

JSC Terabank Group

Consolidated financial statements

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

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Independent auditor's report

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Independent auditor's report

To the Shareholders and Supervisory Board of JSC Terabank

Opinion

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

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

Basis for opinion

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

Other information included in the Group's 2025 Management Report

Other information consists of the information included in the Group's 2025 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2025 Management Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon in our report on the audit of the consolidated financial statements.

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



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Responsibilities of management and the Audit Committee for the consolidated financial statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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



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

We communicate with the Audit Committee 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.

A handwritten signature in blue ink, appearing to read 'S. Kusrashvili', is written over a faint, light-colored rectangular stamp or watermark.

Ana Kusrashvili (SARAS-A-169041)

On behalf of EY LLC (SARAS-F-855308)

Tbilisi, Georgia

15 May 2026

Consolidated statement of financial position**As at 31 December 2025***(In thousands of Georgian Lari, unless otherwise stated)*

	Notes	2025	2024
Assets			
Cash and cash equivalents	6	146,475	119,364
Mandatory reserve deposit with the National Bank of Georgia		104,212	143,289
Loans to customers and financial lease receivables	8	1,684,034	1,406,462
Investment securities	7	186,461	181,936
Repossessed property	8	42,835	33,948
Premises and equipment	9	66,726	29,864
Other intangible assets	10	17,599	11,229
Goodwill	10	20,374	20,374
Prepaid income tax	12	424	5,511
Other assets	11	14,399	9,988
Total assets		2,283,539	1,961,965
Liabilities			
Current accounts and deposits from credit institutions	16	22,163	5,078
Lease liabilities	15	6,078	5,541
Current accounts and deposits from customers	17	1,425,539	1,182,644
Deferred tax liability	12	4,167	2,817
Other liabilities	18	14,116	15,023
Loans from financial institutions	13	379,233	374,996
Subordinated loans	14	120,368	93,304
Total liabilities		1,971,664	1,679,403
Equity			
Share capital	19	128,022	121,372
Retained earnings		182,968	161,190
Total equity attributable to the equity holders of the parent		310,990	282,562
Non-controlling interest		885	-
Total equity		311,875	282,562
Total liabilities and equity		2,283,539	1,961,965

These consolidated financial statements were approved by the Board of Directors on 15 May 2026 and were signed on its behalf by:

Thea Lortkipanidze
General Director


Sophie Jugeli
Chief Financial Officer

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 54.

Consolidated statement of financial position**As at 31 December 2025***(In thousands of Georgian Lari, unless otherwise stated)*

	<i>Notes</i>	2025	2024
Assets			
Cash and cash equivalents	6	146,475	119,364
Mandatory reserve deposit with the National Bank of Georgia		104,212	143,289
Loans to customers and financial lease receivables	8	1,684,034	1,406,462
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Total equity attributable to the equity holders of the parent		<u>310,990</u>	<u>282,562</u>
Non-controlling interest		<u>885</u>	<u>-</u>
Total equity		<u>311,875</u>	<u>282,562</u>
Total liabilities and equity		<u>2,283,539</u>	<u>1,961,965</u>

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 Thea Lorkipanidze
 General Director


 Sophie Jugeli
 Chief Financial Officer

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 54.

Consolidated statement of profit or loss and other comprehensive income**For the year ended 31 December 2025***(In thousands of Georgian Lari, unless otherwise stated)*

	Notes	2025	2024
Interest income calculated using the effective interest method	20	211,241	184,953
Other interest income	20	8,123	4,262
Total Interest income	20	219,364	189,215
Interest expense	20	(131,816)	(112,558)
Net interest income		87,548	76,657
Credit loss expense	5	(5,457)	(5,488)
Fee and commission income	21	9,831	10,251
Fee and commission expense	21	(5,789)	(5,113)
Net gain/(loss) from foreign exchange transactions	22	4,860	7,515
Other income		1,084	1,273
Operating income		92,077	85,095
Personnel expenses		(33,891)	(29,340)
Depreciation and amortization	9,10	(7,973)	(6,538)
Other provisions (charge)/reversal		(129)	380
Gain/(loss) from sale and revaluation of repossessed assets		497	228
Other operating expenses	23	(12,865)	(13,658)
Profit before income tax		37,716	36,167
Income tax expense	12	(5,406)	(5,328)
Profit for the year		32,310	30,839
Other comprehensive income for the year		-	-
Total comprehensive income for the year		32,310	30,839
Profit and total comprehensive income for the year attributable to:			
Equity holders of the Parent		32,186	30,839
Non-controlling interest		124	-

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 54.

Consolidated statement of changes in equity**For the year ended 31 December 2025***(In thousands of Georgian Lari, unless otherwise stated)*

	Share capital	Retained earnings	Total attributable to equity holders of the Parent	Non-controlling interest	Total equity
Balance at 1 January 2024	121,372	130,351	251,723	–	251,723
Profit and other comprehensive income for the year	–	30,839	30,839	–	30,839
Balance at 31 December 2024	121,372	161,190	282,562	–	282,562
Profit and other comprehensive income for the year	–	32,186	32,186	124	32,310
Increase in share capital (Note 19)	6,650	–	6,650	–	6,650
Dividends declared (Note 19)	–	(10,000)	(10,000)	–	(10,000)
Non-controlling interests arising on establishment of subsidiary	–	(408)	(408)	761	353
Balance at 31 December 2025	128,022	182,968	310,990	885	311,875

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 54.

Consolidated statement of cash flows**For the year ended 31 December 2025***(In thousands of Georgian Lari, unless otherwise stated)*

	Notes	2025	2024
Cash flows from operating activities			
Interest received		216,304	189,937
Interest paid		(132,032)	(111,100)
Fees and commissions received		9,827	10,256
Fees and commissions paid		(5,789)	(5,113)
Net gain/(loss) received from trading in foreign currencies		1,288	8,316
Other operating income received		1,580	1,112
Personnel expenses paid		(32,310)	(27,043)
Other operating expenses paid		(13,118)	(13,568)
Cash received from sale of repossessed assets		9,812	5,344
Income tax paid		(100)	(11,871)
Cash flows from operating activities before changes in operating assets and liabilities		55,462	46,270
<i>Changes in:</i>			
Mandatory reserve deposits with the National Bank of Georgia		36,631	(41,707)
Loans to customers		(297,787)	(143,021)
Other financial assets		(3,411)	(4,097)
Current accounts and deposits from banks		16,108	(4,956)
Current accounts and deposits from customers		258,419	63,507
Other financial liabilities		(3,035)	(323)
Net cash flows from/(used in) operating activities		62,387	(84,327)
Cash flows from investing activities			
Acquisition of investment securities		(32,469)	(30,500)
Proceeds from redemption of investment securities		28,250	5,625
Acquisition of premises and equipment		(39,322)	(5,352)
Proceeds from disposal of premises and equipment		20	507
Acquisition of intangible assets		(9,005)	(8,899)
Net cash flows used in investing activities		(52,526)	(38,619)
Cash flows from financing activities			
Dividends paid	19	(10,000)	-
Proceeds from issue of share capital	19	6,650	-
Repayment of lease liabilities	15	(2,005)	(2,007)
Receipts of the loans from the financial institutions	15	108,812	212,688
Repayment of the loans from the financial institutions	15	(113,528)	(41,987)
Repayment of the subordinated loans	15	(8,223)	(9,606)
Proceeds from subordinated loans	15	35,494	1,183
Net cash flows from financing activities		17,200	160,271
Effect of exchange rates changes on cash and cash equivalents		50	2,621
Net increase in cash and cash equivalents		27,111	39,946
Cash and cash equivalents, beginning	6	119,364	79,418
Cash and cash equivalents, ending	6	146,475	119,364

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 54.

(in thousands of Georgian Lari, unless otherwise stated)

1. Reporting entity

Organisation and operations

JSC Terabank (the “Bank” or the “Parent”) together with its subsidiary and associates (the “Group”) provides business banking services in Georgia

JSC Terabank (the “Bank” or the “Parent”) is a Georgian commercial bank holding a general banking license from the National Bank of Georgia (the “NBG”) issued on 25 January 2008. The Bank’s tax registration number is 204546045.

The Bank’s principal activity is the provision of a wide range of retail and corporate banking services. These include accepting deposits, extending credit, facilitating domestic and international payments, currency exchange, and offering various other banking services to both retail and corporate customers.

On 22 January 2025 the Bank established a subsidiary, JSC Tera Leasing (the “Subsidiary”), with a view of separating its leasing business into a separate entity. At establishment, the Bank contributed GEL 5,500 for 87% share in JSC Tera Leasing. The Bank together with its subsidiary are hereinafter referred to as “the Group”.

The Bank’s registered legal address is 3 K. Tsamebuli Avenue, Tbilisi, 0103, Georgia. The Bank operates through 29 branches, service centers and service desks (2024: 31), which are located in all major cities of Georgia. JSC Tera Leasing’s registered legal address is 3 Tsminda Ketevan Dedopkali avenue, Tbilisi, 0103, Georgia.

As at 31 December 2025 and 2024, the Group’s shareholding structure is as follows:

Owners	2025 Ownership interest, %	2024 Ownership interest, %
Sheikh Nahayan Mabarak Al Nahayan	80%	80%
Sheikh Mohamed Butti Al Hamed	15%	15%
Investment Trading Group LLC	5%	5%
	100%	100%

The Bank’s ownership structure includes the following subsidiary and associates:

Subsidiary and Associates		2025 Ownership interest, %	2024 Ownership interest, %
JSC Tera Leasing	Subsidiary	87%	–
LLC Standard Leasing	Associate	20%	20%
LLC Credit Union Refinancing Company	Associate	40%	40%

JSC Tera Leasing’s register legal address is 3 K. Tsamebuli Avenue, Tbilisi, 0103, Georgia.

LLC Standard Leasing’s registered legal address is 43 I. Chavchavadze avenue, Tbilisi, 0179, Georgia.

LLC Credit Union Refinancing Company’s registered legal address is 43 I. Chavchavadze avenue, Tbilisi, 0179, Georgia.

The charter capital is GEL 2 and GEL 2.6, respectively. Both associates are currently dormant.

Related party transactions are described in detail in Note 28.

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

(in thousands of Georgian Lari, unless otherwise stated)

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Group operates on a going concern basis.

(b) Reclassifications

During the preparation of the financial statements as of 31 December 2025, the Group updated the presentation of loans from financial institutions and lease liabilities. Previously, these items were presented on a combined basis. To provide more relevant information and conform to the 2025 presentation, the Group has separately presented loans from financial institutions and lease liabilities in the statement of financial position. Accordingly, comparative information for 2024 has been reclassified to conform to the current year's presentation.

statement of Financial position for the year ended December 31, 2024	As previously reported	Reclassification effect	As reclassified
Loans from financial institutions and lease liabilities	380,537	(380,537)	–
Loans from financial institutions	–	374,996	374,996
Lease liabilities	–	5,541	5,541
Total liabilities	1,679,403	–	1,679,403

During the preparation of the financial statements as of 31 December 2025, the Group updated the presentation of other interest income in the statement of profit or loss and other comprehensive income. Accordingly, comparative information for 2024 has been reclassified to conform to the current year's presentation.

statement of profit or loss and other comprehensive income for the year ended 31 December 2024	As previously reported	Reclassification effect	As reclassified
Interest income calculated using the effective rate method	189,215	(4,262)	184,953
Other interest income	–	4,262	4,262
Net interest income	76,657	–	76,657
Profit for the year	30,839	–	30,839

(c) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments (currency swaps) which are measured at FVTPL.

