JSC PASHA Bank Georgia

Financial statements

Year ended 31 December 2025
together with independent auditor's report

Contents

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Independent Auditors' Report

To the Shareholder and Supervisory Board of JSC Pasha Bank Georgia

Opinion

We have audited the financial statements of the JSC Pasha Bank Georgia (the "Bank"), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements in Georgia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2024 were audited by other auditors who expressed an unmodified opinion on those statements on 25 February 2025.

Statement on Management Report

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

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is:

Nikoloz Chochua

KPMG Georgia LLC
25 February 2026

შეზღუდული პასუხისმგებლობის საზოგადოება
LIMITED LIABILITY COMPANY
KPMG
KPMG GEORGIA
404437695

Statement of financial position

As at 31 December 2025

(Amounts in tables are in thousands of Georgian lari)

	Notes	*2025*	*2024*
Assets			
Cash and cash equivalents	5	65,763	120,452
Amounts due from credit institutions	6	39,614	121,552
Loans to customers	7	423,046	351,500
Investment securities	8	109,708	81,069
Repossessed collateral	9	12,197	19,368
Property and equipment	10	1,284	1,927
Right-of-use assets	11	3,652	704
Intangible assets	12	2,884	3,356
Deferred tax assets	17	2,573	4,421
Other assets	13	3,699	2,579
Total assets		**664,420**	**706,928**
Liabilities			
Amounts due to credit institutions	14	110,556	148,701
Amounts due to customers	15	361,209	394,286
Provisions	19	445	300
Lease liabilities	11	4,018	755
Subordinated debt	16	32,381	33,531
Other liabilities	13	13,052	8,747
Total liabilities		**521,661**	**586,320**
Equity			
Share capital	18	136,800	136,800
Additional paid-in capital	18	1,155	1,155
Perpetual subordinated loan	18	13,476	–
Accumulated deficit		(8,672)	(17,347)
Total equity		**142,759**	**120,608**
Total equity and liabilities		**664,420**	**706,928**

Signed and authorised for release on behalf of the Board of Directors of the Bank on 25 February 2026:

Ramil Imamov — Chairman of the Board of Directors

Parvin Mammadov — Chief Financial Officer, Member of the Board of Directors

The accompanying selected explanatory notes on pages 9 to 41 are an integral part of these financial statements.

Statement of financial position

As at 31 December 2025

(Amounts in tables are in thousands of Georgian lari)

	Notes	*2025*	*2024*
Assets			
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Parvin Mammadov — Chief Financial Officer,
Member of the Board of Directors

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Statement of comprehensive income

For the year ended 31 December 2025

(Amounts in tables are in thousands of Georgian lari)

	Notes	*2025*	*2024*
Interest income calculated using effective interest rate			
Loans to customers		36,089	32,582
Investment securities		9,211	7,668
Amounts due from credit institutions		7,618	8,937
		52,918	**49,187**
Interest expense			
Amounts due to customers		(19,264)	(14,638)
Amounts due to credit institutions		(7,506)	(6,458)
Subordinated debt		(2,224)	(1,701)
Lease liabilities		(192)	(75)
		(29,186)	**(22,872)**
Net interest income		**23,732**	**26,315**
Credit loss reversal/(expense) on interest bearing assets	5,6,7,8,19	2,383	(2,647)
Net interest income after impairment losses		**26,115**	**23,668**
Net gains/(losses) from foreign currencies			
− dealing		5,231	15,392
− translation differences		8,134	(3,330)
Fee and commission income, net:	20	995	1,297
− fee and commission income		2,546	2,757
− fee and commission expense		(1,551)	(1,460)
Gain from derecognition of financial assets	7	–	1,000
Other operating income		1,321	531
Non−interest income		**15,681**	**14,890**
Personnel expenses	21	(20,645)	(21,878)
General and administrative expenses	21	(6,630)	(6,624)
Depreciation and amortisation	10, 11, 12	(3,857)	(4,602)
Provisions		(164)	(28)
Other operating expenses	22	(64)	(1,554)
Non−interest expenses		**(31,360)**	**(34,686)**
Profit before income tax expense		**10,436**	**3,872**
Income tax (expense)/benefit	17	(1,848)	4,421
Net profit for the year		**8,588**	**8,293**
Other comprehensive income		–	–
Total comprehensive income for the year		**8,588**	**8,293**

The accompanying selected explanatory notes on pages 9 to 41 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2025

(Amounts in tables are in thousands of Georgian lari)

	Share capital	*Additional paid−in capital*	*Perpetual subordinated loan*	*Accumulated deficit*	*Total equity*
1 January 2024	**136,800**	**1,155**	−	**(25,640)**	**112,315**
Total comprehensive income for the year	−	−	−	8,293	**8,293**
31 December 2024	**136,800**	**1,155**	−	**(17,347)**	**120,608**
Total comprehensive income for the year	−	−	−	8,588	**8,588**
Issuance of perpetual subordinated loan	−	−	13,563	−	**13,563**
Foreign exchange translation on perpetual subordinated loan	−	−	(87)	87	**−**
31 December 2025	**136,800**	**1,155**	**13,476**	**(8,672)**	**142,759**

The accompanying selected explanatory notes on pages 9 to 41 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2025

(Amounts in tables are in thousands of Georgian lari)

	Notes	*2025*	*2024*
Cash flows from operating activities			
Interest received		52,306	47,914
Interest paid		(31,916)	(24,190)
Fees and commissions received		2,527	2,788
Fees and commissions paid		(1,582)	(1,434)
Realised gains less losses from dealing in foreign currencies		5,231	15,392
Personnel expenses paid		(19,290)	(21,729)
General and administrative expenses paid		(6,330)	(5,896)
Other income received		1,281	374
Cash flows from operating activities before changes in operating assets and liabilities		**2,227**	**13,219**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		80,833	(83,631)
Loans to customers		(68,247)	(16,258)
Other assets (including repossessed asset)		7,210	721
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		(34,665)	55,662
Amounts due to customers		(24,977)	100,222
Other liabilities		3,498	(479)
Net cash (used in)/from operating activities		**(34,121)**	**69,456**
Cash flows from investing activities			
Purchase of investment securities	8	(70,400)	(25,900)
Proceeds from redemption of investment securities	8	41,650	10,330
Purchase of property and equipment		(80)	(1,519)
Proceeds from sale of property and equipment		50	94
Purchase of intangible assets		(841)	(1,367)
Net cash used in investing activities		**(29,621)**	**(18,362)**
Cash flows from financing activities			
Proceeds from subordinated debt	16	–	17,986
Repayments of subordinated debt	16	–	(14,064)
Principal repayments of lease liability		(1,802)	(1,728)
Proceeds from perpetual subordinated loan	18	13,563	–
Net cash from financing activities		**11,761**	**2,194**
Effect of exchange rates changes on cash and cash equivalents		(2,709)	2,379
Effect of expected credit losses on cash and cash equivalents		1	–
Net (decrease)/increase in cash and cash equivalents		**(54,689)**	**55,667**
Cash and cash equivalents, beginning	5	120,452	64,785
Cash and cash equivalents, ending	5	**65,763**	**120,452**

The accompanying selected explanatory notes on pages 9 to 41 are an integral part of these financial statements.

(Amounts in tables are in thousands of Georgian lari)

1. Principal activities

JSC PASHA Bank Georgia (the "Bank") was formed on 17 December 2012 as a joint stock company under the laws of Georgia. The Bank operates under a general banking license issued by the National Bank of Georgia (the "NBG") on 17 January 2013 (identification code: 404433671).

The Bank accepts deposits and extends credit, transfers payments in Georgia and abroad, exchanges currencies and provides other banking services to its customers. Based on strategic initiatives approved by the Bank's shareholders, the Bank retains its primary focus on the corporate customers.

Starting from 2017 the Bank is a member of the deposit insurance system. The system operates under the Law of Georgia on Deposit Insurance System and insures all types of deposits of resident and non−resident individuals.

The Bank has one service office in Georgia as of 31 December 2025 (31 December 2024: one). The Bank's registered legal address is 37M, Ilia Chavchavadze Avenue, 0179, Tbilisi, Georgia.

As at 31 December 2025 and 2024, direct shareholders of the Bank were as follows:

Shareholders	***2025, %***	***2024, %***
OJSC PASHA Bank	85.06%	85.06%
PASHA Holding LLC	14.94%	14.94%
Total	**100.00%**	**100.00%**

As at 31 December 2025 and 2024 the Bank is ultimately owned by Mrs. Leyla Aliyeva (35.2%), Mrs. Arzu Aliyeva (35.2%), Mr. Arif Pashayev (19.0%) and Mr. Mir Jamal Pashayev (10.6%), who exercise collective control over the Bank.

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

2. Basis of preparation

General

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

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

These financial statements are presented in thousands of Georgian lari ("GEL"), unless otherwise indicated.

3. Material accounting policy information

New and amended standards

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

Lack of exchangeability – Amendments to IAS 21

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

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

Standards issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the financial statements. As explained above, this would include standards and amendments that would already be effective based on the new standard or amendment, but the local endorsement is still in progress or has resulted in a later effective date.

The Bank has not early adopted new or amended accounting standards in preparing these financial statements.

(Amounts in tables are in thousands of Georgian lari)

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- Clarifications on what constitute 'non−recourse features' and what are the characteristics of contractually linked instruments;
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods starting on or after 1 January 2026.

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank has performed an assessment of all material electronic payment systems used in the various jurisdictions it operates.

Most of the electronic settlement systems used by the Bank result in real-time settlement. There is a limited number of electronic settlement systems used by the Bank that do not result in real-time settlement. For those, the Bank has been derecognising the financial liability, and the associated cash, at the time of submitting the payment instructions. In line with the amendments, the Bank will change this current practice to derecognising the financial liability and the associated cash when the payment has reached the beneficiary, which is when the obligation is discharged. However, given the limited number of such electronic settlement systems used by the Bank, and the low value of payments involved, the amendments are not expected to have a material impact.

