
Other liabilities	18	66,195	-	-	-	66,195
Total foreign currency liabilities		**8,164,449**	**208,468**	**757,598**	**123,854**	**9,254,369**
Net position		**2,273,078**	**(208,468)**	**(757,598)**	**(123,854)**	**1,183,158**

d) Financial instruments under the monetary policy portfolio

Considering the inherent characteristics of a monetary authority, which includes controlling the liquidity of the financial system, the Bank is not exposed to the limitations resulting from a mismatch between assets and liabilities in national currency.

Maturity Analysis of items of Statement of Financial Position

The table below shows maturity analysis of items of the Statement of Financial Position as at 31 December of 2025 and 2024:

	Notes	31-Dec-25			31-Dec-24		
		Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year	Total
ASSETS:							
Foreign currency assets							
International reserves							
Cash and cash equivalents	7	3,515,685	-	3,515,685	3,289,907	-	3,289,907
Monetary Gold *	8	-	2,701,336	2,701,336	-	1,681,645	1,681,645
Special Drawing Rights holdings with the International Monetary Fund	10	1,285,611	-	1,285,611	1,273,804	-	1,273,804
Assets related to derivative instruments	11	7,325	-	7,325	5,488	-	5,488
Investments measured at fair value through profit or loss	12	-	295,507	295,507	-	291,431	291,431
Investments measured at fair value through other comprehensive income	13	3,138,080	5,656,228	8,794,308	1,315,565	4,629,393	5,944,958
Other foreign currency assets							
Other assets *	18	10	-	10	2,545	-	2,545
		7,946,711	**8,653,071**	**16,599,782**	**5,887,309**	**6,602,469**	**12,489,778**
National currency assets							
Monetary policy instruments							
Due from resident financial institutions	9	6,167,078	-	6,167,078	7,003,577	-	7,003,577
Assets related to derivative instruments	11	3,483	-	3,483	2,520	-	2,520
Investments measured at fair value through other comprehensive income	13	183,013	1,313,246	1,496,259	391,486	1,479,761	1,871,247
Other national currency assets							
Investments measured at amortised cost	14	-	-	-	-	41,010	41,010
Right-of-use assets *	15	-	6,543	6,543	-	8,435	8,435
Property and equipment *	16	-	110,443	110,443	-	86,704	86,704
Intangible assets *	17	-	8,988	8,988	-	10,058	10,058
Other assets *	18	154	32,701	32,855	259	11,390	11,649
		6,353,728	**1,471,921**	**7,825,649**	**7,397,842**	**1,637,358**	**9,035,200**
TOTAL ASSETS		**14,300,438**	**10,124,993**	**24,425,431**	**13,285,151**	**8,239,827**	**21,524,978**

LIABILITIES:							
Foreign currency liabilities							
Monetary policy instruments							
Due to resident financial institutions	19	5,863,318	-	5,863,318	6,369,707	-	6,369,707
Other foreign currency liabilities							
Due to resident financial institutions	19	6,749	-	6,749	17,835	-	17,835
Due to the Ministry of Finance of Georgia	20	400,569	-	400,569	428,426	-	428,426
Due to the International Monetary Fund	10	1,617,220	476,151	2,093,371	1,597,902	661,344	2,259,246
Other liabilities *	17	80,820	-	80,820	66,195	-	66,195
		7,968,676	**476,151**	**8,444,827**	**8,480,065**	**661,344**	**9,141,409**
National currency liabilities							
Money issued in circulation *	22	-	7,442,164	7,442,164	-	6,617,018	6,617,018
Monetary policy instruments							
Debt securities issued	23	59,350	-	59,350	59,384	-	59,384
Due to resident financial institutions	19	1,746,732	-	1,746,732	695,619	-	695,619
Liabilities related to derivative instruments	11	-	-	-	2,143	-	2,143
Other national currency liabilities							
Due to the Ministry of Finance of Georgia	20	1,672,488	-	1,672,488	1,018,824	-	1,018,824
Due to the International Monetary Fund	10	1,972	-	1,972	1,870	-	1,870
Due to customers	21	17,645	-	17,645	1,528	-	1,528
Other liabilities *	18	598,217	7,605	605,822	677,850	8,661	686,511
		4,096,404	**7,449,769**	**11,546,173**	**2,457,218**	**6,625,679**	**9,082,897**
TOTAL LIABILITIES		**12,065,080**	**7,925,920**	**19,991,000**	**10,937,283**	**7,287,023**	**18,224,306**

* For the purposes of this analysis tangible and intangible items, as well as items with undefined maturity by nature, are considered to be long-term.

