JSC ISBANK GEORGIA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2025

Content

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

Notes to, and forming part of, the financial statements

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Independent Auditors' Report

To the Shareholder of JSC Isbank Georgia

Opinion

We have audited the financial statements of the JSC Isbank 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)*, as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements in Georgia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2023 were audited by other auditors who expressed an unmodified opinion on those statements on 4 July 2024.

Statement on Management Report

Management is responsible for the Management Report. The Management Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the Management Report and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report when it becomes available and, in doing so, consider whether the Management Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Management Report, we conclude whether the other information:

- is consistent with the financial statements and does not contain material misstatement;
- contains all information that is required by and is compliant with Law of Georgia on Accounting, Reporting and Auditing.

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.

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:

Nikoloz Chochua

KPMG Georgia LLC
31 March 2026

(in thousands of Georgian Lari)

	Notes	31 December 2025	31 December 2024	31 December 2023
ASSETS				
Cash and cash equivalents	8	158,048	47,606	77,287
Mandatory reserves at the National Bank of Georgia	9	49,327	40,896	35,988
Loans to customers and factoring receivables	10	326,058	323,601	270,487
Investment securities	11	-	2,976	11,538
Bonds at amortized cost	12	80,162	53,238	58,330
Property, equipment, intangible and right-of-use assets	13	8,866	9,823	8,134
Income tax asset		369	3,823	74
Other assets	14	2,523	2,844	2,848
TOTAL ASSETS		**625,353**	**484,807**	**464,686**
LIABILITIES				
Amounts due to credit institutions	15	111,508	138,444	109,832
Amounts due to customers	16	275,536	120,318	173,122
Other borrowed funds	17	56,866	70,186	39,233
Subordinated debt	18	13,479	-	-
Deferred tax liabilities	25	664	670	641
Other liabilities	14	6,585	8,808	7,800
TOTAL LIABILITIES		**464,638**	**338,426**	**330,628**
EQUITY	19			
Share capital		69,162	69,162	69,162
Retained earnings		91,553	77,219	64,896
TOTAL EQUITY		**160,715**	**146,381**	**134,058**
TOTAL LIABILITIES AND EQUITY		**625,353**	**484,807**	**464,686**

JSC Isbank Georgia
Statement of profit or loss and other comprehensive income for 2025
(in thousands of Georgian Lari)

	Notes	2025	2024	2023
Interest income calculated using effective interest rate		40,830	38,265	36,917
Interest expense		(16,332).	(15,839)	(11,595)
Net interest income	20	**24,498**	**22,426**	**25,322**
Fee and commission income		3,318	3,313	3,326
Fee and commission expense		(450)	(608)	(563)
Net fee and commission income	21	**2,868**	**2,705**	**2,763**
Gains less losses from trading in foreign currencies		1,859	978	3,270
Foreign exchange translation (losses)/gains		(406)	492	(304)
Net foreign exchange gain		**1,453**	**1,470**	**2,966**
Losses from disposal of investment securities measured at fair value through other comprehensive income		-	-	(87)
Expected credit loss	22	(851)	(2)	(293)
Operating income after credit loss		**27,968**	**26,599**	**30,671**
Personnel expenses	23	(6,325)	(6,486)	(5,469)
Other income		1,232	3	60
Other expenses	24	(4,837)	(4,970)	(4,417)
Profit before income tax		**18,038**	**15,146**	**20,845**
Income tax expense	25	(3,704)	(2,823)	(4,221)
Profit for the year		**14,334**	**12,323**	**16,624**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Movement in fair value of investment securities measured at fair value through other comprehensive income		-	-	87
Other comprehensive income for the year		**-**	**-**	**87**
Total comprehensive income for the year		**14,334**	**12,323**	**16,711**

Approved for issue and signed on behalf of the Management on 31 March 2026 by:

Onur Kütük
Chief Executive Officer

Ucha Saralidze
Chief Financial Officer

(in thousands of Georgian Lari)

	Share capital	Fair value reserve for investment securities	Retained earnings	Total equity
Balance as at 31 December 2022	**69,162**	**(87)**	**48,272**	**117,347**
Profit for the year	-	-	16,624	16,624
Other comprehensive income for the year	-	87	-	87
Total comprehensive income for the year	-	87	**16,624**	**16,711**
Balance as at 31 December 2023	**69,162**	**-**	**64,896**	**134,058**
Profit for the year	-	-	12,323	12,323
Total comprehensive income for the year	**-**	**-**	**12,323**	**12,323**
Balance as at 31 December 2024	**69,162**	**-**	**77,219**	**146,381**
Profit for the year	-	-	14,334	**14,334**
Total comprehensive income for the year	**-**	**-**	**14,334**	**14,334**
Balance as at 31 December 2025	**69,162**	**-**	**91,553**	**160,715**

(in thousands of Georgian Lari)

	Notes	2025	2024	2023
Cash flows from operating activities				
Profit before income tax		18,038	15,146	20,845
Adjustment for:				
Depreciation and amortization	24	1,194	1,281	1,107
Interest income calculated using effective interest rate	20	(40,830)	(38,265)	(36,917)
Interest expense	20	16,332	15,839	11,595
Expected credit loss	20	851	2	293
Losses from disposal of property and equipment	13	94	-	24
Write-off of intangible assets	13	-	144	-
Net foreign exchange losses/(gains)		406	(492)	333
Losses from disposal of investment securities measured at fair value through other comprehensive income		-	-	87
Cash flows used in operating activities before changes in operating assets and liabilities		**(3,915)**	**(6,345)**	**(2,633)**
(Increase)/decrease in mandatory reserves at the National Bank of Georgia		(8,007)	(3,886)	3,933
Increase in loans to customers and factoring receivables		(244)	(50,662)	(4)
(Increase)/decrease in bonds at amortized cost		(26,970)	5,122	(21,193)
Decrease/(increase) decrease in other assets		321	8	(126)
(Decrease)/increase in amounts due to credit institutions		(26,881)	27,269	23,449
Increase/(decrease) in amounts due to customers		152,967	(54,750)	24,670
(Decrease)/increase in other liabilities		(1,304)	1,275	793
Cash flows from/(used in) operating activities before interest and tax		**85,967**	**(81,969)**	**28,889**
Interest receipts		40,476	38,077	36,484
Interest payments		(15,121)	(14,679)	(10,784)
Income tax paid		(256)	(6,543)	(4,884)
Cash flows from/(used in) operating activities		**111,066**	**(65,114)**	**49,705**
Cash flows from investing activities				
Purchases of investment securities		-	(7,549)	(12,291)
Receipts from investment securities		2,989	16,103	3,263
Purchases of property, equipment and intangible assets	13	(331)	(2,990)	(2,229)
Cash from/(used in) investing activities		**2,658**	**5,564**	**(11,257)**
Cash flows from financing activities				
Proceeds from other borrowed funds	17	-	47,201	-
Proceeds from subordinated debt	18	13,479	-	-
Repayments of other borrowed funds	17	(18,781)	(16,751)	(18,492)
Repayments of principal portion of lease liabilities	14	(606)	(568)	(527)
Cash flows (used in)/from financing activities		**(5,908)**	**29,882**	**(19,019**
Net increase/(decrease) in cash and cash equivalents		**107,816**	**(29,668)**	**19,429**
Effect of exchange rate changes on cash and cash equivalents		2,813	(13)	73
Effect of expected credit losses on cash and cash equivalents		(187)	-	-
Cash and cash equivalents as at the beginning of the year	8	47,606	77,287	57,785
Cash and cash equivalents as at the end of the year	**8**	**158,048**	**47,606**	**77,287**

1 Introduction

JSC Isbank Georgia (hereinafter the "Bank") is a joint stock company, incorporated on 29 June 2015 in accordance with legislation of Georgia. The Bank operates under a general banking license (N: 368) issued by the National Bank of Georgia ("NBG") on 1 August 2015. The Bank is registered by the LEPL National Agency of Public Registry and the registration number is 404496611.

Before reorganization (1 August 2015) the Bank was presented as Batumi Branch of JSC Isbank Turkey (the "Branch") registered on 13 July 2012 by the National Bank of Georgia (License N: 908) as a branch of a foreign bank Türkiye İş Bankası Anonim Şirketi (the "Parent" or the "Shareholder") which was incorporated in Turkey in 1924.

Principal activity. The Bank's principal activities include the following: accepts deposits from the public and provide credit, transfers payments in Georgia as well as abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Main office of the Bank is in Tbilisi, Georgia and as at 31 December 2025 it has one branch located in Tbilisi (31 December 2024: one branch; 31 December 2023: two branches located in Tbilisi and Batumi).

Registered address and place of business. The Bank's registered legal address is 72a Ilia Chavchavadze Avenue, Tbilisi, Georgia.

As at 31 December 2025, 2024 and 2023, the Bank's 100% shareholder was JSC Isbank Turkey.

As of 31 December 2025, 38.66% of the JSC Isbank Turkey shares are owned by T. İş Bankası A.Ş. Supplementary Pension Fund (Fund), 28.09% are owned by the Republican People's Party - CHP (Atatürk's shares) and 33.25% are on free float (31 December 2024: 38,59%, 28.09% and 33.32%, respectively; 31 December 2023: 38.2%, 28.09% and 33.71%, respectively).

As at 31 December 2025, 2024 and 2023 the Bank does not have an ultimate controlling party. Related party transactions are disclosed in Note 30.

2 Operating environment of the Bank

The Bank's operations are primarily located in Georgia. Consequently, the Bank is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The ongoing military conflict between the Russian Federation and Ukraine has further increased uncertainty in the business environment.

The recent events, including inflation, did not have a significant impact on the expected credit loss (ECL).

Climate change. The management has taken note of global awareness and concerns about the potential impact of climate change. The Bank adapted Environmental and Social Risk Management policy, which describes the Bank's commitment to sustainable finance as an integral component of responsible corporate governance. The Bank reviewed its exposure to climate-related risks and did not identify any risks that could significantly impact the financial performance or position of the Bank as at 31 December 2025. The management estimates that current composition and maturity structure of the loan portfolio shows that the largest part of the portfolio is less vulnerable to the climate risk. The management continues to monitor developments in this area and will respond as necessary to ensure the Bank's viability and will adopt all government guidelines when these are issued in the markets in which the Bank operates.

3 Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) under the historical cost convention as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through other comprehensive income (“FVOCI”). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

The Bank presents comparative information for all amounts reported in the current period’s financials statement for two preceding periods – years ended 31 December 2024 and 2023. The Bank’s management considers such disclosure more useful and informative for the stakeholders of the Bank.

Functional and presentation currency. The national currency of Georgia is the Georgian Lari (“GEL” or “₾”), which is the Bank’s functional and presentation currency. These financial statements are presented in thousands of Georgian Lari (“GEL”) except where otherwise stated.

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the official exchange rate set by the National Bank of Georgia at the reporting date. Gains or losses resulting from the translation of foreign currency transactions are recognized in the statement of profit or loss as gains less losses from foreign currencies – translation differences. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on revaluation are recognized in profit or loss.

The exchange rates used by the Bank in the preparation of the financial statements as at 31 December 2025, 2024 and 2023 are as follows:

	31 December 2025	**31 December 2024**	**31 December 2023**
1 US Dollar / ₾	2.6951	2.8068	2.6894
1 Euro / ₾	3.1737	2.9306	2.9753
1 Turkish Lira / ₾	0.0628	0.0795	0.0910
1 United Kingdom Pound / ₾	3.6446	3.5349	3.4228

Presentation of financial statements. The Bank presents its statement of financial position in order of liquidity based on the Bank’s intention and perceived ability to recover/settle the majority of assets /liabilities of the corresponding financial statement line items. The analysis of amounts expected to be recovered or settled within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 27.

4 Material accounting policy information

Initial recognition of financial instruments. Financial instruments at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs.

Financial assets – classification and subsequent measurement – measurement categories. The Bank classifies financial assets in the following measurement categories: FVOCI and Amortized Cost (AC). The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – reclassification. The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank changes the business model for managing financial assets. Financial liabilities are never reclassified.

Financial assets impairment – expected credit loss (ECL) allowance. The Bank assesses, on a forward-looking basis, the ECL for financial assets measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The bank measures ECL and recognises credit loss allowance at each reporting date.

The Bank applies a three-stage model for impairment. The approach is summarised as follows:

- Stage 1: The Bank recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition. For those financial assets with a remaining maturity of less than 12 months, a PD is used that corresponds to the remaining maturity;

- Stage 2: The Bank recognises a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those financial instruments which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of financial instrument. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1. Financial instruments in stage 2 are not yet deemed to be credit-impaired;

- Stage 3: If the financial instrument is credit-impaired, it is then moved to stage 3. The Bank recognises a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Defaults (PD) of 100% for financial instruments that are credit-impaired.

Financial instruments within the scope of the impairment requirement of IFRS 9 are classified into one of the above three stages.

Key judgment and estimates used under IFRS 9 are disclosed in Note 5.

Financial assets – derecognition and modification. The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial 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 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.

The Bank assesses whether the modification of contractual cash flows is substantial, in which it considers certain qualitative and quantitative factors combined. Qualitative criteria may include significant change in the structure of the loan facility, change in counterparty, change in the contractual interest rates due to market environment changes.

4 Material accounting policy information (continued)

For the quantitative assessment, the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. It should be assessed whether change in contractual cash flow is substantial (significance defined as 10% change). If the test result is above 10% threshold, loan should be derecognized, whereas if the test is passed and result is below or equal to 10%, financial asset can be assessed as modified.

If above mentioned qualitative and quantitative criteria are not met, then modification does not result in derecognition.

Write-off. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event. For more information about the write-off methodology of the Bank, refer to Note 27.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC.

Impairment of non-financial assets. Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include notes and coins on hand, amounts due from National Bank of Georgia (NBG), excluding mandatory reserves, and other highly liquid financial assets with original maturities of less than three month. Cash and cash equivalents are carried at amortised cost.