The Bank has determined that it will not apply the accounting policy option to derecognise financial liabilities before the settlement date. Moreover, the Bank has also reviewed its other payment systems (such as cheques, credit cards, debit cards) and concluded that the recognition and derecognition policies are already in line with the amendments.

In addition, the Bank has assessed the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the assessments performed, the amendments in these areas are not expected to have a material impact on the financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - *Contracts Referencing Nature-dependent Electricity*. The amendments apply only to contracts that reference nature-dependent electricity. The amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.
The Bank does not expect that the amendments will have a material impact on its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as Pasha Bank Georgia JSC that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

(Amounts in tables are in thousands of Georgian lari)

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

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

Following amendments to accounting standards are not expected to have a significant impact on the Bank's financial statement

1. Annual improvements to IFRS Accounting Standards -volume 11
2. IFRS 19 Subsidiaries without Public Accountability: Disclosures
3. Transition to a hyperinflationary presentation currency (Amendments to IAS 21)
4. Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

Fair value measurement

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re−assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Bank commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees are in scope of IFRS 9 and effectively are a form of a contingent loan commitment. Provision for performance guarantees are measured under IFRS 9.

Renegotiated loans

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

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

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion (for example, introduction of an equity feature).

(Amounts in tables are in thousands of Georgian lari)

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, presented within interest revenue calculated using EIR in the statement of profit or loss and net gain/(loss) on modification of financial assets measured at amortised cost, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Bank also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit−impaired. Asset that has been classified as credit−impaired as the result of modification, are recorded Stage 3.

Write−off

The write−off of financial assets, either partially or in full, occurs only when the Bank has ceased its efforts to recover the assets. If the amount to be written off exceeds the accumulated loss allowance, the difference is first recognized as an addition to the allowance, which is then applied against the gross carrying amount. Any subsequent recoveries are credited to the credit loss expense. A write−off represents a derecognition event.

The Bank adheres to the Shareholder’s policy requirements with regard to writing off its credit products, which vary on product type. The Bank is primarily exposed to non−retail loans with immovable collateral, which are written off after 1,440 days of overdue.

Cash and cash equivalents

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

Mandatory reserve deposit with the NBG

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

Equity instruments

The Bank classifies instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Obligations arising from local laws or regulations are not considered contractual obligations and consequently are not classified as a financial liability.

In certain circumstances terms and conditions existing outside the contract can affect the classification of an instrument by giving the issuer an unconditional right to avoid payment. Those terms and conditions include relevant local laws, regulations and the entity's governing charter in effect at the date of classification. If a local law, regulation or the entity's governing charter gives the issuer of the instrument an unconditional right to avoid redemption, then the instrument is classified as equity.

Leases

Short−term leases and leases of low−value assets

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

Taxation

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

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

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

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

(Amounts in tables are in thousands of Georgian lari)

Property and equipment

Property and equipment is stated at cost, excluding the costs of day−to−day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight−line basis over the following estimated useful lives:

	Years
Furniture and fixtures	4
Computers and equipment	4
Motor vehicles	4
Other equipment	5
Leasehold improvements	1−5 years or lease term, if lower

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

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite useful lives are amortised over the useful economic lives of 10 years and are reviewed at least at each financial year−end.

Amounts due to/from credit institutions

Amounts due to credit institutions include deposits and loans placed by commercial banks and the Ministry of Finance. The Bank considers Ministry of Finance as a credit institution, because it provides refinancing facility similar to that of the National Bank of Georgia and long−term deposits as a liquidity support measure.

Amounts due from credit institutions include amounts due only from the NBG and commercial banks. The Bank considers non−banking credit institutions as customers and loans to non−banking credit organizations are included in loans to customers.

Repossessed collateral

Repossessed collaterals are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale.

Majority of the Bank’s repossessed collaterals consists of the commercial and residential real estate repossessed during recovery of defaulted loans. The Bank intends to sell those assets in normal course of business. In general, the Bank does not occupy repossessed properties for business use.

Recognition of income and expenses

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

Interest and similar income and expense

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

(Amounts in tables are in thousands of Georgian lari)

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

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate.

Fee and commission income

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

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

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

Fee income earned at a point in time

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

Fee income from providing transaction services

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

Foreign currency translation

The financial statements are presented in Georgian lari ("GEL"), which is the Bank's functional and presentation currency.

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

	2025	***2024***
GEL / 1 USD	2.6951	2.8068
GEL / 1 EUR	3.1737	2.9306
GEL / 1 AZN	1.5852	1.6510

4. Significant accounting judgements and estimates

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

Impairment losses on financial assets

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

- The Bank's internal credit grading model, which assigns PDs to the individual grades and incorporates the effect of macroeconomic scenarios and economic inputs, such GDP growth and inflation;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis.

The amount of allowance for loans to customers, investment securities and credit related commitments recognized in the statement of financial position at 31 December 2025 was GEL 6,838 thousand (2024: GEL 11,364 thousand), GEL 749 thousand (2024: GEL 479 thousand) and GEL 445 thousand (2024: GEL 300 thousand) respectively. Refer to Note 7, Note 8 and Note 19.

(Amounts in tables are in thousands of Georgian lari)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2025	*2024*
Cash on hand	2,383	2,958
Current accounts with the NBG	1,646	4,110
Current accounts with other credit institutions	21,235	37,715
Time deposits with credit institutions up to 90 days	40,500	75,671
Less: allowance for impairment	(1)	(2)
Cash and cash equivalents	**65,763**	**120,452**

As at 31 December 2025, current accounts and time deposit accounts with credit institutions denominated in USD, GEL and EUR represent 73.62%, 19.70% and 5.82% of total current and time deposit accounts respectively (31 December 2024: USD 60.54%, GEL 22.66%, EUR 15.72%).

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

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2025	*2024*
Mandatory reserve with the NBG	36,616	76,015
Loan to a resident commercial bank	3,009	45,678
Less: allowance for impairment	(11)	(141)
Amounts due from credit institutions	**39,614**	**121,552**

Credit institutions are required to maintain cash deposits (mandatory reserve) with the NBG, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw these deposits is restricted by regulation.

An analysis of changes in the gross carrying value and corresponding ECL in relation to time deposits for more than 90 days and a loan to a resident commercial bank during the year ended 31 December 2025 is as follows:

	Gross carrying value	*ECL*
As at 1 January 2025	**45,678**	**(141)**
New assets originated	32,000	(111)
Assets repaid	(74,000)	241
Foreign exchange and other movements	(669)	–
At 31 December 2025	**3,009**	**(11)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to time deposits for more than 90 days and a loan to a resident commercial bank during the year ended 31 December 2024 is as follows:

	Gross carrying value	*ECL*
As at 1 January 2024	**9,004**	**(1)**
New assets originated	101,523	(785)
Assets repaid	(65,498)	11
Foreign exchange and other movements	649	634
At 31 December 2024	**45,678**	**(141)**

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

7. Loans to customers

Loans to customers comprise:

	2025	*2024*
Corporate	251,704	192,222
Commercial	177,577	169,357
Consumer	603	1,285
Loans to customers	**429,884**	**362,864**
Less – allowance for impairment	(6,838)	(11,364)
Loans to customers	**423,046**	**351,500**

(Amounts in tables are in thousands of Georgian lari)

Commercial loans include loans to medium sized companies.

In 2024, according to the new strategy in 2024-2026 period, the Bank ceased mass retail lending and focused on expanding its corporate business. On 15 March 2024, the Bank sold mass retail loan portfolio of GEL 56,299 (gross amount – GEL 62,933; allowance for impairment – GEL 6,634, out of which GEL 6,172 was attributable to ECL for the on balance retail loans and GEL 462 – to unused credit lines) with premium in the amount of GEL 1,000 thousand which is recognized as gain from derecognition of financial assets.

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

Corporate loans at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2025	**190,012**	**–**	**2,210**	**192,222**
New assets originated	205,955	–	–	**205,955**
Assets repaid	(143,662)	–	(361)	**(144,023)**
Transfers to Stage 2	(1,825)	1,825	–	**–**
Transfers to Stage 3	–	(1,868)	1,868	**–**
Amounts written off	–	–	(1,964)	**(1,964)**
Foreign exchange and net other movements	(378)	43	(151)	**(486)**
At 31 December 2025	**250,102**	**–**	**1,602**	**251,704**

Corporate loans at amortized cost, allowance for ECL	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2025	**(757)**	**–**	**(2,210)**	**(2,967)**
New assets originated	(1,740)	–	–	**(1,740)**
Assets repaid	1,070	–	–	**1,070**
Transfers to Stage 2	3	(3)	–	**–**
Transfers to Stage 3	–	6	(6)	**–**
Amounts written off	–	–	1,964	**1,964**
Net remeasurement of ECL	77	(3)	(53)	**21**
At 31 December 2025	**(1,347)**	**–**	**(305)**	**(1,652)**

Commercial loans at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2025	**136,581**	**4,194**	**27,571**	**1,011**	**169,357**
New assets originated	123,870	–	–	–	**123,870**
Assets repaid	(111,543)	(3,096)	(2,210)	–	**(116,849)**
Transfers to Stage 1	3,151	(3,151)	–	–	**–**
Transfers to Stage 2	(2,459)	10,688	(8,229)	–	**–**
Unwinding of discount	–	–	(676)	–	**(676)**
Amounts written off	–	–	(50)	–	**(50)**
Foreign exchange and net other movements	(415)	483	1,741	116	**1,925**
At 31 December 2025	**149,185**	**9,118**	**18,147**	**1,127**	**177,577**