(d) Functional and presentation currency

The functional currency of the Bank and of the Subsidiary is the Georgian Lari (GEL) as, being the national currency of Georgia, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The GEL is also the presentation currency for the purposes of these consolidated financial statements.

These consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated and is rounded to the nearest thousand.

(in thousands of Georgian Lari, unless otherwise stated)

3. Material accounting policy information

(a) Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2025. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- ▶ Exposure, or rights, to variable returns from its involvement with the investee;
- ▶ The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee;
- ▶ Rights arising from other contractual arrangements;
- ▶ The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

(b) New and amended standards

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

- ▶ Lack of exchangeability – Amendments to IAS 21

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.

This amendment did not have a material impact on the Group's consolidated financial statements at 31 December 2025.

(c) Foreign currency translation

Transactions in foreign currencies are translated to GEL at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to GEL at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(in thousands of Georgian Lari, unless otherwise stated)

3. Material accounting policy information (continued)

(d) Interest

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- ▶ The gross carrying amount of the financial asset; or
- ▶ The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost and interest expense on lease liabilities.

(e) Fees and commissions

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

(in thousands of Georgian Lari, unless otherwise stated)

3. Material accounting policy information (continued)

(e) Fees and commissions (continued)

Fee and commission income from services where performance obligations are satisfied over time

Revenue from account and card servicing is recognized over the period the service is provided, typically on a monthly basis, as performance obligations are satisfied over time.

Fee and commission income from providing services where performance obligations are satisfied at a point in time

Fees and commissions earned from providing transaction-type services such as settlement, brokerage, cash and currency conversion operations are recognised when the service has been completed, provided such fees and commissions are not subject to refund or another contingency beyond the control of the Group. Fees from currency conversion operations represent additional commission (other than currency dealing revenue recognised in net foreign currency gain) charged on currency conversion service provided to customers on cards used abroad.

(f) Financial assets and financial liabilities

i. Classification

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not have financial assets measured at FVOCI.

The Group classifies cash flows related to loans from financial institutions within finance activities, regardless of their maturity. These funds represent a formal source of structural financing. By presenting these as financing activities, the Group aims to distinguish between the cash generated from its core customer-facing operations and the cash raised to support operations and the cash raised to support funding structure.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that is considered includes:

- ▶ The stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- ▶ How the performance of the portfolio is evaluated and reported to the Group's management;
- ▶ The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- ▶ How managers of the business are compensated – e.g. Whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- ▶ The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at FVTPL, for directly attributable fees and costs.

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred. The deferred amounts are recognised in profit or loss when there is a change in a factor (including time) that market participants would take into account when pricing the asset or liability. On this basis, the Group has assessed that amortising the deferred amount on a straight-line basis is appropriate. Any outstanding amount is immediately recognised in profit or loss when the instrument is derecognised or when the input(s) becomes observable.

(in thousands of Georgian Lari, unless otherwise stated)

3. Material accounting policy information (continued)

(f) Financial assets and financial liabilities (continued)

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

i. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

ii. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Group due to changes in the NBG key rate, if the loan agreement entitles the Group to do so. The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different.

The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- ▶ Change the currency of the financial asset;
- ▶ Significant extension of the maturity date;
- ▶ Change from a floating-rate financial instrument to a fixed-rate instrument, or vice versa

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

(in thousands of Georgian Lari, unless otherwise stated)

3. Material accounting policy information (continued)

(f) Financial assets and financial liabilities (continued)

If the modification of a financial asset measured at amortised cost does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method (see Note 3(b)).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

iii. Impairment

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- ▶ Financial assets that are debt instruments;
- ▶ Net investments in leases;
- ▶ Loan commitments and financial guarantee contracts issued.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- ▶ Debt investment securities that are determined to have low credit risk at the reporting date; and
- ▶ Other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 5).

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

(in thousands of Georgian Lari, unless otherwise stated)

3. Material accounting policy information (continued)

(f) Financial assets and financial liabilities (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- ▶ Undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- ▶ Financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

See also Note 5.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3(d)(ii)) and ECL are measured as follows:

- ▶ If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 5);
- ▶ If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position for financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the consolidated statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

A financial instrument shall be written off if:

- ▶ an unsecured financial instrument, or the unsecured portion of a partially secured financial instrument, is more than 360 days past due;
- ▶ a fully secured financial instrument, or the secured portion of a partially secured financial instrument, is more than 720 days past due.

The 720-day threshold may be extended based on the Bank's decision where sufficient evidence exists demonstrating that recovery from the borrower or a third party remains legally enforceable and reasonably achievable. In such cases, the write-off threshold is extended to 1,080 days past due.

(in thousands of Georgian Lari, unless otherwise stated)

3. Material accounting policy information (continued)

(g) Cash and cash equivalents and mandatory reserve with the NBG

Cash and cash equivalents consist of cash on hand, cash in transit, amounts due from the NBG, excluding mandatory reserves, amounts due from credit institutions and other highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

The mandatory reserve deposit is an interest-bearing deposit calculated in accordance with regulations issued by the NBG and whose withdrawability is restricted. The mandatory reserve deposit with the NBG is not considered to be a cash equivalent, due to restrictions on its withdrawability.

(h) Loans to customers and finance lease receivables

Recognition and initial measurement

Loans to customers

'Loans to customers' caption in the consolidated statement of financial position include debt financial assets measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Finance lease receivables

The Group recognizes assets under financial lease in the consolidated statement of financial position and presents them as receivables, in the amount equal to the net lease investment. In order to measure net lease investment, the Group uses interest rate implicit in the lease. Initial direct costs are included in the initial measurement of the net lease investment and reduce the amount of income earned in course of the lease.

The Group recognizes assets under financial lease in the consolidated statement of financial position and presents them as receivables, in the amount equal to the net lease investment. In order to measure net lease investment, the Group uses interest rate implicit in the lease. Initial direct costs are included in the initial measurement of the net lease investment and reduce the amount of income earned in course of the lease.

Initial carrying amount of finance lease receivable is calculated as follows:

Asset price less amount of received co-payment, resulting amount of which represents initial carrying amount of the lease receivable.

(i) Investment securities

The 'investment securities' caption in the consolidated statement of financial position includes: debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(j) Repossessed property

Repossessed property represents non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognized at cost and subsequently measured at the lower of cost (carrying value of the defaulted loan, including expenditure incurred in the process of collateral foreclosure) and net realizable value and included in premises and equipment or inventories depending on their nature and the Group's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

(k) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured as follows:

- ▶ At the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Group has issued no loan commitments that are measured at FVTPL.

For other loan commitments:

- ▶ The Group recognises a loss allowance (see Note 3(d)(iv)).

Liabilities arising from financial guarantees and loan commitments are included within provisions.

(in thousands of Georgian Lari, unless otherwise stated)

3. Material accounting policy information (continued)

(l) Premises and equipment

Premises and equipment are carried at cost less accumulated depreciation and any accumulated impairment. Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Premises	50 years
Office and computer equipment	5–15 years
Vehicles	5 years
Furniture, fixtures and other fixed assets	5 years
Leasehold improvements	2–10 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(m) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(n) Intangible assets other than goodwill

Intangible assets include computer software, customer relations and licenses.

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 10 years.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- ▶ The technical feasibility of completing the intangible asset so that the asset will be available for use;
- ▶ Its intention to complete and its ability and intention to use;
- ▶ How the asset will generate future economic benefits;
- ▶ The availability of resources to complete the asset;
- ▶ The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit.

(in thousands of Georgian Lari, unless otherwise stated)

3. Material accounting policy information (continued)

(0) Share capital

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of Georgia. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in consolidated statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

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

Deferred tax

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

(q) Group as a lessee

The Group recognises a right-of-use asset and a lease liability at a lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, incremental borrowing rate is used as the discount rate.

(r) Standards issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Group to determine the impact on the 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 Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective

(in thousands of Georgian Lari, unless otherwise stated)

3. Material accounting policy information (continued)

(r) Standards issued but not yet effective (continued)

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

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

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

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

The Group continues to assess the impact of the new standards.

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, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

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

Additionally, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

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

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

4. Significant accounting judgments and estimates

In preparing these consolidated financial statements, management has made judgment, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In the process of applying the Group'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 Group's ECL calculations are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ▶ The segmentation of financial assets when their ECL is assessed on a collective basis;
- ▶ Development of ECL models, including the various formulas and the choice of inputs;

Please refer to Note 5 and Note 25.

(in thousands of Georgian Lari, unless otherwise stated)

5. Credit risk review

The following tables present the changes in the credit loss allowance for loans to customers and financial lease receivables, by class (Business, Consumer, Mortgage, and Financial Lease Receivables), as of 31 December 2025 and 31 December 2024, including movements during each respective reporting period:

Expected credit loss allowance

<i>Business loans</i>	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January	4,800	5,105	14,935	24,840	4,672	5,226	14,534	24,432
Transfer to Stage 1	1,257	(1,138)	(119)	-	1,693	(845)	(848)	-
Transfer to Stage 2	(200)	1,905	(1,705)	-	(87)	2,468	(2,381)	-
Transfer to Stage 3	(95)	(1,386)	1,481	-	(123)	(1,111)	1,234	-
Unwinding of discount	-	-	806	806	-	-	354	354
Net remeasurement of loss allowance	(2,615)	222	439	(1,954)	(3,660)	(2,172)	4,228	(1,604)
New financial assets originated	4,968	-	-	4,968	4,789	-	-	4,789
Transfer of newly originated assets to Stage 2	(787)	787	-	-	(1,539)	1,539	-	-
Transfer of newly originated assets to Stage 3	(1,461)	-	1,461	-	(945)	-	945	-
Write-offs	-	-	(2,913)	(2,913)	-	-	(3,777)	(3,777)
Recoveries of amounts previously written off	-	-	2,081	2,081	-	-	646	646
As at 31 December	5,867	5,495	16,466	27,828	4,800	5,105	14,935	24,840

