საქართველოს ეროვნული ბანკი
National Bank of Georgia

SUPERVISORY STRATEGY

2026-2028

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2026-2028

CONTENTS

STATEMENT OF THE GOVERNOR

I am pleased to present the National Bank of Georgia's Supervisory Strategy for 2026-2028 - a document that defines a number of supervisory priorities of the National Bank of Georgia and serves as a roadmap for the financial stability and transparency of the financial sector.[1]

In an era of global economic transformation, technological change, and the growing importance of sustainable development, the role of the National Bank of Georgia as the guarantor of financial stability is of particular importance. Given this, the transparency of the National Bank of Georgia's vision and planned activities, as well as the involvement of the financial sector and stakeholders in shaping these plans and maintaining open communication with them, becomes more significant. Through a predictable and consistent supervisory policy, we are building a reliable financial system that promotes both the development of the financial sector and the sustainability of the country's economy.

While preparing the Supervisory Strategy, the National Bank of Georgia reviewed current international trends and the action plans of peer agencies of other countries. In addition, in order to gather the views, expectations, and general perspectives of the financial sector and stakeholders on the current challenges regarding the National Bank of Georgia's supervisory priorities

1. For the purposes of this document, the financial sector refers to the following supervised entities of the National Bank of Georgia: Commercial bank, Microbank, Banking group, Microfinance organization, Credit union, Currency exchange unit, Loan issuing entity, Credit information bureau, Independent securities registrar, Brokerage company (except insurance broker), Stock exchange, Central depository, Specialized depository, Asset management company, Reporting entity, Investment fund, and Authorized securitization special purpose entity.

for 2026-2028, the National Bank of Georgia published the questionnaire for public consultation at the first stage, and subsequently made available the draft 2026-2028 Supervisory Strategy.

Taking into account international approaches, existing needs, and the feedback submitted by stakeholders, the National Bank of Georgia has defined the following supervisory priorities for 2026-2028:

- Alignment with the best international practices and standards;
- Strengthening the risk management framework for the sustainable functioning of the financial sector;
- Development of financial innovations, promotion of competition and consumer rights protection;
- Development of the securities market;
- Enhancement of forward-looking supervision and fostering inclusivity.

It should be noted that a new direction has been added to the Supervisory Strategy this year. In addition to the format that has already become traditional, the document also covers, within the framework of one of the priorities, the direction of securities market supervision.

Within the scope of mentioned priorities, in the coming years, the National Bank of Georgia will continue to develop the regulatory framework, promote the stable and efficient functioning of the financial system, foster a competitive environment, control systemic risk, and reduce potential risks.

This Supervisory Strategy should not be viewed in isolation, but rather in conjunction with the strategies, mandate, mission, and vision of other relevant areas of the National Bank of Georgia.

NATIA TURNAVA
Governor of the National Bank of Georgia

HISTORICAL CONTEXT AND BASIS FOR THE FORMATION OF THE SUPERVISORY STRATEGY

With the aim of increasing predictability for the financial sector regarding future measures and providing stakeholders with access to information on supervisory priorities and plans, the National Bank of Georgia (hereinafter - the NBG) began the practice of publishing a three-year supervisory strategy document in 2020.

The Supervisory Strategy represents the NBG's medium-term strategic vision, based on a proactive, forward-looking, and risk-based approach. Supervisory priorities are defined based on a systemic assessment of the key risks and challenges facing the financial sector.

In shaping its supervisory priorities, the NBG relies on the following factors:

- The main areas of supervision and regulation of financial sector activities;[2]
- Recommendations[3] received from international partners and undertaken commitments,[4] which contribute to alignment with best standards;
- Needs and challenges identified in practice, including within the framework of the risk-based supervisory framework - the General Risk Assessment Program (GRAPE), and stress tests;
- Continuous monitoring and analysis of international best practices and trends, and the refinement of the supervisory framework, including with a view to further developing preventive mechanisms;
- Inclusivity, and consideration of initiatives and feedback received from the financial sector and the public in the decision-making process.[5]

In order to effectively implement the priorities set out in the Supervisory Strategy, in 2026-2028 the NBG will devote even greater attention to, inter alia, the following areas:

2. Decree №23 of the Board of the National Bank of Georgia dated November 4, 2022 on "Main directions of supervisision and regulation of the financial sector".

3. Recommendations provided by the International Monetary Fund and the World Bank for the NBG are available on the webpages of the respective organizations (IMF; Worldbank).

4. Commintments set out in the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other Part and in the Letter of Intent.

5. This includes, inter alia, the process conducted by the NBG, within the scope of its mandate, for carrying out public consultations with the financial sector and/or stakeholders in the course of developing legislative and subordinate normative acts, in accordance with the Handbook on Consultations.

ENSURING FINANCIAL STABILITY

The NBG's objective is to promote the financial stability and transparency of the financial sector, and to protect the rights of consumers and investors. To fulfill this objective, the NBG is obligated to promote the stable and efficient functioning of the financial system, foster a competitive environment, control systemic risk, and reduce potential risks.

To this end, it is important to maintain a supervisory environment in which the financial sector is able to provide uninterrupted services to market participants, both in conditions of stable development and under potential economic stress. The NBG focuses on the continuous monitoring of systemic risks and the implementation of prudential policy, which contributes to the sector's resilience to shocks. At the same time, through both a sustainable financial sector and a transparent policy, the NBG is focused on protecting investors' rights and gaining their trust.

FOSTERING INNOVATION AND DIGITAL TRANSFORMATION

As a progress-oriented regulator, the NBG actively supports the development of an inclusive and innovative fintech ecosystem and the digitalization of financial services. Our goal is to create an environment in which technological innovation, on the one hand, promotes the development of competition, and on the other, aligns with consumer needs. Alongside encouraging the digital transformation of the financial sector, the NBG's own supervisory technologies and technical capabilities are also developing.

RISK-BASED SUPERVISION

An effective, risk-based supervisory model is important for the resilience of the financial sector. We continuously refine the regulatory framework, supervisory approaches, and monitoring tools in order to identify and prevent potential risks in a timely manner.

To this end, the NBG already applies a risk-based supervisory regime[6] to certain supervised entities, while work continues on the proportional transition of the supervisory regime for other supervised entities to risk-based principles. Under this principle, the supervision of supervised entities includes, inter alia, the NBG's focus on risks in proportion to their materiality, which enables the efficient allocation of resources and, in turn, supports a forward-looking supervisory approach.

CONSUMER RIGHTS AND FINANCIAL EDUCATION

Raising the level to financial literacy is a one of the basis for consumer rights protection. The NBG's goal is tp promote the formation of an aware and informed society, so that each consumer can better identify their own rights and effectively protect them in their dealings with the financial sector.

6. The NBG conducts banking supervision and regulation in accordance with the following principles of risk-based supervision: concentrating on material risks, future-oriented approach, dialogue with regulated financial institutions, coordination of micro and macro-prudential supervision, consistency, compliance and compatibility, and the efficient use of internal resources. Detailed information on the principles of risk-based supervision is available on the NBG's website.

For the NBG, it is important not only to protect consumer rights in relation to outcomes that have already occurred, but also to raise the level of financial literacy in the country for its preventive effect. An informed consumer means a more stable and healthy financial system. To this end, inter alia, a financial education platform was created within the framework of the National Strategy for Financial Education of Georgia.[7] The implementation of this strategy is led by the NBG, although it involves numerous representatives of the private and public sectors, educational institutions, and international and local non-governmental organizations.

ALIGNMENT WITH INTERNATIONAL STANDARDS AND INTERNATIONAL COOPERATION

The NBG works on a daily basis to harmonize its regulatory framework and supervisory practice with international standards. Results are positively assessed by representatives of international rating agencies and international financial institutions. This is confirmed by the assessments contained in rating agencies' reports, according to which the outlook for Georgia's banking system has improved from negative to stable.[8] In addition, particular credit is given to the institutional framework in Georgia, with specific emphasis on the fact that it leads the region in banking sector regulation and supervision.[9] Furthermore, the reports highlight the structural reforms carried out, as a result of which Georgia's fiscal and monetary policy is prudent compared to other countries in the region, which has contributed to macroeconomic stability and an improved business environment.[10]

The NBG attaches particular importance to close cooperation with international organizations, other countries' central banks, and financial institutions. Against the backdrop of growing global economic interdependence and mounting global economic challenges, cooperation with peer agencies from various countries supports the coordinated management of external economic shocks and systemic risks, and accordingly, financial stability.

The NBG's active engagement on the international stage helps disseminate information internationally about the resilience of Georgia's financial system and its economic potential, which is a crucial precondition for the country's long-term economic development.

INSTITUTIONAL STRENGTHENING

A strong regulator means a stable and developed financial system. Although the NBG already sets a high standard of governance by its own example, it continues to refine and develop itself.

Digital transformation, data-analytics-based decision-making, and the professional development of team are the tools with which we respond to the challenges of our time. Raising public trust in both the financial sector and the NBG is one of our key objectives. To strengthen this trust, the NBG acts as a proportionate and predictable regulator.

7. FinEdu is the first Georgian educational web platform fully dedicated to financial education, bringing together educational resources such as publications and blogs, brochures, guides, and other similar printed and supplementary materials, as well as video and audio content. For detailed information, you may wish to visit FinEdu's website.

8. The international rating agency Moody's improved the outlook for Georgia's banking system (Ba2) from negative to stable. For detailed information, you may visit the website.

9. S&P Global Ratings: Georgia leads the region in banking sector regulation and supervision. For detailed information, you may visit the website.

10. The international rating agency S&P Global Ratings affirms Georgia's sovereign rating at 'BB' with a 'Stable' outlook. For detailed information, you may visit the website.

TO WHOM DOES THE SUPERVISORY STRATEGY CONCERN?

Pursuant to the Organic Law of Georgia "On the National Bank of Georgia", the NBG is fully authorized to supervise the activities of Commercial banks, Microbanks, Banking groups, Non-bank deposit-taking institutions, Microfinance organizations, Independent securities registrars, Brokerage companies (excluding insurance brokers), Stock exchanges, Central depositories, Specialized depositories, Asset management companies, Reporting entities, Pension funds, Currency exchange units, Investment funds, Authorized securitization special purpose entities, Payment system operators, Payment service providers, Credit information bureaus, Loan issuing entities, Virtual asset service providers.

The NBG's objective is to promote the financial stability and transparency of the financial sector, and to protect the rights of consumers and investors. To this end, the NBG promotes the development of a competitive environment and the reduction of potential risks, which, in turn, has a positive effect on the sound functioning of the financial sector and creates a reliable environment for investors. For this purpose, the NBG exercises the supervisory powers and applies the relevant instruments defined by law, while the regulatory framework is aligned with both national legislation and international standards.

It should be noted that this Supervisory Strategy does not apply to all entities subject to the NBG's supervision, rather, it applies only to the following supervised entities: Commercial bank, Microbank, Banking group, Microfinance organization, Credit union, Currency exchange unit, Loan issuing entity, Credit information bureau, Independent securities registrar, Brokerage company (except insurance broker), Stock exchange, Central depository, Specialized depository, Asset management company, Reporting entity,[11] Investment fund, and Authorized securitization special purpose entity. For the purposes of the Supervisory Strategy, these entities are collectively referred to as the financial sector/financial sector representatives. Thematic strategies for specific areas of supervision and entities under the NBG's supervisory mandate are developed independently of this document, and previously published strategies are available on the NBG's official website.

The diversity and number of representatives of the financial sector reflect the dynamics of the financial sector and a healthy competitive environment.

11. Pursuant to Article 2(1) of the Law of Georgia "On Securities Market", a reporting entity is an entity as defined in Article 9(1) of the Law of Georgia "On Securities Market". Under that same paragraph 1, a reporting entity is deemed to be an issuer of publicly held securities that has been established in accordance with the Law of Georgia "On Entrepreneurs".

TABLE №1[12] - NUMBER OF REPRESENTATIVES OF THE BANKING SECTOR

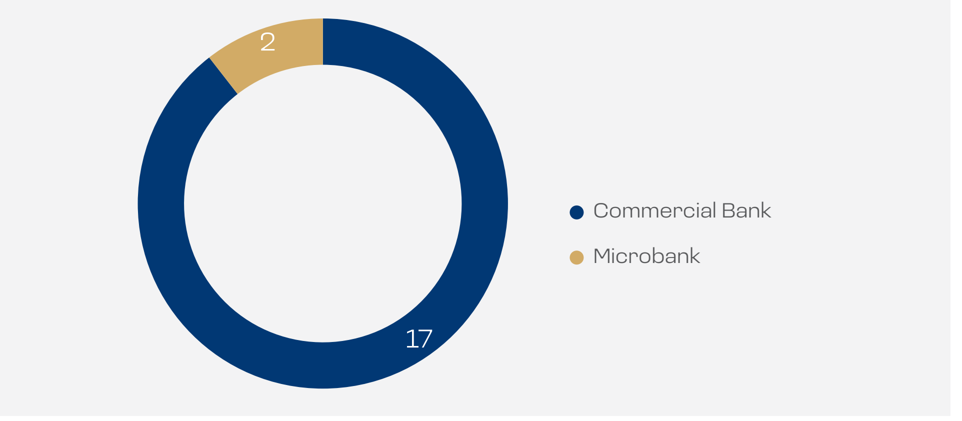


TABLE №2[13] - NUMBER OF REPRESENTATIVES OF THE SECURITIES MARKET

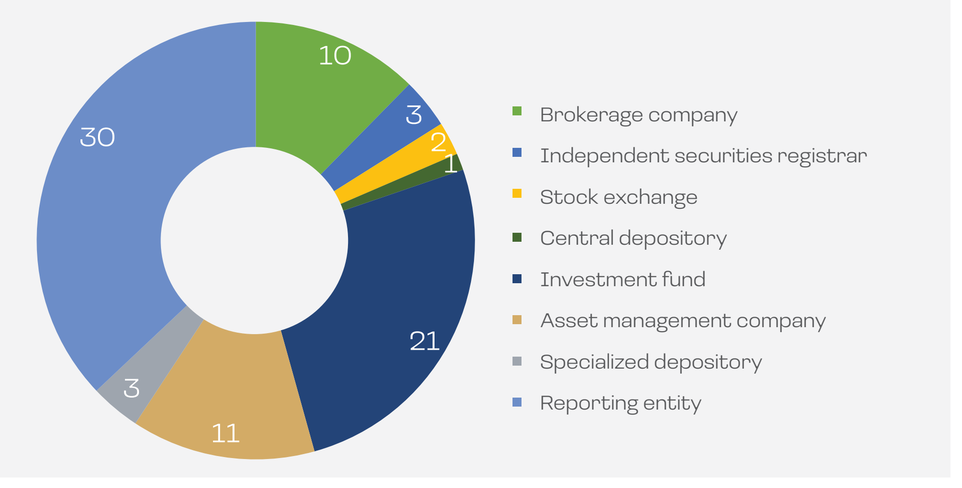
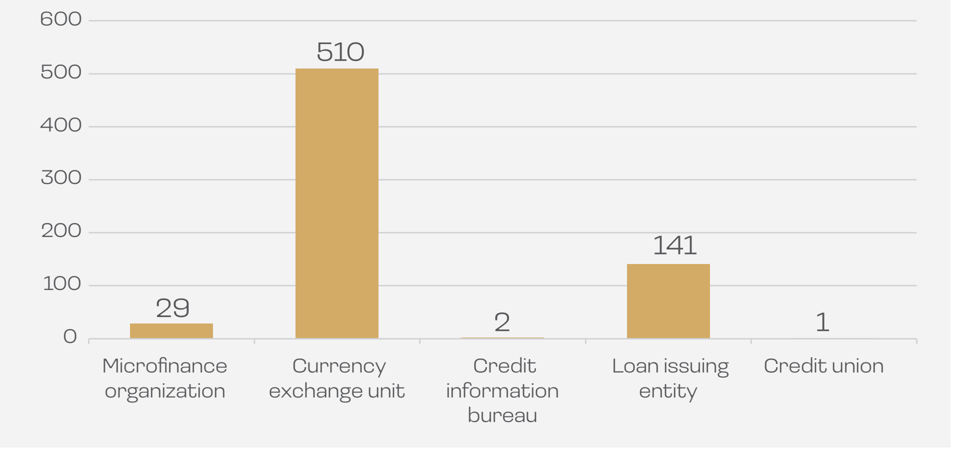


TABLE №3[14] - NUMBER OF NON-BANK INSTITUTIONS AND THE CREDIT INFORMATION BUREAU



12. The table reflects the number of representatives of the banking sector as of December 31, 2025. The number of entities is subject to change, and periodically updated information is available on NBG's website (Commercial Banks, Microbanks).