Mandatory reserves with NBG. As financial assets are carried at amortised cost and represent mandatory reserve deposits that are not available to finance the Bank's day-to-day operations.

Loans to customers. Loans to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Impairment allowances are determined based on the forward-looking ECL models. Note 27 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

Factoring receivables. Factoring receivables, presented as part of loans to customers, are measured at amortised cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

4 Material accounting policy information (continued)

Investment securities. Investment securities include Government bonds. The Bank classifies investment securities as carried at AC or FVOCI. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent solely payments of principal and interest ("SPPI"). Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit of loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Bonds at amortized cost. The Bank classifies bonds as carried at AC, as they are held for collection of contractual cash flows that represent SPPI. Interest income from these assets is calculated using the effective interest method and recognised in profit of loss for the year.

Property and equipment. Property and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position – refer to the accounting policy in below. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets.

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. The estimated useful lives are as follows:

Leasehold improvements	10 years
Computers and office equipment	5-10 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Right-of-use assets	Lease term

An asset should be removed from the statement of financial position on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the assets is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets. Acquired intangible assets are stated at cost less accumulated amortization and impairment losses. Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range up to 15 years.

Right-of-use assets. Right-of-use assets are presented as part of property, equipment, intangible and right-of-use assets in the statement of financial position. The Bank recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. Right-of-use assets are also subject to impairment.

4 Material accounting policy information (continued)

Repossessed assets. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and carrying amount of defaulted loan for non-financial assets at the repossession date in, line with the Bank's policy.

Amounts due to customers. Amounts due to customers are non-derivative liabilities to individuals or corporate customers and are carried at AC.

Other borrowed funds. Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss profit or loss and other comprehensive income when the borrowings are derecognised as well as through the amortisation process. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the statement of profit or loss profit or loss and other comprehensive income.

Lease liabilities. Lease liabilities are presented as part of other liabilities in the statement of financial position. At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Financial guarantees, performance guarantees, letters of credit and undrawn loan commitments. The Bank issues financial guarantees, performance guarantees, letter of credit and loan commitments.

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

Performance guarantees are contracts that provide compensation in case of another party fails to perform a contractual obligation, they are initially recognised in the financial statements at fair value.

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

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Dividends. The ability of the Bank to declare and pay dividends is subject to the rules and regulations of Georgian legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

4 Material accounting policy information (continued)

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

Under IFRS 9, interest income is recorded using the effective interest rate method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the effective interest rate method. Interest expense is also calculated using the effective interest rate method for all financial liabilities held at amortised cost.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets or liabilities, or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. The effective interest rate (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial assets, as well as fees and costs are an integral part of the effective interest rate. The effective interest rate calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets or liabilities cash flows are revised for reasons other than credit risk, than changes to future contractual cash flows are discounted at the original effective interest rate with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/ expense calculated using the effective interest method.

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

Loan origination fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest revenue over the estimated life of the financial instrument using the effective interest method.

Fee and commission income. The Bank earns fee and commission income from a diverse range of financial services it provides to its customers.

Fee and commission income is recognised at an amount that reflects the considerations to which the Bank expects to be entitled in exchange for providing services. The Bank earns significant part of fee and commission income mainly from the guarantees issued, settlement and other operations.

Fee income earned from guarantees issued - Fees earned for the guarantees include fixed monthly or quarterly commission income. Fee income is recognized over time, as the services are rendered throughout the maturity of the guarantee agreement.

Fee income earned from settlement and other operations - The fee and commission income is recognised at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, merchant fees, account opening and maintenance fees, fees for cash settlements, collection, or cash disbursements, etc.

Credit enhancements. The Bank seeks to use collateral to mitigate its credit risks on financial assets. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS Accounting Standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis.

4 Material accounting policy information (continued)

Contingencies. Contingent liabilities are not recognised in the statements of financial position but are disclosed unless the possibility of any outflow in settlement is remote. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Taxation. Income taxes are provided in the financial statements in accordance with the legislation enacted or substantively enacted by the end of reporting. The income tax comprises of current tax and deferred tax and is recognised in profit or loss except if it is recognised directly in the other comprehensive income because it is related to transactions that are also recognised, in the same or a different period, directly in other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill that is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period that are expected to apply to the extent of time when the temporary differences will reverse or the tax loss carry forwards will be utilised.

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

5 Critical accounting estimates and judgements in applying accounting policies

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount or revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could results in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant increase in credit risk (SICR)

A significant increase in credit risk is not a defined term per IFRS 9, and is determined by management, based on their experience and judgment. In assessing whether the credit risk has significantly increased the Bank has identified a series of qualitative and quantitative criteria based on undertaking the holistic analysis of various factors including those which specific to a particular financial instrument or to a borrower as well as those applicable to particular sub-portfolios. The Bank has established general trigger events for individually significant and collectively assessed loans.

Measurement of expected credit losses (ECL)

ECL reflects an unbiased, probability-weighted estimate based on a combination of the following principal factors: probability of defaults (PD), loss given defaults (LGD), exposure at default (EAD) and loss given liquidation of collateralized exposure (LGL) which are further explained below:

Probability of Defaults (PD): The bank estimates PD based on a combination of rating model calibration results and a migration matrices approach which is further adjusted for macroeconomic expectations for all portfolios, to represent the forward-looking estimators of the PD parameters. With the forecasted conditional PD's migration matrices are constructed, from which unconditional marginal PD's are calculated that are further adjusted by age of the instrument in the portfolio. Since stage 3 financial instruments are defaulted, the probability of default in this case is equal to 100%.

5 Critical accounting estimates and judgements in applying accounting policies (continued)

Exposure at Defaults (EAD): The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial asset. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals discounted at the EIR. For Stage 1, the EAD are calculated as outstanding amount of loans and off balance commitments that are expected to be impaired in the period of 12 month after reporting period. For Stage 2 financial instruments, the EAD is calculated for each contractual remaining year. EAD for each year is estimated as an outstanding amount by the reporting period minus the cumulative yearly principal repayments. The outstanding amount by the reporting period is calculated taking into account CCF and cash cover amounts. For Stage 3, the EAD is calculated as the outstanding amount of the instrument by the reporting date taking into account CCF and cash cover amounts.

Loss Given Default (LGD): LGD is defined as the likely loss in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in default event and therefore captures the severity of a loss. LGD rates are calculated for corporate and retail portfolios. LGD is statistically calculated based on historical loan recovery data and takes into account historical losses incurred on unsecured exposures. While calculating LGD, recoveries of outlier exposures are excluded from the calculation. LGD is expressed as a percentage of the EAD.

Loss Given Liquidation of collateralized exposures (LGL): LGL represents the percentage of the exposure that cannot be recovered from collateral liquidation if the exposure is defaulted. Loss Given Liquidation calculation takes into account LTV, adjusted by time to sale of movable and immovable collateral, real estate price index, EIR, and expected sales ratio of collaterals. For uncollateralized exposures LGD rate is used. As for the partially collateralized exposure, unsecured part is calculated based on LGD while LGL is used for the secured part.

Macro-economic scenarios

Under IFRS 9, the allowance for credit losses is based on reasonable and supportable forward-looking information obtainable without undue costs of effort, which takes into considerations past events, current conditions and forecasts of future economic conditions.

To incorporate forward-looking information into the Bank's allowance for credit losses, the Bank uses the macroeconomic forecasts provided by National Bank of Georgia. Macroeconomic variables covered by these forecasts and which the Bank incorporated in its ECL assessment model include GDP growth and foreign exchange rate. The determination of the probability weighted ECL requires evaluating a range of diverse and relevant future economic conditions. To accommodate this requirement, the Bank uses three different economic scenarios in the ECL calculation: an upside (weight 0.25), a baseline (weight 0.50) and downside (weight 0.25) scenario relevant for each respective portfolio. A weight is computed for each scenario by using a probabilistic economic model that considers recent information as well as historical data provided by National Bank of Georgia. See also Note 27.

6 Adoption of new or revised standards and interpretations

The following amendment to IAS 21 became effective for annual periods beginning on 1 January 2025:

Lack of Exchangeability (Amendments to IAS 21)

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The Bank has assessed the impact of requirements relating to Lack of Exchangeability - Amendments to IAS 21. As the Bank does not operate in any jurisdiction currently affected by restrictions on currency exchangeability, these requirements have not had an impact on the Bank's financial statements for the reporting period. The Bank will continue to monitor developments in relevant jurisdictions and will update its disclosures should circumstances change.

7 New accounting pronouncements

A number of new standards are effective for annual periods beginning after 1 January 2026 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

(a) Classification and Measurement of Financial instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

- recognition and derecognition, including accounting for settlement of financial liabilities using an electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Bank is in the process of assessing the impact of the amendments.

(b) IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Bank's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other".

(c) Other accounting standards

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

– Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7.
– Annual Improvements to IFRS Accounting Standards (volume 11).
– IFRS 19 Subsidiaries without Public Accountability: Disclosures.
– Translation to a hyperinflationary Presentation Currency (Amendments to IAS 21).
– Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

(in thousands of Georgian Lari)

8 Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2025	31 December 2024	31 December 2023
Cash on hand	1,131	1,712	1,847
Correspondent accounts with the NBG (other than mandatory reserve deposits)	683	731	463
Nostro accounts with other banks	15,804	24,920	38,115
Term deposits and overnight placements with the NBG with original maturities of less than three months	21,996	5,001	4,202
Term deposits and overnight placements with other banks with original maturities of less than three months	118,740	15,361	32,887
Total gross amount of cash and cash equivalents	**158,354**	**47,725**	**77,514**
Less: allowance for impairment by stages			
Stage 1	(306)	(119)	(227)
Total cash and cash equivalents	**158,048**	**47,606**	**77,287**

As at 31 December 2025 the Bank has a placement with four banks (31 December 2024: one bank; 31 December 2023: three banks) with carrying value that individually exceeds 10% of equity. The gross value of that balance as at 31 December 2025 is GEL 157,149 thousand (31 December 2024: GEL 28,781 thousand; 31 December 2023: GEL 66,186 thousand).

The credit ratings of nostro accounts with other banks stand as follows:

	31 December 2025	31 December 2024	31 December 2023
BB	15,645	24,809	37,993
BB-	79	17	-
B+	-	-	84
Not rated	80	94	38
Less: allowance for impairment	(34)	(64)	(96)
Total nostro accounts with other banks	**15,770**	**24,856**	**38,019**

The table illustrates the ratings by international agency Fitch Ratings.

The credit ratings of term deposits and overnight placements with other banks with original maturities of less than three months stand as follows:

	31 December 2025	31 December 2024	31 December 2023
BB	99,701	15,361	12,182
BB-	19,039	-	-
BB+	-	-	3,870
B+	-	-	16,835
Less: allowance for impairment	(222)	(40)	(119)
Total term deposits with other banks	**118,518**	**15,321**	**32,768**

The table illustrates the ratings by international agency Fitch Ratings.

The ECL recognised for deposit with the NBG as at 31 December 2025 amounted to GEL 48 thousand (31 December 2024: GEL 13 thousand, 31 December 2023: 11 thousand) and ECL recognised for correspondent accounts with the NBG as at 31 December 2025 amounted to GEL 2 thousand (31 December 2024: GEL 2 thousand; 31 December 2023: 1 thousand). For the country rating of Georgia, please refer to Note 9.

(in thousands of Georgian Lari)

9 Mandatory reserves at the National Bank of Georgia

Mandatory reserves at the National Bank of Georgia (NBG) represents amounts deposits with the NBG. Resident financial institutions are required to maintain an interest-earning obligatory reserve with the NBG, the amount of which depends on the level of funds attracted by the financial institutions. The Bank's ability to withdraw these deposits is restricted by regulations.

	31 December 2025	31 December 2024	31 December 2023
Mandatory reserves at the National Bank of Georgia	49,436	41,004	36,079
Less: allowance for impairment by stages			
Stage 1	(109)	(108)	(91)
Total mandatory reserves at the National Bank of Georgia	**49,327**	**40,896**	**35,988**

In 2025, Fitch Ratings has affirmed Georgia's Long-Term Foreign and Local Currency Issuer Default Rating (IDRs) at 'BB', with stable outlook. The country ceiling is affirmed at 'BBB-', while short-term foreign and local-currency IDRs are kept at 'B'.

10 Loans to customers and factoring receivables

Loans to customers and factoring receivables comprise:

	31 December 2025	31 December 2024	31 December 2023
Loans to legal entities			
Corporate lending*	241,590	262,697	217,075
Small and medium business lending	27,029	23,558	9,949
Interbank loans	-	-	38,146
Total loans to legal entities	**268,619**	**286,255**	**265,170**
Loans to individuals			
Residential mortgage	2,357	2,207	2,889
Consumer lending	3,005	3,046	4,498
Total loans to individuals	**5,362**	**5,253**	**7,387**
Factoring receivables*	54,481	33,721	-
Total factoring receivables	**54,481**	**33,721**	-
Total gross amount of loans to customers and factoring receivables	**328,462**	**325,229**	**272,557**
Less: allowance for impairment by stages	(2,404)	(1,628)	(2,070)
Stage 1	(1,534)	(1,328)	(1,236)
Stage 2	(15)	-	-
Stage 3	(855)	(300)	(834)
Loans to customers and factoring receivables	**326,058**	**323,601**	**270,487**

* Factoring receivables, previously included in corporate lending, have been presented separately for improved presentation.

(a) Allowance for impairment of loans to customers and factoring receivables at amortised cost

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans to customers and factoring receivables carried at amortised cost between the beginning and the end of the reporting period. Below main movements in the table are described:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- New originated or purchased gives us information regarding gross loans and corresponding credit impairment losses issued during the year;
- Assets repaid during the period refers to the balance of loans and credit loss allowance at the beginning of the period, which were fully repaid during the year;
- Write-offs refer to write off of loans during the year;
- Foreign exchange adjustments refer to translation of assets denominated in foreign currencies;
- Net remeasurement due to stage transfers and risk parameters changes refers to the movements in ECL as a result of transfer of exposure between stages or changes in risk parameters and forward-looking expectations.