Commercial loans at amortized cost, allowance for ECL	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2025	**(952)**	**(258)**	**(7,373)**	**216**	**(8,367)**
New assets originated	(1,297)	–	–	–	**(1,297)**
Assets repaid	713	40	558	–	**1,311**
Transfers to Stage 1	(64)	64	–	–	**–**
Transfers to Stage 2	5	(3,693)	3,688	–	**–**
Unwinding of discount	–	–	(676)	–	**(676)**
Amounts written off	–	–	50	–	**50**
Net remeasurement of ECL	397	3,243	127	40	**3,807**
At 31 December 2025	**(1,198)**	**(604)**	**(3,626)**	**256**	**(5,172)**

Consumer loans at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2025	**1,241**	**12**	**32**	**1,285**
New assets originated	5,888	–	–	**5,888**
Assets repaid	(6,523)	(6)	(23)	**(6,552)**
Transfers to Stage 1	26	(26)	–	**–**
Transfers to Stage 2	(2)	33	(31)	**–**
Transfers to Stage 3	(24)	(15)	39	**–**
Foreign exchange and net other movements	(20)	2	–	**(18)**
At 31 December 2025	**586**	–	**17**	**603**

(Amounts in tables are in thousands of Georgian lari)

Consumer loans at amortized cost, allowance for ECL	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2025	**(3)**	**–**	**(27)**	**(30)**
New assets originated	(1)	–	–	**(1)**
Assets repaid	3	–	21	**24**
Transfers to Stage 1	(2)	2	–	**–**
Transfers to Stage 2	–	(1)	1	**–**
Transfers to Stage 3	2	–	(2)	**–**
Net remeasurement of ECL	–	(1)	(6)	**(7)**
At 31 December 2025	**(1)**	**–**	**(13)**	**(14)**

None of the written−off loans during 2025 are still subject to enforcement activity.

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

Corporate loans at amortized cost, gross	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2024	**135,498**	**4,943**	**6,364**	**146,805**
New assets originated	178,504	–	–	**178,504**
Assets repaid	(129,740)	(614)	(4,428)	**(134,782)**
Transfers to Stage 1	6,408	(6,408)	–	**–**
Transfers to Stage 2	(2,075)	2,075	–	**–**
Unwinding of discount	–	–	(57)	**(57)**
Foreign exchange and net other movements	1,417	4	331	**1,752**
At 31 December 2024	**190,012**	**–**	**2,210**	**192,222**

Corporate loans at amortized cost, allowance for ECL	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2024	**(1,270)**	**(34)**	**(2,317)**	**(3,621)**
New assets originated	(1,644)	–	–	**(1,644)**
Assets repaid	760	7	1,435	**2,202**
Transfers to Stage 1	(50)	50	–	**–**
Transfers to Stage 2	52	(52)	–	**–**
Unwinding of discount	–	–	(57)	**(57)**
Net remeasurement of ECL	1,395	29	(1,271)	**153**
At 31 December 2024	**(757)**	**–**	**(2,210)**	**(2,967)**

Commercial loans at amortized cost, gross	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2024	**104,049**	**11,515**	**18,437**	**973**	**134,974**
New assets originated	97,615	–	–	–	**97,615**
Assets repaid	(61,864)	(1,700)	(2,432)	–	**(65,996)**
Transfers to Stage 1	780	(780)	–	–	**–**
Transfers to Stage 2	(6,204)	6,268	(64)	–	**–**
Transfers to Stage 3	–	(10,708)	10,708	–	**–**
Unwinding of discount	–	–	987	–	**987**
Foreign exchange and net other movements	2,205	(401)	(65)	38	**1,777**
At 31 December 2024	**136,581**	**4,194**	**27,571**	**1,011**	**169,357**

Commercial loans at amortized cost, allowance for ECL	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL as at 1 January 2024	**(830)**	**(467)**	**(4,366)**	**(8)**	**(5,671)**
New assets originated	(1,121)	–	–	**–**	**(1,121)**
Assets repaid	288	60	725	–	**1,073**
Transfers to Stage 1	73	(73)	–	–	**–**
Transfers to Stage 2	156	(166)	10	–	**–**
Transfers to Stage 3	–	665	(665)	–	**–**
Unwinding of discount	–	–	987	–	**987**
Net remeasurement of ECL	482	(277)	(4,064)	224	**(3,635)**
At 31 December 2024	**(952)**	**(258)**	**(7,373)**	**216**	**(8,367)**

(Amounts in tables are in thousands of Georgian lari)

Consumer loans at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2024	**61,909**	**4,287**	**4,334**	**70,530**
New assets originated	20,336	–	–	**20,336**
Assets repaid	(23,929)	(980)	(159)	**(25,068)**
Transfers to Stage 1	795	(795)	–	**–**
Transfers to Stage 2	(2,202)	2,558	(356)	**–**
Transfers to Stage 3	–	(1,551)	1,551	**–**
Sale of portfolio	(55,710)	(3,442)	(3,781)	**(62,933)**
Amounts written off	–	–	(1,543)	**(1,543)**
Foreign exchange and net other movements	42	(65)	(14)	**(37)**
At 31 December 2024	**1,241**	**12**	**32**	**1,285**

Consumer loans at amortized cost, allowance for ECL	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2024	**(2,630)**	**(729)**	**(3,552)**	**(6,911)**
New assets originated	(1,320)	–	–	**(1,320)**
Assets repaid	1,274	226	212	**1,712**
Transfers to Stage 1	(72)	69	3	**–**
Transfers to Stage 2	519	(529)	10	**–**
Transfers to Stage 3	–	498	(498)	**–**
Sale of portfolio	2,408	637	3,127	**6,172**
Amounts written off	–	–	1,543	**1,543**
Recoveries	–	–	(412)	**(412)**
Net remeasurement of ECL	(182)	(172)	(460)	**(814)**
At 31 December 2024	**(3)**	**–**	**(27)**	**(30)**

Collateral and other credit enhancements

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

The Bank calculates LGD rate of certain Legal entities in Stage 3 using discounted value of collaterals. As at 31 December 2025, maximum exposure of such individually assessed loans amounted to GEL 18,028 thousand (31 December 2024: GEL 23,475 thousand) for which ECL of GEL 2,819 thousand (31 December 2024: GEL 5,387 thousand) was recognized. If these loans were not collateralized, ECL amount for these loans would be GEL 15,659 thousand (31 December 2024: GEL 20,584 thousand) based on collective assessment.

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

Concentration of loans to customers

As at 31 December 2025, the Bank had a concentration of loans due from ten major groups of related borrowers in the total amount of GEL 228,593 thousand which represented 53.18% of the total gross loan portfolio (31 December 2024: GEL 183,997 thousand, 50.71% of the gross loan portfolio). Allowance of GEL 1,104 thousand was recognised against these loans (31 December 2024: GEL 670 thousand).

Loans are made in the following industry sectors:

	2025	*2024*
Trade and services	209,825	181,326
Financial intermediation	67,215	60,359
Construction	53,473	33,929
Real estate management	48,962	44,031
Energy	18,769	36,298
Transportation and telecommunication	16,165	–
Agro	9,120	5,636
Mining	4,030	–
Individuals	603	1,285
Other	1,722	–
	429,884	**362,864**

(Amounts in tables are in thousands of Georgian lari)

8. Investment securities

As at 31 December 2025, investment securities comprised of bonds of financial institutions and other companies and Treasury bonds of the Ministry of Finance of Georgia:

Investment securities comprise:

	2025	*2024*
Debt securities at amortised cost		
Corporate bonds	57,758	33,038
Bonds of financial institutions	47,230	43,041
Treasury bonds of the Ministry of Finance of Georgia	5,469	5,469
	110,457	**81,548**
Less: allowance for impairment	(749)	(479)
Total debt securities	**109,708**	**81,069**

As at 31 December 2025, GEL 10,018 thousand worth of investment securities were pledged as a collateral for the loan from the National Bank of Georgia (31 December 2024: GEL 20,038 thousand) (Note 14).

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

	Corporate bonds	*Bonds of financial institutions*	*Treasury bonds of the Ministry of Finance of Georgia*	*Total*
Gross carrying value as at 1 January 2025	**33,038**	**43,041**	**5,469**	**81,548**
New assets originated	37,500	32,900	−	**70,400**
Assets repaid	(12,750)	(28,900)	−	**(41,650)**
Foreign exchange and other movements	(30)	189	−	**159**
At 31 December 2025	**57,758**	**47,230**	**5,469**	**110,457**

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

	Corporate bonds	*Bonds of financial institutions*	*Treasury bonds of the Ministry of Finance of Georgia*	*Total*
ECL as at 1 January 2025	**(216)**	**(263)**	**−**	**(479)**
New assets originated	(282)	(342)	−	**(624)**
Assets repaid	6	140	−	**146**
Foreign exchange and other movements	93	115	−	**208**
At 31 December 2025	**(399)**	**(350)**	**−**	**(749)**

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

	Corporate bonds	*Bonds of financial institutions*	*Treasury bonds of the Ministry of Finance of Georgia*	*Total*
Gross carrying value as at 1 January 2024	**27,282**	**32,897**	**5,469**	**65,648**
New assets originated	12,000	13,900	−	**25,900**
Assets repaid	(6,580)	(3,750)	−	**(10,330)**
Foreign exchange and other movements	336	(6)	−	**330**
At 31 December 2024	**33,038**	**43,041**	**5,469**	**81,548**

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

	Corporate bonds	*Bonds of financial institutions*	*Treasury bonds of the Ministry of Finance of Georgia*	*Total*
ECL as at 1 January 2024	**(228)**	**(190)**	**−**	**(418)**
New assets originated	(128)	(187)	−	(315)
Assets repaid	2	1	−	3
Foreign exchange and other movements	138	113	−	251
At 31 December 2024	**(216)**	**(263)**	**−**	**(479)**

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

(Amounts in tables are in thousands of Georgian lari)

9. Repossessed collateral

The Bank holds repossessed property which represent land, commercial and residential real estate taken into Bank's ownership as a settlement of non−performing loans. The Bank intends to sell those assets in normal course of business. In general, the Bank does not occupy repossessed properties for business use. The carrying value of the collaterals repossessed during the period and held as at the reporting date is as follows:

	2025	*2024*
Commercial real estate	10,916	13,530
Residential real estate	958	4,605
Land	−	910
Other	323	323
Total repossessed collateral	**12,197**	**19,368**

In 2025, the Bank repossessed collaterals of GEL 86 thousand in non−cash settlement loans issued (2024: GEL 4,704 thousand). During 2025, the Bank has sold repossessed collaterals in amount of GEL 7,258 thousand (2024: GEL 1,046 thousand).