As at 31 December 2025 and 2024, all financial liabilities denominated in national currency are short-term and contractually mature within three months. Accordingly, the undiscounted contractual cash flows of such financial liabilities are not materially different from their carrying amounts.

Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchanges rates. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate and currencies, which are exposed to general and specific market movements and changes in the level of volatility of market prices. For all financial instruments repricing occurs within less than 3 months.

e) Financial instruments under the international reserve portfolio

Market risk implies possible losses due to variations in the prices of investments.

The Strategic Asset Allocation (SAA) process limits the market risk based on the risk tolerance of the Bank. Strategic benchmarks are defined for individual portfolios to maximize returns, after assessing various interest rate scenarios, while staying within the market risk limit. Currency exposures are defined based on the analysis of the foreign debt and diversification effects are also considered to decrease overall currency risk (refer to note on currency risk below).

All portfolios are actively managed versus strategic benchmarks. Active market risk versus benchmarks is defined during the risk budgeting process and active market risk limits are established for each portfolio through limiting ex-ante tracking error and duration deviation. Regular stress testing is conducted to assess resilience of active portfolios to market shocks.

Strategic Benchmark Durations and Active Market Risk Limits for the international reserve portfolio are as follows:

	2025		2024	
Tranches	**Benchmark Duration (Duration Deviation Limits)**	**Ex-Ante Tracking Error Limits**	**Benchmark Duration (Duration Deviation Limits)**	**Ex-Ante Tracking Error Limits**
Liquidity Portfolio in USD	1.5 year (+/-3 Months)	15 Basis Point	1.5 year (+/-3 Months)	15 Basis Point
Investment Portfolio in USD	2 year (+/-3 Months)	30 Basis Point	2 year (+/-3 Months)	30 Basis Point
Investment Portfolio in EUR	1.5 year (+/-3 Months)	30 Basis Point	1.5 year (+/-3 Months)	30 Basis Point
Investment Portfolio in CAD*	-	-	2 year (+/-3 Months)	30 Basis Point

** Under SAA the investment portfolio in CAD was cancelled since March 2025*

The purpose of liquidity portfolio is to meet foreign debt service obligations for 1 year operational needs. The purpose of investment tranche is to meet long term needs and maximize return. Liquidity and investment portfolio consist of financial instruments measured at fair value through other comprehensive income.

Market risk is monitored through daily measurement of the duration and composition of currencies, and by the follow-up of ex-ante tracking error. The international reserve management daily report, prepared by the Financial Markets Department, includes measurements of performance and risk in an absolute manner and as compared to a benchmark, and presents an evaluation of the implemented investment strategy.

The Bank's exposure to fair value interest rate risk arises principally through its investments in International Reserves portfolio, which are exposed to fluctuations because of changes in market interest rates.

Interest rate risk for Foreign Currency Reserves is the risk of changes in fair value of financial instruments due to changes in market interest rates.

The Bank's internally managed Foreign Currency Reserve's portfolio is divided into tranches and the Bank measures interest rate risk for its tranches, in all currencies, based on a 1% change in interest rates that indicates a change in the fair market value of financial instruments per 1% change in market yields. The fair market values of tranches held by the Bank are exposed to fluctuations, however these variations would not affect the ability of the Bank to fulfil its obligations.

Market yield sensitivity of the Bank's International Reserve tranches

The table shows the sensitivity of reserve tranches to a 1% increase or decrease in market yields to the asset values (figures are provided in thousands of USD):

	2025		2024	
Currency	**Increase in market yield**	**Impact on equity**	**Increase in market yield**	**Impact on equity**
Investment Tranche in USD	1%	(29,267)	1%	(27,879)
Investment Tranche in EUR	1%	(7,259)	1%	(3,510)
Investment Tranche in CNY External (BIS)	1%	(3,313)	1%	(1,615)
Investment Tranche in CAD*	1%	-	1%	(2,370)
Liquidity Tranche in USD	1%	(12,494)	1%	(3,350)
Working Capital Tranche in USD	1%	(767)	1%	(70)
Working Capital Tranche in EUR	1%	(191)	1%	-