<i>Consumer loans</i>	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January	1,000	935	4,770	6,705	692	383	3,132	4,207
Transfer to Stage 1	32	(65)	(256)	-	261	(29)	(232)	-
Transfer to Stage 2	(8)	211	(203)	-	(7)	45	(38)	-
Transfer to Stage 3	(28)	(178)	206	-	(10)	(61)	71	-
Unwinding of discount	-	-	752	752	-	-	518	518
Net remeasurement of loss allowance	(711)	(488)	1,246	47	(557)	329	1,554	1,326
New financial assets originated	2,148	-	-	2,148	1,776	-	-	1,776
Transfer of newly originated assets to Stage 2	(158)	158	-	-	(268)	268	-	-
Transfer of newly originated assets to Stage 3	(1,185)	-	1,185	-	(887)	-	887	-
Write-offs	-	-	(2,473)	(2,473)	-	-	(1,685)	(1,685)
Recoveries of amounts previously written off	-	-	829	829	-	-	563	563
As at 31 December	1,379	573	6,056	8,008	1,000	935	4,770	6,705

<i>Mortgage loans</i>	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January	169	103	331	603	179	236	1,163	1,578
Transfer to Stage 1	29	(1)	(28)	-	46	(36)	(10)	-
Transfer to Stage 2	-	67	(67)	-	(1)	96	(95)	-
Transfer to Stage 3	(1)	(54)	55	-	(1)	(140)	141	-
Unwinding of discount	-	-	45	45	-	-	-	-
Net remeasurement of loss allowance	(48)	(66)	50	(64)	(114)	(60)	(816)	(990)
New financial assets originated	323	-	-	323	85	-	-	85
Transfer of newly originated assets to Stage 2	(12)	12	-	-	(7)	7	-	-
Transfer of newly originated assets to Stage 3	(241)	-	241	-	(18)	-	18	-
Write-offs	-	-	(72)	(72)	-	-	(138)	(138)
Recoveries of amounts previously written off	-	-	3	3	-	-	68	68
As at 31 December	219	61	558	838	169	103	331	603

(in thousands of Georgian Lari, unless otherwise stated)

5. Credit risk review (continued)**Expected credit loss allowance (continued)**

<i>Finance lease receivables</i>	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January	22	66	48	136	30	-	-	30
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(3)	19	(16)	-	(4)	4	-	-
Transfer to Stage 3	(1)	-	1	-	(1)	-	1	-
Net remeasurement of loss allowance	(15)	(78)	(27)	(120)	-	-	-	-
Repayments through repossessing	-	-	-	-	(24)	3	32	11
New financial assets originated	109	-	-	109	95	-	-	95
Transfer of newly originated assets to Stage 2	(27)	27	-	-	(59)	59	-	-
Transfer of newly originated assets to Stage 3	(41)	-	41	-	(15)	-	15	-
Write-offs	-	-	-	-	-	-	-	-
As at 31 December	44	34	47	125	22	66	48	136

The following tables show expected credit loss allowance by class of financial instruments.

	2025				
	Loans to customers at amortized cost – Business loans	Loans to customers at amortized cost – Consumer loans	Loans to customers at amortized cost – Mortgage loans	Finance lease receivables	Total
Net remeasurement of loss allowance	(1,954)	47	(64)	(120)	(2,091)
New financial assets originated	4,968	2,148	323	109	7,548
Total	3,014	2,195	259	(11)	5,457
	2024				
	Loans to customers at amortised cost – Business loans	Loans to customers at amortised cost – Consumer loans	Loans to customers at amortised cost – Mortgage loans	Finance lease receivables	Total
Net remeasurement of loss allowance	(1,604)	1,326	(990)	11	(1,257)
New financial assets originated or purchased	4,789	1,776	85	95	6,745
Total	3,185	3,102	(905)	106	5,488

(in thousands of Georgian Lari, unless otherwise stated)

5. Credit risk review (continued)**Expected credit loss allowance (continued)**

The significant changes in the gross carrying amount of the Loans to customers and finance lease receivables' portfolio are further explained below.

<i>Business loans</i>	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at								
1 January	1,000,130	61,642	46,837	1,108,609	928,003	58,833	35,456	1,022,292
Transfer to Stage 1	13,102	(12,614)	(488)	-	11,733	(9,490)	(2,243)	-
Transfer to Stage 2	(35,834)	41,377	(5,543)	-	(28,853)	33,848	(4,995)	-
Transfer to Stage 3	(21,085)	(14,066)	35,151	-	(21,009)	(9,499)	30,508	-
New financial assets originated	599,697	-	-	599,697	473,454	-	-	473,454
Transfer of newly originated assets to Stage 2	(9,821)	9,821	-	-	(12,373)	12,373	-	-
Transfer of newly originated assets to Stage 3	(8,157)	-	8,157	-	(3,611)	-	3,611	-
Repayments and other movements (including foreign currency revaluations)	(329,044)	(14,614)	(20,257)	(363,915)	(347,214)	(24,423)	(12,723)	(384,360)
Unwinding of discount	-	-	806	806	-	-	354	354
Write-offs	-	-	(2,913)	(2,913)	-	-	(3,777)	(3,777)
Recoveries of amounts previously written off	-	-	2,081	2,081	-	-	646	646
As at 31 December	1,208,988	71,546	63,831	1,344,365	1,000,130	61,642	46,837	1,108,609

<i>Consumer loans</i>	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at								
1 January	142,905	4,210	7,699	154,814	137,411	3,413	5,645	146,469
Transfer to Stage 1	963	(514)	(449)	-	784	(435)	(349)	-
Transfer to Stage 2	(1,187)	1,482	(295)	-	(2,479)	2,546	(67)	-
Transfer to Stage 3	(3,949)	(1,004)	4,953	-	(3,081)	(457)	3,538	-
New financial assets originated	96,265	-	-	96,265	93,574	-	-	93,574
Transfer of newly originated assets to Stage 2	(715)	715	-	-	(1,716)	1,716	-	-
Transfer of newly originated assets to Stage 3	(1,884)	-	1,884	-	(1,508)	-	1,508	-
Repayments and other movements (including foreign currency revaluations)	(80,581)	(2,279)	(2,947)	(85,807)	(80,080)	(2,573)	(1,972)	(84,625)
Unwinding of discount	-	-	752	752	-	-	518	518
Write-offs	-	-	(2,473)	(2,473)	-	-	(1,685)	(1,685)
Recoveries of amounts previously written off	-	-	829	829	-	-	563	563
As at 31 December	151,817	2,610	9,953	164,380	142,905	4,210	7,699	154,814

(in thousands of Georgian Lari, unless otherwise stated)

5. Credit risk review (continued)**Expected credit loss allowance (continued)**

<i>Mortgage loans</i>	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January	106,103	1,683	1,980	109,766	91,776	5,443	2,176	99,395
Transfer to Stage 1	-	-	-	-	925	(899)	(26)	-
Transfer to Stage 2	129	(49)	(80)	-	(547)	767	(220)	-
Transfer to Stage 3	(300)	592	(292)	-	(586)	(3,354)	3,940	-
New financial assets originated	40,770	-	-	40,770	37,408	-	-	37,408
Transfer of newly originated assets to Stage 2	(279)	279	-	-	(76)	76	-	-
Transfer of newly originated assets to Stage 3	(378)	-	378	-	(57)	-	57	-
Repayments and other movements (including foreign currency revaluations)	(21,655)	(530)	(852)	(23,037)	(22,740)	(350)	(3,877)	(26,967)
Unwinding of discount	-	-	45	45	-	-	-	-
Write-offs	-	-	(72)	(72)	-	-	(138)	(138)
Recoveries of amounts previously written off	-	-	3	3	-	-	68	68
As at 31 December	124,390	1,975	1,110	127,475	106,103	1,683	1,980	109,766

<i>Pawn loans</i>	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January	32,684	-	-	32,684	25,646	-	-	25,646
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
New financial assets originated	4,549	-	-	4,549	14,552	-	-	14,552
Repayments and other movements (including foreign currency revaluations)	-	-	-	-	(7,514)	-	-	(7,514)
Write-offs	-	-	-	-	-	-	-	-
As at 31 December	37,233	-	-	37,233	32,684	-	-	32,684

<i>Finance lease receivables</i>	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January	30,730	1,662	481	32,873	14,819	-	-	14,819
Transfer to Stage 1	291	(291)	-	-	-	-	-	-
Transfer to Stage 2	(5,468)	5,586	(118)	-	(2,305)	2,305	-	-
Transfer to Stage 3	(578)	-	578	-	(464)	-	464	-
New financial assets originated or purchased	30,936	-	-	30,936	26,076	-	-	26,076
Transfer of newly originated assets to Stage 2	(1,345)	1,345	-	-	(343)	343	-	-
Transfer of newly originated assets to Stage 3	(613)	-	613	-	(117)	-	117	-
Repayments and other movements (including foreign currency revaluations)	(13,094)	(2,926)	(409)	(16,429)	(6,936)	(986)	(100)	(8,022)
Recovery	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
As at 31 December	40,859	5,376	1,145	47,380	30,730	1,662	481	32,873

(in thousands of Georgian Lari, unless otherwise stated)

5. Credit risk review (continued)**Credit quality analysis**

The following table provides information on the credit quality of loans to customers and finance lease receivables as at 31 December 2025 and 31 December 2024:

Loans to customers at amortised cost – Business loans	31 December 2025				31 December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not overdue	1,178,465	58,559	19,146	1,256,170	975,640	41,715	10,596	1,027,951
Overdue less than 30 days	30,523	4,637	2,927	38,087	24,490	11,270	3,519	39,279
Overdue 30–90 days	–	8,350	3,370	11,720	–	8,657	6,699	15,356
Overdue more than 90 days	–	–	38,388	38,388	–	–	26,023	26,023
Total business loans, gross	1,208,988	71,546	63,831	1,344,365	1,000,130	61,642	46,837	1,108,609
Loss allowance	(5,867)	(5,495)	(16,466)	(27,828)	(4,800)	(5,105)	(14,935)	(24,840)
Carrying amount	1,203,121	66,051	47,365	1,316,537	995,330	56,537	31,902	1,083,769
Loans to customers at amortised cost – Consumer loans	31 December 2025				31 December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not overdue	148,408	1,233	1,611	151,252	138,604	1,505	2,012	142,121
Overdue less than 30 days	3,409	529	581	4,519	4,301	857	419	5,577
Overdue 30–90 days	–	848	329	1,177	–	1,848	250	2,098
Overdue more than 90 days	–	–	7,432	7,432	–	–	5,018	5,018
Total consumer loans, gross	151,817	2,610	9,953	164,380	142,905	4,210	7,699	154,814
Loss allowance	(1,379)	(573)	(6,056)	(8,008)	(1,000)	(935)	(4,770)	(6,705)
Carrying amount	150,438	2,037	3,897	156,372	141,905	3,275	2,929	148,109
Loans to customers at amortised cost – Mortgage loans	31 December 2025				31 December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not overdue	123,284	799	749	124,832	105,851	1,217	283	107,351
Overdue less than 30 days	573	101	–	674	252	101	79	432
Overdue 30–90 days	–	46	63	109	–	365	1,187	1,552
Overdue more than 90 days	–	–	1,860	1,860	–	–	431	431
Total mortgage loans, gross	123,857	946	2,672	127,475	106,103	1,683	1,980	109,766
Loss allowance	(219)	(61)	(558)	(838)	(169)	(103)	(331)	(603)
Carrying amount	123,638	885	2,114	126,637	105,934	1,580	1,649	109,163
Loans to customers at amortised cost – Pawn loans	31 December 2025				31 December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not overdue	37,233	–	–	37,233	32,684	–	–	32,684
Overdue less than 30 days	–	–	–	–	–	–	–	–
Overdue 30–90 days	–	–	–	–	–	–	–	–
Overdue more than 90 days	–	–	–	–	–	–	–	–
Total pawn loans, gross	37,233	–	–	37,233	32,684	–	–	32,684
Loss allowance	–	–	–	–	–	–	–	–
Carrying amount	37,233	–	–	37,233	32,684	–	–	32,684