13. The table reflects the number of entities subject to securities market supervision to which this Supervisory Strategy applies, as of December 31, 2025. As of that date, no securitization special purpose entity had been authorized, and accordingly, it is not reflected in the table. The number of entities is subject to change, and periodically updated information is available on NBG's website (Securities Market Supervision).

14. The table reflects the number of non-bank institutions and the credit information bureaus as of December 31, 2025. The number of entities is subject to change, and periodically updated information is available on NBG's website (Non-Bank Institutions Registered in Georgia, Credit Information Bureau Supervision).

MISSION

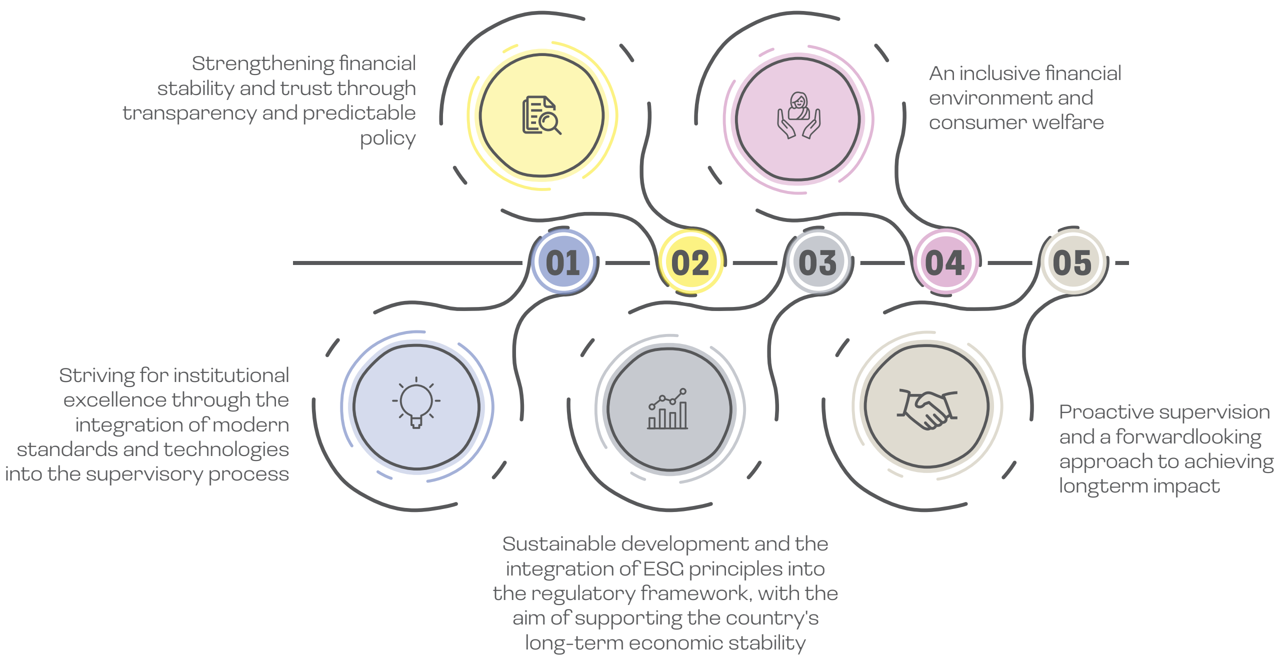
The functions and objectives of the NBG are defined pursuant to the Organic Law of Georgia "On the National Bank of Georgia".

Within the scope of its existing mandate, the NBG's mission is to promote the development of a stable and sound financial sector that is open to qualified investors, in which a competitive environment is ensured and the interests of consumers are protected.

In fulfilling this mission, the NBG is focused on inclusivity and transparency, continuously works to develop the regulatory framework and to introduce international standards and best practices.

VISION

GUARANTOR OF SUSTAINABLE DEVELOPMENT AND TRUST



ORGANIZATIONAL VALUES AND PROFESSIONAL CULTURE

INSTITUTIONAL SUSTAINABILITY AND OBJECTIVITY

The effectiveness of the NBG's activities is based, inter alia, on its institutional sustainability and impartiality. Organizational values and professional culture represent one of the key preconditions for institutional sustainability.

The NBG's team is composed of professionals who share the importance of objectivity and a proportionate approach. Furthermore, in order to ensure prompt and a preventive approach, the NBG conducts the supervisory process for a number of entities on the basis of risk-based principles, which ensures the optimal and adequate allocation of supervisory resources taking into account the materiality of the entities' risks, while gradually introducing these approaches for other entities. At the same time, upholding high standards of confidentiality and the responsible management of institutional resources is a priority for the NBG.

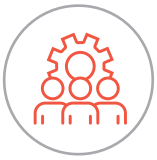
TEAM OF PROFESSIONALS AND CONTINUOUS DRIVE FOR DEVELOPMENT

The NBG's team is focused on continuous development. For us, professional growth is an ongoing process, which entails the continuous enhancement of competencies, the adoption of innovative approaches, and the conscientious performance of duties within set deadlines. Each member of our team is aware of the responsibility entrusted, which guarantees objectivity and dedication to the task at every stage of the supervisory process.

Alongside institutional development, the NBG continuously works to enhance the qualifications of its staff, so that our team can effectively respond to the contemporary challenges the financial sector may face and ensure the high quality of supervisory decision-making.

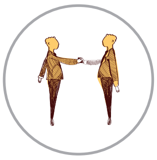
INNOVATIVE VISION AND COURAGE

For us, change is an opportunity. Progress is achieved through creative approaches and the introduction of modern management models. The aspiration and bold decisions of our team give us the strength to be an exemplary supervisor of the financial sector. We actively support the development of innovative products, processes, technologies, and supervisory approaches in the financial sector.



TEAMWORK AND HEALTHY WORK ENVIRONMENT

Our strength lies in unity and the diversity of ideas. We create an inclusive environment in which the contribution of each member is recognized, and constructive feedback and knowledge-sharing are encouraged. We respect one another's work and maintain a safe and motivating work environment founded on mutual respect, so that every member of the team has the opportunity to fully realize their potential. It is precisely this shared corporate culture that determines our institutional readiness to respond, through our collective efforts, to the challenges financial sector may challence.



REPUTATION AND STANDARD OF CONDUCT

Every employee of the NBG contributes to building the organization's reputation. Our activities are focused on strengthening the trust of the public, investors, and international partners in the NBG. Effective communication and stakeholder engagement are an integral part of the decision-making process. The NBG is committed to being a supervisor that is aligned with international standards, that earns international recognition and professional trust at both the regional and global level.

POTENTIAL BARRIERS AND RISKS TO THE IMPLEMENTATION OF ACTIVITIES

The dynamic development of the financial sector and growing technological progress continuously give rise to new opportunities and challenges, which require a proactive approach. Accordingly, in order to ensure a high standard of transparency alongside the proper fulfillment of its supervisory mandate, the NBG is authorized, as necessary, to review and amend the activities set out in the action plan, inter alia their implementation timelines. This approach ensures that the Supervisory Strategy remains aligned with the real needs of the financial sector and that supervisory resources are used as efficiently as possible.

The key challenges identified at this stage, which affect the operating environment and may give rise to the need to amend the activities envisaged by the Supervisory Strategy, include, inter alia, the following:

- **Financial globalization:** the growing number of groups comprised of cross-border financial institutions makes the supervisory process more complex and requires coordinated approaches together with regulators from other countries, in order to fully identify and assess risks and their possible contagion effects.
- **Geopolitical instability and macroeconomic shocks:** regional conflicts and the volatility of the global economic situation require the assessment of potential macroeconomic shocks and constant readiness on the part of both the financial system and the supervisory authority in relation to them.
- **Changes in the behavior of financial sector consumers and investors:** the replacement of traditional financial services with innovative ones in order to obtain services, and the transformation of investment priorities, require the supervisory framework to remain constantly aligned with the new expectations and behavioral patterns of market participants.
- **New-generation non-financial and emerging risks:** non-financial risks caused by the digitalization of processes, as well as new, unforeseen, or rapidly evolving threats that are difficult to quantify. Emerging risks are characterized by low predictability. These risks often stem from technological progress, social or environmental changes, and historical data is insufficient to fully assess and mitigate them in advance.
- **Technological resilience and cybersecurity:** the growing use of artificial intelligence (AI) and Big Data in the industry, which simultaneously increases the risk of cyberattacks and requires high-tech protection mechanisms.
- **Virtual asset ecosystem:** the rapid development of crypto assets and decentralized finance, which requires monitoring and corresponding regulatory changes.

In addition to the systemic factors mentioned above, the implementation of the Supervisory Strategy, or certain parts thereof, may also be affected by other risks, inter alia:

- **Force majeure and unforeseen circumstances:** crisis events that go beyond standard forecasting and require the immediate mobilization of supervisory resources beyond the activities envisaged in the action plan.
- **Infrastructural and systemic deficiencies:** internal technological disruptions, which could hinder data processing, in-depth analysis, and supervisory processes.
- **Shortage of intellectual capital:** in conditions of high competition in the labor market, a shortage of human resources with the competencies necessary for the proper performance of supervisory functions.

UPDATE OF THE SUPERVISORY STRATEGY AND TIMELINES

In order to effectively fulfill its supervisory mandate and to consistently achieve its strategic objectives, the Strategy is a dynamic document, which entails its annual review and update by the NBG. This approach serves to provide the sector and stakeholders with even greater transparency and predictability, thereby ensuring the formation of accurate expectations. The annual update of the document is not aimed at changing supervisory priorities, but rather at reflecting, in the action plan, the relevant changes based on the analysis of the current operating environment and identified risks, and at presenting a implementation report of the previous year. This includes, inter alia:

- Reviewing the substance of the planned activities and adjusting them as necessary;
- Reviewing the timelines for the implementation of activities and adjusting them as necessary. In this regard, it should also be taken into account that the precise determination of implementation timelines for activities that involve or depend on legislative amendments cannot be made by the NBG, insofar as this is not within its control;
- Integrating new initiatives, and removing and/or replacing outdated tasks from the action plan.

SUPERVISORY PRIORITIES FOR 2026-2028

It is important to note that the existing regulatory and supervisory framework is already significantly aligned with international standards, however, the NBG continuously monitors international best practice and ensures the ongoing development of its regulatory approach and the corresponding framework.

ALIGNMENT WITH THE BEST INTERNATIONAL PRACTICES AND STANDARDS

The implementation of international supervisory standards and best practices constitutes a cornerstone of the NBG's activities. This priority is aimed at enhancing the resilience of the local financial sector and increasing its competitiveness in the global market. Harmonization with best standards and the implementation of international recommendations ensures the establishment of a transparent, stable, and predictable supervisory environment. With a view to implementing international practices and standards, the NBG continues its close cooperation with leading international organizations and regulatory authorities of other countries. Particular attention is devoted to the sharing of experience and coordination on supervisory matters.

Within the scope of its activities, the NBG is guided by international practice and standards with respect to relevant regulatory decisions, and implements them taking into account national context. Accordingly, each supervisory priority defined in this document is directly linked to the objective of aligning with best international practices and standards and serves to complement them, even though the supervisory priorities have been formulated individually based on their significance and impact.

In addition to the activities thematically defined within the framework of other supervisory priorities, in order to fulfill this priority, the NBG plans to carry out the following activities:

- Introducing amendments to the Laws of Georgia "On Commercial Bank Activities" and "On Microbank Activities" in order to further align a number of issues with international standards, and to refine and clearly articulate them. Reflecting the issues arising from the legislative amendments in the relevant by-laws,[15] which, in addition to other anticipated consequential amendments, include, inter alia:
    - Refining the requirements related to the licensing of commercial bank/microbank;
    - Refining the suitability criteria for administrators of commercial banks/microbanks;
    - Refining the issues related to the acquisition of qualifying holding in commercial banks/microbanks;
    - Refining the rules for the establishment of branches, representative offices, and other similar subdivisions by commercial banks/microbanks;
    - Updating the regulatory requirements for commercial banks regarding additional/different criteria for the transfer of immovable property under lease, and establishing such requirements for microbanks.
- Continuously monitoring and improving regulatory capital standards for commercial banks:
    - Defining and assessing the methodology for foreseeable dividends and charges to be included in CET1 capital. Also, determining the principle of including annual and interim profits in the CET1 capital;
    - Introducing the concept and calculation method of Maximum Distributable Amount (MDA), which, inter alia, includes limiting the implementation of specific payments with a volume higher than MDA in case of violation of the combined buffer;
    - Updating the standardized approach to credit risk weighting, taking into account the requirements of the Basel III standards for risk positions and Regulation 575/2013 of the European Parliament and of the Council of June 26, 2013.
- Developing and implementing a framework for the consolidated supervision of banking groups, taking into account best international practice, including the standards and approaches of the Basel Committee on Banking Supervision and the European Union.
- Refining the framework related to the consolidated financial statements of commercial banks and microbanks, which includes, inter alia:

15. The NBG is unable to precisely determine the timeframes for the completion of activities that presuppose or depend on legislative amendments.