(in thousands of Georgian Lari)

10 Loans to customers and factoring receivables (continued)

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

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2025	**262,697**	-	-	**262,697**
New assets originated or purchased	191,601	-	-	191,601
Assets repaid	(212,607)	-	-	(212,607)
Foreign exchange adjustments	(101)	-	-	(101)
At 31 December 2025	**241,590**	**-**	**-**	**241,590**

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2025	**(1,045)**	-	-	**(1,045)**
New assets originated or purchased	(934)	-	-	(934)
Assets repaid	905	-	-	905
At 31 December 2025	**(1,074)**	**-**	**-**	**(1,074)**

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

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2024	**217,075**	-	**-**	**217,075**
New assets originated or purchased	232,875	-	-	232,875
Assets repaid	(188,124)	-	-	(188,124)
Foreign exchange adjustments	871	-	-	871
At 31 December 2024	**262,697**	**-**	**-**	**262,697**

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2024	**(992)**	**-**	**-**	**(992)**
New assets originated or purchased	(880)	-	-	(880)
Assets repaid	824	-	-	824
Net remeasurement of ECL	3	-	-	3
At 31 December 2024	**(1,045)**	**-**	**-**	**(1,045)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate lending during the year ended 31 December 2023 is as follows:

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2023	**223,110**	-	**362**	**223,472**
New assets originated or purchased	174,453	-	-	174,453
Assets repaid	(180,953)	-	(362)	(181,315)
Foreign exchange adjustments	465	-	-	465
At 31 December 2023	**217,075**	**-**	**-**	**217,075**

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2023	**(1,306)**	-	-	**(1,306)**
New assets originated or purchased	(859)	-	-	(859)
Assets repaid	1,173	-	-	1,173
At 31 December 2023	**(992)**	**-**	**-**	**(992)**

(in thousands of Georgian Lari)

10 Loans to customers and factoring receivables (continued)

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

Small and medium business	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2025	**23,152**	**-**	**406**	**23,558**
New assets originated or purchased	18,182	-	-	18,182
Assets repaid	(14,436)	-	-	(14,436)
Transfers to Stage 2	(541)	541	-	-
Transfers to Stage 3	(495)	-	495	-
Foreign exchange adjustments	(298)	-	23	(275)
At 31 December 2025	**25,564**	**541**	**924**	**27,029**

Small and medium business	Stage 1	Stage 2	Stage 3	Total
ECL as 1 January 2025	**(100)**	**-**	**(25)**	**(125)**
New assets originated or purchased	(132)	-	-	(132)
Assets repaid	93	-	9	102
Transfers to Stage 2	8	(8)	-	-
Net remeasurement of ECL	-	(7)	(481)	(488)
At 31 December 2025	**(131)**	**(15)**	**(497)**	**(643)**

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

Small and medium business	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2024	**9,257**	**279**	**413**	**9,949**
New assets originated or purchased	20,600	-	-	20,600
Assets repaid	(6,526)	(154)	(8)	(6,688)
Transfers to Stage 1	125	(125)	-	-
Transfers to Stage 3	(380)	-	380	-
Write-offs	-	-	(380)	(380)
Foreign exchange adjustments	76	-	1	77
At 31 December 2024	**23,152**	**-**	**406**	**23,558**

Small and medium business	Stage 1	Stage 2	Stage 3	Total
ECL as 1 January 2024	**(24)**	**-**	**(412)**	**(436)**
New assets originated or purchased	(94)	-	-	(94)
Assets repaid	18	-	6	24
Write-offs	-	-	380	380
Net remeasurement of ECL	-	-	1	1
At 31 December 2024	**(100)**	**-**	**(25)**	**(125)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to small and medium business lending during the year ended 31 December 2023 is as follows:

Small and medium business	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2023	**23,913**	**335**	**876**	**25,124**
New assets originated or purchased	7,863	-	277	8,140
Assets repaid	(22,523)	(55)	(740)	(23,318)
Foreign exchange adjustments	4	(1)	-	3
At 31 December 2023	**9,257**	**279**	**413**	**9,949**

Small and medium business	Stage 1	Stage 2	Stage 3	Total
ECL as 1 January 2023	**(144)**	**(4)**	**(297)**	**(445)**
New assets originated or purchased	(18)	-	(276)	(294)
Assets repaid	131	4	267	402
Net remeasurement of ECL	7	-	(106)	(99)
At 31 December 2023	**(24)**	**-**	**(412)**	**(436)**

(in thousands of Georgian Lari)

10 Loans to customers and factoring receivables (continued)

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

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2025	**-**	**-**	**-**	**-**
Assets repaid	-	-	-	-
At 31 December 2025	**-**	**-**	**-**	**-**

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2025	**-**	**-**	**-**	**-**
Assets repaid	-	-	-	-
At 31 December 2025	**-**	**-**	**-**	**-**

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

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2024	**38,146**	**-**	**-**	**38,146**
Assets repaid	(38,146)	-	-	(38,146)
At 31 December 2024	**-**	**-**	**-**	**-**

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2024	**(186)**	**-**	**-**	**(186)**
Assets repaid	186	-	-	186
At 31 December 2024	**-**	**-**	**-**	**-**

An analysis of changes in the gross carrying value and corresponding ECL in relation to interbank loans during the year ended 31 December 2023 is as follows:

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2023	**16,049**	**-**	**-**	**16,049**
New assets originated or purchased	38,147	-	-	38,147
Assets repaid	(16,050)	-	-	(16,050)
At 31 December 2023	**38,146**	**-**	**-**	**38,146**

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2023	**(23)**	**-**	**-**	**(23)**
New assets originated or purchased	(186)	-	-	(186)
Assets repaid	23	-	-	23
At 31 December 2023	**(186)**	**-**	**-**	**(186)**

(in thousands of Georgian Lari)

10 Loans to customers and factoring receivables (continued)

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

Residential mortgages	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2025	**1,710**	**-**	**497**	**2,207**
New assets originated or purchased	739	-	-	739
Assets repaid	(443)	-	(135)	(578)
Transfers to Stage 1	39	-	(39)	-
Transfers to Stage 2	-	266	(266)	-
Foreign exchange adjustments	(10)	-	(1)	(11)
At 31 December 2025	**2,035**	**266**	**56**	**2,357**

Residential mortgages	Stage 1	Stage 2	Stage 3	Total
ECL as 1 January 2025	**(1)**	**-**	**(175)**	**(176)**
New assets originated or purchased	(8)	-	-	(8)
Assets repaid	-	-	123	123
Net remeasurement of ECL	-	-	(2)	(2)
At 31 December 2025	**(9)**	**-**	**(54)**	**(63)**

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

Residential mortgages	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2024	**2,255**	**349**	**285**	**2,889**
New assets originated or purchased	423	-	-	423
Assets repaid	(984)	(46)	(12)	(1,042)
Transfers to Stage 3	-	(303)	303	-
Write-offs	-	-	(82)	(82)
Foreign exchange adjustments	16	-	3	19
At 31 December 2024	**1,710**	**-**	**497**	**2,207**

Residential mortgages	Stage 1	Stage 2	Stage 3	Total
ECL as 1 January 2024	**(11)**	**-**	**(152)**	**(163)**
New assets originated or purchased	1	-	(41)	(40)
Assets repaid	9	-	12	21
Write-offs	-	-	82	82
Net remeasurement of ECL	-	-	(76)	(76)
At 31 December 2024	**(1)**	**-**	**(175)**	**(176)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to residential mortgages during the year ended 31 December 2023 is as follows:

Residential mortgages	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2023	**3,429**	**-**	**356**	**3,785**
New assets originated or purchased	396	-	148	544
Assets repaid	(1,220)	-	(218)	(1,438)
Transfers to Stage 2	(349)	349	-	-
Foreign exchange adjustments	(1)	-	(1)	(2)
At 31 December 2023	**2,255**	**349**	**285**	**2,889**

Residential mortgages	Stage 1	Stage 2	Stage 3	Total
ECL as 1 January 2023	**(52)**	**-**	**(149)**	**(201)**
New assets originated or purchased	(2)	-	(98)	(100)
Assets repaid	43	-	95	138
At 31 December 2023	**(11)**	**-**	**(152)**	**(163)**

(in thousands of Georgian Lari)

10 Loans to customers and factoring receivables (continued)

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

Consumer lending	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2025	**2,863**	**36**	**147**	**3,046**
New assets originated or purchased	1,750	-	163	1,913
Assets repaid	(1,951)	(15)	-	(1,966)
Foreign exchange adjustments	13	-	(1)	12
At 31 December 2025	**2,675**	**21**	**309**	**3,005**

Consumer lending	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	**(10)**	**-**	**(112)**	**(122)**
New assets originated or purchased	(14)	-	-	(14)
Assets repaid	9	-	20	29
Net remeasurement of ECL	-	-	(212)	(212)
At 31 December 2025	**(15)**	**-**	**(304)**	**(319)**

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

Consumer lending	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2024	**4,186**	**-**	**312**	**4,498**
New assets originated or purchased	1,647	-	10	1,657
Assets repaid	(2,932)	-	(14)	(2,946)
Transfers to Stage 2	(36)	36	-	-
Write-offs	-	-	(162)	(162)
Foreign exchange adjustments	(2)	-	1	(1)
At 31 December 2024	**2,863**	**36**	**147**	**3,046**

Consumer lending	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	**(24)**	**-**	**(269)**	**(293)**
New assets originated or purchased	(9)	-	(3)	(12)
Assets repaid	23	-	7	30
Write-offs	-	-	163	163
Net remeasurement of ECL	-	-	(10)	(10)
At 31 December 2024	**(10)**	**-**	**(112)**	**(122)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer lending during the year ended 31 December 2023 is as follows:

Consumer lending	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2023	**3,625**	**6**	**295**	**3,926**
New assets originated or purchased	2,794	-	50	2,844
Assets repaid	(2,242)	(6)	(33)	(2,281)
Foreign exchange adjustments	9	-	-	9
At 31 December 2023	**4,186**	**-**	**312**	**4,498**

Consumer lending	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	**(95)**	**(2)**	**(267)**	**(364)**
New assets originated or purchased	(13)	-	(25)	(38)
Assets repaid	84	2	23	109
At 31 December 2023	**(24)**	**-**	**(269)**	**(293)**

(in thousands of Georgian Lari)

10 Loans to customers and factoring receivables (continued)

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

Factoring receivables	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2025	**33,721**	**-**	**-**	**33,721**
New assets originated or purchased	54,481	-	-	54,481
Assets repaid	(33,721)	-	-	(33,721)
At 31 December 2025	**54,481**	**-**	**-**	**54,481**

Factoring receivables	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	**(160)**	**-**	**-**	**(160)**
New assets originated or purchased	(305)	-	-	(305)
Assets repaid	160	-	-	160
At 31 December 2025	**(305)**	**-**	**-**	**(305)**

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

Factoring receivables	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2024	**-**	**-**	**-**	**-**
New assets originated or purchased	33,721	-	-	33,721
At 31 December 2024	**33,721**	**-**	**-**	**33,721**

Factoring receivables	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	**-**	**-**	**-**	**-**
New assets originated or purchased	(160)	-	-	(160)
At 31 December 2024	**(160)**	**-**	**-**	**(160)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to factoring receivables during the year ended 31 December 2023 is as follows:

Factoring receivables	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2023	**-**	**-**	**-**	**-**
Assets repaid	-	-	-	-
At 31 December 2023	**-**	**-**	**-**	**-**

Factoring receivables	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	**-**	**-**	**-**	**-**
Assets repaid	-	-	-	-
At 31 December 2023	**-**	**-**	**-**	**-**

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 27.

(in thousands of Georgian Lari)

10 Loans to customers and factoring receivables (continued)

(b) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2025:

	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Corporate lending	**241,590**	**-**	**-**	**241,590**
not overdue	241,590	-	-	241,590
Small and medium business lending	**25,565**	**541**	**923**	**27,029**
not overdue	25,565	541	-	26,106
overdue more than 30 days and less than 90 days	-	-	426	426
overdue more than 90 days	-	-	497	497
Total loans to legal entities	**267,155**	**541**	**923**	**268,619**
Loans to individuals				
Residential mortgages	**2,036**	**266**	**55**	**2,357**
not overdue	2,036	266	55	2,357
overdue less than 30 days	-	-	-	-
Consumer lending	**2,675**	**22**	**309**	**3,005**
not overdue	2,675	21	-	2,696
overdue more than 90 days	-	-	309	309
Total loans to individuals	**4,711**	**287**	**364**	**5,362**
Factoring receivables	**54,481**	**-**	**-**	**54,481**
Not overdue	54,481	-	-	54,481
Total factoring receivables	**54,481**	**-**	**-**	**54,481**
Total gross loans to customers and factoring receivables	**326,347**	**828**	**1,287**	**328,462**

The following table provides information on the credit quality of loans to customers as at 31 December 2024:

	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Corporate lending	**262,697**	**-**	**-**	**262,697**
not overdue	262,373	-	-	262,373
overdue less than 30 days	324	-	-	324
Small and medium business lending	**23,152**	**-**	**406**	**23,558**
not overdue	22,696	-	-	22,696
overdue less than 30 days	456	-	406	862
Total loans to legal entities	**285,849**	**-**	**406**	**286,255**
Loans to individuals				
Residential mortgages	**1,710**	**-**	**497**	**2,207**
not overdue	1,614	-	412	2,026
overdue less than 30 days	-	-	-	-
overdue more than 30 days and less than 90 days	96	-	85	181
Consumer lending	**2,861**	**38**	**147**	**3,046**
not overdue	2,861	-	-	2,861
overdue more than 30 days and less than 90 days	-	38	132	170
overdue more than 90 days	-	-	15	15
Total loans to individuals	**4,571**	**38**	**644**	**5,253**
Factoring receivables	**33,721**	**-**	**-**	**33,721**
not overdue	33,721	-	-	33,721
Total factoring receivables	**33,721**	**-**	**-**	**33,721**
Total gross loans to customers and factoring receivables	**324,141**	**38**	**1,050**	**325,229**

(in thousands of Georgian Lari)

10 Loans to customers and factoring receivables (continued)

The following table provides information on the credit quality of loans to customers as at 31 December 2023:

	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Corporate lending	**217,075**	**-**	**-**	**217,075**
not overdue	217,075	-	-	217,075
Interbank loans	**38,146**	**-**	**-**	**38,146**
not overdue	38,146	-	-	38,146
Small and medium business lending	**9,257**	**279**	**413**	**9,949**
not overdue	9,257	279	310	9,846
overdue more than 90 days	-	-	103	103
Total loans to legal entities	**264,478**	**279**	**413**	**265,170**
Loans to individuals				
Residential mortgages	**2,255**	**349**	**285**	**2,889**
not overdue	2,255	-	285	2,540
overdue more than 30 days and less than 90 days	-	349	-	349
Consumer lending	**4,186**	**-**	**312**	**4,498**
not overdue	4,186	-	210	4,396
overdue more than 90 days	-	-	102	102
Total loans to individuals	**6,441**	**349**	**597**	**7,387**
Total gross loans to customers and factoring receivables	**270,919**	**628**	**1,010**	**272,557**

(c) Analysis of collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory, trade receivables, movable properties, sureties;
- For retail lending, mortgages over residential properties, movable properties and sureties.