(in thousands of Georgian Lari, unless otherwise stated)

5. Credit risk review (continued)

Credit quality analysis (continued)

<i>Finance lease receivables</i>	31 December 2025				31 December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not overdue	39,466	1,925	613	42,004	30,515	534	428	31,477
Overdue less than 30 days	1,393	2,767	532	4,692	215	–	53	268
Overdue 30–90 days	–	684	–	684	–	1,128	–	1,128
Overdue more than 90 days	–	–	–	–	–	–	–	–
Total pawn loans, gross	40,859	5,376	1,145	47,380	30,730	1,662	481	32,873
Loss allowance	(44)	(34)	(47)	(125)	(22)	(66)	(48)	(136)
Carrying amount	40,815	5,342	1,098	47,255	30,708	1,596	433	32,737

Explanation of the terms: Stage 1, Stage 2, Stage 3, are included in Note 3(d)(iv).

The contractual amounts outstanding on all loans to customers and finance lease receivables that have been written off during the reporting period but are still subject to enforcement activity was GEL 4,982 (2024: GEL 4,203).

The table below includes Stage 2 and 3 assets that were modified during the period.

	2025	2024
Loans modified during the period		
Restructured loans during the period	7,531	13,145
Loans modified since initial recognition		
Gross carrying amount of restructured loans as at 31 December for which stage has been changed (stage 1) during the last 12 months period	3,558	4,772
Restructured Stage 1 Loans Exposure	6,893	12,404

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers and finance lease receivables as of 31 December 2025 and as of 31 December 2024 would have been higher by:

	2025	2024
Business loans	4,506	4,117
Consumer loans	946	1,931
Mortgage loans	172	235
Leasing	1,098	433
Total ECL	6,722	6,716

The Group does not perform collateral evaluation for the collectively assessed loans.

(in thousands of Georgian Lari, unless otherwise stated)

6. Cash and cash equivalents

	<u>2025</u>	<u>2024</u>
Cash on hand	49,440	55,894
Accounts with the NBG	55,925	21,808
Total current accounts with other credit institutions	38,403	26,662
Cash in transit	2,695	–
Time deposits with credit institutions up to 90 days	12	15,000
Total cash and cash equivalents	<u>146,475</u>	<u>119,364</u>

Credit rating of current accounts with other credit institutions is as follows:

	<u>2025</u>	<u>2024</u>
Rated A– to A+	27,311	1,716
Rated from BB– to BB+	10,480	24,497
Rated from B– to B+	286	–
Not rated	326	449
Total current accounts with other credit institutions	<u>38,403</u>	<u>26,662</u>

Credit rating of time deposits with credit institutions up to 90 days is as follows:

	<u>2025</u>	<u>2024</u>
Rated BB– to BB+	12	15,000
Total current accounts with other credit institutions	<u>12</u>	<u>15,000</u>

No cash and cash equivalents are past due or impaired. As at 31 December 2025 and 2024 the Group had no bank account, which balance exceeds 10% of equity. As at 31 December 2025 and 2024 the Group allocates cash equivalents under Stage 1 for the purposes of identifying expected credit loss under IFRS 9. Management estimates that ECL is immaterial at reporting dates.

7. Investment securities

	<u>2025</u>	<u>2024</u>
Investment securities measured at amortized cost		
Corporate securities	118,711	135,107
Government securities of the Ministry of Finance of Georgia	67,945	35,141
Certificates of deposit of the National Bank of Georgia	–	11,866
Total gross carrying value	<u>186,656</u>	<u>182,114</u>
Expected credit losses	(195)	(178)
Total net investment securities	<u>186,461</u>	<u>181,936</u>

The Group holds a portfolio of debt securities issued by the Government of Georgia, the National Bank of Georgia and corporate issuers.

Investment securities with carrying value of GEL 22,573 (2024: GEL 75,514) are used as collateral for loans from the National Bank of Georgia (Note 13).

All investment securities are denominated in GEL and their contractual interest rates and maturities are as follows:

	<u>31 December 2025</u>		<u>31 December 2024</u>	
	<i>Nominal interest rate, %</i>	<i>Maturity</i>	<i>Nominal interest rate, %</i>	<i>Maturity</i>
Investment securities	8–11	2026–2031	7–12	2025–2031

No investment securities are past due or impaired. As at 31 December 2025 and 2024 the Group allocates investment securities under Stage 1 for the purpose of identifying expected credit loss under IFRS 9.

Movements in the credit loss allowance of investment securities measured at amortized cost for the year ended 31 December 2025 was charge of GEL 17 (2024: reversal of GEL 21).

(in thousands of Georgian Lari, unless otherwise stated)

8. Loans to customers and finance lease receivables

	2025	2024
Business loans	1,344,365	1,108,609
Consumer loans	164,380	154,814
Mortgage loans	127,475	109,766
Gold pawn loans	37,233	32,684
Loans to customers, gross	1,673,453	1,405,873
Less: allowance for impairment (Note 5)	(36,674)	(32,148)
Loans to customers, net	1,636,779	1,373,725
Lease payments receivable	65,766	43,747
Less: unearned finance income	(18,385)	(10,874)
Finance lease receivables, gross	47,380	32,873
Less: allowance for impairment (Note 5)	(125)	(136)
Finance lease receivables, net	47,255	32,737
Net loans to customers and finance lease receivables	1,684,034	1,406,462

Finance lease payments receivables and their present values as at December 31, 2025 are as follows:

	Due within 1 year	Due between 1 to 2 years	Due between 2 to 3 years	Due between 3 to 4 years	Due between 4 to 5 years	Due between 5 to 6 years	Total
Minimum lease payments receivables							
Lease payments receivable	27,458	19,822	11,004	4,933	2,045	504	65,766
Less: unearned finance income	(8,875)	(5,484)	(2,679)	(1,029)	(291)	(28)	(18,386)
Investments in leases	18,583	14,338	8,325	3,904	1,753	476	47,380
Less: expected credit losses	(54)	(41)	(17)	(8)	(4)	(1)	(125)
Net investments in leases	18,529	14,297	8,308	3,896	1,750	475	47,255

Finance lease payments receivables and their present values as at December 31, 2024 are as follows:

	Due within 1 year	Due between 1 to 2 years	Due between 2 to 3 years	Due between 3 to 4 years	Due between 4 to 5 years	Due between 5 to 6 years	Total
Minimum lease payments receivables							
Lease payments receivable	19,386	13,114	7,801	2,597	849	-	43,747
Less: unearned finance income	(5,387)	(3,365)	(1,555)	(465)	(102)	-	(10,874)
Investments in leases	13,999	9,749	6,246	2,132	747	-	32,873
Less: expected credit losses	(65)	(39)	(26)	(5)	(1)	-	(136)
Net investments in leases	13,934	9,710	6,220	2,127	746	-	32,737

Information about expected credit losses and credit quality of loans is disclosed in Note 5.

(in thousands of Georgian Lari, unless otherwise stated)

8. Loans to customers and finance lease receivables (continued)

(a) Industry and geographical analysis of the loan to customers and finance lease receivables

Loans to customers and finance lease receivables were issued primarily to customers located within Georgia who operate in the following economic sectors:

	<u>2025</u>	<u>2024</u>
Trading and service	733,133	567,288
Construction	413,202	352,546
Individuals	291,855	264,581
Agriculture and food processing	163,938	167,481
Gold pawn	37,233	32,684
Health care	35,015	31,707
Financial institutions	22,369	5,248
Energy	4,707	3,557
Other	19,381	13,654
Gross loans to customers and finance lease receivables	<u>1,720,833</u>	<u>1,438,746</u>

Loans to customers of GEL 61,238 (2024: 49,016) are pledged under the loans received from the NBG.

Loans to finance lease receivables of GEL 46,742 are pledged under the loans received from resident and non-resident banks. See Note 13.

(b) Significant credit exposures

As at 31 December 2025 and 2024 none of the balances of the Group's borrowers exceeds 10% of equity.

As at 31 December 2025, the Group had a concentration of loans and finance lease receivables represented by GEL 104,586 due from the ten largest borrowers (2024: GEL 97,919). An allowance of GEL 627 (2024: GEL 317) was recognised against these loans.

(c) Analysis of collateral and other credit enhancements

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Group generally requests borrowers to provide it.

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

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

The following tables provide information on collateral and other credit enhancements securing loans to customers and finance lease receivables, net of impairment, by types of collateral:

At 31 December 2025	Net exposures					Total
	Real estate	Cash collateral	Other	No collateral	Precious metals	
Business	1,176,192	18,538	76,268	45,538	-	1,316,536
Consumer	59,568	10,856	45,254	40,695	-	156,373
Mortgage	126,538	99	-	-	-	126,637
Gold pawn	-	-	11,515	-	25,718	37,233
Leasing	-	-	47,255	-	-	47,255
Total	<u>1,362,298</u>	<u>29,493</u>	<u>180,292</u>	<u>86,233</u>	<u>25,718</u>	<u>1,684,034</u>

At 31 December 2024	Net exposures					Total
	Real estate	Cash collateral	Other	No collateral	Precious metals	
Business	985,098	10,944	58,250	29,477	-	1,083,769
Consumer	49,446	9,257	46,906	42,500	-	148,109
Mortgage	108,915	175	73	-	-	109,163
Gold pawn	-	-	9,735	-	22,949	32,684
Leasing	-	-	32,737	-	-	32,737
Total	<u>1,143,459</u>	<u>20,376</u>	<u>147,701</u>	<u>71,977</u>	<u>22,949</u>	<u>1,406,462</u>

The tables above exclude overcollateralization. For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed.

(in thousands of Georgian Lari, unless otherwise stated)

8. Loans to customers and finance lease receivables (continued)

(d) Repossessed collateral

Reposessed assets mainly represent real estate and gold assets acquired by the Group in settlement of overdue loans. These assets are treated as inventories, initially recognized at cost and subsequently measured at the lower of cost and net realizable value. The Group's policy is to sell the reposessed assets as soon as it is practicable.

The table below shows the movement in the reposessed assets in 2025 and 2024.