10. Property and equipment

The movements in property and equipment were as follows:

	Furniture and fixtures	*Computers and equipment*	*Motor vehicles*	*Other equipment*	*Leasehold improvements*	*Total*
Cost						
1 January 2024	**2,158**	**5,348**	**482**	**522**	**3,301**	**11,811**
Additions	13	1,498	−	8	−	**1,519**
Disposals and write−offs	(476)	(805)	(24)	(79)	(572)	**(1,956)**
31 December 2024	**1,695**	**6,041**	**458**	**451**	**2,729**	**11,374**
Additions	2	71	−	7	−	**80**
Disposals and write−offs	(11)	(660)	−	(9)	−	**(680)**
31 December 2025	**1,686**	**5,452**	**458**	**449**	**2,729**	**10,774**
Accumulated depreciation						
1 January 2024	**(2,061)**	**(4,541)**	**(260)**	**(467)**	**(2,560)**	**(9,889)**
Depreciation charge	(27)	(575)	(68)	(40)	(484)	**(1,194)**
Disposals and write−offs	447	790	18	66	315	**1,636**
31 December 2024	**(1,641)**	**(4,326)**	**(310)**	**(441)**	**(2,729)**	**(9,447)**
Depreciation charge	(22)	(625)	(67)	(7)	−	**(721)**
Disposals and write−offs	10	659	−	9	−	**678**
31 December 2025	**(1,653)**	**(4,292)**	**(377)**	**(439)**	**(2,729)**	**(9,490)**
Net book value						
1 January 2024	**97**	**807**	**222**	**55**	**741**	**1,922**
31 December 2024	**54**	**1,715**	**148**	**10**	**−**	**1,927**
31 December 2025	**33**	**1,160**	**81**	**10**	**−**	**1,284**

As at 31 December 2025 fully depreciated items amounted to GEL 8,094 thousand (2024: GEL 8,253 thousand).

11. Leases

The movement in right−of−use assets and lease liabilities during the year ended 31 December 2025 was as follows:

	Right−of−use assets	
	Buildings	*Lease liabilities*
As at 1 January 2025	**704**	**755**
Additions	4,735	4,735
Disposals and write offs (gross)	(7,397)	−
Depreciation expense	(1,787)	−
Disposals and write−offs (accumulated depreciation)	7,397	−
Interest expense	−	192
Payments	−	(1,987)
Foreign currency translation difference	−	323
As at 31 December 2025	**3,652**	**4,018**

(Amounts in tables are in thousands of Georgian lari)

The movement in right−of−use assets and lease liabilities during the year ended 31 December 2024 was as follows:

	Right−of−use assets	
	Buildings	Lease liabilities
As at 1 January 2024	**3,047**	**3,135**
Additions	583	583
Disposals and write offs (gross)	(1,425)	(1,239)
Depreciation expense	(1,611)	−
Disposals and write−offs (accumulated depreciation)	110	−
Interest expense	−	75
Payments	−	(1,817)
Rent concessions	−	(33)
Foreign currency translation difference	−	51
As at 31 December 2024	**704**	**755**

After the sale of mass retail loan portfolio, the Bank has ceased operations in three branches and derecognized respective leases.

Future lease payments for each of the next five years for the year ended 31 December 2025 and 2024 are as follows:

	Lease liabilities	
	2025	2024
Within one year	2,033	228
Between 1 and 2 years	2,023	228
Between 2 and 3 years	128	228
Between 3 and 4 years	−	133
Between 4 and 5 years	−	−
	4,184	**817**

12. Intangible assets

The movements in intangible assets were as follows:

	Licenses	Computer software	Total
Cost			
1 January 2024	**204**	**8,995**	**9,199**
Additions	−	1,331	**1,331**
Disposals and write offs	−	(3,546)	**(3,546)**
31 December 2024	**204**	**6,780**	**6,984**
Additions	−	877	**877**
Disposals and write offs	−	(1,116)	**(1,116)**
31 December 2025	**204**	**6,541**	**6,745**
Accumulated amortization			
1 January 2024	**(164)**	**(4,140)**	**(4,304)**
Amortisation charge	(7)	(1,790)	**(1,797)**
Disposals and write offs	−	2,473	**2,473**
31 December 2024	**(171)**	**(3,457)**	**(3,628)**
Amortisation charge	(5)	(1,344)	**(1,349)**
Disposals and write offs	−	1,116	**1,116**
31 December 2025	**(176)**	**(3,685)**	**(3,861)**
Net book value			
1 January 2024	**40**	**4,855**	**4,895**
31 December 2024	**33**	**3,323**	**3,356**
31 December 2025	**28**	**2,856**	**2,884**

(Amounts in tables are in thousands of Georgian lari)

13. Other assets and liabilities

Other assets comprise:

	2025	*2024*
Other non−financial assets		
Prepaid expenses	904	1,145
Inventory	250	249
Prepayments for short−term lease	60	60
Prepaid taxes other than income tax	98	−
Prepayments for acquisition of property and equipment and intangible assets	−	36
Other prepayments	17	32
	1,329	**1,522**
Other financial assets		
Derivative financial assets	1,648	396
Funds in settlement	405	45
Accrued commission receivable on guarantees and letters of credit	73	56
Other	244	560
	2,370	**1,057**
Total other assets	**3,699**	**2,579**

The table below shows the fair values of derivative financial instruments, recorded as assets, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or liability and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	2025			*2024*		
	Notional	*Fair values*		*Notional*	*Fair value*	
	amount	*Asset*	*Liability*	*amount*	*Asset*	*Liability*
Forwards/Swaps − foreign	20,918	315	2	−	−	−
Forwards/Swaps − domestic	108,796	1,333	44	118,639	396	427
Total derivative assets/liabilities		**1,648**	**46**		**396**	**427**

Domestic in the table above stand for Georgian counterparties.

Other liabilities comprise:

	2025	*2024*
Other financial liabilities		
Funds in settlement	6,257	3,033
Payables and accrued expenses	538	323
Derivative financial liabilities	46	427
	6,841	**3,783**
Other non−financial liabilities		
Payable to employees	6,189	4,835
Deferred income	22	27
Taxes other than income tax	−	102
	6,211	**4,964**
Total other liabilities	**13,052**	**8,747**

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	Note	*2025*	*2024*
Time deposits from resident commercial banks		43,983	21,729
Loan from shareholder	26	31,962	−
Deposits from the Ministry of Finance		13,000	12,997
Loan from the National Bank of Georgia		10,000	20,024
Time deposits from non−resident commercial banks		9,621	85,499
Current accounts of the shareholder	26	1,392	514
Current accounts of non−resident commercial banks		572	640
Current accounts of resident commercial banks		26	8
Overdraft from the shareholder	26	−	7,290
Amounts due to credit institutions		**110,556**	**148,701**

(Amounts in tables are in thousands of Georgian lari)

As at 31 December 2025 time deposits from non−resident commercial banks are comprised of USD denominated deposits of two non−resident banks (2024: USD denominated deposits and loans of three non−resident banks).

As at 31 December 2025 time deposits placed by five resident commercial banks (31 December 2024: four resident commercial banks) were denominated in USD and GEL.

In 2025 the Bank has obtained a EUR denominated loan from OJSC PASHA Bank with the interest rate of 5% p.a. maturing in June 2028.

Loans from the National Bank of Georgia represent short−term GEL refinancing facilities used by the Bank to uphold its liquidity needs in GEL. Deposits from the Ministry of Finance represent GEL 7,519 thousand of short−term funds attracted from the Ministry of Finance (31 December 2024: GEL 7,516 thousand) as a refinancing facility similar to that of the National Bank of Georgia and GEL 5,481 thousand (31 December 2024: GEL 5,481 thousand) of the long−term deposit placed by the Ministry as the liquidity support measure in return for the similar term treasury bonds purchased by the Bank.

As at 31 December 2025, GEL 10,018 thousand worth of investment securities were pledged as a collateral for the loan from the National Bank of Georgia (31 December 2024: GEL 20,038 thousand) (Note 8).

15. Amounts due to customers

The amounts due to customers include the following:

	2025	*2024*
Current and demand accounts	84,428	104,978
Time deposits (including certificates of deposit)	276,781	289,308
Amounts due to customers	**361,209**	**394,286**
Held as security against guarantees issued (Note 19)	5,354	3,734

As at 31 December 2025, amounts due to customers included balances with ten major customers of GEL 200,282 thousand that constituted 55.45% of the total of customer accounts (31 December 2024: 231,574 thousand that constituted 58.73% of the total of customer accounts).