The following table shows carrying value of loans and factoring receivables on which no ECL was recognized because of existence of collateral at 31 December 2025, 2024 and 2023:

	31 December 2025	31 December 2024	31 December 2023
Loans to legal entities			
Corporate lending	5,782	25,124	15,634
Small and medium business lending	54	60	2,184
Total loans to legal entities	**5,836**	**25,184**	**17,818**
Loans to individuals			
Residential mortgages	-	106	391
Consumer lending	401	243	1,389
Total loans to individuals	**401**	**349**	**1,780**
Gross loans to customers and factoring receivables	**6,237**	**25,533**	**19,598**

(in thousands of Georgian Lari)

10 Loans to customers and factoring receivables (continued)

(d) Industry analysis of the loan portfolio

Loans to customers and factoring receivables were issued to customers located within Georgia and Turkey who operate in the following economic sectors:

	2025		2024		2023	
Construction and land development	92,431	28%	77,320	24%	52,205	19%
Energy	62,194	19%	66,073	20%	46,857	17%
Financial institutions	29,360	9%	25,226	8%	54,343	20%
Production and trade of clothes, shoes and textiles	28,722	9%	30,040	9%	15,418	6%
Healthcare	23,093	7%	23,068	7%	13,042	5%
Service	17,593	5%	13,093	4%	11,882	4%
Auto dealers	16,802	5%	14,444	4%	12,544	5%
Agriculture	16,063	5%	8,252	3%	5,288	2%
Consumer goods	15,241	5%	20,171	6%	19,777	7%
Other sectors	10,887	3%	14,153	4%	20,170	7%
Hotels, restaurants and tourism	10,714	3%	11,082	3%	1,772	1%
Real estate management	-	0%	15,239	5%	8,797	3%
State organizations	-	0%	1,815	1%	3,074	1%
Loans to individuals	5,362	2%	5,253	2%	7,388	3%
Total loan to customers and factoring receivables	**328,462**	**100%**	**325,229**	**100%**	**272,557**	**100%**
Less: allowance for impairment	(2,404)		(1,628)		(2,070)	
Total net loans to customers and factoring receivables	**326,058**		**323,601**		**270,487**	

(e) Significant credit exposures

As at 31 December 2025 the Bank has loans issued to five borrowers or groups of connected borrowers (31 December 2024: eight; 31 December 2023: six) with carrying values that individually exceed 10% of equity. The gross value of these loans as at 31 December 2025 is GEL 116,930 thousand (31 December 2024: GEL 154,147 thousand; 31 December 2023: GEL 82,817 thousand). The balances are fully in Stage 1 as at 31 December 2025, 2024 and 2023. Expected credit losses for the balances as at 31 December 2025 comprised GEL 475 thousand (31 December 2024: GEL 658 thousand; 31 December 2023: GEL 331 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 27 which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Bank, it is likely that many of the loans will be renewed at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the contractually agreed term. In this case the bank renews loans by creating new agreements and assesses the credit risks of companies separately.

(g) Modified and restructured loans

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

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

(in thousands of Georgian Lari)

11 Investment securities

Investment securities comprise:

	31 December 2025	31 December 2024	31 December 2023
Debt securities at AC			
Treasury bonds of Ministry of Finance Georgia	-	2,989	5,715
Deposit certificate of NBG	-	-	5,876
Total gross debt securities at AC	**-**	**2,989**	**11,591**
Less: allowance for impairment by stages	-		
Stage 1	-	(13)	(53)
Total investment securities	**-**	**2,976**	**11,538**

The credit ratings of investment securities stand as follows:

	31 December 2025	31 December 2024	31 December 2023
BB	-	2,976	11,538
Total investment securities	**-**	**2,976**	**11,538**

The country rating for Georgia stands at BB as assigned by Fitch rating agency.

12 Bonds at amortized cost

Bonds at amortized cost comprise:

	31 December 2025	31 December 2024	31 December 2023
Bonds at AC			
Bonds of financial institutions	42,465	39,661	39,307
Corporate bonds	37,948	13,782	19,258
Total gross amount of bonds at amortized cost	**80,413**	**53,443**	**58,565**
Less: allowance for impairment by stages			
Stage 1	(251)	(205)	(235)
Total bonds at amortized cost	**80,162**	**53,238**	**58,330**

The credit ratings of bonds stand as follows:

	31 December 2025	31 December 2024	31 December 2023
BB	17,412	12,012	14,719
BB-	4,393	8,409	6,649
B+	-	2,863	-
B-	-	-	5,439
Not rated	58,357	29,954	31,523
Total bonds at amortized cost	**80,162**	**53,238**	**58,330**

The table illustrates the ratings by international agency Fitch Ratings. Management estimates that the unrated instruments approximate to BB- rating under Fitch Rating’s rating system (31 December 2024: BB- rating under Fitch Rating’s rating system; 31 December 2023: BB- rating under Fitch Rating’s rating system).

The Bank manages bonds using internal processes similar to those applied to loans to customers. These bonds are managed together with loan portfolio and accordingly, the related cash flows are classified as part of operating activities.

(in thousands of Georgian Lari)

12 Bonds at amortized cost (Continued)

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

Bonds at AC	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2025	**53,443**	**-**	**-**	**53,443**
New assets originated or purchased	64,504	-	-	64,504
Assets repaid	(37,423)	-	-	(37,423)
Foreign exchange adjustments	(111)	-	-	(111)
At 31 December 2025	**80,413**	**-**	**-**	**80,413**

Bonds at AC	Stage 1	Stage 2	Stage 3	Total
ECL as 1 January 2025	**(205)**	**-**	**-**	**(205)**
New assets originated or purchased	(213)	-	-	(213)
Assets repaid	167	-	-	167
At 31 December 2025	**(251)**	**-**	**-**	**(251)**

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

Bonds at AC	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2024	**58,565**	**-**	**-**	**58,565**
New assets originated or purchased	9,651	-	-	9,651
Assets repaid	(15,004)	-	-	(15,004)
Foreign exchange adjustments	231	-	-	231
At 31 December 2024	**53,443**	**-**	**-**	**53,443**

Bonds at AC	Stage 1	Stage 2	Stage 3	Total
ECL as 1 January 2024	**(235)**	**-**	**-**	**(235)**
New assets originated or purchased	(35)	-	-	(35)
Assets repaid	65	-	-	65
At 31 December 2024	**(205)**	**-**	**-**	**(205)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to bonds during the year ended 31 December 2023 is as follows:

Bonds at AC	Stage 1	Stage 2	Stage 3	Total
Gross carrying values as at 1 January 2023	**37,247**	**-**	**-**	**37,247**
New assets originated or purchased	37,909	-	-	37,909
Assets repaid	(16,528)	-	-	(16,528)
Foreign exchange adjustments	(63)	-	-	(63)
At 31 December 2023	**58,565**	**-**	**-**	**58,565**

Bonds at AC	Stage 1	Stage 2	Stage 3	Total
ECL as 1 January 2023	**(110)**	**-**	**-**	**(110)**
New assets originated or purchased	(162)	-	-	(162)
Assets repaid	37	-	-	37
At 31 December 2023	**(235)**	**-**	**-**	**(235)**

(in thousands of Georgian Lari)

13 Property, equipment, intangible and right-of-use assets

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

	Leasehold improvements	Computers and office equipment	Furniture and fixtures	Motor vehicles	Total property and equipment	Intangible assets	Right-of-use assets / Building	Total
Cost								
Balance at 1 January 2023	**582**	**1,596**	**526**	**577**	**3,281**	**303**	**6,896**	**10,480**
Additions	40	1,994	100	95	2,229	-	-	2,229
Disposals / write-offs	-	-	-	(114)	(114)	-	-	(114)
Balance at 31 December 2023	**622**	**3,590**	**626**	**558**	**5,396**	**303**	**6,896**	**12,595**
Additions	-	246	-	-	246	2,744	-	2,990
Modification	-	-	-	-	-	-	124	124
Disposals / write-offs	(388)	(462)	(142)	-	(992)	(303)	-	(1,295)
Balance at 31 December 2024	**234**	**3,374**	**484**	**558**	**4,650**	**2,744**	**7,020**	**14,414**
Additions	-	281	-	-	281	-	-	281
Disposals / write-offs	-	(169)	-	-	(169)	-	-	(169)
Balance at 31 December 2025	**234**	**3,486**	**484**	**558**	**4,762**	**2,744**	**7,020**	**14,526**
Depreciation and amortization								
Balance at 1 January 2023	**(424)**	**(1,217)**	**(440)**	**(444)**	**(2,525)**	**(8)**	**(959)**	**(3,492)**
Depreciation and amortization for the year	(20)	(173)	(43)	(75)	(311)	(129)	(667)	(1,107)
Disposals / write-offs	-	24	-	114	138	-	-	138
Balance at 31 December 2023	**(444)**	**(1,366)**	**(483)**	**(405)**	**(2,698)**	**(137)**	**(1,626)**	**(4,461)**
Depreciation and amortization for the year	(24)	(464)	(40)	(62)	(590)	(39)	(652)	(1,281)
Disposals / write-offs	388	462	142	-	992	159	-	1,151
Balance at 31 December 2024	**(80)**	**(1,368)**	**(381)**	**(467)**	**(2,296)**	**(17)**	**(2,278)**	**(4,591)**
Depreciation and amortization for the year	(16)	(210)	(17)	-	(243)	(211)	(690)	(1,144)
Disposals / write-offs	-	75	-	-	75	-	-	75
Balance at 31 December 2025	**(96)**	**(1,503)**	**(398)**	**(467)**	**(2,464)**	**(228)**	**(2,968)**	**(5,660)**
Carrying amount								
At 31 December 2023	**178**	**2,224**	**143**	**153**	**2,698**	**166**	**5,270**	**8,134**
At 31 December 2024	**154**	**2,006**	**103**	**91**	**2,354**	**2,727**	**4,742**	**9,823**
At 31 December 2025	**138**	**1,983**	**86**	**91**	**2,298**	**2,516**	**4,052**	**8,866**

The intangible assets comprise of computer software and licenses.

(in thousands of Georgian Lari)

14 Other assets and liabilities

Other assets and liabilities comprise:

	31 December 2025	31 December 2024	31 December 2023
Other assets			
Other financial assets			
Settlement operations	149	543	511
Receivables from problematic borrowers	334	341	429
Accrued commission receivable on guarantees	198	168	273
Total financial assets	**681**	**1,052**	**1,213**
Other non-financial assets			
Repossessed assets	1,349	1,349	1,349
Prepaid expenses	493	440	284
Other	-	3	2
Total other non-financial assets	**1,842**	**1,792**	**1,635**
Total other assets	**2,523**	**2,844**	**2,848**
Other liabilities			
Other financial liabilities			
Settlement operations	1,423	170	200
Lease liabilities	3,697	4,464	4,711
Royalty payable	-	2,141	1,419
Other accrued liabilities	413	808	435
Total other financial liabilities	**5,533**	**7,583**	**6,765**
Other non-financial liabilities			
Provision for liabilities and charges	272	418	438
Accrued employee benefit cost	780	807	597
Total other non-financial liabilities	**1,052**	**1,225**	**1,035**
Total other liabilities	**6,585**	**8,808**	**7,800**

Set out below are the carrying amounts of lease liabilities and the movements during the years:

	2025	2024	2023
As at 1 January	4,464	4,711	5,275
Accrual of interest	142	157	157
Foreign currency translation	(167)	197	(37)
Payments	(742)	(725)	(684)
Modification	-	124	-
Lease liabilities at 31 December	**3,697**	**4,464**	**4,711**

15 Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2025	31 December 2024	31 December 2023
Vostro accounts	2,035	3,128	8,630
Term deposits	109,473	107,280	101,202
Short-term loan from NBG	-	28,036	-
Total amounts due to credit institutions	**111,508**	**138,444**	**109,832**

As at 31 December 2025 the Bank has placements from two banks (31 December 2024: three banks; 31 December 2023: four banks) with carrying values that individually exceed 10% of equity. The gross value of these balances as at 31 December 2025 is GEL 85,903 thousand (31 December 2024: GEL 114,008 thousand; 31 December 2023: GEL 92,746 thousand).

Loans from the National Bank of Georgia in 2024 represented short-term GEL refinancing facilities used by the Bank to uphold its liquidity needs in GEL.