	2025		2024	
Currency	Decrease in market yield	Impact on equity	Decrease in market yield	Impact on equity
Investment Tranche in USD	1%	30,169	1%	28,703
Investment Tranche in EUR	1%	7,491	1%	3,610
Investment Tranche in CNY External (BIS)	1%	3,313	1%	1,615
Investment Tranche in CAD*	1%	-	1%	2,435
Liquidity Tranche in USD	1%	12,852	1%	3,444
Working Capital Tranche in USD	1%	776	1%	71
Working Capital Tranche in EUR	1%	195	1%	-

** Under SAA the investment portfolio in CAD was cancelled since March 2025.*

f) Financial instruments under the monetary policy portfolio

For open-market operations, this risk is mainly associated with changes in the market value of Georgian government bonds, and the change in value of collaterals received in liquidity injection transactions. For collaterals the risk of value loss is mitigated by using margins and haircuts that write-down their value and allow the effective amount lent to be lower than the collateral received.

Market yield sensitivity of the Bank's financial assets

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The following table demonstrates the net effect of 1% change in interest rates, with all other variables held constant, on the Bank's statement of profit or loss and other comprehensive income, taking into account the effect of derivatives.

The sensitivity of equity is calculated by revaluing fixed-rate investments measured at fair value through other comprehensive income at 31 December 2025 and 2024 for 1% change in market interest rates:

	2025		2024	
	Increase in market yield	Impact on equity	Increase in market yield	Impact on equity
Georgian Government bonds	1%	(22,232)	1%	(50,203)

	2025		2024	
	Decrease in Market Yield	Impact on equity	Decrease in Market Yield	Impact on equity
Georgian Government bonds	1%	23,016	1%	50,203

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. Subject to the currency profile of assets, the value of assets of the Bank is exposed to the risk of changes in exchange rates of major foreign currencies. Within the overall exposure and to a limited extent, foreign currency risk can be partially mitigated by holding assets across a diversified portfolio of currencies. Since 14 December 2015, the target currency composition is 80% USD, 10% EUR, 10% Other (Canadian dollars, Chinese yuan and other currencies up to 10%). Under SAA, +/–10% is allowed for the U.S. dollar, the Euro, and other currencies' target currency composition.

Sensitivity to foreign currency

The table below provides the concentration of the Bank's financial assets and liabilities by major currencies and analyses of the effect of a 1%, 5%, 10% and 15% movement of the currency rate against Georgian Lari, with all other variables held constant, on the statement of profit or loss and other comprehensive income. A negative amount in the table reflects a potential net reduction in the statement of profit or loss and other comprehensive income, while a positive amount reflects a net potential increase.

As at 31 December 2025	USD	EUR	SDR	CNY	CAD	Other	Total
Foreign currency assets	13,167,636	1,850,708	1,285,611	295,507	56	264	**16,599,782**
Foreign currency liabilities	(4,654,772)	(1,677,856)	(2,093,371)	-	-	(18,828)	**(8,444,827)**
Net position	**8,512,864**	**172,852**	**(807,760)**	**295,507**	**56**	**(18,564)**	**8,154,955**

As at 31 December 2024	USD	EUR	SDR	CNY	CAD	Other	Total
Foreign currency assets	9,385,067	1,106,512	1,276,277	291,431	428,479	2,012	**12,489,778**
Foreign currency liabilities	(5,243,658)	(1,616,358)	(2,259,247)	-	-	(22,146)	**(9,141,409)**
Net position	**4,141,409**	**(509,846)**	**(982,970)**	**291,431**	**428,479**	**(20,134)**	**3,348,369**

	Effect on total comprehensive income and equity 2025						
	USD	EUR	SDR	CNY	CAD	Other	Total
Increase in currency rate of 1%	85,129	1,729	(8,078)	2,955	1	(186)	**81,550**
Increase in currency rate of 5%	425,643	8,643	(40,388)	14,775	3	(928)	**407,748**
Increase in currency rate of 10%	851,286	17,285	(80,776)	29,551	6	(1,856)	**815,496**
Increase in currency rate of 15%	1,276,930	25,928	(121,164)	44,326	8	(2,785)	**1,223,243**
Decrease in currency rate of 1%	(85,129)	(1,729)	8,078	(2,955)	(1)	186	**(81,550)**
Decrease in currency rate of 5%	(425,643)	(8,643)	40,388	(14,775)	(3)	928	**(407,748)**
Decrease in currency rate of 10%	(851,286)	(17,285)	80,776	(29,551)	(6)	1,856	**(815,496)**
Decrease in currency rate of 15%	(1,276,930)	(25,928)	121,164	(44,326)	(8)	2,785	**(1,223,243)**