	2025	2024
As at 1 January	33,947	15,786
Additions	17,776	23,631
Disposals	(8,374)	(5,253)
Impairment	(514)	(217)
As at 31 December	42,835	33,947

The Group incurred GEL 497 gain from sale and revaluation of reposessed assets (2024: GEL 228 gain).

As of 31 December 2025, the Group held reposessed collateral with a carrying value of GEL 17,789 (2024: GEL 15,864) that is subject to repurchase agreements with previous owners. Under the terms of these agreements, the previous owners retain the right to repurchase the reposessed assets at prices equal to or exceeding the carrying amount of the related loan at the date of repossession. This repurchase right is typically exercisable within a period ranging from 6 to 24 months from the date of repossession.

9. Premises and equipment and right-of-use assets

	<i>Land</i>	<i>Premises</i>	<i>Office and computer equipment</i>	<i>Vehicles</i>	<i>Furniture, fixtures and other fixed assets</i>	<i>Leasehold improvements</i>	<i>Right- of-use assets - Buildings</i>	<i>Total</i>
Cost								
As at 1 January 2024	449	19,467	7,708	1,457	16,563	4,577	9,953	60,174
Additions	-	1,489	199	132	3,344	189	1,726	7,079
Disposals and write-offs	-	(424)	-	(20)	(143)	(6)	(962)	(1,555)
As at 31 December 2024	449	20,532	7,907	1,569	19,764	4,760	10,717	65,698
As at 1 January 2025	449	20,532	7,907	1,569	19,764	4,760	10,717	65,698
Additions	4,683	31,447	325	846	1,652	253	2,628	41,834
Disposals and write-offs	-	-	-	(1)	(8)	(64)	(671)	(744)
As at 31 December 2025	5,132	51,979	8,232	2,414	21,408	4,949	12,674	106,788
Accumulated depreciation								
As at 1 January 2024	-	5,747	6,998	1,058	11,194	2,983	4,769	32,749
Depreciation charge	-	440	224	144	1,194	423	1,589	4,014
Disposals and write-offs	-	(162)	-	(3)	(143)	(5)	(616)	(929)
As at 31 December 2024	-	6,025	7,222	1,199	12,245	3,401	5,742	35,834
As at 1 January 2025	-	6,025	7,222	1,199	12,245	3,401	5,742	35,834
Depreciation charge	-	434	249	189	1,737	444	1,910	4,963
Disposals and write-offs	-	-	-	-	(2)	(63)	(670)	(735)
As at 31 December 2025	-	6,459	7,471	1,388	13,980	3,782	6,982	40,062
Net book value								
1 January 2024	449	13,720	710	399	5,369	1,594	5,184	27,425
31 December 2024	449	14,507	685	370	7,519	1,359	4,975	29,864
31 December 2025	5,132	45,520	761	1,026	7,428	1,167	5,692	66,726

Fully depreciated assets' gross book value was GEL 19,105 as at 31 December 2025 and GEL 18,102 as at 31 December 2024.

The Right-of-use assets are comprised of a single category – buildings.

(in thousands of Georgian Lari, unless otherwise stated)

9. Premises and equipment and right-of-use assets (continued)

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	2,194	2,412
Between 1 and 2 years	1,249	1,713
Between 2 and 3 years	861	936
Between 3 and 4 years	653	609
Between 4 and 5 years	515	394
More than 5 years	891	–
	6,363	6,064

10. Goodwill and other intangible assets

Goodwill of GEL 20,374 fully relates to the acquisition of JSC Standard Bank in 2008.

The Bank is considered as a one cash-generating unit (CGU) for the impairment test purposes. The recoverable amount of the CGU is based on the value in use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represented management's assessment of future trends in the banking industry, projected growth rate of the country's economy and were based on historical data from both external and internal sources.

In percent	2025	2024
Discount rate	17.7%	18.8%
Budgeted growth rate of free cash flows (average of next five years)	21.5%	19.9%
Terminal value growth rate	5.3%	6.0%

The estimated recoverable amount of the CGU exceeded its carrying amount. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

The movements in other intangible assets, which comprised computer software and licenses, were as follows:

	Software and licenses
Cost	
As at 1 January 2024	31,701
Additions	8,898
Disposals and write-offs	(169)
As at 31 December 2024	40,430
As at 1 January 2025	40,430
Additions	9,380
Disposals and write-offs	(917)
As at 31 December 2025	48,893
Accumulated amortisation	
As at 1 January 2024	26,846
Amortisation charge	2,524
Disposals and write-offs	(169)
As at 31 December 2024	29,201
As at 1 January 2025	29,201
Amortisation charge	3,010
Disposals and write-offs	(917)
As at 31 December 2025	31,294
Net book value	
1 January 2024	4,855
31 December 2024	11,229
31 December 2025	17,599

To meet high demand for modern IT infrastructure in its operating activities and service offerings, the Group has invested in growing its own IT development capabilities. The Group has developed internal processes to reliably capture and capitalize costs associated with internally developed IT solutions in line with IAS 38. As a result, the Group capitalized GEL 6,858 (2024: GEL 5,549) of internally developed software solutions in 2025.

(in thousands of Georgian Lari, unless otherwise stated)

11. Other assets

	2025	2024
Guarantee deposits placed in banks	6,997	2,906
Receivables	2,410	3,772
Financial assets at fair value through profit and loss (Note 18)	–	157
Settlement on plastic card	241	106
Other	414	193
Total other financial assets	10,062	7,134
Prepayments for the purchase of fixed assets	1,103	369
Other prepayments	3,234	2,485
Total other assets	14,399	9,988

Management estimates that ECL for other financial assets is immaterial as at 31 December 2025 and 2024.

12. Taxation

	2025	2024
Current tax expense		
Current year	4,056	3,906
Movement in temporary differences due to origination and reversal of temporary differences	1,350	1,422
Total income tax expense	5,406	5,328

The income tax rate applicable to the Bank's income is 20% (2024: 20%). The effective income tax rate differs from the statutory income tax rate.

Subsidiary of the Group applies the "Estonian model" of corporate income taxation, under which income tax is levied at the moment of profit distribution rather than when taxable profits are earned. The income tax payable on distributions made in 2025 amounts to GEL 0. The applicable income tax rate is 15%. In accordance with the tax legislation, the taxable base for profit tax is determined by dividing the amount of disbursements implemented/ expenses incurred by 0.85.

During 2025 JSC Tera Leasing has not distributed dividends.

Reconciliation of effective tax rate

	2025	2024
Profit before tax	37,716	36,167
Income tax at the applicable tax rate	7,544	7,233
Profit of a subsidiary subject to taxation at distribution	(199)	–
(Non-taxable income) / non-deductible expenses	(3,122)	(2,518)
Other non-taxable expenses	1,183	613
	5,406	5,328

Theoretical Income tax at the applicable tax rate (2025: 20% for the Bank, 15% for the Subsidiary)

(in thousands of Georgian Lari, unless otherwise stated)

12. Taxation (continued)

Reconciliation of effective tax rate (continued)

Deferred tax assets and liabilities as of 31 December 2025 and 2024 and their movements for the respective years comprise:

	1 January 2024	Recognised in profit or loss	31 December 2024	Recognised in profit or loss	31 December 2025
Lease liabilities	1,121	(13)	1,108	94	1,202
Repossessed assets	737	(378)	359	45	404
Other assets	11	–	11	–	11
Other liabilities	18	259	277	788	1,065
Deferred tax asset	1,887	(132)	1,755	927	2,682
Investment securities	(88)	–	(88)	3	(85)
Amounts due to credit institutions	(357)	(60)	(417)	70	(347)
Subordinated debt	22	16	38	(212)	(174)
Other intangible assets	322	(1,043)	(721)	(837)	(1,558)
Right-of-use assets	(1,036)	41	(995)	(130)	(1,125)
Premises and equipment	(2,145)	(244)	(2,389)	(1,171)	(3,560)
Deferred tax liability	(3,282)	(1,290)	(4,572)	(2,277)	(6,849)
Deferred tax (liability)/asset	(1,395)	(1,422)	(2,817)	(1,350)	(4,167)

As at 31 December 2025 the prepaid income tax is GEL 424 (2024: GEL 5,511).

13. Loans from financial institutions

	Currency	Year of maturity	31 December 2025	31 December 2024
Loan from the NBG	GEL	2026	70,217	110,342
Nederlandse FinancieringsMaatschappij Voor Ontwikkelingslanden N.V. (FMO)	GEL	2026–2028	92,490	103,554
Deutsche Investitions- und Entwicklungsgesellschaft (DEG)	EUR	2026–2029	67,843	74,574
ResponsAbility SICAV (Lux)	EUR	2026–2027	41,481	40,964
European Investment Bank (EIB)	EUR	2029–2030	15,044	17,113
ResponsAbility SICAV (Lux)	USD	2026	13,744	14,327
Black Sea Trade and Development Bank (BSTDB)	USD	2026	18,932	14,122
Black Sea Trade and Development Bank (BSTDB)	EUR	2030	15,766	–
Loans from resident banks	GEL	2026–2027	18,316	–
Loans from resident banks	USD	2026	14,603	–
Loans from resident banks	EUR	2026	2,684	–
Loans from other non-resident banks	USD	2026–2029	8,113	–
Total			379,233	374,996

Loans from the NBG with original maturities of less than 3 months are used for liquidity management purposes. As of 2025, loans from IFIs are secured by loans to customers amounting to GEL 61,238 (2024: GEL 49,016) and by investment securities amounting to GEL 22,573 (2024: GEL 75,514). See Note 7 and Note 8.

As of 31 December 2025, loans from resident and non-resident banks are secured by finance lease receivables (including off-balance leasing items) amounting to GEL 46,742. See Note 8 on finance lease receivables.

Loans from international financial institutions are subject to specific terms and conditions, commonly known as “lender covenants”. These covenants typically require the borrower to maintain certain financial ratios and indicators, including minimum thresholds for capital adequacy, liquidity, currency exposure, credit concentration, leverage, cost-to-income ratios, and other key financial metrics. Each lender sets its own covenant criteria and monitoring framework.

Compliance with all covenant requirements is reviewed and reported to the respective lenders on a quarterly basis. These obligations are actively managed to ensure full and continuous compliance. As at 31 December 2025 and 31 December 2024, all lender covenants of JSC Terabank were fully complied with requirements. With respect to JSC Teraleasing, as at 31 December 2025 two covenants were breached on a loan with outstanding balance of GEL 8,085, namely: (i) the ratio of assets with maturity of up to 12 months to liabilities with maturity of up to 12 months, and (ii) the share of the largest borrower in total capital. The lender granted a waiver for these breaches after 31 December 25, valid until May 2027. As at 31 December 2025 and as at the issuance date of these financial statements, the management assessed the risk of breaching the covenants within next 12 months as remote.