(in thousands of Georgian Lari)

16 Amounts due to customers

Amounts due to customers comprise:

	31 December 2025	31 December 2024	31 December 2023
Current accounts and demand deposits			
Retail	2,218	3,660	6,671
SME	25,164	13,864	14,187
Corporate	58,376	54,963	71,179
Total current accounts and demand deposits	**85,758**	**72,487**	**92,037**
Term deposits			
Retail	18,717	15,020	23,197
SME	4,285	4,049	4,049
Corporate	166,776	28,762	53,839
Total term deposits	**189,778**	**47,831**	**81,085**
Total amounts due to customers	**275,536**	**120,318**	**173,122**

As at 31 December 2025 the bank has customer's deposits balances with the amount of GEL 30,882 thousand (31 December 2024: GEL 21,135 thousand; 31 December 2023: GEL 13,474 thousand) that serve as collateral for loans granted by the Bank.

As at 31 December 2025 the Bank has placements from three customers (31 December 2024: one; 31 December 2023: two) with carrying value that individually exceed 10% of equity. The gross value of these balances as at 31 December 2025 is GEL 158,031 thousand (31 December 2024: GEL 15,242 thousand; 31 December 2023: GEL 43,979 thousand).

17 Other borrowed funds

Other borrowed funds comprise:

	31 December 2025	31 December 2024	31 December 2023
Borrowings from international financial institutions	56,866	70,186	39,233
Total other borrowed funds	**56,866**	**70,186**	**39,233**

As of 31 December 2025, the Bank maintains active borrowing agreements with three international financial institutions ('IFIs') (31 December 2024: three IFIs and National Bank of Georgia; 31 December 2023: three IFIs). For maturity analysis of other borrowed funds, see Note 27.

Changes in liabilities arising from financing activities are as follows:

	Other borrowed funds
Carrying amount at 31 December 2022	**57,050**
Redemption	(18,492)
Foreign currency translation	486
Other movements	189
Carrying amount at 31 December 2023	**39,233**
Proceeds from issue	47,201
Redemption	(16,751)
Foreign currency translation	266
Other movements	237
Carrying amount at 31 December 2024	**70,186**
Redemption	(18,781)
Foreign currency translation	5,225
Other movements	236
Carrying amount at 31 December 2025	**56,866**

(in thousands of Georgian Lari)

18 Subordinated debt

	31 December 2025	31 December 2024	31 December 2023
Subordinated loan from parent company	13,479	-	-
Total subordinated debt	**13,479**	**-**	**-**

On 31 December 2025 the Bank received USD denominated subordinated loan maturing in December 2035 from the Parent. Management believes that as of the origination date of the loan the interest rate on the loan was in line with market rates for similar instruments.

No equity conversion options are present in the subordinated loan agreement.

Changes in liabilities arising from financing activities are as follows:

	Subordinated debt
Carrying amount at 31 December 2023	**-**
Carrying amount at 31 December 2024	**-**
Proceeds from issue	13,479
Carrying amount at 31 December 2025	**13,479**

19 Equity

As at 31 December 2025 the Bank's share capital amounted to GEL 69,162 thousand comprising of 69,162,000 ordinary shares with nominal value of GEL 1.00 (2024: GEL 69,162 thousand comprising of 69,162,000 ordinary shares; 2023: GEL 69,162 thousand comprising of 69,162,000 ordinary shares). Each ordinary share entitles one vote to the shareholder.

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

In accordance with Georgian legislation, dividends may only be declared by the Bank's shareholder from the net income as shown in the Bank's financial statements prepared in compliance with the NBG requirements. The Bank is obliged to officially inform the NBG of any dividends declared and the NBG reserves the right to suspend or restrict the disbursement of dividends should the Bank be in breach of the NBG regulations.

No dividends were declared or paid during 2025, 2024 or 2023.

20 Net interest income

Net interest income comprises:

	2025	2024	2023
Interest income			
Loans to customers	34,213	29,292	26,682
Bonds at amortized cost	4,886	6,042	6,511
Cash and cash equivalents	1,720	2,130	3,399
Investment securities	11	801	325
Total interest income	**40,830**	**38,265**	**36,917**
Interest expense			
Amounts due to credit institutions	(6,215)	(5,479)	(3,472)
Amounts due to customers	(6,014)	(5,686)	(4,567)
Other borrowed funds	(3,967)	(4,517)	(3,399)
Other interest expense			
Lease liabilities	(136)	(157)	(157)
Total interest expenses	**(16,332)**	**(15,839)**	**(11,595)**
Net interest income	**24,498**	**22,426**	**25,322**

(in thousands of Georgian Lari)

21 Net fee and commission income

Net fee and commission income comprise:

	2025	2024	2023
Fee and commission income			
Commission from guarantees	3,170	2,944	2,905
Settlement operations	148	369	421
Total fee and commission income	**3,318**	**3,313**	**3,326**
Fee and commission expense			
Settlement operations	(450)	(608)	(563)
Total fee and commission expense	**(450)**	**(608)**	**(563)**
Total net fee and commission income	**2,868**	**2,705**	**2,763**

The Bank applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

22 Expected credit loss

The table below shows the net ECL charges/(reversals) on the financial instruments recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2025, 2024 and 2023:

	2025	2024	2023
Cash and cash equivalents	187	(108)	227
Loans to customers and factoring receivables	776	183	(269)
Mandatory reserves at the National Bank of Georgia	1	17	91
Bonds at amortized cost	46	(30)	125
Investment securities	(13)	(40)	47
Financial guarantees	(146)	(20)	72
Total expected credit loss	**851**	**2**	**293**

23 Personnel expenses

Personnel expenses comprise:

	2025	2024	2023
Salaries and bonuses	5,797	6,115	4,954
Pension contributions	68	71	65
Other compensation cost	460	300	450
Total personnel expenses	**6,325**	**6,486**	**5,469**

In 2025 the average number of employees by the Bank was 58 (2024: 60; 2023: 54).

(in thousands of Georgian Lari)

24 Other expenses

Other expenses comprise:

	2025	2024	2023
Depreciation and amortization	1,194	1,281	1,107
Professional services	844	591	381
Write-off of other receivables	672	-	-
IT Support	629	172	-
Subscriptions	341	100	137
Entertainment expenses	199	72	96
Communication and information services	150	533	517
Insurance expense	108	117	106
Travel expenses	82	80	35
Write-off of property and equipment and intangible assets	63	144	- -
Taxes other than on income	39	31	24
Royalty	31	774	919
Utilities	31	50	61
Repairs and maintenance	20	45	57
Penalty fee	20	31	95
Advertising and marketing	12	-	9
Office supplies	9	20	22
Donation	5	8	147
Termination fee	-	280	-
Low-value and short-term leases	-	115	186
Prepaid expenses write-off	-	-	180
Other	388	526	338
Total other expenses	**4,837**	**4,970**	**4,417**

Auditors’ remuneration comprises of fees payable to the company’s auditor for the audit of financial statements. Remuneration for the year ended 31 December 2025 comprised GEL 232 thousand (2024: GEL 231 thousand, 2023: GEL 242 thousand) (net of VAT).

25 Taxation

The corporate income tax expense comprises:

	2025	2024	2023
Current tax expense	**(3,710)**	**(2,794)**	**(4,344)**
Deferred tax (expense)/benefit			
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	6	(29)	123
Deferred tax (expense)/benefit	**-**	**(29)**	**123**
Total income tax expense	**(3,704)**	**(2,823)**	**(4,221)**

In 2025, the applicable tax rate for current and deferred tax is 20% (2024: 20%; 2023: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

	2025	%	2024	%	2023	%
Profit before tax	**18,038**		**15,146**		**20,845**	
Income tax at the applicable tax rate	**(3,608)**	**(20)**	**(3,029)**	**(20)**	**(4,169)**	**(20)**
Non-taxable differences	(96)	1	206	1	(52)	-
Income tax expense	**(3,704)**	**(19)**	**(2,823)**	**(19)**	**(4,221)**	**(20)**

Deferred tax assets and liabilities

Movements in temporary differences during the years ended 31 December 2025, 2024 and 2023 are as follows:

	Balance 1 January 2025	Recognized in profit or loss	Balance 31 December 2025
Property, equipment, intangible and right-of-use assets	(1,439)	112	(1,327)
Amounts due to credit institutions	(124)	48	(76)
Other liabilities	893	(154)	739
Net tax liabilities	**(670)**	**6**	**(664)**

(in thousands of Georgian Lari)

25 Taxation (Continued)

	Balance 1 January 2024	Recognized in profit or loss	Balance 31 December 2024
Property, equipment, intangible and right-of-use assets	(1,526)	87	(1,439)
Amounts due to credit institutions	(58)	(66)	(124)
Other liabilities	943	(50)	893
Net tax liabilities	**(641)**	**(29)**	**(670)**

	Balance 1 January 2023	Recognized in profit or loss	Balance 31 December 2023
Property, equipment, intangible and right-of-use assets	(1,342)	(184)	(1,526)
Loans to customers	(351)	351	-
Investment securities	(101)	101	-
Amounts due to credit institutions	-	(58)	(58)
Other liabilities	1,030	(87)	943
Net tax (liabilities)/assets	**(764)**	**123**	**(641)**

26 Capital management (unaudited)

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the National bank of Georgia and (ii) to safeguard the Bank's ability to continue as a going concern. Compliance with capital adequacy ratios set by the central bank is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Financial Officer. Other objectives of capital management are evaluated in line with the business developments and strategy upon request of stakeholders.

Basel III

In December 2017, the NBG has introduced approved amendments to the "Regulation on Capital Adequacy Requirements for Commercial Banks". Under the updated capital framework, capital requirements are divided into Pillar 1 Requirements for Common Equity Tier 1, Tier 1 and Regulatory Capital and additional buffers under Pillar 1 and Pillar 2.

Pillar 1

- The capital conservation buffer (which was incorporated in minimum capital requirements) is separated and set at 2.5%;
- A countercyclical capital buffer is currently set at 0.75%;
- A systemic risk buffer will be introduced for systematically important banks over the 4 years period.

Pillar 2

- A currency induced credit risk (CICR) buffer replaced conservative weighting for un-hedged FX loans denominated in foreign currencies;
- Concentration buffer for sectoral and single borrower exposure will be introduced;
- A net stress buffer will be introduced based on stress testing results provided by the Bank;
- A General Risk-assessment Programme (GRAPE) buffer defined by the regulator, based on the Bank's specific risks.

In addition, specific PTI (payment to income) and LTV (loan to value) thresholds were introduced based on the new methodology. Exposures that do not meet pre-defined PTI and LTV limits are subject to weighting at higher rates.

Under the current capital requirements set by the National Bank of Georgia, banks have to maintain a ratio of regulatory capital to risk weighted assets above a prescribed minimum level (Core equity Tier 1 ratio > 15%; Tier 1 ratio > 19% and Total capital ratio > 24%). Based on information provided internally to key management personnel, the amount of capital that the Bank managed was GEL 160,301 thousand as of 31 December 2025 (2024: GEL 146,026 thousand; 2023: GEL 134,058 thousand), regulatory Tier 1 capital amounts to GEL 157,786 thousand (2024: GEL 143,299 thousand; 2023: GEL 133,881 thousand), total regulatory capital amounts to GEL 157,786 thousand (2024: GEL 143,299 thousand; 2023: GEL 133,881 thousand) and the Bank have complied with all externally imposed capital requirements as at 31 December 2025, 2024 and 2023.

(in thousands of Georgian Lari)

26 Capital management (unaudited) (Continued)

The Bank's capital adequacy ratios for the year ended 31 December calculated in accordance with NBG Basel II/III requirements were as follows:

	2025	2024	2023
Total common equity and Tier 1 Capital	157,786	143,299	133,881
Total regulatory capital	157,786	143,299	133,881
Total risk-weighted exposures	615,110	562,399	508,950
Common equity Tier 1 ratio	26%	25%	26%
Trial 1 capital ratio	26%	25%	26%
Total regulatory capital ratio	26%	25%	26%
Common equity Tier 1 ratio minimum requirements	15%	14%	13%
Trial 1 capital ratio minimum requirement	19%	18%	17%
Total regulatory capital minimum requirement	24%	22%	21%

The risk-weighted exposures are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees.

27 Risk management, corporate governance and internal control

(a) Corporate governance framework

The Bank is established as a bank in accordance with Georgian law. The supreme governing body of the Bank is the Supervisory Council. The Supervisory Council makes strategic decisions on the Bank's operations.
The Supervisory Council elects the Board of Directors. The Board of Directors is responsible for overall governance of the Bank's activities.

(b) Internal control policies and procedures

Management has responsibility for the development, implementation and maintaining of internal controls in the Bank that are commensurate with the scale and nature of operations.

The purpose of internal controls is to ensure:

- Proper and comprehensive risk assessment and management;
- Proper business and accounting and financial reporting functions, including proper authorization, processing and recording of transactions;
- Completeness, accuracy and timeliness of accounting records, managerial information, regulatory reports, etc.;
- Reliability of IT-systems, data and systems integrity and protection;
- Prevention of fraudulent or illegal activities, including misappropriation of assets;
- Compliance with laws and regulations.

Management is responsible for identifying and assessing risks, designing controls and monitoring their effectiveness. Management monitors the effectiveness of the Bank's internal controls and periodically implements additional controls or modifies existing controls as considered necessary.

Management believes that the Bank complies with the NBG requirements related to risk management and internal control systems, including requirements related to the internal audit function, and that risk management and internal control systems are appropriate for the scale, nature and complexity of operations.

(c) Risk management policies and procedures

Management of risk is fundamental to the business of banking and forms an essential element of the Bank's operations. The Bank's strong risk governance reflects the importance placed by Bank's Risks, Ethics and Compliance Committee on shaping the risk strategy and managing credit, financial and non-financial risks. All components necessary for comprehensive risk governance are embedded into risk organization structure: enterprise risk management; credit, financial and non-financial risks management; risk reporting and supporting IT infrastructure; cross-risk analytical tools and techniques such as capital adequacy management and stress-testing. The bank is exposed to credit risk, liquidity risk and market risk. It is also subject to various operating and business risks.