    - Amendments to the rules for the statutory audit of consolidated financial statements of commercial banks and microbanks, and for the disclosure of information in the explanatory notes;
    - Updating the Guideline on Effective Communication between Audit Firms and the NBC.
- Developing the reporting framework for commercial banks and microbanks in line with international financial standards and best practice, which includes, inter alia, ensuring compliance with any changes to the IFRS standards and/or the European Financial Reporting Framework (FINREP).
- Updating the methodological guideline for the implementation of electronic signatures and the rule for the submission to and approval by the NBC of the security policy for the use of electronic signatures created by commercial banks, in line with international practice and standards, including, inter alia, Regulation 910/2014 of the European Parliament and of the Council of July 23, 2014 (on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC (eIDAS)); and its subsequent amendments (Regulation (EU) 2024/1183 of the European Parliament and of the Council of April 11, 2024 amending Regulation (EU) No 910/2014 as regards establishing the European Digital Identity Framework), as well as the standards of the European Telecommunications Standards Institute (ETSI). In addition, extending the application of the abovementioned guideline and rule to microbanks.
- Refining the framework reflecting the process required for early intervention and revocation of the banking license for commercial banks.
- Conducting additional analysis with a view to aligning the regulatory framework for the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for commercial banks with Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 (Bank Recovery and Resolution Directive (BRRD)), and defining updated requirements as necessary.
- Increasing the involvement of commercial banks, in line with international practice, in the planning of the communication strategy within the annual cycle of preparing/updating resolution plans.
- Researching the practice and standards related to the provision of virtual asset services by commercial banks and microbanks, and, as necessary, developing/refining the relevant regulatory framework. This includes, inter alia:
    - Developing an approach to credit risk weighting;
    - Refining, as necessary, the regulations on the liquidity coverage ratio for commercial banks and microbanks;
    - Refining, as necessary, the provisions on the net stable funding ratio for commercial banks and microbanks;
    - Refining, as necessary, the relevant regulatory framework for commercial banks and microbanks in respect of interest rate risk, market risk, and counterparty credit risk.
- Developing the regulatory framework for non-bank institutions, taking into account existing challenges and practical needs in the financial sector, which includes, inter alia:
    - Refining the rule for the supervision and regulation of microfinance organization activities;
    - Introducing a temporary administration regime for microfinance organizations and developing special legislation on insolvency/bankruptcy;[16]
    - Refining the rule for the registration and regulation of currency exchange units, including amendments to the reports (forms) to be submitted to the NBC;
    - Amending the rule for determining, imposing, and enforcing monetary fines on currency exchange units and their administrators;
    - Updating the rule for the registration, revocation of registration, and regulation of the loan issuing entities;
    - Amending the rule for determining, imposing, and enforcing monetary fines on loan issuing entities.
- Continuous analysis of the best international practices and standards for the purpose of developing the framework established for financial sector representatives, in order to ensure that the regulation and supervision of each supervised entity's activities is carried out in line with advanced practices.

16. The NBC is unable to precisely determine the timeframes for the completion of activities that presuppose or depend on legislative amendments.

01.01.2026

Priority	Activity	Action Plan					
		2026		2027		2028	
		HY1	HY2	HY1	HY2	HY1	HY2
ALIGNMENT WITH THE BEST INTERNATIONAL PRACTICES AND STANDARDS	Refining the legislative framework on commercial bank' and microbank' activities, and introducing amendments to the relevant by-laws						
	Defining and assessing the methodology for foreseeable dividends and charges to be included in CET1 capital						
	Introducing the concept and calculation method of Maximum Distributable Amount						
	Updating the standardized approach to credit risk weighting for commercial banks						
	Developing and implementing a framework for the consolidated supervision of banking groups						
	Refining the framework related to the consolidated financial statements of commercial banks and microbanks						
	Updating the methodological guideline for the implementation of electronic signatures and the rule for the submission to and approval by the NBG of the security policy for the use of electronic signatures created by commercial banks, and extending its application to microbanks						
	Refining the framework reflecting the process required for early intervention and revocation of the banking license for commercial banks						
	Conducting additional analysis with a view to aligning the MREL regulatory framework with the BRRD, and defining updated requirements as necessary						
	Increasing the involvement of commercial banks in the planning of the communication strategy within the annual cycle of preparing/updating resolution plans						
	Researching the issues related to the provision of virtual asset services by commercial banks and microbanks, and, as necessary, developing/refining the relevant regulatory framework						
	Refining the rule for the supervision and regulation of microfinance organization activities						
	Introducing a temporary administration regime for microfinance organizations and developing special legislation on insolvency/bankruptcy						
	Refining the rule for the registration and regulation of currency exchange units						
	Amending the rule for determining, imposing, and enforcing monetary fines on currency exchange units and their administrators						
	Updating the rule for the registration, revocation of registration, and regulation of the loan issuing entities						
	Amending the rule for determining, imposing, and enforcing monetary fines on loan issuing entities						

STRENGTHENING THE RISK MANAGEMENT FRAMEWORK FOR THE SUSTAINABLE FUNCTIONING OF THE FINANCIAL SECTOR

The stability of the modern financial sector and its resilience to potential risks are directly dependent on the dynamic development of the supervisory framework. The continuous improvement of mechanisms for identifying and managing complex risks requires the analysis of international practices and standards, and the corresponding continuous development of the existing regulatory framework and approaches. Accordingly, the activities planned within the scope of this priority are the result of an in-depth study and analysis of the best international practice and standards.

In the era of digital transformation and growing cyber threats, strengthening operational resilience, refining information technology security standards, and ensuring business continuity across the entire financial sector are becoming even more of a priority, for which the role of the NBG as a supervisor, as well as the corresponding readiness of the financial sector's representatives themselves, are of the utmost importance. At the same time, against the backdrop of global challenges and the accompanying realized or potential risks, it is important for the NBG to modernize its instruments for managing financial and credit risks, to establish even higher standards of corporate governance, and to refine environmental, social, and governance (ESG) issues. This comprehensive approach aims to enhance the resilience of the financial sector to shocks and to promote the transparent and secure functioning of the financial system. The NBG aims to fulfill this priority through the following activities:

- Refining the requirements related to cybersecurity and operational risk management for the relevant supervised entities, and strengthening the regulatory framework, which includes, inter alia, the effective control of digital and operational resilience and information and communication technology (ICT) risks, as well as ensuring cybersecurity and business continuity. This includes:
    - Updating the operational risk management framework for commercial banks and microbanks, which will take into account both the advanced practices of the Basel Committee on Banking Supervision and the recommendations received through cooperation with the International Monetary Fund (IMF);
    - Strengthening supervision of commercial banks' and microbanks' compliance with the operational risk management framework regarding technological risks, including information and communication technology (ICT) risks;
    - Updating the regulatory requirements for cybersecurity management framework for commercial banks and microbanks, and the establishing such requirements for the credit information bureau, which will take into account both the requirements of the legislation in force in the European Union and recognized industry standards, as well as the recommendations received in cooperation with the International Monetary Fund (IMF) within the framework of the technical assistance;
    - Developing of a rule on effective risk data aggregation and risk reporting for commercial banks and microbanks, which will take into account both the Basel Committee on Banking Supervision's "Principles for Effective Risk Data Aggregation and Risk Reporting" and the recommendations received through cooperation with the International Monetary Fund (IMF);
    - Updating the rule on the exchange of information regarding operational risk events by approving a rule on the exchange of information on operational risk events and cybersecurity incidents, which is planned to apply to commercial banks, microbanks, and the credit information bureau. Under the updated framework, updated deadlines are also established for notifying the NBG of operational risk events and cybersecurity incidents. In addition, the rule on the classification of cybersecurity incidents and the relevant criteria is being refined;
    - Developing a cybersecurity testing framework for commercial banks and microbanks, which, inter alia, involves cyber exercises and periodic testing;
    - Developing a guidance document for commercial banks and microbanks on managing cybersecurity risks arising from quantum computing, which will, inter alia, take into account mechanisms for eliminating the risks of decryption of encrypted data and issues of confidential information security;

- Conducting additional research and determining stress testing requirements for operational risks for commercial banks and microbanks, including, inter alia in the area of business continuity management, which will take into account such issues as scenario analysis approaches, and critical scenarios that closely resemble real-life cases and are risk-oriented;
  - Strengthening the supervision of business continuity and operational resilience in commercial banks and microbanks, which, inter alia, involves the prioritized assessment of the mechanisms in place at commercial banks and microbanks to ensure business continuity and operational resilience during the relevant period;
  - Analyzing international practice for the purpose of managing cybersecurity risks arising from the use of artificial intelligence (AI) by supervised entities, identifying best approaches, and developing a corresponding guidance document;
  - Extending regulatory requirements related to cybersecurity management to microfinance organizations and, as necessary, to other regulated entities, taking complexity into account.
- Refinement and strengthening of financial risk management practices for commercial banks and microbanks, which, inter alia, includes:
  - Developing and implementing a regulation on the management and monitoring of credit spread risk of the banking book;
  - Refining the instructions on requirements for pricing models, including defining issues related to the proper construction of models;
  - Developing and implementing a document on liquidity stress testing;
  - Creating a unified guideline for liquidity risk management;
  - Working on refining the instruction for the interest rate risk management model of the banking book.
- Refinement and strengthening of credit risk management practices, which, inter alia, includes:
  - Developing rule for on financing real estate developer companies by commercial banks, and for the issuance of mortgage loans for the purchase of incomplete/under-construction real estate;
  - Refining the regulation on granting of loans to individuals, taking into account needs identified in practice, best international practice, and the country's specific characteristics;
  - Refining the Stress Testing Methodological Guideline and the corresponding automated forms, based on current challenges and past experience, including issues identified through the analysis of the results of the 2025 commercial banks' stress testing round;
  - Conducting preparatory work, carrying out, and analyzing the results of the 2027 supervisory stress testing round;
  - Refining the rules for determining the risk categories of financial instruments and expected credit losses for commercial banks and microbanks, taking into account needs identified in practice as well as international practices.
- Refinement of standards for effective and sound corporate governance in commercial banks and microbanks, which, among other elements, includes:
  - Updating and approving the instruction on the identification of material risk takers;
  - Developing and approving the instruction on the assessment of the supervisory board;
  - Updating the remuneration guideline;
  - Updating and approving the remuneration reporting form.
- Development of the ESG framework. The NBG has developed the second Sustainable Finance Roadmap for Georgia,[17] which brings together all the possible measures planned to be implemented by the NBG in the area of sustainable finance during 2025-2028, and aims to create a reliable, predictable regulatory environ-

17. The second Sustainable Finance Roadmap was published in 2025 and brings together all the possible measures planned to be implemented by the NBG in the area of sustainable finance over the next three to four years. The main goal of the roadmap is to create a reliable, predictable, and stable regulatory framework that will prepare the market for the transition to sustainable finance. By implementing consistent and compatible measures and allowing the necessary time for adaptation, the roadmap facilitates the consideration of sustainable development issues in the decision-making process.

ment. The development of the ESG framework, inter alia, includes:

- Reviewing and updating the sustainable finance (green and social) taxonomy/regulatory framework;
- Creating a sustainable finance taxonomy data dashboard;
- Further development of the climate stress testing framework;
- Reviewing and updating the ESG Guidelines;
- Further and more clearly integrating ESG issues into the risk assessment and analysis envisaged by the risk-based supervision framework - the General Risk Assessment Program (GRAPE);
- Updating the ESG issues reporting and disclosure form.

- Strengthening support for the prevention of money laundering and terrorism financing, which includes, inter alia, further strengthening the process of supervising compliance with AML/CFT mechanisms by entities subject to the NBG's supervision, increasing the intensity of inspections and the corresponding resources, and, where deficiencies are identified, taking prompt and consistent action to eliminate them. To this end, the NBG continuously develops data-based supervision and pays particular attention to high-risk areas. The NBG also promotes dialogue among all public and private sector participants involved in the fight against money laundering and terrorism financing.

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Priority	Activity	Action Plan					
		2026		2027		2028	
		HY1	HY2	HY1	HY2	HY1	HY2
STRENGTHENING THE RISK MANAGEMENT FRAMEWORK FOR THE SUSTAINABLE FUNCTIONING OF THE FINANCIAL SECTOR	Updating the operational risk management framework for commercial banks and microbanks	●	●				
	Strengthening supervision of commercial banks' and microbanks' compliance with the operational risk management framework regarding technological risks, including information and communication technology (ICT) risks		●	●	●		
	Updating the regulatory requirements for cybersecurity management framework for commercial banks and microbanks, and establishing such requirements for the credit information bureau	●	●				
	Developing a rule on effective risk data aggregation and risk reporting for commercial banks and microbanks	●	●				
	Approving an updated rule on the exchange of information on operational risk events and cybersecurity incidents	●	●				
	Developing a cybersecurity testing framework for commercial banks and microbanks		●	●	●		
	Developing a guidance document for commercial banks and microbanks on managing cybersecurity risks arising from quantum computing			●	●	●	●
	Conducting additional research and determining stress testing requirements for operational risks for commercial banks and microbanks	●	●	●	●		
	Strengthening the supervision of business continuity and operational resilience in commercial banks and microbanks		●	●	●		
	Analyzing international practice for the purpose of managing cybersecurity risks arising from the use of artificial intelligence (AI) by supervised entities, identifying best approaches, and developing a corresponding guidance document			●	●	●	●
	Extending regulatory requirements related to cybersecurity management to microfinance organizations and, as necessary, to other regulated entities			●	●		
	Developing and implementing a regulation on the management and monitoring of credit spread risk of the banking book for commercial banks and microbanks	●	●	●	●		
	Refining the instructions on requirements for pricing models for commercial banks and microbanks	●	●				
	Developing and implementing a document on liquidity stress testing for commercial banks and microbanks	●	●				
	Creating a unified guideline on liquidity risk management for commercial banks and microbanks	●	●				
	Working on refining the instruction for the interest rate risk management model of the banking book for commercial banks and microbanks	●	●				
	Developing rule for on financing real estate developer companies by commercial banks, and for the issuance of mortgage loans for the purchase of incomplete/under-construction real estate	●	●				
	Refining the regulation on granting of loans to individuals	●	●				
	Refining the Stress Testing Methodological Guideline and the corresponding automated forms	●	●				
	Conducting preparatory work, carrying out, and analyzing the results of the 2027 supervisory stress testing round	●	●	●	●		
	Refining the rules for determining the risk categories of financial instruments and expected credit losses for commercial banks and microbanks	●	●	●			
	Updating and approving the instruction on the identification of material risk takers in commercial banks and microbanks	●	●				
	Developing and approving the instruction on the assessment of the supervisory board in commercial banks and microbanks	●	●				
	Updating the remuneration guideline and updating and approving the remuneration reporting form in commercial banks and microbanks	●	●				
	Reviewing and updating the sustainable finance (green and social) taxonomy/regulatory framework	●	●				
	Creating a sustainable finance taxonomy data dashboard	●					
	Further development of the climate stress testing framework	●	●	●	●	●	●
	Reviewing and updating the ESG Guideline		●	●	●		
	Further and more clearly integrating ESG issues into the risk assessment and analysis envisaged by the GRAPE framework	●					
	Updating the ESG issues reporting and disclosure form	●					

DEVELOPMENT OF FINANCIAL INNOVATIONS, PROMOTION OF COMPETITION AND CONSUMER RIGHTS PROTECTION

For the NBG, important priorities for the next three years remain issues such as the development of financial innovation, the promotion of competition and consumer rights protection. In the modern financial sector, innovation is, inter alia, a precondition for healthy competition. By encouraging new fintech solutions, the diversity of players and products in the market increases, which broadens consumers' ability to choose among representatives of the financial sector and, given healthy competition, improves the quality of services. However, at the same time, if innovative products inherently involve novelty, it may be difficult for consumers to perceive new products and their characteristics. Accordingly, the NBG's goal is, on the one hand, to promote technological transformation and the development of the fintech sector, while, on the other hand, ensuring a high level of protection for investors and consumers. This involves ensuring access to transparent and reliable information on financial products, which will help retail investors make informed decisions. At the same time, it is important to maintain a balance between a stable legislative environment and the existence of a flexible regulatory framework, so that the system keeps pace with technological progress without hindering the growth of market participants' technological capabilities. The NBG aims to fulfill this priority through the implementation of the following activities:

- Promoting integrated and innovative financial technologies and, to this end, strengthening coordination among relevant public and private stakeholders, both domestically and internationally. In this regard, it is important to note that the NBG has developed a unified national framework document - the Fintech Development Strategy of Georgia (working version) and, following public consultation, has published the second working version of the document. Taking into account this document and additional activities, the promotion of financial technologies, inter alia, includes:
    - Encouraging the digitalization of supervisory processes and services and developing corresponding supervisory technologies with the aim of continuously improving supervisory efficiency;
    - Refining the framework related to the conditional banking license (so-called "digital banks"), including formalizing the existing principles for licensing digital banks;
    - Supporting the development and spread of open finance:
        - Providing relevant non-bank institutions with access to more information, so that they have the ability to further develop products/processes, thereby promoting both improved competition in the market and the availability of new services for consumers;
        - Developing a common technical standard to increase the efficiency of data usage;
        - Continuously developing supervisory approaches for the purposes of transitioning to open finance, taking into account existing needs and the best international practices, and working on refining the corresponding regulatory framework.
    - Developing open supervisory approaches, which, inter alia, includes:
        - Refining open regulation principles, including further developing the regulatory sandbox framework and working towards expanding regional cooperation;
        - Further developing the Financial Innovations Office as the main communication channel with the community of financial innovators, and supporting the relevant entities.
    - Further refining and developing the regulatory sandbox, which, in turn, involves expanding its scope of application to study unknown risks, refining the framework for testing the risks of various technologies, and announcing targeted regulatory sandbox for services prioritized by the NBG, as needed;
    - Refining the rule "on registration of the credit information bureau with the National Bank of Georgia, revocation of such registration, and its regulation";
    - Developing models, which, inter alia, includes:
        - Facilitating data processing to further improve access to finance;
        - Refining the supervisory framework for the sustainable development of statistical and artificial intelligence (AI) models;

        - Monitoring international practice for the development of principles of model transparency and explainability, taking into account continuous developments, and refining the principles in line with identified needs.
    - Researching/testing blockchain-based financial services/products and developing an action plan for their implementation. In addition, holding consultations with relevant entities under the NBC's supervision;
    - Researching regulations on privacy enhancing technologies and, as necessary, developing relevant principles;
    - Deepening research in the field of artificial intelligence (AI) and conducting research activities in the field of generative artificial intelligence (Generative AI), developing principles based on identified needs, as well as supporting the implementation of AI use by the NBC;
    - Analyzing practices related to the use of artificial intelligence (AI) in the financial sector, and identifying and eliminating any gaps in the regulatory framework, if any;
    - Organizing informational meetings and workshops aimed at raising awareness among fintech service providers about fintech;
    - Organizing regional and international-level events related to fintech (conferences, summits, festivals, hackathons, and others).
- Effective enforcement of competition law in the financial sector, the development of a supervisory policy that promotes healthy competition, and the improvement of the regulatory framework, through the refinement of competition enforcement mechanisms, raising public awareness, researching international best practices, and taking it into account in the process of making supervisory decisions. This, inter alia, includes:
    - Bringing factoring companies within the scope of the NBC's supervised entities in accordance with the Law of Georgia "On Factoring", and developing an appropriate regulatory framework, within the scope of the above-mentioned law, for persons carrying out factoring operations;
    - Improving the rule for investigating cases related to possible violations of competition, for the submission and review of complaints/applications, through the systematic refinement of regulatory norms, which will take into account recent relevant amendments made to Georgian legislation as well as needs identified in practice;
    - Deepening cooperation with domestic sectoral regulators and the LEPL Georgian Competition and Consumer Agency for the purpose of effectively conducting competition policy, which, includes holding joint events;[18]
    - Refining the rule for the submission and review of notifications on market analysis and concentration, taking into account needs identified in practice;
    - Preparing a methodological guideline for determining the amount of monetary fines imposed on economic agents in the field of competition, with the aim of aligning with EU best practice and taking into account approaches[19] already existing in the field of competition in Georgia;
    - Preparing a guidance document for economic agents on conditional obligations under competition law, based on an analysis of international best practices;
    - Assessing the current situation in the relevant financial sector market(s) and analyzing the legislative framework, which, inter alia, includes studying issues and practices related to combined financial products and responding accordingly to promote competition;

18. On November 13-15, 2025, the IV International Conference "Competition and Consumer Protection" was held in Georgia. The annual conference aimed to strengthen competition policy in Georgia based on international and local practice, to hold expanded discussions on the results achieved and the challenges faced, and to improve mechanisms for the protection of consumer rights. The IV International Conference was organized jointly by the LEPL Georgian Competition and Consumer Agency, the NBC, the Georgian National Energy and Water Supply Regulatory Commission, the LEPL Insurance State Supervision Service of Georgia, and the Communications Commission.

19. For example, a similar type of guideline can be found on the website of the LEPL Georgian Competition and Consumer Agency, in the form of the document Guiding Principles for Determining the Amount of Fines.

- Analyzing the existing legal framework and international practice for the purpose of mutual recognition of relevant entities, as well as working to deepen cooperation with counterpart agencies in other countries;
- Analyzing international practices regarding banking ecosystem regulation and, if necessary, refining existing approaches;
- Introducing the possibility for interested parties to submit applications/complaints in electronic form for the purpose of enforcing competition law, for persons holding a qualified electronic signature;
- Raising public awareness of the NBG as the sectoral enforcer of competition law, including by holding meetings in schools and universities, with the aim of providing information about the decisions made by the NBG, the standards implemented, and the specifics of competition law enforcement in the financial sector.

- Promoting the protection of consumer rights, including in terms of strengthening market conduct supervision. In this regard, a Market Conduct Supervision Strategy[20] has been developed, which covers activities planned for 2025-2027. In addition, in the area of consumer rights protection, it is important to strengthen work in the following directions:
  - Studying market conduct in terms of consumer rights protection with respect to virtual assets, analyzing relevant practices and approaches, and, if necessary, refining the regulatory framework;
  - Refining the approaches defined for consumer rights protection with respect to financial innovation and technologies.

20. With the aim of raising the standard of consumer rights protection in the financial sector, developing market conduct supervision, and refining a consumer-tailored environment, the NBG approved the Market Conduct Supervision Strategy. The adoption of the strategy will facilitate access to information for the public and other interested parties regarding the NBG's vision, priorities, and plans in the area of consumer rights protection. It will also facilitate the effective planning of the NBG's activities in this area and increase the awareness of financial organizations about future activities. The document defines the priorities and main directions of market conduct supervision, as well as the assessment indicators and their monitoring process.

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Priority	Activity	Action Plan 2026 HY1	2026 HY2	2027 HY1	2027 HY2	2028 HY1	2028 HY2
DEVELOPMENT OF FINANCIAL INNOVATIONS, PROMOTION OF COMPETITION AND CONSUMER RIGHTS PROTECTION	Refining the framework related to the conditional banking license	●	●				
	Refining the regulatory framework for open finance	●	●	●	●		
	Announcing targeted regulatory sandboxes for the purpose of developing innovative financial services	●	●	●	●	●	●
	Refining the rule on registration of the credit information bureau with the National Bank of Georgia, revocation of such registration, and its regulation	●	●				
	Refining the supervisory framework for the sustainable development of statistical and artificial intelligence (AI) models	●	●	●			
	Researching/testing blockchain-based financial services/products and developing an action plan for their implementation, and holding consultations with relevant entities under the NBG's supervision	●	●	●	●	●	●
	Researching regulations on privacy enhancing technologies and, as necessary, developing relevant principles	●	●	●	●	●	●
	Deepening research in the field of artificial intelligence (AI) and conducting research activities in the field of generative artificial intelligence (Generative AI), developing principles based on identified needs, as well as supporting the implementation of AI use by the NBG	●	●	●	●	●	●
	Analyzing practices related to the use of artificial intelligence (AI) in the financial sector, and identifying and eliminating gaps in the regulatory framework	●	●	●	●	●	●
	Organizing informational meetings and workshops aimed at raising awareness among fintech service providers about fintech	●	●	●	●	●	●
	Bringing entities carrying out factoring operations within the scope of the NBG's supervised entities, and developing an appropriate supervisory framework for entities carrying out factoring operations	●	●				
	Improving the rule for investigating cases related to possible violations of competition, for the submission and review of complaints/applications	●	●				
	Refining the rule for the submission and review of notifications on market analysis and concentration	●	●				
	Preparing a methodological guideline for determining the amount of monetary fines imposed on economic agents in the field of competition	●	●				
	Preparing a guidance document for economic agents on conditional obligations provided for under competition law	●	●				
	Analyzing international practices regarding banking ecosystem regulation and, if necessary, refining existing approaches	●	●	●	●		
	Introducing the possibility for interested parties to submit applications/complaints in electronic form for the purpose of enforcing competition law	●	●				
	Raising public awareness of the NBG as the sectoral enforcer of competition law	●	●	●	●	●	●
	Studying market conduct in terms of consumer rights protection with respect to virtual assets, conducting the relevant analysis, and, as necessary, refining the regulatory framework	●	●	●	●	●	●
	Refining the approaches defined for consumer rights protection with respect to financial innovation and technologies	●	●	●	●	●	●

DEVELOPMENT OF THE SECURITIES MARKET

NBG aims to foster a transparent and well-functioning securities market, safeguard investor interests, promote fair competition, and contribute to the sustainable development of the financial system. The activities under this priority set out the key supervisory and regulatory initiatives planned for the securities market. In defining these activities, the NBG has taken into account the current level of development of Georgia's securities market, as well as existing and emerging risks, and the need for alignment with international best practices. This approach is further informed by ongoing risk assessments, past supervisory experience, comprehensive market analysis, and continuous engagement with market participants. The NBG will work closely with securities market participants and other relevant stakeholders to ensure the effective implementation of regulatory requirements and supervisory practices.

The NBG places particular importance on cooperation with international organizations and foreign supervisory authorities, which is essential for the development of a credible, resilient, and internationally aligned securities market in Georgia. To achieve this priority, the NBG will implement the following key activities:

- **Further development of the regulatory framework, including:**
    - Enhancing supervisory reporting standards for brokerage firms and investment funds. The NBG will update the mandatory reporting forms applicable to brokerage firms, as well as to commercial banks and microbanks (insofar as they provide intermediary services in the securities market), and investment funds. These changes aim to ensure that information submitted to the NBG on a regular basis is more granular and comprehensive. Improvements to reporting frameworks will strengthen the monitoring of the activities of the respective supervised subjects. Accordingly, this initiative forms part of the NBG's broader efforts to reinforce the regulatory framework of the financial sector and improve the quality of information used for supervisory decision-making;
    - Updating the framework for pecuniary sanctions (fines). The current regulation[21] governing monetary penalties no longer ensures adequate and proportionate sanctioning, commensurate with the scale of the offender, the nature of the violations, and their potential impact, particularly in light of the growth of the domestic market and the evolution of the regulatory framework. The updated sanctions framework will strengthen the deterrent effect of penalties, cover the full spectrum of potential violations, and increase the level of fixed (base) fines. In parallel, it will introduce the possibility of calibrating sanctions based on the size and scale of the offending entity;
    - Reviewing and, where necessary, updating the rule[22] on licensing and regulation of brokerage firms. This aims to assess the effectiveness of the existing regulatory framework, taking into account the experience gained since its implementation, and to identify and address any shortcomings;
    - Reviewing and, where necessary, updating the Code of Professional Conduct for securities market participants.[23] This process will assess the impact of the existing regulatory framework, taking into account accumulated supervisory experience, and address identified gaps in line with international best practices;
    - Developing a regulatory framework for the liquidation of asset management companies. At present, matters related to the liquidation of asset management companies are governed by the

21. The order N35/04 of 14 February, 2012 of the Governor of the National Bank "On approval of the rules for determining, imposing and enforcing monetary penalties against entities and members of their governing body, for violation of securities legislation, the Law of Georgia "On Accounting, Reporting and Auditing" and the Law of Georgia "On Facilitating of the Prevention of Money Laundering and the Financing of Terrorism".

22. Order №145/04 of 5 July, 2018 of the Governor of the National Bank of Georgia "On approval of a rule of licensing and regulating of a brokerage company".

23. Order N13/04 of 2 February, 2021 of the Governor of the National Bank of Georgia "On approval of the Ethics Principles and code of Professional Conduct for banking and securities market participants".

Law of Georgia on Investment Funds. However, the provisions set out in the law are not sufficient to ensure a comprehensive and effective liquidation process;

- Reviewing and, where necessary, updating the rule on regulation of stock exchanges.[24] This initiative aims to identify and address potential gaps in the existing framework. It will also include an assessment of trading procedures and governance structures of stock exchanges;
- Updating the rule on the assignment of ISINs.[25] This includes introducing new classifications for newly established financial instruments in line with the recommendations and standards of the Association of National Numbering Agencies (ANNA);
- Updating the regulatory framework governing public offerings of securities.[26] This aims to assess the effectiveness of the existing regulatory framework, taking into account the experience gained since its implementation, and to address shortcomings identified in practice. In addition, the NBG will enhance the flexibility of the so-called "shelf-registration" regime;
- Developing standardized templates for public offering prospectuses. In parallel with the growth of the securities market and the increasing number of transactions related to public issuances, the introduction of pre-available standardized prospectus templates - developed in cooperation with brokerage firms (placement agents) - will enhance the efficiency of the prospectus approval process;
- Advancing the update of the regulatory framework for takeover bids. The NBG will develop a legislative proposal to amend the Law of Georgia "on Securities Market", aimed at aligning the existing framework with the relevant EU Directive[27] on the acquisition of controlling shareholdings. Based on this, the NBG will also prepare draft amendments to the regulatory framework to further clarify the requirements set out in the Law of Georgia "on Securities Market";
- Working towards the implementation of sustainability reporting. The NBG, together with partner institutions, will continue efforts to introduce a sustainability reporting framework. The development of an implementation roadmap in Georgia is coordinated by the Service for Accounting, Reporting and Auditing Supervision, with the NBG actively involved. At the EU level, the Corporate Sustainability Reporting Directive (CSRD),[28] which entered into force on 5 January 2023, replaces the Non-Financial Reporting Directive[29] with updated requirements. It should also be noted that, as of 2024, the NBG has joined the sustainability reporting standards implementation network, which aims to support member organizations of International Organization of Securities Commissions in implementing the reporting framework developed by the International Sustainability Standards Board;
- Updating the rule on governing the determination of the record date for ownership of publicly offered securities, book-entry holding, the rights and obligations arising from share ownership, and the procedures for the creation, transfer, and termination of ownership rights in publicly offered securities.[30] This aims to identify and address potential gaps within the existing regulatory framework and to adapt the rules to recent legislative developments;

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24. Order No. 169/01 of 28 December, 2010 of the Governor of the National Bank of Georgia "On the approval of the Rule on Licensing of Stock Exchanges, Submission of Financial Statements, and Determination of Minimum Capital Requirements".