(in thousands of Georgian Lari, unless otherwise stated)

14. Subordinated loans

	Currency	Year of maturity	31 December 2025	31 December 2024
Loan 1	EUR	2029	19,418	17,981
Loan 2	EUR	2035	19,334	–
Loan 3	USD	Perpetual	18,192	18,946
Loan 4	USD	Perpetual	17,645	18,376
Loan 5	EUR	2032	12,574	–
Loan 6	USD	2029	12,387	12,971
Loan 7	EUR	2027	9,800	9,075
Loan 8	USD	2029	5,392	5,615
Loan 9	USD	2033	1,671	3,186
Loan 10	USD	2027	1,346	1,404
Loan 11	USD	2032	1,200	–
Loan 12	USD	2029	863	898
Loan 13	USD	2026	546	1,127
Loan 14	EUR	2025	–	1,466
Loan 15	USD	2025	–	1,404
Loan 16	USD	2025	–	855
			120,368	93,304

In case of bankruptcy, the repayment of the subordinated borrowings will be made after repayment in full of all other liabilities of the Group.

Loan 3 and Loan 4 denotes additional tier 1 (AT1) instrument with write off feature which is perpetually subordinated and included in the Group's capital for regulatory purposes, which bears an interest rate of 12%.

Interest rates for Loan 1, Loan 2 and Loan 5 are 6.5%, 8.1% and 8.6% respectively.

Loan 6 consists of two loans – GEL 7,029 and GEL 5,358 – which bear an interest rates of 6% and 8%, respectively.

None of the subordinated loans are secured by the Group's assets.

No conversion features are present in the subordinated debt agreements as at 31 December 2025 and 2024.

15. Reconciliation of movements of liabilities to cash flows arising from financing activities

The table below sets out an analysis of the movements in liabilities that are reported as financing in the statement of cash flows for the period presented.

	Loans from financial institutions	Lease liabilities	Subordinated loans	Total
Balance at 1 January 2025	374,996	5,541	93,304	473,841
Cash flow from financing activities	(4,716)	(2,005)	27,271	20,550
Receipts of loans	108,812	–	35,494	144,306
Repayment of the loans	(113,528)	–	(8,223)	(121,751)
Payment of lease liabilities	–	(2,005)	–	(2,005)
Foreign exchange adjustments	9,019	(380)	(226)	8,413
Net movement on interest including foreign currency gain/(loss)	(66)	104	19	57
Addition	–	2,927	–	2,927
Derecognition	–	(109)	–	(109)
Modification on lease liabilities and subordination loans	–	–	–	–
Balance at 31 December 2025	379,233	6,078	120,368	505,679

(in thousands of Georgian Lari, unless otherwise stated)

15. Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	<i>Loans from financial institutions</i>	<i>Lease liabilities</i>	<i>Subordinated loans</i>	<i>Total</i>
Balance at 1 January 2024	204,901	5,604	99,248	309,753
Cash flow from financing activities	170,701	(2,007)	(8,423)	160,271
Receipts of loans	212,688	–	1,183	213,871
Repayment of the loans	(41,987)	–	(9,606)	(51,593)
Payment of lease liabilities	–	(2,007)	–	(2,007)
Foreign exchange adjustments	(1,736)	186	2,442	892
Net movement on interest including foreign currency gain/(loss)	1,130	399	28	1,557
Addition	–	1,726	–	1,726
Modification on lease liabilities and subordination loans	–	(367)	9	(358)
Balance at 31 December 2024	374,996	5,541	93,304	473,841

16. Current accounts and deposits from credit institutions

	2025	2024
Time deposits from credit institutions	11,153	23
Short-term placements of other credit institutions	11,010	5,055
Total current accounts and deposits from credit institutions	22,163	5,078

Time deposits from banks in 2025 and 2024 are denominated mostly in GEL and are held with resident financial institutions with a maturity less than one year.

17. Current accounts and deposits from customers

	2025	2024
Time deposits	867,498	718,931
Saving accounts	306,022	249,012
Current accounts	252,019	214,701
Total current account and deposits from customers	1,425,539	1,182,644
Held as a security against guarantees and letters of credit issued	11,131	15,020

As at 31 December 2025, the Group has 3 customers (2024: 4 customers), whose balances individually exceed 10% of equity. These balance as at 31 December 2025 equaled 231,120 (2024: GEL 227,863).

Current accounts and deposits from customers include the following types of customers:

	2025	2024
Individuals	630,528	530,787
Private enterprises	360,818	326,104
State and budgetary organizations	434,193	325,753
Total current account and deposits from customers	1,425,539	1,182,644

(in thousands of Georgian Lari, unless otherwise stated)

17. Current accounts and deposits from customers (continued)

An analysis of amounts due to customers by economic sector is as follows:

	2025	2024
Individuals	630,528	530,787
State and organizations	434,193	325,753
Trade and service	222,909	162,482
Construction	84,135	71,435
Insurance	45,584	35,414
Non-banking credit organizations	752	18,429
Transport and communication	217	5,522
Mining	202	153
Energy	26	47
Other	6,993	32,622
Total current account and deposits from customers	1,425,539	1,182,644

18. Other liabilities

	2025	2024
Accrued Employee Benefit Costs	9,834	8,223
Financial liabilities from service received	1,052	1,031
Funds in settlement	501	3,190
Provisions for guarantees and credit related commitments	411	461
Financial liabilities at fair value through profit and loss	247	–
Settlement on plastic card and money transfer operations	5	810
Financial Liabilities from leasing operations	–	291
Other	603	90
Total other financial liabilities	12,653	14,096
Other provisions	59	59
Other	1,404	868
Total other liabilities	14,116	15,023

The table below shows the fair values of foreign currency forward contracts, recorded as assets or liabilities (31 December 2024: included in other assets), together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset reference rate, 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.

Foreign currency forward contract	31 December 2025		31 December 2024	
	Notional amount	Fair value	Notional amount	Fair value
Sell GEL buy EUR	17,526	(245)	14,357	378
Sell GEL buy USD	–	–	10,800	(136)
Sell USD buy EUR	–	–	26,351	(15)
Sell USD buy GEL	–	–	5,614	(20)
Sell EUR buy USD	20,629	33	–	–
Sell CHF buy EUR	10,259	(35)	9,335	(50)
	48,414	(247)	66,457	157

(in thousands of Georgian Lari, unless otherwise stated)

19. Equity

Number of shares	Ordinary shares	
	2025	2024
In issue at 1 January, fully paid	1,213,720	1,213,720
Issued in cash, fully paid	66,500	-
	1,280,220	1,213,720
In issue at 31 December, fully paid		
Authorised shares – par value (in GEL)	100	100

During 2025, the Bank issued ordinary shares, which were fully paid-up by the existing shareholders on a pro-rata basis according to their respective ownership interests. As a result, the Bank's equity increased, while the proportional ownership structure among shareholders remained unchanged.

All ordinary shares rank equally with regard to the Bank's residual assets.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Bank. In 2025 the Group declared payment of dividends amounting to GEL 10 million. Dividend per share amounted to GEL 8,24 for the year ended 31 December 2025. In 2024 the Group did not declare payment of dividends.

20 Net interest income

	2025	2024
Interest income calculated using EIR method	211,241	184,953
Loans to customers	191,338	166,991
Investment securities	16,400	14,377
Cash and cash equivalents	3,503	3,585
Other interest income	8,123	4,262
Net investments in leases	8,123	4,262
Total interest income	219,364	189,215
Amounts due to customers	84,936	78,215
Loans from financial institutions	37,027	24,577
Subordinated debts	9,623	9,521
Lease liabilities	230	245
Total interest expense	131,816	112,558
Net interest income	87,548	76,657

21. Fee and commission income and expenses

	2025	2024
Plastic card transactions	4,557	5,166
Servicing of current accounts	1,249	1,181
Settlement transactions	1,223	1,527
Cash transactions	621	670
Financial guarantee contracts	1,766	1,449
Other	415	258
Total fee and commission income	9,831	10,251
Plastic card transactions	3,523	3,711
Settlement transactions	583	450
Cash transactions	529	45
Financial guarantee contracts	102	124
Other	1,052	783
Total fee and commission expense	5,789	5,113
Net fee and commission income	4,042	5,138

(in thousands of Georgian Lari, unless otherwise stated)

21. Fee and commission income and expenses (continued)

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when service is provided to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

<i>Type of service</i>	<i>Nature and timing of satisfaction of performance obligations, including significant payment terms</i>	<i>Revenue recognition under IFRS 15</i>
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit cards and servicing fees.	Revenue from account service and servicing fees is recognised over time as the services are provided.
	Fees for ongoing account management are charged to the customer's account on a monthly basis.	Revenue related to plastic card transactions, cash transactions and settlement transactions fees are accounted at point in time when the transaction takes place.
	Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.	

22. Net gain from foreign exchange transactions

	2025	2024
Net gain from trading in foreign currencies	3,948	6,670
Net gain/(loss) from foreign exchange translation	48	(255)
Net gain from foreign currency forward contracts	864	1,100
Total net gain/(loss) from foreign exchange transactions	4,860	7,515

Net gain from foreign currency forward contracts includes GEL 2,259 negative effect (2024: GEL 699 positive effect) due to the difference between spot and pre-agreed forward rates at the settlement date, which is also part of net gain from trading in foreign currencies in cash flow statement.

23. Other operating expenses

	2025	2024
Expenses on other banking operations	2,488	4,310
Professional services	1,579	1,235
Taxes other than on income	1,411	1,126
Communications	1,011	628
Advertising and marketing services	931	892
Security expense	794	730
Representative expenses	652	535
Repair and maintenance	616	567
Utilities	603	628
Lease expenses	549	462
Transportation and cash collection	542	599
Office supply	288	325
Insurance	244	223
Business trip expenses	182	199
Plastic card expenses	98	229
Other	877	970
Total other operating expenses	12,865	13,658

For 2025 and 2024, lease expenses include expenses under low value and short-term lease contracts.

Auditor's remuneration for the audit of the Group's 2025 consolidated and separate financial statements amounts to GEL 322 (2024: GEL 226).

(in thousands of Georgian Lari, unless otherwise stated)

23. Other operating expenses (continued)

The following table presents average number of employees in 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Top management	10	5
Middle management	51	51
Other permanent staff	641	601
Total permanent staff	702	657
Total temporary staff	58	58
Total	760	715

24. Credit related commitments

The Group has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. The financial guarantee agreements have fixed limits and generally extend for a period of up to three years.

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

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

	<u>2025</u>	<u>2024</u>
Credit related commitments		
Financial guarantees	49,385	43,343
Total credit related commitments	49,385	43,343
Less: cash held as security against guarantees	(11,131)	(8,855)
Net exposure to guarantees	38,254	34,488
Undrawn loan commitments	78,889	62,442

As at 31 December 2025 the expected credit loss related to the undrawn loan commitments is GEL 447 (31 December 2024: GEL 585).

As at 31 December 2025 the expected credit loss related to the financial guarantees is GEL 218 (31 December 2024: GEL 356).

25. Risk management

Management of risk is fundamental to the business of banking and forms an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk, and operational, legal and reputational risks.

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice. The Group has developed a system of reporting on significant risks and capital.