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (Continued)

Management has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

Management is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Bank operates within established risk parameters. CRO is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to Risk Committee of Supervisory Council.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled through a system of Credit Committees and Risk Management Division and ALCO. Such control arrangements guarantee that the Bank takes informed risk-taking decisions that are adequately priced, avoiding taking risks that are beyond the Bank's established threshold.

Both external and internal risk factors are identified and managed throughout the organization. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Market risk arises from open positions in interest rate instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by management.

(i) Interest rate risk

Interest rate risk arises from potential changes in the market interest rates that can adversely affect the fair value or future cash flows of the financial instruments. This risk can arise from maturity mismatches of assets and liabilities, as well as from the re-pricing characteristics of such assets and liabilities. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

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

	Less than 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Carrying amount
31 December 2025						
Assets						
Cash and cash equivalents	158,048	-	-	-	-	158,048
Mandatory reserves at the NBG	49,327	-	-	-	-	49,327
Bonds at amortized cost	12,016	-	3,850	64,296	-	80,162
Loans to customers	101,820	70,512	72,063	54,825	26,838	326,058
Other financial assets	681	-	-	-	-	681
Total financial assets	**321,892**	**70,512**	**75,913**	**119,121**	**26,838**	**614,276**
Liabilities						
Amounts due to credit institutions	55,134	28,964	27,410	-	-	111,508
Amounts due to customers	155,592	40,382	64,737	14,825	-	275,536
Other borrowed funds	10,583	2,737	12,999	30,547	-	56,866
Subordinated debt	-	3	-	-	13,476	13,479
Other financial liabilities	1,945	151	306	2,652	479	5,533
Total financial liabilities	**223,254**	**72,237**	**105,452**	**48,024**	**13,955**	**462,922**
Net position	**98,638**	**(1,725)**	**(29,539)**	**71,097**	**12,883**	**151,354**

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

	Less than 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Carrying amount
31 December 2024						
Assets						
Cash and cash equivalents	47,606	-	-	-	-	47,606
Mandatory reserves at the NBG	40,896	-	-	-	-	40,896
Investment securities	2,976	-	-	-	-	2,976
Bonds at amortized cost	-	-	7,002	46,236	-	53,238
Loans to customers	83,826	72,089	74,167	67,543	25,976	323,601
Other financial assets	1,052	-	-	-	-	1,052
Total financial assets	**176,356**	**72,089**	**81,169**	**113,779**	**25,976**	**469,369**
Liabilities						
Amounts due to credit institutions	101,987	36,457	-	-	-	138,444
Amounts due to customers	92,601	8,116	18,144	1,331	126	120,318
Other borrowed funds	2,430	6,469	9,073	52,214	-	70,186
Other financial liabilities	3,229	152	308	2,668	1,226	7,583
Total financial liabilities	**200,247**	**51,194**	**27,525**	**56,213**	**1,352**	**336,531**
Net position	**(23,891)**	**20,895**	**53,644**	**57,566**	**24,624**	**132,838**

	Less than 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Carrying amount
31 December 2023						
Assets						
Cash and cash equivalents	77,287	-	-	-	-	77,287
Mandatory reserves at the NBG	35,988	-	-	-	-	35,988
Investment securities	5,876	5,662	-	-	-	11,538
Bonds at amortized cost	-	-	8,197	50,133	-	58,330
Loans to customers	83,602	92,556	26,139	53,598	14,592	270,487
Other financial assets	1,213	-	-	-	-	1,213
Total financial assets	**203,966**	**98,218**	**34,336**	**103,731**	**14,592**	**454,843**
Liabilities						
Amounts due to credit institutions	71,542	38,290	-	-	-	109,832
Amounts due to customers	126,009	17,128	20,658	9,048	279	173,122
Other borrowed funds	2,044	6,445	8,466	22,278	-	39,233
Other financial liabilities	2,239	135	273	2,356	1,762	6,765
Total financial liabilities	**201,834**	**61,998**	**29,397**	**33,682**	**2,041**	**328,952**
Net position	**2,132**	**36,220**	**4,939**	**70,049**	**12,551**	**125,891**

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

Average nominal interest rates

The table below displays average nominal interest rates for interest-bearing assets and liabilities as at 31 December 2025, 2024 and 2023. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2025			2024			2023		
	Average nominal interest rate %			Average nominal interest rate %			Average nominal interest rate %		
	GEL	USD	EUR	GEL	USD	EUR	GEL	USD	EUR
Interest bearing assets									
Cash and cash equivalents	6.25%	2.00%	0.80%	6.25%	2.75%	0.83%	8.99%	-	3.58%
Investment securities	-	-	-	8.83%	-	-	9.18%	-	-
Bonds at amortized cost	11.12%	7.75%	6.52%	10.90%	7.54%	-	12.63%	8.19%	-
Loans to customers and factoring receivables	12.58%	10.01%	7.69%	11.24%	9.27%	7.80%	13.05%	10.35%	8.07%
Interest bearing liabilities									
Amounts due to credit institutions	-	4.67%	3.31%	9.01%	5.10%	4.35%	-	4.84%	4.46%
Amounts due to customers	10.44%	3.82%	2.92%	8.36%	3.12%	5.05%	7.97%	3.25%	2.08%
Other borrowed funds	-	-	5.12%	-	5.85%	5.98%	-	6.39%	7.06%
Subordinated debt	-	8.75%	-	-	-	-	-	-	-
Lease liabilities	-	3.50%	-	-	3.50%	-	-	3.50%	-

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities.

An analysis of the sensitivity of net profit or loss (net of taxes) to changes in interest rates (repricing risk, assuming that all other variables, such as foreign currency exchange rates remain constant) based on a simplified scenario of a 100 basis point (bps) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2025, 2024 and 2023, is as follows:

	2025	2024	2023
100 bps parallel fall	(151)	(148)	(163)
100 bps parallel rise	151	148	163

Currency risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank constantly monitors that the NBG limits of currency positions against regulatory capital are maintained. The Bank has assets and liabilities denominated in several foreign currencies.

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2025:

	EUR	USD	TRY	GBP	Total
Assets					
Cash and cash equivalents	119,368	15,283	12	380	135,043
Mandatory reserve at the NBG	24,355	25,081	-	-	49,436
Bonds at amortized cost	9,525	12,586	-	-	22,111
Loans to customers and factoring receivables	104,580	84,953	-	-	189,533
Other financial assets	7	253	-	-	260
Total assets	**257,835**	**138,156**	**12**	**380**	**396,383**
Liabilities					
Amounts due to credit institutions	55,313	55,823	-	372	111,508
Amounts due to customers	146,509	64,754	6	-	211,269
Other borrowed funds	56,866	-	-	-	56,866
Subordinated debt	-	13,479	-	-	13,479
Other financial liabilities	9	5,130	-	-	5,139
Total liabilities	**258,697**	**139,186**	**6**	**372**	**398,261**
Net position	**(862)**	**(1,030)**	**6**	**8**	**(1,878)**

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2024:

	EUR	USD	TRY	GBP	Total
Assets					
Cash and cash equivalents	25,997	15,236	8	721	41,962
Mandatory reserve at the NBG	11,768	29,235	-	-	41,003
Bonds at amortized cost	-	14,182	-	-	14,182
Loans to customers and factoring receivables	85,756	88,335	-	-	174,091
Other financial assets	4	181	-	-	185
Total assets	**123,525**	**147,169**	**8**	**721**	**271,423**
Liabilities					
Amounts due to credit institutions	23,192	83,444	8	721	107,365
Amounts due to customers	33,575	56,107	13	-	89,695
Other borrowed funds	66,196	3,990	-	-	70,186
Other financial liabilities	312	6,517	16	-	6,845
Total liabilities	**123,275**	**150,058**	**37**	**721**	**274,091**
Net position	**250**	**(2,889)**	**(29)**	**-**	**(2,668)**

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2023:

	EUR	USD	TRY	GBP	Total
Assets					
Cash and cash equivalents	6,634	36,599	876	2,171	46,280
Mandatory reserve at the NBG	8,904	27,084	-	-	35,988
Bonds at amortized cost	-	17,574	-	-	17,574
Loans to customers and factoring receivables	104,212	69,039	-	-	173,251
Other financial assets	-	153	-	-	153
Total assets	**119,750**	**150,449**	**876**	**2,171**	**273,246**
Liabilities					
Amounts due to credit institutions	81,117	26,534	-	2,182	109,833
Amounts due to customers	11,116	108,800	931	-	120,847
Other borrowed funds	27,825	11,408	-	-	39,233
Other financial liabilities	39	5,962	11	-	6,012
Total liabilities	**120,097**	**152,704**	**942**	**2,182**	**275,925**
Net position	**(347)**	**(2,255)**	**(66)**	**(11)**	**(2,679)**

A weakening of the GEL, as indicated below, against the following currencies at 31 December 2025, 2024 and 2023, would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is on a net-of-tax basis, and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2025	2024	2023
15% appreciation of USD against GEL	(124)	(347)	(271)
15% appreciation of EUR against GEL	(103)	30	(42)
15% appreciation of TRY against GEL	1	(3)	(8)
15% appreciation of GBP against GEL	1	-	(1)

A strengthening of the GEL against the above currencies at 31 December 2025, 2024 and 2023 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(e) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures in place to manage credit exposures (both for recognized financial assets and unrecognized contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by management.

27 Risk management, corporate governance and internal control (continued)

The credit policy establishes:

- Procedures for reviewing and approving loan credit applications;
- Methodology for the credit assessment of borrowers (legal entities and individuals);
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

For all loans to legal entities the Bank performs due diligence that focuses on the customer's business and financial performance.

Exposure to credit risk is also managed, in part, by obtaining collateral and personal guarantees. Valuation of collateral is performed by independent experts for loans mentioned above. The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognized contractual commitment amounts. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit-related commitments risks

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment assessment

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

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

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

LGL The Loss Given Liquidation represents the percentage of the exposure that cannot be recovered from collateral liquidation if the exposure is defaulted.

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

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

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12m ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from

Stage 2: When a loan has shown a significant increase in credit risk since origination or it is in overdue for more than 30 days, the Bank classifies the loan as Stage 2 loan and records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Retail clients' financial instruments are assigned Stage 2 category when an increase of Payment to Income ratio is greater than or equal to 10 percentage points than a standard defined by NBG requirements.

GEL	INCOME	Latest available PTI *	PTI increase =potential SICR**
	< 1500	>25%	>=10 p.p.
	>=1500	>50%	>=10 p.p.
USD	**INCOME**	**Latest available PTI**	**PTI increase =potential SICR**
	< 1500	>20%	>=10 p.p.
	>=1500	>30%	>=10 p.p.

Corporate clients' financial instruments are assigned Stage 2 category when Debt Service Coverage ratio is less than 1.2 and simultaneously a decrease of Debt Service Coverage ratio greater than or equal to 10% compared to original DSCR or when Debt to EBITDA ratio is greater than 4.5 and simultaneously an increase of Debt to EBITDA ratios is greater than or equal to 10% compared to original Debt to EBITDA ratio.

DSCR*** Latest Updated	DSCR Delta vs Origination
< 1.2	<=-10%

Debt to EBITDA Latest Updated	Debt to EBITDA vs Origination
> 4.5	>=10%

* Payment-to-income ratio.

The payment-to-income ratio assesses the proportion of an individual's income that is utilized to cover debt repayments. It is computed by dividing the total debt payments made by borrowers by their total income. This ratio is a critical metric used by the bank to evaluate the creditworthiness and repayment capacity of borrowers.

** Significant increase in credit risk.

*** Debt-service coverage ratio.

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

Definition of default and cure

The Bank’s definition of default is based on quantitative and qualitative criteria. An instrument is classified as credit impaired if:

- Payments of interest, principal or fees by obligor are overdue for more than 90 days; or
- If a problematic restructuring of a loan took place, which otherwise would become defaulted; or
- There is an event which have a detrimental impact on the estimated future cash flows of the borrower endangering its ability to repay liabilities in full, when bankruptcy or insolvency proceedings of enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met.

In terms of measurable indicators, following criteria are monitored as following:

For legal entities	Indicator
For sectors: Hotels, Energy, Real Estate Management	DSCR < 1.0 (recalculated on 15 years)
For other sectors	DSCR < 1.0 (recalculated on 10 years)

For retail clients	Indicator
Monthly net income (in GEL or FCY in GEL equivalent)	
< 1,500	PTI > 55%
>= 1,500	PTI > 70%

In case, above measurable indicators are met, the borrower is considered as defaulted and transferred into Stage 3.

Once financial instrument is classified to Stage 2 it remains so until following two conditions are met:

1. The financial instrument should fulfil requirements for Stage 1 credit risk category;
2. Overdue days and probation period conditions should be met.

A financial instrument is classified as Stage 1 risk category, if the following conditions are met:

- The payments are done on time or overdue days do not exceed 30 days;
- The borrower’s liquidity, capital and loan repayment capacity is stable;
- The borrower is financially sufficiently strong to absorb medium level stress outcomes, and has enough liquidity to service all liabilities.

Improvement requirements for (both restructured and non-restructured) financial instruments, when financial analysis is not conducted:

Cure period for non-restructured Stage 2 financial instrument is 6 months, after which the instrument is classified in Stage 1 if during the probation period the financial instrument was in ≤ 30 days overdue.

Summary: Stage 2 → Stage 1 when ≤ 30 dpd during 6 months.

For restructured performing Stage 2 financial instrument the probation period is 1 year (if during the probation period the financial instrument was in ≤ 30 days overdue after which the instrument is reclassified to Stage 1).

27 Risk management, corporate governance and internal control (continued)

Summary: PF (Stage 2) → Stage 1 when ≤ 30 dpd during 1 year.

Cure period for non-restructured Stage 3 financial instrument is 6 months, after which the instrument is classified in Stage 2 if during the probation period the financial instrument was in ≤ 90 days overdue.
Cure period for non-restructured Stage 2 financial instrument is 6 months, after which the instrument is classified in Stage 1 if during the probation period the financial instrument was in ≤ 30 days overdue.