An analysis of customer accounts by economic sector follows:

	2025	*2024*
Trade and service	122,884	76,871
Individuals	84,712	77,595
Non-banking credit organizations	44,858	52,640
Government agencies	39,638	25,832
Insurance	24,697	48,968
Construction	15,034	37,406
Investment entities	13,496	56,506
Energy	7,179	16,020
Real estate management	6,095	1,226
Transportation and telecommunication	822	86
Mining	150	73
Agro	54	271
Other	1,590	792
Amounts due to customers	**361,209**	**394,286**

16. Subordinated debt

Subordinated loans consisted of the following:

	2025	*2024*
Subordinated loan from the shareholder (Note 26)	14,785	15,205
Subordinated loan from non−resident commercial bank	13,539	14,100
Subordinated loan from an entity under common control (Note 26)	4,057	4,226
Subordinated debt	**32,381**	**33,531**

On 19 December 2019 the Bank obtained a USD denominated subordinated loans with the interest rate of 5% p.a. maturing in December 2025 from the shareholder and entities under common control. Management believes that interest rate on the loan is below the market rate for the similar instruments, therefore loan was recognized at fair value using market interest rate. The difference of GEL 1,155 thousand between fair value and nominal amount of the loan is recognized as additional paid−in capital. Annual effective interest rate equals 5.88%.

(Amounts in tables are in thousands of Georgian lari)

In May 2023 subordinated loan from the shareholder was prolonged and matures in December 2030 with the interest rate of 8% p.a. after December 2025. In 2023 the Bank recognized modification loss of GEL 955 thousand.

In March 2024 the Bank additionally obtained a USD denominated subordinated loan in amount of USD 1,500 thousand with an interest rate of 8% p.a. maturing in March 2031 from an entity under common control. In December 2024, the Bank also obtained a USD denominated subordinated loan in amount of USD 5,000 thousand with an interest rate of 8.5% p.a. maturing in December 2031 from a non−resident commercial bank. Management believes that the interest rates on these loans are within the range of market rates for similar instruments.

In December 2024, subordinated loans from entities under common control outstanding as at 31 December 2023 were repaid before maturity.
The subordinated loans outstanding as at 31 December 2025 are not redeemable before the maturity. In case of bankruptcy, the repayment of the subordinated loans will be made after repayment in full of all other liabilities of the Bank.

No equity conversion options are present in the subordinated loan agreements as at 31 December 2025 and 2024.

The amortised value of the subordinated loans qualified for the inclusion in the Tier 2 capital under the NBG Basel III requirements, was GEL 28,300 thousand (31 December 2024: GEL 32,278 thousand).

The movement in carrying amount of subordinated loans during the year ended 31 December 2025 was as follows:

	Subordinated debt
As at 1 January 2025	**33,531**
Foreign exchange and other movements	(1,150)
At 31 December 2025	**32,381**

The movement in carrying amount of subordinated loans during the year ended 31 December 2024 was as follows:

	Subordinated debt
As at 1 January 2024	**27,716**
Proceeds from issue	17,986
Repayments	(14,064)
Foreign exchange and other movements	1,893
At 31 December 2024	**33,531**

17. Taxation

From 1 January 2023 corporate income tax rate is 20% for banks, credit unions, microfinance organizations and lending entities.

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

	2025	***2024***
Current tax expense	−	−
Deferred tax (expense)/benefit	(1,848)	4,421
Income tax (expense)/benefit	**(1,848)**	**4,421**

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

	2025	***2024***
Profit before income tax	**10,436**	**3,872**
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	**(2,087)**	**(774)**
Tax exempt income	236	267
Non−deductible expenses	3	(215)
Tax loss utilized during the year	−	1,033
Change in unrecognized deferred tax asset	−	4,110
Income tax (expense)/benefit	**(1,848)**	**4,421**

As at 31 December 2025, the Bank's accumulated tax losses amounted to GEL 9,454 thousand (31 December 2024: GEL 20,551 thousand). In 2024, based on improved financial performance and the expectation of future taxable profits, the Bank recognised deferred tax assets of GEL 4,110 thousand in respect of tax losses carried forward. The Bank has been accumulating tax losses since 2019.

(Amounts in tables are in thousands of Georgian lari)

During the year ended 31 December 2025, the Bank generated taxable profit of GEL 11,098 thousand (2024: GEL 5,166 thousand) and utilised GEL 1,998 thousand (2024: GEL 1,033 thousand) of deferred tax asset related to tax losses carried forward. Tax losses carried forward are subject to a five-year expiry period, which may be extended to ten years upon application to the tax authorities. Management intends to apply for an extension of the tax loss carry-forward period in 2026.

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

	2024	*Through statement of profit or loss*	*2025*
Tax effect of deductible temporary differences			
Tax losses carried forward	4,110	(1,998)	2,112
Lease liabilities	143	661	804
Property and equipment	198	(22)	176
Other assets	(44)	101	57
Subordinated debt	230	25	255
Deferred tax asset	**4,637**	**(1,233)**	**3,404**
Tax effect of taxable temporary differences			
Intangible assets	(119)	55	(64)
Right−of−use assets	(141)	(590)	(731)
Other liabilities	44	(80)	(36)
Deferred tax liability	**(216)**	**(615)**	**(831)**
Deferred tax (liability)/asset	**4,421**	**(1,848)**	**2,573**

	2023	*Through statement of profit or loss*	*2024*
Tax effect of deductible temporary differences			
Tax losses carried forward	–	4,110	4,110
Lease liabilities	627	(484)	143
Property and equipment	168	30	198
Amounts due from credit institutions	1	(1)	–
Other liabilities	(44)	88	44
Subordinated debt	156	74	230
Deferred tax asset	**908**	**3,817**	**4,725**
Tax effect of taxable temporary differences			
Intangible assets	(308)	189	(119)
Right−of−use assets	(609)	468	(141)
Other assets	9	(53)	(44)
Deferred tax liability	**(908)**	**604**	**(304)**
Deferred tax (liability)/asset	**–**	**4,421**	**4,421**

18. Equity

On 7 July 2023 the Bank's ownership structure changed and together with OJSC PASHA Bank, PASHA Holding LLC became a shareholder of the Bank, with the shares of 90.2019% and 9.7981% respectively.

In September 2023 GEL 7,800 thousand of share capital was injected in cash by PASHA Holding LLC in exchange for 7,800,000 common shares issued by the Bank. The ownership structure changed again with 85.0588% of shares owned by OJSC PASHA Bank and 14.9412% of shares owned by PASHA Holding LLC.

As at 31 December 2025 the Bank's authorized, issued and fully paid capital amounted to GEL 136,800 thousands comprising of 136,800,000 common shares with nominal value of GEL 1.00 (2024: 136,800 thousand comprising of 136,800,000 common shares). Each common share entitles one vote to the shareholder.

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

No dividends were declared or paid during the years ended 31 December 2025 and 2024.

Additional paid−in capital represents the difference between a fair value and a nominal amount at initial recognition of the subordinated loans received from the shareholder and entities under common control.

(Amounts in tables are in thousands of Georgian lari)

In October 2025, the Bank received perpetual subordinated loan from the shareholder in the amount of USD 5,000 thousand. As at 31 December 2025, the carrying amount of the perpetual subordinated loan was GEL 13,476 thousand. The perpetual subordinated loan has an unlimited term and are redeemable at the Bank's option. Coupon rate is 14%. The Bank has, at its sole discretion, an unconditional right to cancel interest payments by giving notice to the issuer before the payment date.

For regulatory purposes perpetual subordinated loan is classified as AT1 and shall be written down or converted into common shares in accordance with Georgian legislative provisions.

19. Commitments and contingencies

Operating environment

Over the last few years the Georgian Government has made a number of developments in order to positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments, and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

According to the preliminary estimates published by the National Statistics Office of Georgia, as of December 2025 growth of GDP amounted 7.2%, resulting in average growth of 7.5% compared to previous year. Major contributing factors to the growth have been manufacturing, information and communication, transportation and storage, accommodation and food service activities. Decline was observed in construction. Based on the preliminary findings of IMF staff mission to Georgia, the projected real GDP growth is 7.2% for 2025.

In Georgia, inflation remains slightly above the target of 3 percent. The close−to−target inflation was largely ensured by the monetary policy implemented by the National Bank of Georgia. According to the updated forecast of the National Bank of Georgia, other things being equal, the overall price level increase will be kept close to the 3% target over the medium term.

The management maintains strong liquidity positions supported by the NBG's measures to strengthen banking sector resilience. The Bank is actively working to decrease NPLs to reasonable levels using timely restructuring actions, continued support from the shareholder and diligent collection actions. The Bank continues to assess the effect of changing micro− and macroeconomic conditions on its activities, financial position and financial results.

Taxation

Georgian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant tax authorities. It is possible that transactions and activities that have not been challenged in the past may be challenged in the future. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods up to the end of 2022 have been assessed in terms of tax risk by the Large Payers' Office of the Revenue Service. Based on the analysis of the information provided by the Bank, no risks have been identified.

Management believes that its interpretation of the relevant legislation as at 31 December 2025 is appropriate and that the Bank's tax, currency and customs positions will be sustained.