As at 31 December 2025, the Bank's internal documentation establishing the procedures and methodologies for identification, managing and stress-testing the Bank's significant risks, was approved by the authorized management bodies of the Bank in accordance with regulations and recommendations issued by the NBG.

The Board of Directors with Risk Committee has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

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25. Risk management (continued)

The management is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Group operates within established risk parameters. The Chief Risk Officer is responsible for the overall risk management, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks, although financial risk department is under supervision of the Chief Financial Officer. The CRO and the CFO report directly to the Chief Executive Officer.

The Risk Committee under Supervisory Board has responsibility for controlling the Bank's compliance with risk limits and capital adequacy ratios as established by the Bank's internal documentation. With the view of controlling effectiveness of the Bank's risk management procedures and their consistent application the Supervisory Board, Risk Committee and management bodies of the Bank periodically receive reports prepared by the internal audit function and the Risk department, discuss the contents of these reports and consider proposed corrective actions.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Group established a hierarchy of credit committees, depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

Credit risk is monitored by credit and risk departments. There are several levels of approval based on loan amount and total exposure to client. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises primary as a result of the Group's lending and other transactions with counterparties giving rise to financial assets. The Group is also exposed to credit risk arising from guarantees, letters of credit and outstanding credit commitments. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

In order to monitor credit risk exposures, regular reports are produced by the portfolio analysis manager and reviewed by the credit risk department. Monitoring includes review of the customer's financial performance.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. The Group further established 3 levels of credit committees which are responsible for approving credit limits for individual borrowers. Review and approval limits for each credit committee differs per loan type. For retail loans, only exposures less than GEL 30 may be approved at branch level and should meet pre-determined criteria set by credit risk and portfolio analysis department. For business loans, only exposures less than GEL 10 may be approved at branch level. Other loan applications are forwarded for approval to their respective credit committees.

The Group has established a structured approval process with several levels of authorization, depending on the size of the finance lease and the total exposure to an individual borrower or group of related borrowers. The Group manages its credit risk by setting limits on the level of exposure to individual borrowers. Credit limits are approved through a system of credit committees with clearly defined authority levels. Exposures exceeding GEL 1,500 require approval from the Supervisory Board of the Subsidiary.

(a) credit risk – amounts arising from ECL – Loans to customers

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting period. What is considered significant will differ for different types of lending, in particular between financial assets assessed individually and collectively. The Group uses overdue status of the financial assets as a backstop indicator and other qualitative indicators to assess whether significant increase in credit risk has occurred.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than, when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

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25. Risk management (continued)

Credit risk (continued)

The Group uses the following criteria for determining whether there has been a significant increase in credit risk:

- ▶ The exposure is overdue for more than 30 days;
- ▶ Its financial standing deteriorated and the exposure has been restructured;
- ▶ Other weaknesses that the Group deems to have negative effect on borrower's performance (e.g. watch list clients);
- ▶ Due to the contamination principle, all exposures of a specific borrower are allocated to the worst stage available for such a borrower as at the reporting date.
- ▶ In addition, where the Group's total exposure exceeds GEL 600, all exposures within the Group are allocated to the worst stage available within that Group as at the reporting date.

Definition of default

The Group considers loan to be in default if any of the following criteria are met:

- ▶ Loans past due more than 90 days;
- ▶ Bankruptcy proceedings and/or legal proceedings that may affect the company's ability to service its obligations;
- ▶ Death of borrower, liquidation of the borrower's company (if legal entity);
- ▶ Fraud event or other force-majeure that may affect the borrower's ability to repay the loan.

The contamination effect is considered in the determination of both SICR and default, whereby all exposures of a specific borrower are allocated to the worst stage assigned to that borrower as at the reporting date. In addition, where the Group's total exposure exceeds GEL 600, all exposures within the Group are allocated to the worst stage assigned within the Group as at the reporting date.

Measurement of ECL

The Group measures expected credit losses (ECL) either individually or collectively, depending on whether financial instruments share similar credit risk characteristics. Financial instruments that demonstrate homogeneous risk characteristics are assessed collectively.

Collectively assessed financial instruments

For the purposes of collective ECL measurement, the Group segments the portfolio into homogeneous product groups with similar credit risk characteristics. These product groups include:

- ▶ MSB business loans
- ▶ Business loans
- ▶ Agro loans under agency projects
- ▶ Standard agro loans
- ▶ Mortgage loans
- ▶ Consumer loans
- ▶ Secured consumer loans
- ▶ Salary loans
- ▶ Auto loans
- ▶ Cards
- ▶ Overdrafts
- ▶ Pawn loans
- ▶ Deposit-secured loans

(in thousands of Georgian Lari, unless otherwise stated)

25. Risk management (continued)

Credit risk (continued)

For PD estimation purposes, each product group is further segmented into smaller homogeneous sub-portfolios based on stage classification, restructuring status, and days past due characteristics. These sub-categories include:

- ▶ Stage 1, non-restructured exposures, 0–30 days past due
- ▶ Stage 2, non-restructured exposures, 0–30 days past due
- ▶ Stage 2, non-restructured exposures, 30–60 days past due
- ▶ Stage 2, non-restructured exposures, 60–90 days past due
- ▶ Stage 2, restructured exposures, 0–30 days past due
- ▶ Stage 2, restructured exposures, 30–60 days past due
- ▶ Stage 2, restructured exposures, 60–90 days past due
- ▶ Stage 3 exposures

The Group considers these segmentation criteria to reflect similar credit risk characteristics and expected recovery patterns for collective ECL assessment purposes.

For collectively assessed financial instruments, ECL is calculated using Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) parameters.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD – Overdue days are primary input into the determination of the term structure of PD for all exposures in Markov's model of migration matrices. Migration matrices are constructed using historical data over the past 60 months and are calculated based on loan numbers.

Incorporation of forward-looking information

The Group has identified and documented the key drivers of credit risk and credit losses within the portfolio through an analysis of historical data and has assessed the impact of macroeconomic variables on the probability of default (PD). The analysis incorporates the following variables: GDP (Gross Domestic Product), CPI (Consumer Price Index), UR (Unemployment Rate), and ER_USD_GEL (the exchange rate between USD and GEL). PD forecasts are adjusted based on these macroeconomic variables over a three-year horizon.

The Group applies three macroeconomic scenarios for ECL estimation: base, upside, and downside. Scenario weightings are 50%, 25%, and 25%, respectively. These scenarios are updated periodically and are based on IFRS 9 macroeconomic scenarios published by the National Bank of Georgia. Each scenario is assigned a probability weight, and the final allowance is determined as a probability-weighted outcome of the respective scenario-based ECL calculations.

LGD – The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Vintage approach is used to determine the percentage of recovered portfolio of defaulted loans through its lifetime. Such loans are grouped by the default months and repaid exposure is linked to each group. Statistical results are used to forecast the future recoveries for the newly defaulted portfolios. Finally, cash flows are discounted by the effective interest rates and divided by the default portfolio to calculate LGD.

For loans collateralized by deposits (cash covers) and where the deposit currency is different from the loan currency LGD is calculated if the currency is depreciated by 20%. In case of gold pawn loans, loss is equal to the difference between the exposure and gold collateral revaluated by the ounce average price of the last twelve months.

EAD represents the expected exposure in the event of a default. Exposure at default calculated for the scheduled loans, overdrafts, credit cards and credit lines separately for each lifetime period. Historical behavior is observed to calculate the average default periods from the disbursement of the loan. Based on historical data analysis, it is showed that loss identification period is 6 months. So that point is used to calculate the EAD by subtracting the scheduled principal repayments till the forecasted overdue date and add three months interest accrued from overdue date till the date when the loan becomes default.

(in thousands of Georgian Lari, unless otherwise stated)

25. Risk management (continued)

Credit risk (continued)

Individually assessed financial instruments

Approach to ECL Measurement

For individually assessed loans, the Group applies an assessment framework based on the borrower's financial condition, repayment capacity, projected cash flows, collateral position, and other relevant qualitative and quantitative risk indicators.

Definition of Individually Significant Exposures

A borrower is considered individually significant if at least one of the following criteria is met:

- ▶ For financial instruments classified under Stage 1 credit risk category, except for financial instruments with high credit risk status, the total exposure of the borrower or the group of connected borrowers exceeds 1% of the Bank's Tier 1 capital;
- ▶ The borrower or the group of connected borrowers has financial instruments classified as high credit risk, Stage 2, Stage 3, and the total exposure exceeds 0.5% of the Bank's Tier 1 capital;
- ▶ Legal proceedings are ongoing between the Bank and the borrower;
- ▶ Based on management judgment, the borrower or the group of connected borrowers requires individual assessment.

Treatment of SICR Indicators for Individually Assessed Loans

For individually assessed loans, the assessment of Significant Increase in Credit Risk (SICR) is performed based on both quantitative and qualitative indicators. In addition to the triggers described above, classification under Stage 2 for individually assessed financial instruments may also be driven by deterioration in the borrower's financial ratios, where such indicators no longer meet the requirements applicable to Stage 1 exposures, while not yet reaching the thresholds defined for Stage 3 classification.

A financial instrument is classified under Stage 3 where the exposure is more than 90 days past due, where any other default criterion is identified, or where at least one of the following conditions is met:

- ▶ For borrowers whose repayment source is business-generated cash flows, default indicators include breaches of internally established financial ratio thresholds, primarily Debt Service Coverage Ratio (DSCR) and Equity-to-Assets ratio, depending on the borrower's economic sector;
- ▶ For project finance exposures, including long-term infrastructure and development financing, financial ratios may be assessed against normalized project assumptions where projects are not expected to generate profits during the initial years. In such cases, the project must continue to perform in line with the original business plan without significant deviations;
- ▶ For borrowers whose repayment source is not derived from business activities, the primary default trigger is the Payment-to-Income (PTI) ratio. Classification may change where the Group becomes aware of deterioration in the borrower's financial condition.

Financial ratios and thresholds are reviewed periodically based on monitoring activities and updated financial analysis for SME and corporate borrower groups where total group exposure exceeds GEL 600.

Measurement of ECL for Individually Assessed Loans

For individually significant financial instruments classified under Stage 2 and Stage 3 credit risk categories, where the total exposure of the Group exceeds 0.5% of the Bank's Tier 1 capital, the allowance is measured based on individual financial analysis and collateral assessment.

The Group applies a discounted cash flow (DCF) approach, which incorporates estimated future cash flows expected from the borrower's operating activities, as well as recoveries from collateral realization. DCF assessments are updated on a quarterly basis to reflect changes in the borrower's financial condition, collateral values, recovery expectations, and other relevant risk factors.

The Group applies three macroeconomic scenarios for ECL estimation: base, upside, and downside. Scenario weightings are 50%, 25%, and 25%, respectively. These scenarios are updated periodically and are based on IFRS 9 macroeconomic scenarios published by the National Bank of Georgia. Each scenario is assigned a probability weight, and the final allowance is determined as a probability-weighted outcome of the respective scenario-based ECL calculations.