Summary: Stage 3 → Stage 2 when ≤ 90 dpd during 6 months. Stage 2 → Stage 1 when ≤ 30 dpd during 6 months.

For restructured Stage 3 (Non-performing Restructured) financial instrument the cure period is 6 months, after which the instrument is classified as Stage 2 (Performing Restructured) if the instrument was 31-90 days overdue during the cure period. As soon as the financial instrument is classified as Performing Restructured, starts one year probation period, after which the instrument is classified as Stage 1 if the instrument was not more than 30 days overdue during the probation period. If the instrument falls in 31-90 days overdue it remains in Stage 2. One year probation period starts from the last month when the instrument last recovered from 31-90 days overdue.

Summary: NPF (Stage 3) → PF (Stage 2) when 31-90 dpd during 6 months. PF (Stage 2) → PE (Stage 1) when <=30 dpd during 1 year.

Improvement requirements for non-restructured financial instruments, when financial analysis is conducted:

Apart from above mentioned probation periods of restructuring statuses, the category is possible to improve for financial instruments based on conducted financial analysis, specifically:

- Reclassify a financial instrument from Stage 2 to Stage 1 category:
  - When as a result of performed financial analysis of the borrower, requirements for Stage 1 (performing) conditions are fully met
  - And at the same time the last 3 consistent payments have been performed without overdue.
- Reclassify a financial instrument from Stage 3 to Stage 2 category:
  - When as a result of performed financial analysis of the borrower, requirements for Stage 2 (performing) conditions are fully met
  - And at the same time the last 3 consistent payments have been performed without overdue.
- Reclassify a financial instrument from Stage 3 to Stage 1 category:
  - When as a result of performed financial analysis of the borrower, requirements for Stage 1 (performing) conditions are fully met
  - And at the same time the last 6 consistent payments have been performed without overdue.

A financial instrument will no longer be considered restructured only if more than 1 year has passed since the restructuring and for the last 1 year of the financial instrument has been assigned Stage 1 credit risk category.

PD estimation process

For retail and corporate portfolios PD is estimated through macro model, which describes relationship between historical PDs for retail and corporate portfolios and macroeconomic variables such as real GDP growth and USD/GEL exchange rate. Based on estimation results and predicted macro variables provided by the NBG conditional retail and corporate PDs are forecasted. The model will be re-estimated annually and other macroeconomic variables will be incorporated if they improve explanatory power of the model. With the forecasted conditional PD's migration matrices are constructed, from which unconditional marginal PD's are calculated that are further adjusted by age of the instrument in the portfolio.

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

PD for stage 3 financial instruments is considered as 100%.

For the financial instruments, on which the Bank has surety from parent companies of the borrower, the Bank uses PDs of their parent companies.

Exposure at default

The exposure at default (EAD) is calculated differently for Stage 1, Stage 2 and Stage 3 financial instruments. EAD are reduced by cash cover amounts. Off-balance commitments are considered through Cash Conversion Factor (CCF), specifically by 100% for corporate commitments and 50% for retail commitments.

For Stage 1, the EAD is calculated as an outstanding amount of loans and off balance commitments taking into account CCF and cash cover amounts as of reporting date.

For Stage 2 financial instruments, the EAD is calculated for each contractual remaining year. EAD for each year is estimated as an outstanding amount by the reporting period minus the cumulative yearly principal repayments. The outstanding amount by the reporting period is calculated taking into account CCF and cash cover amounts. For Stage 3, the EAD is calculated as the outstanding amount of the instrument by the reporting date taking into account CCF and cash cover amounts.

Loss given default

For corporate and retail lending assets, LGD values are assessed annually. LGD is defined as the likely loss arising in case of a counterparty defaults for unsecured exposures. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. LGD rates are calculated for corporate and retail portfolios. LGD is statistically calculated based on historical loan recovery data and takes into account historical losses incurred on unsecured exposures. While calculation LGD outlier recoveries are excluded from the calculation. LGD is expressed as a percentage of the EAD.

Loss given liquidation of collateralized exposures (LGL)

LGL represents the percentage of the exposure that cannot be recovered from collateral liquidation if the exposure is defaulted. Loss Given Liquidation calculation takes into account LTV, adjusted by time to sale of movable and immovable collateral, real estate price index, EIR, and expected sales ratio of collaterals. For uncollateralized exposures LGL is taken at 100%.

Average LGL ratios are calculated for five LTV bands separately for retail and non-retail borrowers, which then are assigned to each exposure depending on the LTV band the exposure falls.

Sales costs calculation

The Bank considers following sales costs associated with sale of received collateral.

In case the Bank's claim is over GEL 15,000, the Bank goes to Arbitration. For claims below GEL 15,000 the Bank goes to a Court.

Costs associated with Arbitration cases		
VAT	18%	When demand x 1.18 is less than collateral value, in such case VAT is calculated from demand and vice versa.
Arbitration fee	3%	Including VAT, NOTE: min prices is GEL 236 (Without oral Hearing) /GEL 590 (Based on oral hearing)/GEL 708 Oral hearing when composed of 3 arbitrators), max prices is GEL 15,000. The Bank has the following approach in contracts: when the claim is ≤ GEL 50,000 the Bank goes without oral Hearing (i.e. minimal price GEL 236), when the claim is > GEL 50,000 the Bank goes with an oral hearing consisting of 3 arbitrators (i.e. minimal price GEL 708).
Court of appeal fee	GEL150	
Fee paid to enforcement	2%	From the total request (principal + arbitration fee + court of appeal fee)
Commission taken by the enforcement bureau	5%	From the selling price in auction

27 Risk management, corporate governance and internal control (continued)

Costs associated with Court cases

VAT	18%	When demand x 1.18 is less than collateral value, in such case VAT is calculated from demand and vice versa.
Court fee	3%	Min price: GEL 100, max price: GEL 5,000
Fee paid to enforcement	2%	From the total request (principal)
Commission taken by the enforcement bureau	5%	From the selling price in auction

Significant increase in credit risk (SICR)

The Bank continuously monitors all assets subject to ECLs. When assessing significance of increase in credit risk and whether the instrument is subject to 12m ECL or LTECL, the Bank compares the risk of default at the reporting date and risk of default occurring at the date of initial recognition. To identify significant increase in credit risk since initial recognition of the financial asset at individual financial instrument level, the Bank is undertaking the holistic analysis of various factors, including those which are specific to a particular financial instrument or to a borrower.

The analysis includes considering of quantitative and qualitative information based on the Bank's historical experience, credit risk assessment and forward looking information.

For individually significant exposures the Bank evaluates individually whether an objective evidence of significant increase in credit risk or impairment exists to recognise lifetime expected credit losses. Individually significant exposures are considered exposures to the group exceeding 1% of the tier I capital of the bank. The Bank collectively assesses loans that are not individually significant and loans that are individually significant but for which there is no objective evidence of significant increase in credit risk.

Individually significant loans

SICR identification process for individually significant exposures includes performing a qualitative test. To assess SICR for individually significant loans the Bank has established general trigger events for all types of exposures, specific trigger events for non-retail borrowers and specific trigger events for retail borrowers. General trigger events include but are not limited to:

- Deterioration of macroeconomic, regulatory, political or technological outlook relevant to particular or group of borrowers;
- Adverse changes in the sector or industry conditions in which borrower operates.

Specific trigger events for non-retail borrowers include:

- Deterioration of borrowers' financial performance that is quantified by adverse changes in financial coefficients;
- Being overdue more than 30 days but less than 90 days;
- Those restructurings which if had not been done would not lead to the instrument falling in more than 90 days overdue;
- Breaching the contract;
- Sale of crucial part of the business or property which is necessary for the borrower's profit making operations;
- Fraud in borrower's business, etc.

If significant increase in credit risk is identified, for lifetime ECL calculation it is assessed whether future cash inflows of the borrower are enough to cover the cash outflows for different scenarios. Analysis of cash flow of the borrower includes analysis of existing and forecasted trends of industry within which the borrower operates. The amount of impairment is measured as the difference between the carrying amount of the credit facility and the present value of estimated future cash flows, discounted at the credit facility's original effective interest rate. The estimated future cash flows will include any expected cash flows from the borrowers operations, any other sources of funds and the expected proceeds from the liquidation of collateral, where applicable.

27 Risk management, corporate governance and internal control (continued)

Collectively assessed loans

Non-retail exposures that are not individually significant are assessed for SICR based on overdue days (between 30 and 90 days) or whether they are restructured and deterioration of various financial coefficients (Payment To Income (PTI) and Debt Service Coverage Ratio (DSCR)).

Specific trigger events for retail borrowers include but are not limited to loan being overdue more than 30 days but less than 90 days, restructuring of an exposure which if would not be done would lead to the instrument falling in more than 90 days overdue, deterioration of PTI ratio, etc.

For the purpose of a collective evaluation of impairment, financial instruments are grouped within homogeneous pools on the basis of asset types – whether the instrument is retail or non-retail, and based on Loan to Value (LTV) ratio. On the basis of LTV ratios financial instruments are grouped into five LTV bands.

Writing-off of facilities:

The Bank has elaborated the methodology for writing-off of exposures towards the borrowers, specifically as following:

- Unsecured financial instrument is subject to be written off if overdue days exceed 360 days;
- Secured financial instrument is subject to be written off if overdue days exceed 720 days.

Treasury and interbank relationships

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, corporates and Georgian and Turkish governments.

PDs are assigned to issuers or banks according to external rating default rates. The minimum PD is set to 0.03% according to Basel. For Banks LGD is taken at 47.81%, according to the foundation approach of the Basel document. For corporate securities LGD is taken at 47.81%. EAD represents sum of some of outstanding principal and accrued interest in the case of securities, sovereign bonds and interbank exposures.

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on the following forward looking information as economic inputs, such as:

- Real GDP growth;
- Foreign exchange rates.

The Bank calculates ECL on an individual basis for all financial assets. ECL is calculated for three (baseline 50%, upside 25%, and adverse 25%) scenarios and weighted ECL is computed as a weighted sum of all three scenario ECLs.

The measurement of unbiased, probability weighted ECL requires inclusion of forward looking information obtainable without undue cost or effort. For forward-looking information purposes the Bank defines three macro scenarios. The scenarios are defined as baseline (most likely), upside (better than most likely) and downside (worse than most likely) scenarios of the state of the economy. To derive the macroeconomic scenarios, the Bank takes into account forecasts from the National Bank of Georgia.

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

The tables below show the values of the forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations:

The figures for subsequent years represent a long-term average and so are the same for each scenario as at 31 December 2025:

Key drivers	ECL scenario	Assigned probabilities,%	2025	2026	2027	2028	Subsequent years
Real GDP growth, %							
	Upside	25%	7.4%	6.0%	5.5%	5.0%	5.0%
	Base case	50%	7.4%	4.9%	5.1%	5.0%	5.0%
	Downside	25%	7.4%	2.0%	4.0%	5.0%	5.0%
GEL/USD exchange rate, % change							
	Upside	25%	0.0%	2.0%	3.0%	0.0%	0.0%
	Base case	50%	0.0%	0.0%	0.0%	0.0%	0.0%
	Downside	25%	0.0%	-20.0%	-10.0%	5.0%	5.0%

The figures for subsequent years represent a long-term average and so are the same for each scenario as at 31 December 2024:

Key drivers	ECL scenario	Assigned probabilities,%	2024	2025	2026	2027	Subsequent years
Real GDP growth, %							
	Upside	25%	8.7%	7.0%	6.0%	6.0%	6.0%
	Base case	50%	8.7%	4.9%	5.8%	5.7%	5.7%
	Downside	25%	8.7%	2.0%	3.0%	5.0%	5.0%
GEL/USD exchange rate, % change							
	Upside	25%	0.0%	2.0%	3.0%	0.0%	0.0%
	Base case	50%	0.0%	0.0%	0.0%	0.0%	0.0%
	Downside	25%	0.0%	-15.0%	0.0%	5.0%	5.0%

The figures for subsequent years represent a long-term average and so are the same for each scenario as at 31 December 2023:

Key drivers	ECL scenario	Assigned probabilities,%	2023	2024	2025	2026	Subsequent years
Real GDP growth, %							
	Upside	25%	6.0%	6.5%	5.5%	5.0%	5.0%
	Base case	50%	6.0%	5.0%	4.5%	5.0%	5.0%
	Downside	25%	6.0%	3.0%	4.0%	5.0%	5.0%
GEL/USD exchange rate, % change							
	Upside	25%	0.0%	3.0%	2.0%	0.0%	0.0%
	Base case	50%	0.0%	0.0%	0.0%	0.0%	0.0%
	Downside	25%	0.0%	-15.0%	0.0%	5.0%	5.0%

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

(f) Liquidity risk

Liquidity risk is defined as the risk that the Bank does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by management.

The Bank seeks to actively support a diversified and stable funding base in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The liquidity management policy requires:

- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining debt financing plans;
- Monitoring liquidity ratios against regulatory requirements.

The liquidity position is monitored by the Finance Management Division and the Risk Management Division. Under the normal market conditions, information on the liquidity position is presented to the management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Treasury Division. In addition, the Bank monitors on a regular basis the liquidity ratio calculated in accordance with the NBG requirements.