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Commitments and contingencies

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

	2025	***2024***
Credit related commitments		
Unused credit lines	22,178	27,803
Letters of credit	180	264
	22,358	**28,067**
Performance guarantees	62,853	55,723
Commitments and contingencies	**85,211**	**83,790**
Provisions for ECL for credit related commitments	(445)	(300)
Deposits held as security against guarantees issued (Note 15)	(5,354)	(3,734)

(Amounts in tables are in thousands of Georgian lari)

As of the 31 December 2025, outstanding credit related commitments presented per stages are as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Unused credit lines	22,178	−	−	**22,178**
ECL for unused credit lines	(113)	−	−	**(113)**
Letters of credit	180	−	−	**180**
ECL for letters of credit	(1)	−	−	**(1)**
Performance guarantees	61,196	1,348	309	**62,853**
ECL for performance guarantees	(124)	(207)	−	**(331)**

As of the 31 December 2024, outstanding credit related commitments presented per stages are as follows:

	Stage 1	*Stage 2*	*Total*
Unused credit lines	27,803	−	**27,803**
ECL for unused credit lines	(123)	−	**(123)**
Letters of credit	264	−	**264**
ECL for letters of credit	(1)	−	**(1)**
Performance guarantees	55,203	520	**55,723**
ECL for performance guarantees	(170)	(6)	**(176)**

An analysis of changes in the ECL allowances during the year ended 31 December 2025 is, as follows (ECL for letters of credit is immaterial):

	Unused credit lines	*Performance Guarantees and Letters of credit*	*Total*
ECL as at 1 January 2025	**(123)**	**(177)**	**(300)**
New exposures	(630)	(343)	**(973)**
Matured exposures	637	110	**747**
Foreign exchange and other movements	3	78	**81**
At 31 December 2025	**(113)**	**(332)**	**(445)**

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

	Unused credit lines	*Performance Guarantees*	*Total*
ECL as at 1 January 2024	**(603)**	**(311)**	**(914)**
New exposures	(1,039)	(174)	**(1,213)**
Matured exposures	1,033	200	**1,233**
Sale of portfolio (Note 7)	462	−	**462**
Foreign exchange and other movements	24	108	**132**
At 31 December 2024	**(123)**	**(177)**	**(300)**

As at the date of the sale of mass retail portfolio, the unused credit lines that were linked to the portfolio sold amounted to GEL 72,783 thousand gross and an ECL of GEL 462 thousand has been created against it.

20. Net fee and commission income

Net fee and commission income comprise:

	2025	*2024*
Guarantees and letters of credits issued	1,265	1,172
Settlement operations	581	603
Plastic card operations	563	777
Cash operations	137	205
Fee and commission income	**2,546**	**2,757**
Plastic card operations	(847)	(949)
Settlement operations	(653)	(491)
Guarantees and letters of credits issued	(13)	−
Cash operations	(7)	(3)
Other	(31)	(17)
Fee and commission expense	**(1,551)**	**(1,460)**
Net fee and commission income	**995**	**1,297**

(Amounts in tables are in thousands of Georgian lari)

Revenue from contracts with customers

The Bank's revenue from contracts with customers is mostly represented by fee and commission income. Revenue from contracts with customers recognized in the statement of profit or loss for the year ended 31 December 2025 amounted to GEL 2,546 thousand (2024: GEL 2,757 thousand).

The Bank recognised the following contract assets and liabilities in statement of financial position related to its contracts with customers:

	2025	*2024*
Deferred income (presented within other liabilities)	22	27

The Bank usually collects fees and commissions in advance of completion of the underlying transaction or shortly thereafter (for contracts where performance obligation is satisfied point in time, such as settlement transactions). For services provided over time (such as those related to fees for guarantees and letters of credit issued), the Bank usually charges upfront monthly, quarterly or annual fees covering respective portion of the overall contract period.

The Bank recognised GEL 27 thousand revenue from contracts with customers in the current reporting period that relates to carried−forward contract liabilities included in deferred income as at 31 December 2024.

21. Personnel, general and administrative expenses

Personnel, general and administrative expenses comprise:

	2025	*2024*
Salaries	14,865	16,010
Bonuses and other employee benefits	5,780	5,868
Personnel expenses	**20,645**	**21,878**
Professional services	1,777	1,865
IT maintenance	1,539	1,433
Personnel training	646	242
Short−term leases	612	751
Corporate hospitality and entertainment	403	279
Transportation and business trip expenses	247	180
Communication	233	270
Advertising costs	217	160
Membership fees	141	144
Utilities	133	151
Insurance	130	155
Deposit insurance and resolution fund contributions	121	105
Office supplies	108	130
Taxes other than income tax	91	272
Charity costs	65	63
Maintenance and exploitation	37	50
Recruitment costs	20	24
Security expenses	6	10
Write−off of retail plastic cards	−	200
Other	104	140
General and administrative expenses	**6,630**	**6,624**

Remuneration of the Bank's auditor, including under professional services fees, for the years ended 31 December 2025 and 2024 comprises (net of VAT):

	2025	*2024*
Fees for the audit of the Bank's annual financial statements for the year ended 31 December	245	130
Expenditures for other assurance services	79	63
Total fees and expenditures	**324**	**193**

Fees and expenditures to other professional audit firms in respect of other professional services comprised GEL 47 thousand in 2024 (2024: GEL 10 thousand).

The average number of the Bank's employees during 2025 was 184, including average 4 top management employees, average 34 middle management employees, average 144 other full−time employees and average 2 employees under temporary service contracts (2024: 249, including average 4 top management employees, average 37 middle management employees, average 203 other full−time employees and average 5 employees under temporary service contracts).

(Amounts in tables are in thousands of Georgian lari)

22. Other operating expenses

Other operating expense comprise:

	2025	*2024*
Loss from disposal of repossessed property	63	−
Loss from disposal and write−off of property and equipment	1	302
Loss from write−off of intangible assets	−	1,073
Loss from write−off of right−of−use assets	−	53
Other	−	126
Other operating expenses	**64**	**1,554**

Significant amount of loss from write−off of intangible assets in 2024 is attributed to the sale of mass retail portfolio (Note 7).

23. Risk management

Introduction

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

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

Risk management structure

Supervisory Board

The Supervisory Board is responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk management

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

Asset and Liability Committee

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

Internal Audit

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

Audit Committee

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

(Amounts in tables are in thousands of Georgian lari)

Risk measurement and reporting systems

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

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

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

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

Credit−related commitments risks

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

Impairment assessment

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

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

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

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

(Amounts in tables are in thousands of Georgian lari)

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit−impaired. The Bank records an allowance for the LTECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit−adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit−impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers amounts due from banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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

- Existing of information that borrower will/has enter bankruptcy, insolvency, or a similar condition.
- Internal/external rating of the borrower indicating default.
- Default on other financial instruments of the same borrower.
- Core sources of repayment for a financial instrument, including capital, net income, or the ability to generate cash flow, are not sufficient to pay off debt

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

Internal rating and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. The Bank runs separate models for its corporate and commercial portfolios in which its customers are rated from Aaa to Ca−C using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from the national and international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each grade. This is repeated for each economic scenario as appropriate. As for consumer portfolio, customers are rated from A to E3 using credit bureau rating tools.

Treasury and interbank relationships

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the external ratings, and assigns the internal rating, as shown in the table below.

Internal rating Grade	***External rating***	***PD***	***Internal rating description***
Class 1	Aaa	0.00095%	High grade
Class 1	Aa1	0.00170%	High grade
Class 1	Aa2	0.00304%	High grade
Class 1	Aa3	0.00543%	High grade
Class 1	A1	0.00969%	High grade
Class 1	A2	0.01729%	High grade
Class 1	A3	0.03087%	High grade
Class 1	Baa1	0.05511%	Standard grade
Class 1	Baa2	0.09835%	Standard grade
Class 1	Baa3	0.17546%	Standard grade
Class 1	Ba1	0.31283%	Standard grade
Class 1	Ba2	0.55715%	Standard grade
Class 1	Ba3	0.99040%	Standard grade
Class 2	B1	1.75461%	Standard grade
Class 2	B2	3.09008%	Standard grade
Class 3	B3	5.38629%	Standard grade
Class 3	Caa1	9.22635%	Sub−standard grade
Class 3	Caa2	15.35967%	Sub−standard grade
Class 3	Caa3	24.47103%	Sub−standard grade
Class 3	Ca−C	36.64709%	Sub−standard grade
	Default	100.00000%	Impaired

(Amounts in tables are in thousands of Georgian lari)

Corporate and commercial lending

For corporate and commercial loans, the borrowers are assessed by specialised credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward−looking information such as:

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

Consumer lending

Consumer lending comprises of loans, credit cards and overdrafts offered to clients. Credit risk and relevant loan loss allowance on this portfolio is assessed on a collective basis for performing loans and individual basis in relation to non−performing loans.
The Bank's internal credit rating for corporate and commercial segments grades are as follows:

Internal rating Grade	***Internal rating***	***PD***	***Internal rating description***
Class 1	Aaa	0.00095%	High grade
Class 1	Aa1	0.00170%	High grade
Class 1	Aa2	0.00304%	High grade
Class 1	Aa3	0.00543%	High grade
Class 1	A1	0.00969%	High grade
Class 1	A2	0.01729%	High grade
Class 1	A3	0.03087%	High grade
Class 1	Baa1	0.05511%	Standard grade
Class 1	Baa2	0.09835%	Standard grade
Class 1	Baa3	0.17546%	Standard grade
Class 1	Ba1	0.31283%	Standard grade
Class 1	Ba2	0.55715%	Standard grade
Class 1	Ba3	0.99040%	Standard grade
Class 2	B1	1.75461%	Standard grade
Class 2	B2	3.09008%	Standard grade
Class 3	B3	5.38629%	Standard grade
Class 3	Caa1	9.22635%	Sub−standard grade
Class 3	Caa2	15.35967%	Sub−standard grade
Class 3	Caa3	24.47103%	Sub−standard grade
Class 3	Ca−C	36.64709%	Sub−standard grade
	Default	100.00000%	Impaired

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

Significant increase in credit risk

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

(Amounts in tables are in thousands of Georgian lari)

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

- 3 notches for ratings above B
- 2 notches for ratings equal to B
- downgrade to Caa2 and below

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

Grouping financial assets measured on a collective basis

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

Asset classes where the Bank calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets except consumer portfolio;
- Stage 2 and Stage 3 corporate and commercial portfolio;
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.

Asset classes where the Bank calculates ECL on a collective basis include:

- The smaller and more generic balances of the Bank's commercial portfolio;
- Stage 1 and 2 consumer lending.

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

Forward−looking information and multiple economic scenarios

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

- GDP growth;
- Inflation.