25. Order No. 73/04 of 7 September, 2011 of the Governor of the National Bank of Georgia "On the approval of the Rule on Requesting and Assigning Securities Identification Numbers, and on the Registration of Approved Prospectuses and Notifications of Public Offerings."

26. Order No. 179/04 of 7 October, 2020 of the Governor of the National Bank of Georgia "On the approval of the Rule on the Submission of Reports on Public Offerings and Placement of Securities."

27. Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids.

28. Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

29. Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

30. Order No. 20/01 of 22 February, 2010 of the Governor of the National Bank of Georgia "On the approval of the Rule on Determining the Record Date for Ownership of Publicly Offered Securities, Book-Entry Holding, the Rights and Obligations Arising from Share Ownership, and the Procedures for the Creation, Transfer, and Termination of Ownership Rights in Publicly Offered Securities".

- Updating the rule on licensing and regulation of securities registrars.[31] This aims to identify and address potential gaps within the existing regulatory framework and to adapt the rules to recent legislative developments;
- Developing rules on maintaining investment accounts of unit-holders in collective investment funds. The NBG, in coordination with the Ministry of Finance of Georgia, will develop a regulatory framework governing the maintenance of investment accounts by asset management companies for unit-holders of collective investment funds, including related tax aspects;
- Updating the rule on maintaining the register of unit-holders in investment funds.[32] This initiative seeks to identify and address potential shortcomings in the existing regulatory framework and to align the rules with recent legislative changes;
- Reviewing and, where necessary, updating the rules on transparency of issuer information.[33] This aims to assess the impact of the existing regulatory framework, taking into account the experience gained since its implementation, and, where gaps are identified, to address them in line with international best practices;
- Reviewing and, where necessary, updating the rule on governing insider trading and market manipulation.[34] This aims to evaluate the effectiveness of the current framework, taking into account accumulated experience, and to identify and address any shortcomings in line with international best practices;
- Updating the regulatory framework for certificates of deposit[35] to enable securities market intermediaries to hold certificates of deposit on behalf of clients under nominee ownership arrangements, thereby broadening investor access to these instruments;
- Reviewing and, where necessary, updating the Investment Funds regulation[36] by assessing existing asset valuation methodologies, analysing international best practices and IOSCO recommendations, and enhancing transparency through the periodic publication of information on the net asset value of investment funds managed by asset management companies.

- **Introducing a formalised risk-based supervision model.**
The growth in both the number and size of supervised entities requires the regulator to employ more sophisticated supervisory tools. Transitioning to a more formalised model of proactive, risk-oriented, and continuous supervision enables more effective monitoring and management of risks, optimisation of supervisory resources, and the implementation of best supervisory practices in an increasingly complex market environment. Within a risk-based supervisory framework, relevant risks will be identified by categories of entities, and entities will be assigned risk scores accordingly, with their risk profiles updated on a regular basis. The assignment of scores and the development of risk profiles are intended to determine the frequency, intensity, and scope of supervisory activities. Supervisors use these mechanisms to allocate resources efficiently, prioritising entities or areas that present higher risks and greater potential impact. Risk-based supervision is grounded in the following principles:
  - Engagement with regulated market participants - The governance of supervised entities and their attitude towards risk are key determinants of their overall risk profile and serve as an

31. Order No. 33/01 of 9 March, 2010 of the Governor of the National Bank of Georgia "On the approval of the Rule on Licensing of Securities Registrars, Submission of Financial Statements, Determination of Minimum Capital Requirements, and Termination of the Activities of Securities Registrars".

32. Order No. 169/04 of 22 September, 2020 of the Governor of the National Bank of Georgia "On the approval of the Rule on Maintaining the Register of Unit-Holders of Investment Funds".

33. The order №181/04 of 7 October, 2020 of the Governor of the National Bank of Georgia "On the approval of the rule of transparency of information about the issuer and the appointment of a securities registrar for the issuer".

34. Order N180/04 of the Governor of the National Bank of Georgia "On Insider dealing, the Unlawful Disclosure of Inside Information and Market Manipulation".

35. Order No. 49/04 of 3 May, 2012 of the Governor of the National Bank of Georgia "On the Approval of the Regulation on Standard Certificates of Deposit".

36. Order No. 170/04 of 22 September, 2020 of the Governor of the National Bank of Georgia "On the Approval of the Rule for the Authorization, Registration, Recognition and Regulation of Investment Funds".

important mechanism for risk mitigation. Accordingly, maintaining an active dialogue with the management bodies of supervised entities is essential. This enables the supervisor to gain insight into firms' culture, strategy, and motivation. Such engagement should support the strengthening of internal control mechanisms and the enhancement of risk management practices by both the supervisory board and senior management;

- Focus on material risks - Supervisory attention should be directed towards those risks that pose the greatest threat to the capital market and/or to investors' interests or/and assets;
- Forward-looking approach and early intervention - This entails the early identification by the supervisor of risks and vulnerabilities faced by supervised entities, and the timely implementation of appropriate corrective measures to address them;
- Consistency - Ensuring that consistent requirements and approaches are applied in the decision-making process across all supervised entities;
- Efficient use of internal resources - Risk-based supervision involves the optimal allocation of supervisory resources by focusing on key risks and their mitigation, rather than relying on a purely passive assessment of compliance with the regulatory framework.

- **Promoting market development and conducting research, including:**
  - ***Publication of interactive statistics and research:***
    - Interactive capital market statistics - In 2024–2025, the NBG began producing interactive statistics on publicly issued corporate bonds in the domestic market, as well as bonds issued in the domestic market by international financial institutions. These statistics will be publicly available and updated on a monthly basis on the NBG's website. Starting from 2026, it is planned to expand the scope of interactive statistics to include information on bonds issued in the domestic market through private placements, as well as bonds issued by Georgian companies in foreign markets, with subsequent periodic updates. In addition, the NBG plans to publish periodically updated interactive statistics on the ownership structure of debt securities issued in the domestic market;
    - Reports on Capital Market Development Trends - in 2024-2025, the NBG began publishing a regular (semi-annual) review report reflecting significant developments that occurred in Georgia's securities market during the reporting period (issuances carried out, interest rates, secondary market activity, the size of the investment fund market, new trends, etc.). In line with market development, this report will be supplemented with additional sections reviewing other/additional segments of the capital market;
    - Academic research/presentations - The NBG will periodically prepare and publish academic research/presentations addressing key issues related to the development and/or regulation of the securities market.
  - ***Supporting the introduction of new financial instruments:***
    - Development of a regulatory framework for Real Estate Investment Trusts (REIT) - The NBG will continue to cooperate with the Ministry of Economy and Sustainable Development of Georgia to develop a regulatory framework for REITs through legislative amendments, including in the area of taxation. Following the adoption of the relevant legislative changes, the NBG will establish more detailed supervisory requirements for REITs within the investment funds framework, in line with international best practices;
    - Promoting the development of the covered bond market - The NBG, in close cooperation with the European Bank for Reconstruction and Development (EBRD), will support the introduction of a digital solution for the management of assets used as collateral for covered bonds in commercial banks. The digital platform, to be developed by an international provider with appropriate expertise and reputation, will be made available to all commercial banks in Georgia. The NBG will also undertake measures to support inaugural covered bond issuances by commercial banks. These may include the development of detailed guidance on supervisory and regulatory requirements, as well as facilitating the sharing of international experience.

- *Encouraging retail investor participation in the securities market:*
  - The NBG will place particular emphasis on strengthening financial education programmes and introducing investor protection mechanisms, aiming to increase the awareness of potential investors and further enhancing investor confidence;
  - The NBG will encourage brokerage firms to implement user-oriented and easy-to-use digital platforms, ensure a transparent and accessible information environment, and offer a diverse range of investment products tailored to the needs of retail investors.

- **Promoting competition in the market, including:**
  - *Promoting the introduction of innovative products and services:*
    - The NBG will cooperate with market participants and other stakeholders to support the introduction of innovative products and services, including through the use of a regulatory sandbox. Encouraging innovation will contribute to the entry of new participants into the market;
    - The NBG will carry out continuous monitoring of the capital market structure and the competitive environment, including periodic assessments of concentration risks, conflicts of interest, and practices that may distort competition or harm investors, and will take appropriate supervisory measures where necessary.
  - *Strengthening cooperation with international partners:*
    - The NBG will cooperate with foreign securities regulators to promote the development of consistent and proportionate regulatory and supervisory approaches in the capital market. The exchange of experience with international partners will support the early identification of potential market barriers, emerging business models, and factors that may restrict competition. In this context, it is noteworthy that in 2021 the NBG became an ordinary member of the IOSCO;
    - The NBG will cooperate with foreign securities regulators (including through the conclusion of relevant memoranda of understanding), to facilitate closer integration of the domestic market with international markets and to reduce barriers to entry for foreign market participants into Georgia. This, in turn, will contribute positively to the development of a competitive market environment.

- **Protecting retail investors, inter alia, including:**
  - *Strengthening the monitoring of compliance with the requirements set out in the Code of Ethics:*
    The NBG plans to enhance oversight of compliance by banking and securities market participants with the principles of ethics and the requirements established under the Code of Professional Conduct, including through qualitative reviews of submitted reports. In accordance with the Code, financial institutions within its scope are required to submit monthly reports to the NBG on incidents, breaches, complaints, and measures taken under the Code;
  - *Enhanced supervision of high-risk financial instruments:*
    Proactive and risk-based supervision of complex financial instruments intended for retail investors constitutes a key priority. The risks inherent in leveraged instruments and/or those linked to highly volatile assets are often not fully understood by non-professional investors. Accordingly, the NBG's supervisory approach is determined by the economic substance of such products, rather than their commercial designation.
    In this context, priority will be given to strengthening oversight of the design and distribution processes of complex retail financial products. Particular attention will be paid to the proper identification of target markets and the implementation of appropriate distribution strategies. Supervision will also cover transparent communication of risks and the effective management of conflicts of interest - especially in cases where firms may have incentives to promote higher-risk products. Strengthening these approaches and ensuring rigorous monitoring of their implementation, alongside support for innovative products and services, will contribute to enhanced investor protection and reinforce confidence in the capital market.

01.01.2026

Priority	Activity	Action Plan					
		2026		2027		2028	
		HY1	HY2	HY1	HY2	HY1	HY2
DEVELOPMENT OF THE SECURITIES MARKET	Enhancing supervisory reporting standards for brokerage firms, commercial banks, micorbanks and investment funds						
	Updating the order N35/04 of 14 February, 2012 of the Governor of the National Bank "On approval of the rules for determining, imposing and enforcing monetary penalties against entities and members of their governing body, for violation of securities legislation, the Law of Georgia "On Accounting, Reporting and Auditing" and the Law of Georgia "On Facilitating of the Prevention of Money Laundering and the Financing of Terrorism"						
	Reviewing and, where necessary, updating the rule on licensing and regulation of brokerage firms						
	Reviewing and, where necessary, updating the Code of Professional Conduct for securities market participants						
	Developing a regulatory framework for the liquidation of asset management companies						
	Reviewing and, where necessary, updating the rule on regulation of stock exchanges						
	Updating the rule on the assignment of ISINs						
	Updating the regulatory framework governing public offerings of securities						
	Developing standardized form (template) for public offering prospectuses						
	Advancing the update of the regulatory framework for takeover bids						
	Working towards the implementation of sustainability reporting						
	Updating the rule "on governing the determination of the record date for ownership of publicly offered securities, book-entry holding, the rights and obligations arising from share ownership, and the procedures for the creation, transfer, and termination of ownership rights in publicly offered securities"						
	Updating the rule on licensing and regulation of securities registrars						
	Developing rules on maintaining investment accounts of unit-holders in collective investment funds						
	Updating the rule on maintaining the register of unit-holders in investment funds						
	Reviewing and, where necessary, updating the rules on transparency of issuer information						
	Reviewing and, where necessary, updating the rule on governing insider trading and market manipulation						
	Updating the regulatory framework for certificates of deposit						
	Reviewing and, where necessary, updating the investment funds regulation						
	Development of a regulatory framework for Real Estate Investment Trusts						
	Support the introduction of a digital solution for the management of assets used as collateral for covered bonds in commercial banks						
	Support inaugural covered bond issuances						

ENHANCEMENT OF FORWARD-LOOKING SUPERVISION AND FOSTERING INCLUSIVITY

The complexity and dynamism of the modern financial sector requires the central bank not only to respond to existing challenges, but also to anticipate potential risks in advance and adapt to them. In this regard, the effectiveness of supervision is directly linked to the regulator's internal organizational stability and the existence of a proper decision-making process. Accordingly, one of the important factors of forward-looking supervision is organizational development itself, which in turn requires continuous effort.

At the same time, increasing inclusiveness is an integral part of a forward-looking vision, which involves integrating diverse perspectives and opinions into the decision-making process. In addition to fostering an inclusive environment for employees, the NBG also places great importance on the involvement of interested parties in processes in this regard. An inclusive approach helps the NBG to better understand the needs of various segments of the financial sector. The NBG aims to fulfill this priority through the implementation of the following activities:

- Development of a Regulatory Impact Assessment (RIA) methodology as part of the NBG's cyclical policy-making process.
- Refining the rule for decision-making on key issues related to the supervision of banking and non-banking institutions.
- Continuing to work on improving the reporting submitted by commercial banks and microbanks to the NBG, which, inter alia, includes greater detalisation of the information published on the NBG's website, thereby ensuring even greater transparency.
- Updating the NBFI Remote Supervision Portal[37] and, as necessary, updating the rules for the use of the NBFI Remote Supervision Portal.
- Development of data analysis and Supervisory Technologies (SupTech instruments) at the NBG, which includes:
    - Developing the credit registry and improving data quality;
    - Optimizing supervisory forms/reports;
    - Modeling Big Data and integrating it into the supervisory process;
    - Implementing Machine Learning algorithms;
    - Migrating supervisory information to an XBRL-based standard;
    - Developing risk analytical tools (dashboards);
    - Introducing Artificial Intelligence (AI) and new embedded supervision technologies, including the development of Application Programming Interface (API)-based supervision.
- Deepening cooperation with local and international organizations, including counterpart agencies, through the signing of memoranda of understanding and, as necessary, updating existing ones, which will strengthen effective coordination, the timely exchange of information, and the development of joint supervisory approaches.
- Strengthening functional roles in the supervisory decision-making process, with the aim of reducing business continuity risk, preserving institutional memory, and facilitating the systematization of the information base, so as to establish the clearest possible framework and to strengthen a systemic approach to the storage of supervisory information.
- Development of relevant software, databases, and methodologies, which will help NBG employees analyze information more quickly and carry out effective supervision.
- Continuing active communication and dialogue with financial sector representatives and interested parties, including within the framework of public or sector-specific consultations, as well as through the planning of meetings, summits, trainings, and similar activities.