	Effect on total comprehensive income and equity 2024						
	USD	EUR	SDR	CNY	CAD	Other	Total
Increase in currency rate of 1%	41,414	(5,098)	(9,830)	2,914	4,285	(201)	**33,484**
Increase in currency rate of 5%	207,070	(25,492)	(49,149)	14,572	21,424	(1,007)	**167,418**
Increase in currency rate of 10%	414,141	(50,985)	(98,297)	29,143	42,848	(2,013)	**334,837**
Increase in currency rate of 15%	621,211	(76,477)	(147,446)	43,715	64,272	(3,020)	**502,255**
Decrease in currency rate of 1%	(41,414)	5,098	9,830	(2,914)	(4,285)	201	**(33,484)**
Decrease in currency rate of 5%	(207,070)	25,492	49,149	(14,572)	(21,424)	1,007	**(167,418)**
Decrease in currency rate of 10%	(414,141)	50,985	98,297	(29,143)	(42,848)	2,013	**(334,837)**
Decrease in currency rate of 15%	(621,211)	76,477	147,446	(43,715)	(64,272)	3,020	**(502,255)**

Other risks

Settlement risk

Settlement risk (i.e., the risk that the counterparty may not be able to complete a transaction) is mitigated in a number of ways. The Bank will only transfer funds after sufficient collateral has been secured. For outright transactions in securities, settlement risk is eliminated through the use of systems that are based on delivery versus payment, that is, the simultaneous exchange of securities and cash. Additionally, the settlement of the cash component is performed through the payment system referred to as Real Time Gross Settlement, which is owned and managed by the Bank, which determines the position of each participant in real time on an individual payment-to-payment basis. This automatically avoids overdrafts and as it simultaneously uses accounts in the Bank as settlement asset, it mitigates credit risk.

Non-financial risks

Non-financial risks to which the Bank is exposed are: reputational and operational risks. Operational risks originate from inadequate or failed internal processes, people and systems or external events. The Bank is exposed to the following sub-categories of operational risks: legal, information technology, human resources, security (physical and information), third-party, business continuity, fraud and compliance risks. Realization of non-financial risks may result in financial loss, damage to reputation or failure in achieving the Bank's business objectives. Hence, the Bank developed Centralized Risk Management (CRM) system in order to minimize the impact of non-financial risks and ensure solid internal control system.

CRM framework is comprised of non-financial risks management, incident management and business continuity systems and is supported by internal control system of procedures. Non-financial risk assessment is based on qualitative method (5-scale) and includes all bank-wide processes, where risks could jeopardize the achievement of the objectives. Incident Management system captures and analyzes incidents in order to avoid the repetitive occurrence of incidents. To expand and improve operational risk assessment, the Bank selected and accepted quantification method - Standardised Measurement Approach (SMA). In order to finalize the implementation, the Bank will continue working on financial loss data, consequent processes and procedure development. The Bank applies model risk management framework to register, describe and assess the models used by the Bank, which supports to create unified documentation for each model and non-financial risk assessment process. Business continuity management system continuously improves the resilience of the Bank's critical processes and provides adequate procedures, regular testing and expansion of scenarios.

The Bank defined the aggregate level (Risk Appetite) of non-financial risks the Bank is willing to assume within its risk capacity to achieve its strategic objectives and goals. Overall, the Bank has conservative approach to operational and reputational risks and operates within low-risk appetite and tolerance levels. Hence, the Bank makes resources available and sets effective governance processes to control and maintain non-financial risks at low risk level. Risk appetite statement is reviewed and approved annually by the Council of the Bank.

30. EVENTS AFTER THE REPORTING PERIOD

Up to the date these financial statements were authorized for issue, no significant subsequent events have occurred that require adjustment of, or disclosure in, these financial statements.



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