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

The Bank obtains the forward−looking information from the sources published by the NBG, GeoStat, IMF, World and Regional Economic Outlooks, S&P Global Ratings and other. Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long−term average and so are the same for each scenario as at 31 December 2025:

			Subsequent years to 2025			***Subsequent years to 2024***		
Key drivers	***ECL scenario***	***Assigned probabilities, %***	***2026***	***2027***	***2028***	***2025***	***2026***	***2027***
GDP growth, %								
	Upside	25%	6.0%	5.5%	5.0%	7.0%	6.0%	6.0%
	Base case	50%	4.9%	5.1%	5.0%	4.9%	5.8%	5.7%
	Downside	25%	2.0%	4.0%	5.0%	2.0%	3.0%	5.0%
Inflation level								
	Upside	25%	3.0%	2.5%	3.0%	3.0%	3.0%	3.0%
	Base case	50%	3.5%	2.8%	3.0%	2.9%	3.6%	2.7%
	Downside	25%	8.0%	5.5%	3.0%	8.0%	5.0%	3.0%

Credit quality per class of financial asset

The credit quality of financial assets is managed by the Bank internal credit ratings, as described above. The table below shows the credit quality by class of financial assets as at 31 December 2025, based on the Bank's credit rating system:

(Amounts in tables are in thousands of Georgian lari)

	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	32,628	30,512	241	–	**63,381**
Amounts due from credit institutions	6	Stage 1	–	39,625	–	–	**39,625**
Loans to customers	7		85	405,818	3,088	20,893	**429,884**
Corporate		Stage 1	–	250,102	–	–	**250,102**
		Stage 3	–	–	–	1,602	**1,602**
Commercial		Stage 1	–	147,615	1,570	–	**149,185**
		Stage 2	–	7,869	1,249	–	**9,118**
		Stage 3	–	–	–	18,147	**18,147**
		POCI	–	–	–	1,127	**1,127**
Consumer		Stage 1	85	232	269	–	**586**
		Stage 3	–	–	–	17	**17**
Investment securities at amortized cost	8	Stage 1	–	110,457	–	–	**110,457**
Unused credit lines	19	Stage 1	–	22,178	–	–	**22,178**
Letters of credit		Stage 1	–	180	–	–	**180**
Performance guarantees		Stage 1	–	61,196	–	–	**61,196**
		Stage 2	–	–	1,348	–	**1,348**
		Stage 3	–	–	–	309	**309**
Total			**32,713**	**669,966**	**4,677**	**21,202**	**728,558**

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

	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	71,787	45,056	653	–	**117,496**
Amounts due from credit institutions	6	Stage 1	–	121,693	–	–	**121,693**
Loans to customers	7		205	330,283	1,551	30,824	**362,864**
Corporate		Stage 1	–	190,012	–	–	**190,012**
		Stage 3	–	–	–	2,210	**2,210**
Commercial		Stage 1	–	136,581	–	–	**136,581**
		Stage 2	–	2,928	1,266	–	**4,194**
		Stage 3	–	–	–	27,571	**27,571**
		POCI	–	–	–	1,011	**1,011**
Consumer		Stage 1	193	763	285	–	**1,241**
		Stage 2	12	–	–	–	**12**
		Stage 3	–	–	–	32	**32**
Debt investment securities at amortized cost	8	Stage 1	–	81,548	–	–	**81,548**
Unused credit lines	19	Stage 1	7	19,913	7,883	–	**27,803**
Letters of credit		Stage 1	–	264	–	–	**264**
Performance guarantees		Stage 1	16,230	38,973	–	–	**55,203**
		Stage 2	–	520	–	–	**520**
Total			**88,229**	**638,250**	**10,087**	**30,824**	**767,391**

(Amounts in tables are in thousands of Georgian lari)

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

	2025				**2024**			
	Georgia	***OECD***	***Other Non−OECD***	***Total***	***Georgia***	***OECD***	***Other Non−OECD***	***Total***
Assets								
Cash and cash equivalents	30,085	1,752	33,926	**65,763**	30,058	31,931	58,463	**120,452**
Amounts due from credit institutions	39,614	−	−	**39,614**	121,552	−	−	**121,552**
Loans to customers	353,609	45,949	23,488	**423,046**	302,428	33,761	15,311	**351,500**
Investment securities	109,708	−	−	**109,708**	81,069	−	−	**81,069**
Other assets	1,753	440	177	**2,370**	1,035	12	10	**1,057**
	534,769	**48,141**	**57,591**	**640,501**	**536,142**	**65,704**	**73,784**	**675,630**
Liabilities								
Amounts due to credit institutions	67,010	1	43,545	**110,556**	54,758	1	93,942	**148,701**
Amounts due to customers	271,441	28,772	60,996	**361,209**	242,610	21,495	130,181	**394,286**
Lease liabilities	4,018	−	−	**4,018**	755	−	−	**755**
Other liabilities	6,717	1	123	**6,841**	3,764	5	14	**3,783**
Subordinated debt	−	−	32,381	**32,381**	−	−	33,531	**33,531**
	349,186	**28,774**	**137,045**	**515,005**	**301,887**	**21,501**	**257,668**	**581,056**
Net assets / (liabilities)	**185,583**	**19,367**	**(79,454)**	**125,496**	**234,255**	**44,203**	**(183,884)**	**94,574**

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Funds attracted from the shareholder provide sufficient sources for the Bank's operations in the foreseeable future. The Bank manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of corporate and Ministry of Finance bonds that can be pledged to the NBG in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains a cash deposit (obligatory reserve) with the NBG, the amount of which depends on the level of customer funds attracted.

The liquidity position is assessed and managed by the Bank based on the certain liquidity ratios established by the NBG.

The liquidity coverage ratio (LCR) is calculated as the ratio of high−quality liquid assets (HQLA) to net cash outflow. The Bank is required to maintain at all times the stock of liquid assets to enable it to cover its net cash outflows in the 30 calendar days stress scenario. The minimum LCR requirement set by the NBG is 100% for foreign currency and combined LCR and 75% for national currency LCR respectively. At 31 December the Bank reported the following LCR levels:

	2025, %	***2024, %***
GEL	138.8	162.6
Foreign currency	151.9	110.8
Combined	145.1	122.4

The net stable funding ratio (NSFR) requires the Bank to maintain a stable funding profile in relation to the composition of its assets and off balance sheet activities in order to reduce the likelihood, that disruptions to the Bank's regular sources of funding will significantly erode its liquidity position. The NSFR is calculated as the ratio of available amount of stable funding over the required amount of stable funding. The minimum NSFR requirement set by the NBG is 100%. At 31 December the Bank reported the following NSFR levels:

	2025, %	***2024, %***
NSFR	117.6	131.6

Analysis of financial liabilities by remaining contractual maturities

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

(Amounts in tables are in thousands of Georgian lari)

As at 31 December 2025	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Amounts due to credit institutions	49,442	27,061	40,371	–	**116,874**
Amounts due to customers	128,660	151,028	93,397	303	**373,388**
Lease liabilities	458	1,374	1,957	–	**3,789**
Other financial liabilities (excluding derivative financial liabilities)	6,842	–	–	–	**6,842**
Derivative financial liabilities	46	–	–	–	**46**
Subordinated debt	81	2,023	22,171	18,842	**43,117**
Total undiscounted financial liabilities	**185,529**	**181,486**	**157,896**	**19,145**	**544,056**

As at 31 December 2024	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Amounts due to credit institutions	141,241	3,224	6,563	–	**151,028**
Amounts due to customers	150,518	128,382	132,347	–	**411,247**
Lease liabilities	57	171	590	–	**818**
Other financial liabilities (excluding derivative financial liabilities)	3,356	–	–	–	**3,356**
Derivative financial liabilities	427	–	–	–	**427**
Subordinated debt	84	2,093	9,056	35,919	**47,152**
Total undiscounted financial liabilities	**295,683**	**133,870**	**148,556**	**35,919**	**614,028**

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies. Each undrawn loan commitment, performance guarantee and letter of credit is included in the time band containing the earliest date it can be drawn down.

	Note	Less than 3 months	1 to 5 years	Over 5 years	Total
2025	19	84,767	–	–	**84,767**
2024	19	83,790	–	–	**83,790**

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

Market risk

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

Currency risk

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

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

Currency	Change in currency rate 2025	Effect on profit before tax 2025	Change in currency rate 2024	Effect on profit before tax 2024
USD	15%/(15%)	(106)/106	15%/(15%)	(27)/27
EUR	15%/(15%)	(66)/66	15%/(15%)	(33)/33

Interest rate risk

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

(Amounts in tables are in thousands of Georgian lari)

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

Currency	***Increase/(decrease) in basis points 2025***	***Sensitivity of net interest income 2025***
GEL	100/(100)	993/(993)

Currency	***Increase/(decrease) in basis points 2024***	***Sensitivity of net interest income 2024***
GEL	100/(100)	911/(911)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

24. Fair value measurements

Fair value hierarchy

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

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Fair value measurement using			
At 31 December 2025	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair values are disclosed				
Loans to customers	−	−	421,395	**421,395**
Investment securities	−	5,531	104,926	**110,457**
Assets measured at fair value				
Other assets − derivative financial assets	−	1,648	−	**1,648**

	Fair value measurement using			
At 31 December 2025	***Level 1***	***Level 2***	***Level 3***	***Total***
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	−	34,208	76,658	**110,866**
Amounts due to customers	−	96,430	265,320	**361,750**
Lease liabilities	−	−	4,018	**4,018**
Subordinated debt	−	−	32,381	**32,381**
Liabilities measured at fair value				
Other liabilities − derivative financial liabilities	−	46	−	**46**

	Fair value measurement using			
At 31 December 2024	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair values are disclosed				
Loans to customers	−	−	352,312	**352,312**
Investment securities	−	5,576	75,175	**80,751**
Assets measured at fair value				
Other assets − derivative financial assets	−	396	−	**396**