37. The portal is available at the following web-page.

- Strengthening an inclusive and flexible work environment based on equality and diversity, and aimed at motivating employees.
- Maintaining an ongoing focus on the professional growth of NBG employees, including:
  - Implementing and developing an internal electronic system for qualification enhancement and professional administration;
  - Ensuring the involvement of employees in events planned by central banks, financial institutions, and other leading organizations, both domestically and internationally.
- Further strengthening teamwork and a collaborative culture at the NBG, which, among other things, includes the sharing of knowledge and information among the various structural units.
- Talent management and development, given that the NBG's core activities are linked to specific competencies that are in short supply in the labor market.
- Promoting open communication and continuing to refine staff performance evaluation systems, so as to help each employee to realize individual potential and continuous development.

01.01.2026

Priority	Activity	Action Plan					
		2026		2027		2028	
		HY1	HY2	HY1	HY2	HY1	HY2
ENHENCING FORWARD-LOOKING SUPERVISION AND FOSTERING INCLUSIVITY	Development of a Regulatory Impact Assessment (RIA) methodology as part of the NBC's cyclical policy-making process						
	Refining the rule for decision-making on key issues related to the supervision of banking and non-banking institutions						
	Updating the NBFI Remote Supervision Portal and, as necessary, updating the rules for the use of the NBFI Remote Supervision Portal						
	Introducing Artificial Intelligence (AI) and new embedded supervision technologies, including the development of Application Programming Interface (API)-based supervision						
	Implementing and developing an internal electronic system for qualification enhancement and professional administration						

MILESTONES OF 2025 AND STRATEGY IMPLEMENTATION REPORT

In 2025, the NBG, with the aim of strengthening the supervisory function and further approximating to international standards, worked on a number of important projects and reforms in accordance with the Action plan defined by the 2023-2025 Supervisory Strategy. A brief overview of these activities is provided below, while more detailed information about the NBG's work in 2025 can be found in its 2025 Annual Report.[38] Additionally, a number of activities were reflected in the 2026-2028 Supervisory Strategy Action Plan.

IMPROVEMENT OF FINANCIAL SECTOR RISK MANAGEMENT FRAMEWORK AND PROACTIVE RESPONSE TO OUTCOMES

- In recent years, the financial sector, especially banking institutions, have actively started using cloud outsourcing services. The process of migrating critical functions to the cloud environment continued, resulting in a further increase in the use of cloud outsourcing services in the banking sector. As of 2025, 53% of the critical functions of the banking sector have been migrated to the cloud environment.
- In 2025, work continued on further improving the operational risk management framework for commercial banks and microbanks. To strengthen operational risk management in financial institutions and promote international best practices, an International Monetary Fund technical assistance mission was conducted in 2025. Within the framework of the mission, the compliance of the operational risk management regulation with the latest Basel principles was reviewed, and issues related to operational risk stress tests and effective risk data aggregation and risk reporting were discussed. The recommendations provided will be taken into account in the operational risk management supervisory process. As part of this process, work on updating the operational risk management framework for commercial banks and microbanks is planned for 2026.
- The NBG actively worked with commercial banks and microbanks to assess and improve their operational risk management processes. Inspections of commercial banks and microbanks for compliance with the NBG's operational risk management framework were ongoing. Particular attention was given to the thorough execution of business continuity planning by commercial banks under various scenarios, the assessment and monitoring of outsourced processes, risk assessment and mitigation tools, and the institutionalization of a sound risk profile and risk culture.
- In 2025, expanding operational risk forecasting tools remained a priority. In this context, operational risk stress tests continued to be studied and researched to determine the expected impact of negative scenarios on an organization's capital and financial condition and to mitigate it. Greater emphasis was placed on recording and refining historical data on losses from potential or actual operational risks, conducting cause-effect analyses of operational risk events, and assessing systemic impact. Additionally, scenario-based testing was integrated into business continuity. Banks took this approach into account both in the process of developing recovery plans and within the framework of stress testing. At the current stage, further research and development in this area are ongoing. The NBG emphasizes minimizing losses caused by human error, improving manual processes and controls, and automating the detection and recording of such losses.
- In 2025, the Operational Risk team of the NBG was actively involved in and supported the safe and sustainable development of financial technologies, innovative banking products, digitalization of processes and digital banking in Georgia's financial sector. Throughout the year, the NBG continued to analyze and assess operational risks related to innovative financial technology products presented by supervised entities, open banking, digital banking and remote identification processes.

38. The NBG's annual reports are available on the website.

- The NBG continues to assess the operational risk management framework of commercial banks and microbanks and conducts on-site inspections in accordance with the plan. In 2025, within the framework of cyclical assessments of the operational risk management framework, priority areas included operational resilience, outsourced processes, risk monitoring and mitigation tools, accuracy risk, risk profile assessment, and the institutionalization of a sound risk culture. The NBG places significant emphasis on commercial banks and microbanks implementing and applying a unified operational risk management methodology across the organization, including ensuring the integration of information and communication technology risk management processes and their alignment with operational risk management principles and methodology. The NBG places significant emphasis on the evaluation process conducted by commercial banks and microbanks when initiating outsourcing relations, specifically the assessment of relevant companies and products. Additionally, the Bank highlights the importance of monitoring outsourced processes and performing periodic reassessments, using both scheduled and risk-based approaches. Throughout the past year, as part of the monitoring of commercial banks and microbanks, the NBG continuously assessed the current status of supervisory requirements issued to them.
- The NBG places great emphasis on raising awareness of operational risks in the Georgian banking sector, expanding operational risk management, and developing supervisory principles. In this regard, recommendations for the implementation and assessment of operational risk management practices are also shared to support the digitalization of non-bank financial institutions, startups, and fintech providers.
- Within the cybersecurity supervisory requirements applicable to the banking sector, in 2025, as in 2024, the NBG continued to oversee the implementation, effective functioning, and further development of the cybersecurity management framework across banks. The cyber-risk supervision team carried out cyclical evaluations of commercial banks to verify compliance with this framework, which were primarily conducted through physical on-site visits. Identified gaps were addressed through both mandatory corrective measures and a set of recommendations. In light of ongoing risks and challenges, key areas for enhancement included formalizing and improving the effectiveness of cyber and information-security processes; improving risk-management practices, including the management of risks arising from third parties; enhancing the effectiveness of processes and technological solutions implemented for information protection; sustaining ongoing awareness-raising initiatives; and reinforcing the competencies of staff engaged in information and cyber security. Special attention was also paid to the existence and effectiveness of business-continuity and preparedness plans for potentially large-scale cyber incidents.
- Throughout 2025, the NBG actively worked on updating the regulatory requirements for cybersecurity management for commercial banks and microbanks, including digital banks, as well as developing relevant requirements for credit information bureaus. The work was based on the legislation in force in the European Union and recognized industry standards, the cyber risk supervision practices of European central banks, as well as recommendations received within the framework of a technical mission in cooperation with the International Monetary Fund (IMF). Based on the review of these recommendations, significant updates to the Regulation on Cybersecurity Management and the rules for reporting cybersecurity incidents to the NBG were prepared. Additionally, a draft updated cybersecurity management framework for commercial banks, microbanks, and credit information bureaus was prepared and is currently being refined based on comments received after it was shared with the sector.
- Throughout 2025, the scope of cyber risk supervision was also expanded to include non-bank financial institutions, representing a logical continuation of efforts to create a comprehensive picture of cybersecurity in the financial sector. As in previous years, one of the most significant issues in Georgia's financial sector in 2025 remains the proper management of supply chain security risks.

- The NBG monitors ongoing developments in the banking sector to ensure that, in the event of identified cyberattacks, relevant information is promptly shared with the entire banking sector. Quarterly reports on cyber incidents enable the tracking of the trends and dynamics in cyber incidents. In 2025, phishing and system disruptions continued to be among the most significant incidents. Additionally, as in previous years, distributed denial-of-service (DDoS) attacks causing service interruptions were also recorded in the banking sector in 2025, with critical third parties being no exception. It is noteworthy that the NBG closely monitors ongoing technological developments in the financial sector, which, in turn, are associated with cyber and information security challenges. Throughout 2025, the scope of the NBG's cyber risk supervision was expanded to include non-bank institutions.
- To enhance consumer rights protection standards in the financial sector, develop market conduct supervision, and improve the consumer-oriented environment, the NBG approved the Market Conduct Supervision Strategy in 2025. The adoption of the Strategy facilitates access for the public and other interested parties to information on the NBG's vision, priorities, and plans regarding consumer rights protection. It also supports the effective planning of the NBG's activities in this area and increases financial organizations' awareness of future activities. The document defines the priorities and main directions of market conduct supervision, as well as assessment indicators and the process for their monitoring. Additionally, it is noteworthy that the NBG's priorities for consumer rights protection for 2025-2027 were defined as follows:
    - Strengthening risk-based supervision;
    - Approximation to international standards/best practices;
    - Strengthening the consumer rights protection function of the NBG and increasing transparency.
- In 2025, a provision of the "Corporate Governance Code for Commercial Banks" entered into force, which further increased the requirement for gender diversity. Specifically, from June 1, 2025, banks were obliged to ensure that the share of members of a different gender in their Supervisory Boards was at least 40 percent. As for microbanks, they are required to comply with the aforementioned 40 percent requirement from July 1, 2026. As an exception, banking institutions whose Supervisory Boards consist of three members, taking into account the bank's size and scale of activities, are required to ensure that the share of members of a different gender is at least 33 percent. Additionally, amendments were made to the Corporate Governance Codes for Commercial Banks and Microbanks, clarifying the requirement related to the remuneration of Supervisory Board members. Specifically, under the amendments, for the purposes of calculating the 30 percent limit between remunerations, the remuneration of the independent Chair of the Supervisory Board and members receiving zero remuneration is no longer taken into account.
- The development of the financial system and the challenges accompanying this development expand the scope of application of the macro-financial model and create growing demands for it. Accordingly, the development and refinement of the macro-financial model is an ongoing process, in which technical assistance from international partner organizations is of particular importance. It is noteworthy that the NBG gradually transitioned from local reporting standards to International Financial Reporting Standards (IFRS 9). Since July 2023, local standards have been fully replaced by IFRS 9 standards. Taking into account these changes in reporting standards, the "top-down" stress-testing methodology was also updated. Specifically, as part of an International Monetary Fund mission, a new approach to credit risk modelling was introduced in early 2025 to assess Expected Credit Losses (ECL) in accordance with IFRS 9. Under the new methodology, the first stage involves modelling the transition matrix between loan stages, which ultimately allows the matrix to be characterized by a single number. The second stage involves developing a satellite model based on the estimates obtained from historical matrices, which links macro-financial variables to the matrix estimates. The third stage involves obtaining transition matrices between loan stages in accordance with macro-financial risk scenarios. The models are broken down by household and business loans, in both local and foreign currencies. The results of the stress test conducted in accordance with the new approach are published in the 2025 Financial Stability Report.

- To support the resilience of the banking system and a forward-looking macroprudential policy, the NBG has periodically conducted supervisory "bottom-up" stress tests since 2017. The latter allows both the regulator and commercial banks themselves to identify the main challenges of the banking system and explore possible ways to mitigate them. Accordingly, identifying banks vulnerable to severe stress and, where necessary, imposing an additional capital buffer, the "net stress test buffer", will make the banking system more stable overall. According to the results of the "bottom-up" stress test conducted in 2025, the Georgian banking system as a whole operates with sufficient capital buffers, meaning that the buffers available to the system and the conservation and countercyclical buffers potentially releasable under stress, as well as one-third of the unhedged foreign currency credit risk buffer, would be sufficient to cover losses resulting from stress. Accordingly, hypothetical severe capital losses do not pose a threat to the stability and resilience of the system.
- In 2025, the Stress Testing Guideline was updated and a stress-testing exercise was conducted. The NBG reviewed the results. However, at this stage, the stress test buffer has not been imposed on any bank and remains at 0 percent.
- At the instruction of the NBG, commercial banks periodically conduct supervisory stress tests, the results of which are analyzed by the NBG. Stress-testing rounds are conducted cyclically every two years, and following the analysis of the results, the methodology is refined as necessary.
- The existence of effective and sound corporate governance and a well-functioning operational environment in financial institutions is particularly important and contributes both to the establishment of an effective risk management framework and to the more efficient functioning and sustainable development of the organization. To ensure this, amendments were made to Order No. 143/04 of July 5, 2018 of the Governor of the National Bank of Georgia, "On Approval of Regulation on Supervision and Regulation of Microfinance Organization Activities", and requirements related to corporate governance and operational risks were established. The amendments established corporate governance and operational risk management requirements for microfinance organizations. The amendments addressed matters related to the composition of the general meeting, Supervisory Board and its Audit Committee/other committees, and the director/Directorate of a microfinance organization, as well as their functions, rights and obligations. Additionally, following the amendment to the Law of Georgia "On Microfinance Organizations", it was determined that the total amount of loans issued by a microfinance organization to a single borrower or a group of interconnected borrowers shall not exceed GEL 200,000 instead of GEL 100,000. At the same time, to mitigate risks, it was established that the total amount of all loans issued by a microfinance organization exceeding GEL 100,000 shall not exceed 50 percent of the microfinance organization's supervisory capital.
  Amendments were made to Order No. 58/04 of April 5, 2018 of the Governor of the National Bank of Georgia, "On Approval of the Rule and Conditions for the Registration of a Microfinance Organization with National Bank of Georgia". The amendments clarified certain provisions regulating the activities of microfinance organizations, including registration requirements, requirements applicable to partners/shareholders and beneficial owners, as well as administrators. Taking into account the supervisory powers of the NBG , the grounds for refusing registration as a microfinance organization and revoking registration were specified. At the same time, the relevant amendments were made, and the annexes to the Rule were revised. The amendments determined that the Supervisory Board of a microfinance organization is subject both to the requirements established by the Law of Georgia "On Entrepreneurs" and to the additional requirements established by Order No. 143/04 of July 5, 2018 of the Governor of the National Bank of Georgia, "On Approval of the Rule for the Supervision and Regulation of the Activities of Microfinance Organizations". These amendments aim to strengthen risk management, raise transparency standards, boost accountability, and foster sustainable development. Through the refinement of systems and processes, the non-banking financial sector continues to develop and adapt to a dynamic regulatory environment. The sector actively develops remote and online service channels, introduces digital innovations, and enhances efficiency through the automation of operational processes.