The following tables show the undiscounted cash flows on liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The maturity analysis for financial liabilities as at 31 December 2025 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative liabilities								
Amounts due to credit institutions	(14,853)	(40,507)	(29,281)	(28,045)	-	-	(112,686)	(111,508)
Amounts due to customers	(103,473)	(52,430)	(40,946)	(67,561)	(16,639)	-	(281,049)	(275,536)
Other borrowed funds	-	(11,509)	(2,921)	(14,110)	(32,500)	-	(61,040)	(56,866)
Subordinated debt	-	-	(596)	(602)	(4,180)	(20,056)	(25,434)	(13,479)
Other financial liabilities	(1,897)	(121)	(182)	(364)	(2,911)	(485)	(5,960)	(5,533)
Total financial liabilities	**(120,223)**	**(104,567)**	**(73,926)**	**(110,682)**	**(56,230)**	**(20,541)**	**(486,169)**	**(462,922)**
Credit related commitments	**(124,674)**	**-**	**-**	**-**	**-**	**-**	**(124,674)**	**-**

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

The maturity analysis for financial liabilities as at 31 December 2024 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative liabilities								
Amounts due to credit institutions	(45,489)	(56,928)	(37,234)	-	-	-	(139,651)	(138,444)
Amounts due to customers	(82,174)	(10,560)	(8,261)	(18,703)	(1,543)	(126)	(121,367)	(120,318)
Other borrowed funds	-	(3,706)	(6,985)	(10,950)	(57,244)	-	(78,885)	(70,186)
Subordinated debt	-	-	-	-	-	-	-	-
Other financial liabilities	(3,182)	(126)	(190)	(379)	(3,032)	(1,263)	(8,172)	(7,583)
Total financial liabilities	**(130,845)**	**(71,320)**	**(52,670)**	**(30,032)**	**(61,819)**	**(1,389)**	**(348,075)**	**(336,531)**
Credit related commitments	**(160,180)**	**-**	**-**	**-**	**-**	**-**	**(160,180)**	**-**

The maturity analysis for financial liabilities as at 31 December 2023 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative liabilities								
Amounts due to credit institutions	(48,825)	(22,980)	(38,970)	-	-	-	(110,775)	(109,832)
Amounts due to customers	(101,616)	(24,651)	(17,450)	(21,420)	(9,659)	(363)	(175,159)	(173,122)
Other borrowed funds	-	(2,465)	(7,369)	(9,531)	(23,862)	-	(43,227)	(39,233)
Subordinated debt	-	-	-	-	-	-	-	-
Other financial liabilities	(2,112)	(116)	(175)	(350)	(2,802)	(1,868)	(7,423)	(6,765)
Total financial liabilities	**(152,553)**	**(50,212)**	**(63,964)**	**(31,301)**	**(36,323)**	**(2,231)**	**(336,584)**	**(328,952)**
Credit related commitments	**(121,194)**	**-**	**-**	**-**	**-**	**-**	**(121,194)**	**-**

Term deposits included in the customer accounts are classified based on remaining contractual maturities, however, according to Georgian Civil Code, individuals can withdraw their term deposits prior to maturity, if they partially or fully forfeit their right to accrued interest and the Bank is obliged to repay such deposits upon the depositor’s demand. Based on the Bank’s deposit retention history, the Management does not expect that many customers will require repayment on the earliest possible date.

The table below presents these deposits by their remaining maturities as at 31 December 2025, 2024 and 2023.

	31 December 2025	31 December 2024	31 December 2023
Demand and less than 1 month	5,894	8,495	10,000
From 1 to 3 months	184	5,099	3,729
From 3 to 12 months	4,116	4,806	10,714
From 1 to 5 years	10,741	280	5,425
Total deposits	**20,935**	**18,680**	**29,868**

The Bank does not use the below undiscounted maturity analysis to manage liquidity as it shows contractual terms purely and disregard the actual expected behaviour of the instruments. Instead, the Bank monitors the liquidity gap analysis based on the expected maturities, for example undiscounted cash flow disclosure purposes, demand deposits are put in on demand bucket, while any of them can be considered in a different time bucket according to the actual expectations.

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2025:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	158,048	-	-	-	-	-	158,048
Mandatory reserves at the NBG	49,327	-	-	-	-	-	49,327
Bonds at amortized cost	-	12,016	3,850	64,296	-	-	80,162
Loans to customers and factoring receivables	28,202	73,618	142,576	54,825	26,837	-	326,058
Property, equipment, intangible and right-of-use assets	-	-	-	-	-	8,866	8,866
Income tax asset	-	-	-	-	-	369	369
Other assets	1,174	-	-	-	-	1,349	2,523
Total assets	**236,751**	**85,634**	**146,426**	**119,121**	**26,837**	**10,584**	**625,353**
Liabilities							
Amounts due to credit institutions	14,816	40,318	56,374	-	-	-	111,508
Amounts due to customers	103,450	52,143	105,118	14,825	-	-	275,536
Other borrowed funds	-	10,583	15,736	30,547	-	-	56,866
Subordinated debt	-	-	3	-	13,476	-	13,479
Deferred tax liabilities	-	-	-	-	-	664	664
Other liabilities	2,948	101	457	2,652	427	-	6,585
Total liabilities	**121,214**	**103,145**	**177,688**	**48,024**	**13,903**	**664**	**464,638**
Net position	**115,537**	**(17,511)**	**(31,262)**	**71,097**	**12,934**	**9,920**	**160,715**

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2024:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	47,606	-	-	-	-	-	47,606
Mandatory reserves at the NBG	40,896	-	-	-	-	-	40,896
Investment securities	2,976	-	-	-	-	-	2,976
Bonds at amortized cost	-	-	7,002	46,236	-	-	53,238
Loans to customers and factoring receivables	14,466	69,359	146,257	67,543	25,976	-	323,601
Property, equipment, intangible and right-of-use assets	-	-	-	-	-	9,823	9,823
Income tax asset	-	-	-	-	-	3,823	3,823
Other financial assets	1,495	-	-	-	-	1,349	2,844
Total assets	**107,439**	**69,359**	**153,259**	**113,779**	**25,976**	**14,995**	**484,807**
Liabilities							
Amounts due to credit institutions	45,444	56,543	36,457	-	-	-	138,444
Amounts due to customers	82,163	10,438	26,260	1,331	126	-	120,318
Other borrowed funds	-	2,430	15,542	52,214	-	-	70,186
Subordinated debt	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-		670	670
Other liabilities	4,353	101	460	2,668	1,226	-	8,808
Total liabilities	**131,960**	**69,512**	**78,719**	**56,213**	**1,352**	**670**	**338,426**
Net position	**(24,521)**	**(153)**	**74,540**	**57,566**	**24,624**	**14,325**	**146,381**

(in thousands of Georgian Lari)

27 Risk management, corporate governance and internal control (continued)

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2023:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	77,287	-	-	-	-	-	77,287
Mandatory reserves at the NBG	35,988	-	-	-	-	-	35,988
Investment securities	4,947	929	5,662	-	-	-	11,538
Bonds at amortized cost	-	-	8,197	50,133	-	-	58,330
Loans to customers and factoring receivables	22,783	60,821	118,694	53,598	14,591	-	270,487
Property, equipment, intangible and right-of-use assets	-	-	-	-	-	8,134	8,134
Income tax asset	-	-	-	-	-	74	74
Other assets	1,499	-	-	-	-	1,349	2,848
Total assets	**142,504**	**61,750**	**132,553**	**103,731**	**14,591**	**9,557**	**464,686**
Liabilities							
Amounts due to credit institutions	48,811	22,731	38,290	-	-	-	109,832
Amounts due to customers	101,601	24,408	37,786	9,048	279	-	173,122
Other borrowed funds	-	2,044	14,911	22,278	-	-	39,233
Subordinated debt	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	641	641
Other liabilities	3,184	90	408	2,356	1,762	-	7,800
Total liabilities	**153,596**	**49,273**	**91,395**	**33,682**	**2,041**	**641**	**330,628**
Net position	**(11,092)**	**12,477**	**41,158**	**70,049**	**12,550**	**8,916**	**134,058**

Compliance with covenants

The Bank is subject to certain financial and non-financial covenants under its borrowing arrangements with international financial institutions (see also Note 17). Non-compliance with such covenants may result in negative consequences for the Bank including mandatory prepayment and declaration of default. The Bank was in compliance with all covenants as at 31 December 2025, 2024 and 2023.

(g) Operational and business risk

Operational risk is the risk of loss arising from system failure, human error, fraud and external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment procedures, such as the use of internal audit.

28 Credit related commitments

The Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of overdraft facilities.

The Bank provides financial guarantees to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Bank applies the same credit risk management policies and procedures when granting credit commitments and financial guarantees as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to perform as contracted.

(in thousands of Georgian Lari)

28 Credit related commitments (continued)

	31 December 2025	31 December 2024	31 December 2023
Contracted amount			
Undrawn overdraft facilities	-	-	48
Guarantees	124,674	160,180	121,146
Total credit related commitments	**124,674**	**160,180**	**121,194**

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

Of these credit related commitments as at 31 December 2025 accounting GEL 115,040 thousand are to seven banks (31 December 2024: GEL 137,448 thousand, 31 December 2023: GEL 89,073 thousand). This exposure represents a significant concentration of credit risk exposure to the Bank.

All credit related commitments are allocated to Stage 1. ECL recognized for credit related commitments as at 31 December 2025 was GEL 272 thousand (31 December 2024: GEL 418 thousand; 31 December 2023: GEL 438 thousand) and there were no significant movements in ECL during the year.

29 Contingencies

(a) Litigations

In the ordinary course of business, 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 adverse effect on the financial condition or the results of future operations.

(b) Operating environment

As an emerging market, Georgia does not possess a well–developed business and regulatory infrastructure that would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets. However, over the last few years the Georgian government has made a number of developments that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation (including new Tax Code and procedural laws). In the view of the management, these steps contribute to mitigate the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

(c) Taxation contingencies

The taxation system in Georgia continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines, penalties and interest charges. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

(in thousands of Georgian Lari)

30 Related party transactions

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

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

(a) Transactions with the key management personnel

Total remuneration included in personnel expenses for the years ended 31 December 2025, 2024 and 2023 is as follows:

	2025	2024	2023
Short-term employee benefits	2,301	2,573	2,150

(b) Transactions with the related parties

As at 31 December 2025 the Bank's outstanding balances with related parties were as follows:

	Contractual interest rate	Immediate parent company	Entities under common control	Key management personnel	Other related parties
Assets					
Cash and cash equivalents	0%-1.9%	19,121	80	-	-
Loans to customers*	10.3%-13.0%	-	-	1,072	-
Liabilities					
Amounts due to credit institutions**	0%-4.8%	69,763	-	-	-
Amounts due to customers	0%-11.0%	-	-	424	4,732
Subordinated debt	8.8%	13,479	-	-	-

The Bank's income and expense items with related parties except from key management compensation for the year 2025 were follows:

	Immediate parent company	Entities under common control	Key management personnel	Other related parties
Income/(expense)				
Interest income	115	49	77	-
Interest expense	(2,854)	(10)	(13)	(355)
Fee and commission income	199	-	-	-
Other income***	1,011	-	-	-

As at 31 December 2024 the Bank's outstanding balances with related parties were as follows:

	Contractual interest rate	Immediate parent company	Entities under common control	Key management personnel	Other related parties
Assets					
Cash and cash equivalents	0%	17	94	-	-
Loans to customers*	10.8%-13.0%	-	-	570	-
Liabilities					
Amounts due to credit institutions**	0%-5.4%	70,908	-	-	-
Amounts due to customers	0%-11.0%	-	-	582	16
Other liabilities***	-	2,141	-	-	-

(in thousands of Georgian Lari)

30 Related party transactions (continued)

The Bank's income and expense items with related parties except from key management compensation for the year 2024 were follows:

	Immediate parent company	Entities under common control	Key management personnel	Other related parties
Income/(expense)				
Interest income	51	-	40	-
Interest expense	(1,333)	-	(10)	(362)
Fee and commission income	192	-	-	-
Other expenses***	(674)	-	-	-

As at 31 December 2023 the Bank's outstanding balances with related parties were as follows:

	Contractual interest rate	Immediate parent company	Entities under common control	Key management personnel	Other related parties
Assets					
Cash and cash equivalents	0%	906	38	-	-
Loans to customers	9.9%-16.0%	-	-	199	-
Liabilities					
Amounts due to credit institutions**	0%-4.3%	48,811	-	-	-
Amounts due to customers	0%-10.9%	-	-	134	3,923
Other liabilities***	-	1,419	-	-	-

The Bank's income and expense items with related parties except from key management compensation for the year 2023 were follows:

	Immediate parent company	Entities under common control	Key management personnel	Other related parties
Income/(expense)				
Interest income	-	-	37	-
Interest expense	(430)	-	(10)	(129)
Fee and commission income	101	-	-	-
Other expenses***	(919)	-	-	-

* Expected credit losses on loans issued to key management personnel amounted to GEL 7 thousand as at 31 December 2025 (31 December 2024: GEL 2 thousand; 31 December 2023: 1 thousand).

** The deposits from the immediate parent company as at 31 December 2025 mature according to contractual maturity as follows: GEL 69,763 thousand matures in less than 12 months (31 December 2024: GEL 70,908 thousand matures in less than 12 months; 31 December 2023: GEL 48,811 thousand matures in less than 12 months).

*** Other liabilities and expenses represent royalty fee payable to the immediate parent company for use of its accounting software prior to 2025. In 2025, the parties agreed to reduce the original payment amount due to the software not operating at the efficiency level initially expected. As a result, GEL 1,011 thousand was recognized as other income and the remaining balance was paid in cash in 2025.

As at 31 December 2025 financial guarantees issued to the immediate parent company amounted GEL 10,083 thousand (31 December 2024: GEL 21,594 thousand, 31 December 2023: GEL 9,372 thousand). As at 31 December 2025, ECL of GEL 1 thousand is recognised for the financial guarantees issued to related parties (31 December 2024: GEL 3 thousand; 31 December 2023: 1 thousand).

31 Fair value measurement

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

Financial assets and liabilities not measured at fair value

For the financial assets and financial liabilities carried at amortized cost, the Bank assumes that the carrying amounts approximate to their fair value.

Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- **Level 1**: quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2:** inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are value based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments. The table does not include the fair values of non-financial assets, non-financial liabilities and those financial assets and liabilities for which the fair value approximates carrying value.
As at 31 December 2025, 2024 and 2023, the Bank did not have any financial instruments measured at fair value.

32 Events after reporting date

Effective from January 2026, the amortised cost of the subordinated loan qualifies for the inclusion in the Tier 2 capital under the NBG Basel III requirements in amount of GEL 13,479 thousand.