(Amounts in tables are in thousands of Georgian lari)

	Fair value measurement using			
At 31 December 2024	***Level 1***	***Level 2***	***Level 3***	***Total***
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	−	140,428	8,370	**148,798**
Amounts due to customers	−	132,375	262,567	**394,942**
Lease liabilities	−	−	755	**755**
Subordinated debt	−	−	33,531	**33,531**
Liabilities measured at fair value				
Other liabilities − derivative financial liabilities	−	427	−	**427**

Fair value of financial assets and liabilities not carried at fair value

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

	Carrying value 2025	***Fair value 2025***	***Unrecognised gain(loss) 2025***	***Carrying value 2024***	***Fair value 2024***	***Unrecognised gain(loss) 2024***
Financial assets						
Loans to customers	423,046	421,395	(1,651)	351,500	352,312	812
Investment securities	109,708	110,457	749	81,069	80,751	(318)
Other financial assets	2,370	2,370	−	1,057	1,057	−
Financial liabilities						
Amounts due to credit institutions	110,556	110,866	(310)	148,701	148,798	(97)
Amounts due to customers	361,209	361,750	(541)	394,286	394,942	(656)
Other financial liabilities	6,841	6,841	−	3,783	3,783	−
Lease liabilities	4,018	4,018	−	755	755	−
Subordinated debt	32,381	32,381	−	33,531	33,531	−
Total unrecognised change in fair value			**(1,753)**			**(259)**

Valuation techniques and assumptions

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

Assets and liabilities for which fair value approximates carrying value

The carrying amounts of cash and cash equivalents and amounts due from credit institutions are considered to approximate their respective fair values due to their short−term maturities, liquid nature and as such continues repricing to market terms. Considering the nature and characteristics, the cash and cash equivalents are classified as Level 1 of the fair value hierarchy.

Derivatives

The determination of fair value for financial instruments is based on established valuation methodologies that consider market−based inputs and valuation techniques. For short−term derivatives, as any time value adjustments are minimal, the Bank uses a present value approach, wherein the fair value is considered equivalent to the book value.

Financial assets and financial liabilities carried at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date, as such they fall under Level 2 fair value hierarchy. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions, amounts due to credit institutions, subordinated debt and other financial assets and liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

25. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to their contractual maturities. See Note 23 "Risk management" for the Bank's contractual undiscounted repayment obligations.

(Amounts in tables are in thousands of Georgian lari)

	2025			2024		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	65,763	−	**65,763**	120,452	−	**120,452**
Amounts due from credit institutions	39,614	−	**39,614**	121,552	−	**121,552**
Loans to customers	181,248	241,798	**423,046**	159,207	192,293	**351,500**
Investment securities	18,994	90,714	**109,708**	12,805	68,264	**81,069**
Repossessed collateral	−	12,197	**12,197**	−	19,368	**19,368**
Property and equipment	−	1,284	**1,284**	−	1,927	**1,927**
Right−of−use assets	−	3,652	**3,652**	−	704	**704**
Intangible assets	−	2,884	**2,884**	−	3,356	**3,356**
Deferred tax assets	−	2,573	**2,573**	−	4,421	**4,421**
Other assets	3,614	85	**3,699**	2,171	408	**2,579**
Total	**309,233**	**355,187**	**664,420**	**416,187**	**290,741**	**706,928**
Amounts due to credit institutions	73,113	37,443	**110,556**	143,220	5,481	**148,701**
Amounts due to customers	272,178	89,031	**361,209**	268,574	125,712	**394,286**
Provisions	445	−	**445**	300	−	**300**
Lease liabilities	−	4,018	**4,018**	−	755	**755**
Other liabilities	11,430	1,622	**13,052**	8,102	645	**8,747**
Subordinated debt	−	32,381	**32,381**	−	33,531	**33,531**
Total	**357,166**	**164,495**	**521,661**	**420,196**	**166,124**	**586,320**
Net	**(47,933)**	**190,692**	**142,759**	**(4,009)**	**124,617**	**120,608**

Amounts due to customers include all current accounts or time deposits within 1 year, however, the Bank does not expect that these amounts will be fully withdrawn during 2026. Significant part of total current accounts represents current accounts from legal entities, which historically are of long−term nature.

Long−term loans are generally not available in Georgia. However, in the Georgian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. The Bank expects that significant part of the amounts due to credit institutions will be prolonged.

26. Related party disclosures

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

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

The outstanding balances of related party transactions are as follows:

	2025				2024			
	Shareholders	***Key management personnel***	***Entities under common control***	***Other***	***Shareholders***	***Key management personnel***	***Entities under common control***	***Other***
Cash and cash equivalents	379	−	1,579	−	520	−	3,535	−
Gross loans to customers	−	−	−	270	−	−	8,185	281
Allowance for impairment	−	−	−	−	−	−	(174)	−
Net loans to customers	−	−	−	270	−	−	8,011	281
Other assets	22	−	151	−				
Amounts due to credit institutions	(33,354)	−	(572)	−	(7,804)	−	(640)	−
Amounts due to customers	(13,496)	(2,346)	(3,677)	(5,915)	(56,506)	(1,699)	(19,728)	(4,277)
Other liabilities*	−	(2,607)	(116)	−	−	(1,228)	(1)	−
Subordinated debt (Note 16)	(14,785)	−	(4,057)	−	(15,205)	−	(4,226)	−

(Amounts in tables are in thousands of Georgian lari)

The Bank's liabilities towards related parties amount to 15% of its total liabilities as at 31 December 2025 (2024: 18%), which represents a significant concentration.

*Payables to key management personnel are included in other liabilities.

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

	2025				2024			
	Shareholders	Key management personnel	Entities under common control	Other	Shareholders	Key management personnel	Entities under common control	Other
Fee and commission income	1	–	34	–	3	–	33	–
Fee and commission expense	(2)	–	(4)	–	(2)	–	(3)	–
Interest income on loans to customers	–	1	–	17	–	1	218	17
Interest expense on amounts due to credit institutions	(661)	–	(38)	–	(70)	–	(542)	–
Interest expense on amounts due to customers	(2,078)	(75)	(255)	(163)	(365)	(61)	(1,268)	(88)
Interest expense on subordinated debt	(709)	–	(334)	–	(692)	–	(943)	–
Credit loss (expense)/gain on interest bearing assets	–	–	183	–	–	1	(174)	–
Modification loss	–	–	–	–	–	–	–	–
Professional fees	(7)	–	(1)	–	(3)	–	(32)	–
Corporate hospitality and entertainment	–	–	–	–	–	–	(9)	–

The Bank's interest expense on liabilities towards related parties is 15% of its total interest expense (2024: 18%).

Amounts due to credit institutions/customers

The outstanding balances as at 31 December 2025 represent deposits placed by the related parties. Interest rates in the range of around 3.5 - 5.5% charged on balances outstanding toward related parties are equivalent to those that prevail in an arm's length transaction. The interest charged on balances outstanding at 31 December amounted to GEL 3,270 (2024: GEL 2,394).

Credit commitments
As at 31 December 2025, the Bank had outstanding performance guarantees issued in favour of related parties amounting to GEL 1,633 (2024: GEL 1,689).

Compensation of key management personnel was comprised of the following:

	2025	2024
Salaries and other short−term benefits	4,256	3,347

Key management personnel as at 31 December 2025 comprised of 5 members of the Supervisory Board and 4 members of the Board of Directors of the Bank (2024: 5 members of the Supervisory Board and 4 members of the Board of Directors).

(Amounts in tables are in thousands of Georgian lari)

27. Capital adequacy

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

The primary objectives of the Bank's capital management are (i) to ensure that the Bank complies with externally imposed capital requirements set by the NBG and (ii) to safeguard the Bank's ability to continue as a going concern. Compliance with capital adequacy ratios set by the NBG is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Accountant or Chief Financial Officer and subsequently submitted to the NBG.

During year ended 31 December 2025 the Bank followed externally imposed capital requirements.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

NBG capital adequacy ratio

Under the capital framework, capital requirements are divided into Pillar 1 Requirements for Common Equity Tier 1, Tier 1 and Regulatory Capital and additional buffers under Pillar 1 and Pillar 2.

Pillar 1

- The capital conservation buffer (which was incorporated in minimum capital requirements) is separated and set at 2.5%;
- A countercyclical capital buffer is currently set at 0.5%;
- A systemic risk buffer will be introduced for systematically important banks over the 4 years period.

Pillar 2

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

As at 31 December 2025 the NBG requires the Bank to maintain a minimum total capital adequacy ratio of 22.73%, Tier 1 Capital ratio of 18.36% and Core Tier 1 Capital ratio of 15.07% of risk−weighted assets (31 December 2024: capital adequacy ratio of 22.10%, Tier 1 Capital ratio of 17.93% and Core Tier 1 Capital ratio of 14.78% of risk−weighted assets), computed based on Basel III requirements. As at 31 December 2025 and 2024 the Bank's capital adequacy ratio on this basis was as follows:

	Notes	*31 December 2025*	*31 December 2024*
Share capital	18	136,800	136,800
Retained earnings		(17,261)	(25,640)
Less: intangible assets, net	12	(2,885)	(3,356)
Less: deferred tax assets	17	(2,573)	–
Current period income/(loss)		8,588	8,293
Core tier 1 capital		**122,669**	**116,097**
Additional tier 1 capital		13,476	–
Tier 1 capital		**136,145**	**116,097**
Tier 2 capital		28,300	32,278
Supplementary capital		–	–
Total regulatory capital		**164,444**	**148,375**
Risk weighted assets		**665,753**	**643,135**
Core Tier 1 capital		18.43%	18.05%
Tier 1 capital adequacy ratio		20.45%	18.05%
Capital adequacy ratio		24.70%	23.07%