- A draft amendment to the format of financial reporting, submission deadlines, and accounting rules to be submitted by microfinance organizations to the NBG has been prepared and is currently under review.
- Work on further improving the guideline on the principles of financing real estate developer companies and the principles of issuing mortgage loans for the purchase of unfinished/under-construction real estate has started, and the essential part of the methodology has already been prepared. The NBG continues to work on this issue.
- NBG actively monitored the implementation of the Corporate Governance Code in commercial banks' practices and monitored the activities of governing bodies and compliance with the Corporate Governance Code, including in the areas of remuneration policies, the assessment of supervisory board activities, and the internal audit function. The results were incorporated within the framework of the General Risk Assessment Program (GRAPE).
- In 2025, to verify banks' compliance with corporate governance requirements, NBG actively reviewed and analyzed reports of banks' internal audit functions. This enabled, on the one hand, the identification of challenges within banks and, on the other hand, the assessment of the effectiveness of the internal audit function itself as the third line of defence. The assessment of banks' corporate governance and group structure risk is part of NBG's General Risk Assessment Program (GRAPE). The assessment of group structure includes the bank's ownership structure, risks related to investments and transactions with banking group members, as well as the assessment of risks related to banks' investments and investment activities. As part of the assessment, NBG actively monitors developments in the home countries of international banking groups represented in Georgia and assesses qyalifying holding investors. Throughout 2025, NBG also actively assessed the structure of banking groups, including developments in the home countries of banks licensed in Georgia and the transmission of existing risks to the bank.
- In 2025, each participant in the banking sector prepared recovery plans outlining the measures to be implemented by the commercial bank to improve its financial condition and restore and maintain critical functions in the event of significant financial difficulties and/or disruption of critical functions. NBG reviewed these documents individually for each bank and provided appropriate feedback, taking into account regulatory requirements and international best practices. The requirements for these plans are regulated by the relevant rule that forms part of the recovery framework.
- Co-authored by NBG, a package of legislative amendments was developed between 2022 and 2023 and will be submitted to Parliament for approval. The proposed amendments concern the Organic Law of Georgia "On the National Bank of Georgia", the Law of Georgia "On the Microfinance Organizations", as well as several other regulatory acts. The main objective of these amendments is to expand the authority of NBG by legally defining the procedures for the liquidation and insolvency/bankruptcy of microfinance organizations, and the introduction and operation of a temporary administration regime for microfinance organizations. These changes grant NBG the sole authority to declare a microfinance organization insolvent and/or bankrupt, which will facilitate a timely and efficient process for satisfying creditor claims of microfinance organizations and payment service providers. NBG will also appoint the liquidators of these supervised entities and the temporary administrators of microfinance organizations, who will be accountable to NBG. The adoption of this draft law will strengthen NBG's supervisory framework in regulating and overseeing microfinance organizations.

PROMOTION OF COMPETITION IN THE FINANCIAL SECTOR

- In 2023, as a result of the adoption of the Law of Georgia "On the Activities of Microbanks" and the development of the relevant regulatory framework, microbanks were added to the list of supervisory entities of the NBG. On February 12, 2025, the NBG granted the second microbank license to JSC Crystal, following the review and analysis of the information and documentation submitted by the license applicant to assess its compliance with licensing requirements. Prior to obtaining the microbank license, JSC Crystal operated as a microfinance organization, with its core business focused on financing small entrepreneurs. Throughout 2025, the supervisory process with microbanks was actively conducted. It is noteworthy that the NBG granted the first microbank license to JSC Micro Business Capital (MBC) on December 5, 2024.
- In 2026, the Parliament of Georgia adopted the Law of Georgia "On Factoring" and the related legislative package, as a result of which factoring companies became subject to the supervision of the NBG. The NBG is working on issuing the relevant subordinate legal acts within the deadlines established by law.
- The NBG has started working on updating the so called digital bank licensing principles and developing the regulatory framework in various areas. Ensuring adequate cyber and information security requirements for digital banking licenses remained an actual issue. Throughout 2025, the NBG's cyber risk supervision team continued to be actively involved both in the oversight of digital banks and in the licensing process of new digital banking entities. The number of parties interested with digital banking license is quite high, and intensive consultations are ongoing.
- To promote and strengthen competition in the market, the relevant World Bank technical assistance project is pending.
- To improve the regulatory framework for currency exchange units and develop a regulatory framework for non-cash currency exchange units, Order No. 37/04 of February 28, 2018 of the Governor of the NBG "On Approval of the Rules for Registration and Regulation of Currency Exchange Units" was repealed, and the new "Rule for Registration and Regulation of Currency Exchange Units" was approved by Order No. 167/04 of July 9, 2025 of the Governor of the NBG. To diversify customer services, increase the transparency of operations, and strengthen the competitive environment in the market, in 2025, the NBG introduced a new type of activity permit for conducting non-cash currency exchange operations and developed the relevant regulatory framework. Within this framework, the regulation of cash and non-cash currency exchange unit activities was clearly separated through a separate permit, ensuring a more structured and transparent functioning of the market.
- In 2025, the guideline "Structural and Behavioral Remedies in Concentration Control" was published. The development of this document fulfilled one of the recommendations provided under the Financial Sector Assessment Program (FSAP) conducted jointly by the International Monetary Fund (IMF) and the World Bank on creating a competitive environment in the financial sector, which called for the development of guidance on structural and behavioral remedies during concentration control.
- Work is underway on the NBG's methodology for Regulatory Impact Assessment (RIA). Developing this methodology and implementing the corresponding practice, specifically concerning the assessment of impact on competition, is one of the recommendations received within the FSAP program. However, it is worth noting that, at the initiative of the NBG, the scope of this methodology is envisioned to be broader than just assessing the impact on competition.
- In 2025, cooperation with institutions across the country was strengthened to ensure the effective enforcement and implementation of competition policy. As part of this cooperation, joint events were held and coordinated activities were strengthened. Within the framework of this cooperation, on November 13-15, 2025, the 4th International Conference "Competition and Consumer Rights Protection" was held in Georgia, jointly organized by the Georgian Competition and Consumer Agency, the NBG, the Georgian National Energy and Water Supply Regulatory Commission, the Insurance

State Supervision Service of Georgia, and the Communications Commission. The conference focused on strengthening competition policy, discussing the results achieved and existing challenges, as well as improving consumer rights protection mechanisms.

- In 2025, by Order No. 60/04 of March 7, 2025 of the Govrnor of the NBG, amendments were made to the "Rule on the Protection of Consumer Rights in the Provision of Services by Financial Organizations", under which, in the case of refinancing a loan/credit from another financial organization, the early repayment fee was set at a reduced amount (not exceeding 0.5% in relevant cases). These amendments entered into force on May 1, 2025.
- To monitor the protection of financial sector consumer rights, and based on observations of existing market challenges, in 2025, the NBG continued remote and thematic inspections of entities under its supervision.
- The NBG started working on reflecting certain requirements of the EU Mortgage Credit Directive in the Rule "on the Protection of Consumer Rights in the Provision of Services by Financial Organizations", including the standardization of mortgage loan agreements, and this work will continue in 2026. Additionally, based on amendments to the Organic Law of Georgia "On the National Bank of Georgia", since January 2025, information on sanctions (monetary penalties) imposed on financial organizations in the area of consumer rights protection have been published on the NBG's website. This contributes to raising public awareness of violations related to consumer rights protection and encourages financial organizations to better comply with existing regulatory requirements. It is also noteworthy that defining criteria for ensuring that products offered by the financial sector meet consumer interests and needs remains one of the significant challenges. This is, among other things, a challenge worldwide and is important both for consumer protection and for the risk management of financial organizations. Accordingly, in 2025, the NBG started working on developing a guideline defining criteria for creating consumer-oriented products, which is expected to be completed in 2026.

ENCOURAGING FINANCIAL INNOVATION AND DEVELOPING SUPERVISORY TECHNOLOGIES

- The share of innovations and innovative organizations in the financial sector is increasing, bringing both new opportunities and new risks. The financial sector remains the most regulated sector of the economy worldwide, with an increasing trend in regulation. Consequently, the current supervisory framework is quite broad, technical, and complex, especially for new financial startups. Against this background, encouraging innovators with fintech ideas and facilitating the transformation of these ideas into sustainable financial models is a significant challenge for financial sector regulators. In response to this challenge, the NBG is developing various supervisory approaches and promoting the creation of basic infrastructure for fintech activities.
- Throughout 2025, the Financial Innovation Office provided support and consultations to approximately one hundred individuals and held important meetings with persons presenting innovative ideas. An internal registry of the Innovation Office was created to record these meetings and consultations in detail and conduct subsequent analysis. Over the course of the year, the Office maintained close contact with international financial institutions to stay informed about emerging developments and supervisory approaches related to innovation in the financial sector.
- In 2025, two new entities entered the real-world testing phase of the Regulatory Sandbox. Each of them had submitted innovative projects with distinct scopes. These projects cover areas such as crypto-backed lending and an online currency exchange service. In addition, special attention was paid to initiating Targeted Sandboxes in 2025. Based on active market research and the study of international practices, Targeted Sandboxes were announced in the areas of tokenized deposits, crowdfunding, and artificial intelligence (AI). Work is also actively underway on launching sandboxes in other new areas, including a sandbox for tokenized bonds.

- The NBG prepared the draft National Fintech Development Strategy for 2027-2031. The aim of the strategy is to strengthen collaboration among relevant stakeholders both domestically and internationally in order to take consistent and coordinated steps toward building an inclusive and innovative fintech ecosystem. The strategy was prepared in cooperation with the World Bank. The vision of Georgia's Fintech Strategy is to develop a fintech-friendly regulatory environment and modern financial infrastructure that will foster responsible innovation and competition in financial services and help Georgia become a leading fintech hub in the Middle Corridor countries.
- In 2025, work continued to improve data quality in the Credit Registry, including strengthening data validation and control mechanisms. Particular attention was paid to ensuring data completeness and consistency, which significantly increased the reliability of the information reflected in the Credit Registry. Throughout the year, various reports, as well as analytical and supervisory reports for specific needs, were also prepared based on Credit Registry data.
- The use of various statistical models in decision-making processes within the financial sector is becoming increasingly widespread. Such models are extensively applied in lending, assessing a customer's credit risk profile, the assessment of financial losses, and risk management processes. Particularly, the use of statistical models is growing in the crediting of retail, micro, and small business sectors. Recently, there has been a surge in the adoption of models based on machine learning and artificial intelligence algorithms. This, on the one hand, improves model efficiency, but on the other hand, complicates the interpretation, analysis, and risk assessment of the results. Considering current trends in the sector, there was a recognized need to develop an ethical framework for the use of models. In response, principles of ethics to be observed during the development, implementation, and use of models, as well as measures to reduce potential unethical applications of models, have been established. This change is mainly aimed at the consumer. A model built without ethical principles could unfairly classify a certain group of consumers and restrict their rights. The second change concerns the expansion of the risk-based approach — within the scope of the regulation's amendment, a methodology for the ranking and grouping of models according to risk level was developed. The third change concerns ensuring transparency and interpretability of models by entities deploying them through statistical methods. Of particular note is the growing pace of the introduction of chatbots and virtual assistants based on so-called Large Language Model (LLM) and Natural Language Processing (NLP) techniques. In 2026, an update of the regulation is planned, along with the elaboration of additional requirements to ensure consumer protection, data confidentiality, and the reliability of the model, such as: informing the consumer about interaction with AI, human involvement in high-risk cases, prevention of erroneous responses, use of controlled data sources, security testing, continuous monitoring, clear definition of the boundaries of use, evaluation of third-party models, and proper documentation of the model's functioning, limitations, and risks.
- Work on the open banking project at the NBG began in 2019. In early 2020, an Open Banking Committee was established within the framework of the Banking Association, with the objective of developing a common standard required for the implementation of open banking in the country and facilitating the further development of the project. Since 31 March 2021, open banking services have been available in Georgia. By 2024, the following API services had been introduced: Exchange of information on payment accounts, Payment initiation service, Remote identification service using open banking, Bulk payments service, Recurring payment initiation service, Future-dated payment initiation service, Variable recurring payments, Information-sharing service for deposit accounts, and Information-sharing service for loans. In 2025, active work continued to expand open banking services in Georgia and to promote the inclusion of fintech companies in the open banking ecosystem. In 2025, four non-bank entities received official approval from the NBG to join open banking. In parallel, to further develop the services, work on the technical standards for two new API services was completed in December 2025. These services are the Resource Status Notification API service and the Push Account Information Service API service, which are planned to be introduced during 2026. The new API services are being implemented based on international best practices and are

expected to make a significant contribution to the modernization of Georgia's financial ecosystem, including by enhancing competitiveness and transparency. In addition, the introduction of these new API services will support the development of diverse business models. Consultations are ongoing with both banking and non-banking sector representatives, and additional API services will be defined in line with market demand. As in previous years, numerous individual meetings were held throughout 2025 to share information about the capabilities of open banking and its future development. These meetings involved both entities supervised by the NBG and fintech companies, contributing to the formation of the open banking ecosystem and helping participating stakeholders better understand the benefits of open banking.

- Interest in open banking has grown substantially among non-bank entities. In 2025, four non-bank entities joined the open banking framework, twice as many as in the previous year. This trend clearly indicates that open banking services are becoming increasingly in demand among a wide range of financial service providers. In 2025, the NBG also began publishing on its website aggregate statistical data on the use of open banking API services by third-party providers. It is noteworthy that these statistics, particularly those relating to the Payment Initiation Service and the customer identification and verification (Onboarding) service, mostly showed a steadily increasing trend throughout the year. From January through December 2025, a total of 8,385,506 uses of open banking services were recorded. This scale demonstrates that the system has developed into a strong and reliable foundation that ensures the seamless operation of everyday digital services.
- The next phase in the development of open banking is the transition to open finance, which envisions expanding the concept of open banking to encompass a broader exchange of financial data. Open finance will enable consumers to manage and use data related not only to their bank accounts, but also to insurance, investments, pension funds, and other financial services within a unified, secure, and regulated infrastructure. In 2025, work on the transition to open finance entered a more active phase. Numerous meetings were held with various private and public organizations, as well as donor organizations, including the World Bank. As a result, preparatory work began for an international tender to procure consulting services required for the development of open finance. Under the tender, consulting services are planned to be procured for the development of a package of legislative and regulatory amendments required for the development of open finance, as well as for the design of the open finance model and ecosystem architecture. The NBG continues to strengthen the open banking and open finance ecosystem, ensuring high standards of data security and regulatory compliance, which will support the digital transformation of the country's financial sector and the development of innovative financial services.
- In 2025, a significant update was made to FINREP reporting, specifically through the transition to version 3.2 of the XBRL taxonomy, which ensures more detailed data structuring and closer alignment with European Union standards. In addition, the green loan reporting taxonomy was updated and data collection based on the new version commenced, supporting enhanced data collection and analysis in the environmental area.The receipt of reports prepared according to IFRS standards remained a priority. Supervisory data from commercial banks continued to be submitted in the traditional format, with part of the data also submitted in XBRL format. At the same time, work continued on developing an XBRL taxonomy for local reporting, which facilitates data standardization and transparent regulatory compliance. To enhance the efficiency of supervisory processes, the NBG continued to develop its internally developed application. The platform supports data processing, analysis, and a more structured execution of supervisory activities, while its continuous updating enhances the system's flexibility and functionality. Significant progress was achieved in data analysis. Granular loan data was collected, enabling more in-depth and detailed data analysis. Based on these data, dashboards were developed and are actively used in the supervisory process, supporting the timely identification of risks and decision-making. The use of the Power BI platform continued to play an important role in data analysis and visualization processes, enabling more flexible data analysis and the creation of dynamic, interactive dashboards.

- In 2025, the NBG actively worked on integrating artificial intelligence and data analytics tools into supervisory processes, which represents one of the priority areas of digital transformation. In this area, a Text-to-SQL model is being developed, which will enable analysts and supervisory specialists in the future to retrieve and process structured data from databases using natural language, without in-depth knowledge of SQL, significantly accelerating data-driven decision-making processes. The ongoing initiatives are collectively aimed at developing an integrated, AI-enhanced supervisory ecosystem, which will support the NBG's strategic objectives related to data standardization and the development of technological infrastructure.
- The digitalization of supervisory processes and the development of supervisory technologies (SupTech) remain one of the NBG's ongoing areas of work.
- The NBG continued its research activities in the field of artificial intelligence (AI) and supported the implementation of AI technologies. During the year, an AI web platform was developed at the NBG, which is currently operating in test mode and includes various tools, including a chatbot for regulatory analysis, web scraping modules, and sentiment analysis tools. In parallel, information on AI models used by financial institutions was requested and an inventory of these models was conducted. At the next stage, a detailed analysis of the models is planned and, where necessary, taking into account the identification of new risks, the regulatory framework related to model risk management will be updated.
- In 2025, in the field of DLT technology, the NBG completed an 18-month pilot project within the Digital Lari project, which enabled the testing of a programmable payments mechanism. In the next period, the NBG will prepare a new report aimed at interpreting the results obtained during the pilot and planning of next steps for the digital Lari project.
- The NBG is implementing models for accounting expected credit losses in financial institutions in connection with the adoption of the IFRS 9 standard. Due to the complexity of these models and their potential impact on a bank's financial position, they are considered high-risk. In 2025, the in-depth analysis of the models and relevant methodologies continued, including the active identification and assessment of deficiencies that may give rise to model risks. This is an ongoing process, and the objectives for 2026 include assessing changes made and planned by banks to their models.
- In order to support embedded finance, the NBG continued active communication with the sector to explore available opportunities.This is a continuous process pursued by the NBG through strengthening open banking and open finance initiatives, as well as through active engagement with regulated and unregulated entities and awareness-raising activities. In case of new developments arise, the NBG also stands ready to use the Regulatory Sandbox.
- In 2025, work continued to improve data quality in the Credit Registry, including strengthening data validation and control mechanisms. Particular attention was paid to ensuring data completeness and consistency, which significantly increased the reliability of the information reflected in the Credit Registry. Throughout the year, various reports, as well as analytical and supervisory reports for specific needs, were prepared based on Credit Registry data.

APPROXIMATION TO INTERNATIONAL STANDARDS

- In line with World Bank recommendations and to align with best international practices, the NBG has actively developed its market conduct supervision function. The primary goal of this function is to strengthen risk-based supervision principles in protecting the rights of financial sector consumers. In this regard, NBG developed a Market Conduct Supervision Strategy.
- A sustainable financial system, which involves the management of environmental and social risks and, at the same time, is an important contributing factor to sustainable development, is important for financial stability. NBG has been actively developing its sustainable finance framework since 2017. In 2025, following the successful implementation of the first Sustainable Finance Roadmap, NBG published its second Sustainable Finance Roadmap, which defines the NBG 's main priorities and action plan for 2025-2028.
- In 2025, NBG published its fifth Sustainable Finance Status Report. The report provides an overview of existing trends, implemented policies, and future plans for sustainable finance in Georgia. In 2025, NBG, in cooperation with the Investors Council, commercial banks, and the Banking Association, developed a definition of a woman entrepreneur (a women-owned and women-led enterprise) and a reporting form. The initiative aims to systematically collect gender-disaggregated data from banks on enterprise financing. Commercial banks prepared their first reports based on 2024 data, while regular quarterly reporting will begin in 2026, ensuring the continuous monitoring and availability of gender-disaggregated enterprise data. In parallel, in 2025, to reflect developments in international sustainability reporting standards, NBG began updating the existing ESG reporting and disclosure form. The updated disclosure form is aligned with leading international standards and frameworks. Reporting using the updated form will begin in 2026, and the reports will be published on NBG's website. At the same time, throughout 2025, NBG worked on developing a green loan dashboard. This initiative will improve the accessibility and usability of green loan data for a wide range of stakeholders, including policymakers, financial institutions, and researchers. The green loan dashboard will be published on NBG's official website in 2026.
- in 2025, the NBG approved the Rule "on Granting, Maintaining and Revoking the Status of Green, Social, Sustainability and Sustainability-Linked Bonds" and added green assets as collateral for monetary policy operations under the Financial Collateral Management Regulation.
- The NBG continuously worked on developing its reporting framework in accordance with International Financial Reporting Standards (IFRS), the European reporting framework, and local supervisory needs. This included work on transitioning to the latest FINREP financial reporting taxonomy, according to which banks will continue reporting from 2026.
- From January 1, 2025, the "Rule for Publishing Information on Certain Measures Applied by the National Bank of Georgia on the Official Website of the NBG ", approved by Order No. 99/04 of April 18, 2024 of the Governor of the NBG , entered into force. The rule aims to promote transparency in the financial sector and prevent violations of Georgian legislation within this sector. This rule regulates the publication of information on the NBG 's official website regarding certain measures applied by the NBG. The requirements stipulated by the rule are based on relevant sectoral EU directives, including the European Parliament and Council Directive 2013/36/EU of 26 June 2013 on "Access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (CRD Directive).
- Since 2021, the NBG has been working on the development and implementation of the recovery and resolution framework for commercial banks. Active work continued throughout 2025, during which the NBG closely cooperated with the International Monetary Fund and the World Bank. As part of the mission, the World Bank team held working meetings with representatives of various structural units of the NBG, including the Resolution and Liquidation Division, the Deposit Insurance Agency, and the Ministry of Finance. During these meetings, attention was focused on strengthening the resilience of

the financial system, improving crisis prevention and management capabilities, and further refining the resolution framework.

- Following the legislative amendments related to the Resolution Fund adopted by the Parliament of Georgia in December 2023, commercial banks were required to make advance contributions to the Resolution Fund (ex-ante fund) to reach the target level defined by law, specifically:
    - Fund target level: 3% of insured deposits;
    - Contributions: banks began making contributions in 2025;
    - Timeframe for reaching the target level: 8 years (this may change if the funds accumulated in the Resolution Fund are used or the deposit insurance limit is increased);
    - Contribution methodology: in proportion to commercial banks' share of assets in the system, taking into account their individual risk profiles.
- Within the framework of the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), introduced by the NBG for systemic banks in 2024, the implementation and monitoring of the framework continued in 2025. The requirement aims to ensure that systemic banks maintain a balance sheet structure that enables the effective recapitalization of a bank and the continuity of critical functions in the event of resolution. The MREL requirement for systemic banks increases gradually and is defined according to the following timeline:
    - 10% from 1 January 2024;
    - 15% from 31 December 2025;
    - 20% from 31 December 2027.

  In accordance with the requirement, systemic banks will submit monthly MREL reports to the NBG in the appropriate format. As of the end of 2025, MREL adequacy indicators of commercial banks and MREL instruments in the system are as follows:

GEL	31/12/2025	31/12/2025	31/12/2025
	TBC	BOG	Liberty
MREL Resource	8,678,919,525	8,660,240,126	769,731,379
Supervisory Capital and Total Liabilities (TLOF)	38,715,693,719	42,247,911,662	5,932,047,606
%	22.42%.	20.50%	12.98%

- The NBG is actively working on establishing prudential requirements at the consolidated level, with the aim of developing an appropriate framework for the consolidated supervision of banking groups. As part of this work, relevant eurostandards and the practices of relevant countries are being analyzed, while best international practices, including the standards and approaches of the Basel Committee on Banking Supervision and the European Union, are also being taken into account. Given the complexity of the issue, the NBG continues its research and methodological work to define supervisory approaches and develop a regulatory framework. To support this process, a technical assistance mission was conducted in 2025 in partnership with the IMF. Work on developing and implementing the consolidated supervision framework for banking groups will continue beyond 2025.
- In January 2025, the Rule "on Counterparty Credit Risk" entered into force. The Regulation is based on the counterparty risk management framework established by the "Basel Committee on Banking Supervision" and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The updated approach more accurately reflects both the inherent risks of derivatives and counterparty credit risk. Additionally, the Regulation includes three methodologies for determining counterparty credit risk based on the volume of derivatives, and in cases of small volumes of derivatives relative to assets, a commercial bank or microbank will have the opportunity to use a relatively simplified approach. It is

worth noting that work on the new Regulation was carried out in consultation with the sector and the Banking Association, and banks had more than a year to implement the developed model.

- Work is underway on updating the framework for interest rate risk management in the banking book, with sector involvement.
- In 2025, amendments were made to the "Rule on Additional Capital Buffer Requirements for Commercial Banks". In particular, the Rule already provided for the NBG's authority, at its discretion, to periodically change the buffers imposed on a commercial bank based on the bank's risk profile and the probability and/or materialization of various stress scenarios. This entails the NBG's authority to make decisions based on an analysis of individual cases, taking into account the specific circumstances concerned. Accordingly, since the NBG is authorized, where necessary, to decide on changes to the buffers based on individual circumstances, the provisions under which the amount of reduction in the capital requirement within the framework of Pillar 2 was to be calculated using a methodology agreed by the commercial bank with the NBG were removed from the Rule.
- In 2025, amendments were made to Order No. 242/01 of 25 December 2009 of the Governor of the NBG "On the Approval of the Regulation for Determining and Imposing Fines on Commercial Banks and their Administrators". The application of appropriate supervisory measures and sanctions, namely monetary fines, for failure or improper performance by supervised entities to comply with legislation, including requirements established by the regulatory authority, is an established and widely applied practice in leading countries worldwide. According to best practices, monetary fines imposed by a regulatory authority for a particular violation should be effective, proportionate, and have a deterrent effect. To ensure this, it is important that monetary fines be determined in proportion to both the violation and the size and level of development of the supervised entity. Taking into account all of the above, the amendment aimed to reflect best international practices and increase the maximum possible amount of monetary fines for significant cases involving a breach of the banking license or any condition or restriction attached to a relevant legal act of the NBG, the conduct of operations prohibited by applicable legislation (including an instruction, regulation, rule, or resolution of the NBG) and/or by the NBG's requirements and written instructions, and/or failure to comply with established restrictions, limits, requirements, and prohibitions. Specifically, in the cases listed above, the NBG is authorized to impose a monetary fine on a commercial bank in the amount of 0.01%, 0.05%, 0.1%, 0.5%, or 1% of the supervisory capital reported in the latest reporting period available at the time the violation is identified. At the same time, the amount of the monetary fine continues to be determined based on the seriousness of the violation and/or the damage caused to the commercial bank's assets and/or the potential threat posed, and each case is subject to individual assessment.
- Amendments were made to the real estate valuation instructions for commercial banks and microbanks. For the purposes of these instructions, the definition of credit was revised. The amendments also clarified that, where the credit amount does not exceed GEL 200,000 (two hundred thousand) or its equivalent in another currency, the real estate may be inspected by an authorized person of the commercial bank/microbank, including an assistant to the appraiser. Where the credit amount exceeds GEL 200,000 (two hundred thousand) or its equivalent in another currency, the real estate must be inspected by the appraiser responsible for preparing the relevant real estate valuation. In both cases, the credit amount includes the aggregate amount of all credits with the same bank that are secured by the real estate being valued. In addition, in the latter case, where the credit amount exceeds GEL 200,000 (two hundred thousand) or its equivalent in another currency and, as part of the initial valuation of the real estate provided as collateral, the real estate was not inspected directly by the appraiser, the relevant real estate must be revalued and inspected by the appraiser once the specified limit is exceeded.

STRENGTHENING THE SUPERVISORY FUNCTION OF THE NBG AND INCREASING TRANSPARENCY

- In 2025, the NBG continued to support the professional development of its employees. To enhance their professional qualifications, 239 NBG employees attended courses and seminars organized by central banks and financial institutions from various countries.
- The NBG continuously supports the professional development of financial sector employees. For this purpose, in 2025, experts from the Luxembourg-based research agency for financial technology transfer conducted two training sessions in Tbilisi and one remotely, attended by employees of both the NBG and commercial banks. In total, 79 participants attended the seminars.
- In 2025, the NBG developed its Human Resources Management (HR) Strategy for 2026-2029 to support the implementation and development of human resources management systems. The Strategy aims to promote organizational development and introduce and develop key areas, including employee professional development, motivation and recognition systems, strategic workforce retention, and other important aspects.
- Full involvement of all responsible departments in discussions and the application of the "four-eyes" principle are essential components of the NBG's activities in responding to challenges identified in the supervisory process. Joint decision-making is encouraged in the supervisory process.
- During the development of the 2023-2025 Supervisory Strategy, the NBG strengthened its cooperation and consultations with interested parties. In particular, through a published questionnaire, the draft Strategy, and other channels of communication with the sector, interested parties had the opportunity to participate in shaping supervisory priorities and strategic directions. This practice will continue to be applied in the future when developing the next Supervisory Strategy.
- To promote transparency and public engagement, as in previous years, during 2023-2025, numerous draft amendments and regulations related to supervision on its website for public consultation, providing the wider public with an opportunity to submit comments and recommendations. All major initiatives were discussed within public the sector specific consultations, in accordance with the "Guidelines for Conducting Public Consultations with the Sector and Other Interested Parties".
- To mitigate business continuity risk, manage information security and operational risks, as well as support the preservation of institutional memory and the systematization of the information base, the NBG developed an internal procedure and strengthened the relevant practices.

GLOSSARY

ESG (Environmental, Social, Governance) - environmental, social and governance issues within the framework of sustainable finance.

XBRL (Extensible Business Reporting Language) - extensible business reporting language, an international standard for the exchange of supervisory reports.

Minimum Requirements for own funds and Eligible Liabilities (MREL)- the percentage of regulatory capital and total liabilities, imposed on commercial banks to effectively recapitalize the bank in the event of the resolution regime.

Macroprudential policy- policies and measures designed to prevent the accumulation of systemic risks, to reduce the probability of a crisis and facilitate the stable functioning of the entire financial system.

Regulatory sandbox - a set of conditions and procedures designed for testing an innovative financial service and/or product in a testing environment.

Resolution - an alternative to liquidation, for whenever there are grounds for revoking a license of a commercial bank, which implies restructuring of the commercial bank by the regulator in a way not to jeopardize financial stability.

Risk-based supervision/principles – supervision regime/principles that involve directing greater supervisory resources towards more complex and/or risky institutions or transactions.

Risk analytics dashboards – a graphic representation of key business indicators, which simplifies the perception of complex data and allows its users to obtain information about business activities or specific processes with ease.

Risk position – balance sheet or off-balance sheet items on which a financial institution has a claim.

Regulatory capital – capital that is set for financial institutions at the request of the supervisor and serves to neutralize potential losses.

Suptech instruments – supervisory technologies, which imply the use of innovative technology by supervisory authorities in the process of supervision.

IFRS – International Financial Reporting Standards - international financial reporting standards.

Financial Innovations Office – a means of communication between the NBG and fintech startups and technology companies interested in the financial sector, tasked to receive and give direct feedback on supervisory issues, promote responsible innovations in the financial sector, and help fintech organizations/ startups to understand the regulations and supervisory approach of the NBG.

Principles of open regulation – consideration of changes in regulatory requirements, openness to dialogue with the industry, compatible with the stated risk appetite and supervisory principles of the NBG.

EBRD - European Bank for Reconstruction and Development.

API - Application Programming Interface.

ISIN (International Securities Identification Number) - an identification number assigned to a security by the NBG, the structure and content of which are based on the requirements established by the International Organization for Standardization (ISO) and which serves as a means of uniquely identifying securities of the same class and with the same characteristics issued by a particular issuer.

IOSCO - International Organization of Securities Commissions.

REIT - Real Estate Investment Fund.

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