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25. Risk management (continued)

Credit risk (continued)

Under the upside and downside scenarios, the borrower's projected sales are adjusted in line with GDP forecasts, resulting in revised EBITDA projections. For DCF calculations, the most recent available financial statements of the borrower are analyzed, and, where possible, financial information used for the assessment should not be older than one year.

The Group estimates free cash flows (FCF), primarily based on EBITDA adjusted for maintenance capital expenditures and household/dividend withdrawals. The resulting cash flows are discounted using the weighted average effective interest rate of the relevant financial instruments over the expected lifetime of the exposure in order to determine the net present value (NPV). Any adjustments applied within the assessment process are required to be properly justified and documented. The calculated NPV is compared against the gross carrying amount of the financial instrument, including accrued interest. Where relevant, the discounted value of collateral is also incorporated into the expected credit loss assessment.

Collateral Liquidation and Recovery Assumptions

The following types of collateral are considered in the reserve calculation: real estate, machinery and equipment, vehicles, financial guarantees, deposits, precious metals/jewelry, and state guarantees.

- ▶ For real estate and machinery/equipment, the market value of collateral is reduced by 30% and discounted over a four-year recovery horizon using the borrower's or financial instrument's effective interest rate;
- ▶ For vehicles, the collateral value is reduced by 30% and discounted over a two-year recovery horizon;
- ▶ Deposits denominated in a currency different from that of the related financial instrument are subject to a 20% reduction;
- ▶ Financial guarantees, precious metals/jewelry, and state guarantees are recognized at full value without additional reductions.

EAD for overdrafts, credit cards and credit lines is calculated directly from the historical data, for these purposes utilization rates – weight of disbursed exposure from the approved limit – of all defaulted overdrafts and credit cards are calculated.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms has been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value.

The Group renegotiates loans to customers in financial difficulties to maximize collection opportunities and minimize the risk of default. Under the Group's restructuring policy, the loan is restructured if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments, and amending the terms of loan covenants. Restructuring is considered a qualitative indicator of significant increase in credit risk, as well as default and credit impairment. The Group considers such clients as non-standard and classifies the exposure under Stage 2.

The Group considers that a modified financial instrument may migrate from Stage 2 to Stage 1 only where the exposure fully satisfies the criteria applicable to Stage 1 classification and demonstrates sustainable improvement in credit quality. Such assessment may include updated financial analysis of the borrower, evaluation of repayment capacity, and analysis of other qualitative and quantitative credit risk indicators.

Where financial analysis is required, reclassification from Stage 2 to Stage 1 is permitted only after completion of the borrower's financial assessment and after at least three consecutive demonstrative payments have been performed. In cases where updated financial analysis is not required, reclassification may occur after at least six consecutive demonstrative payments.

(in thousands of Georgian Lari, unless otherwise stated)

25. Risk management (continued)

Credit risk (continued)

Demonstrative payments must represent actual repayment capacity and should not include temporary relief measures or non-market concessions, such as grace periods on principal or interest payments. In addition, the following conditions are considered within the cure assessment period:

- ▶ the exposure has demonstrated consecutive repayments following Stage 2 classification;
- ▶ the exposure has not been more than 30 days past due during the observation period;
- ▶ no grace period has been granted during the observation period;
- ▶ for restructured exposures, at least six months must have passed since the restructuring date.

For borrowers with seasonal income patterns, reclassification from Stage 2 to Stage 1 may also be assessed based on performance over a new operating or seasonal cycle. In such cases, the Group evaluates whether contractual obligations have been repaid in accordance with the repayment schedule, whether no material delinquency has occurred during the cycle, and whether actual payments are at least equal to scheduled payments over the relevant observation period. Reclassification is not considered for exposures where the repayment schedule includes only interest payments without scheduled principal repayments.

The Group continuously monitors modified financial assets that transitioned back to 12-month ECL measurement in order to identify any subsequent deterioration in credit risk. Where the exposure no longer satisfies Stage 1 criteria, demonstrates renewed payment difficulties, breaches monitoring thresholds, or other indicators of significant increase in credit risk emerge, the exposure is reclassified back to lifetime expected credit loss measurement in accordance with IFRS 9.

In accordance with the contamination principle, where a borrower has multiple financial instruments, improvement in credit risk classification is recognized only if all relevant exposures satisfy the applicable cure and reclassification criteria.

(b) Expected credit loss (ECL) measurement – Finance lease receivables

The Group assesses at each reporting date whether the credit risk on a financial instrument has increased significantly since initial recognition. The measurement of expected credit losses ("ECL") is unbiased and probability-weighted.

For expected credit loss (ECL) purposes, the portfolio is divided into individually significant and collectively assessed leases.

Leases are classified as individually significant if they meet at least one of the following criteria:

- ▶ Exposure exceeds 10% of total capital for Stage 1 instruments;
- ▶ Exposure exceeds 5% of total capital for Stage 2, Stage 3;
- ▶ The lessee is involved in a court case;
- ▶ The Credit Committee determines individual assessment is required.

All other leases are assessed on a collective basis and are segmented by product type: Micro leases, SME/Corporate leases, Consumer leases

For individually significant financial instruments classified in Stage 2 and Stage 3, expected credit losses are assessed on an individual basis using discounted cash flow (DCF) analysis, incorporating financial performance and collateral. DCF models are updated at least annually.

The Group applies three macroeconomic scenarios for ECL estimation: base, upside, and downside. Scenario weightings are 50%, 25%, and 25%, respectively. These scenarios are updated periodically and are based on IFRS 9 macroeconomic scenarios published by the National Bank of Georgia. Each scenario is assigned a probability weight, and the final allowance is determined as a probability-weighted outcome of the respective scenario-based ECL calculations.

Under alternative scenarios, key financial metrics (including sales and EBITDA) are adjusted in line with GDP forecasts. The analysis is based on the most recent available financial information, preferably not older than one year.

Free cash flows (FCF) are derived from EBITDA and adjusted for necessary expenditures. These cash flows are discounted using the effective interest rate to determine their present value, which is then compared to the outstanding exposure. Where relevant, the value of collateral is also considered in estimating expected credit losses.

(in thousands of Georgian Lari, unless otherwise stated)

25. Risk management (continued)

Credit risk (continued)

Expected Credit Losses (ECL) are measured on a collective basis for financial assets sharing similar credit risk characteristics. The key inputs into the measurement of ECL for collectively assessed leases are the term structure of the following variables:

- ▶ Probability of default (PD);
- ▶ Loss given default (LGD);
- ▶ Exposure at default (EAD).

PD – as the Group does not have sufficient historical data to develop and validate internally generated credit risk rating systems or statistical models for the estimation PD for the leasing portfolio, the Group applies PD parameter derived from the Loan portfolio based on the nature and characteristics of the leasing portfolio.

LGD – is estimated based on expected recoveries from the leased asset upon default. Expected recovery cash flows are discounted using the original effective interest rate over the expected realization period.

EAD – The amount of assets at risk is an estimate of the exposure at default. Exposure at Default (EAD) is determined at 100% for Expected Credit Loss (ECL) measurement due to limited historical data.

Impairment

The Group applies a three-stage model for impairment, based on changes in credit risk since initial recognition:

Stage 1: Financial instruments that have not experienced a significant increase in credit risk since initial recognition and are not credit-impaired. For these assets, the Group recognizes a 12-month ECL. This stage also includes exposures that have improved in credit quality and have been reclassified from Stage 2.

Stage 2: Financial instruments that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. For these assets, the Group recognizes lifetime ECL. This stage also includes exposures that have improved in credit quality and have been reclassified from Stage 3.

Stage 3: Financial instruments that are credit-impaired. For these assets, the Group recognizes lifetime ECL.

The assessment of significant increase in credit risk (“SICR”) is based on the change in the risk of default occurring over the expected life of the financial instrument, taking into account reasonable and supportable information available. financial instrument is classified as Stage 2 when it has experienced a significant increase in credit risk since initial recognition but is not credit-impaired. The Group considers that a significant increase in credit risk occurs no later than, when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Group uses the following criteria for determining whether there has been a significant increase in credit risk:

- ▶ The exposure is overdue for more than 30 days;
- ▶ Its financial standing deteriorated and the exposure has been restructured; (low risk restructuring);
- ▶ Other circumstances that may negatively impact the lessee’s solvency as determined by the credit committee.

Due to contamination principle all exposures of a specific borrower are allocated to the highest credit risk stage available for such a borrower as at the reporting date;

Definition of default

A financial instrument is considered to be in default and classified as Stage 3 (credit-impaired) when one or more of the following criteria are met:

- ▶ The borrower is more than 90 days past due on contractual payments for any exposure to the Group;
- ▶ The financial instrument has been assigned bad (high risk) restructuring status;
- ▶ The borrower is subject to bankruptcy proceedings and/or litigation that may affect the lessee’s solvency;
- ▶ In the case of individuals, the borrower is deceased; or, in the case of legal entities, liquidation proceedings have been initiated;
- ▶ Fraud has been identified, or other events have occurred that adversely impact the borrower’s ability to meet its obligations;
- ▶ The Lessee’s obligation has been reduced through partial concession or write-off of the principal amount or accrued interest of the financial instrument.

(in thousands of Georgian Lari, unless otherwise stated)

25. Risk management (continued)

Credit risk (continued)

The Group applies a contamination approach in assessing both significant increase in credit risk (SICR) and default, whereby all exposures of a single borrower or a group of connected borrowers are classified in the same stage based on the highest level of credit risk identified within the group as at the reporting date

Credit quality of loans to customers and finance lease receivables are described in Note (5) Credit risk review.

The management manages and controls credit risk by setting financial, business and reputational eligibility criteria and conducting due diligence on its customers, clients and counterparts; by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations; and by monitoring exposures in relation to such limits.

Geographical risk concentrations

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

	2025				2024			
	Georgia	OECD	Other foreign countries	Total	Georgia	OECD	Other foreign countries	Total
Assets								
Cash and cash equivalents	118,839	27,153	483	146,475	117,125	1,746	493	119,364
Mandatory reserves with the NBG	104,212	–	–	104,212	143,289	–	–	143,289
Loans to customers and finance lease receivables	1,678,769	2,029	3,236	1,684,034	1,402,202	1,759	2,501	1,406,462
Investment securities	93,790	92,671	–	186,461	77,961	103,975	–	181,936
Other financial assets	10,062	–	–	10,062	7,134	–	–	7,134
	2,005,672	121,853	3,719	2,131,244	1,747,711	107,480	2,994	1,858,185

Liquidity risk and funding management

Liquidity risk refers to the possibility that the Group might not possess enough financial resources to fulfill all its responsibilities promptly or could only obtain these resources at a significant expense. Liquidity management is a key part of asset and liability management. The risk is managed by the Financial Risks and Reporting division and Treasury Department. The Group carefully oversees its assets, ensuring they can be easily converted into cash when needed, and it consistently tracks both upcoming cash flows and liquidity levels every day. The endorsed Liquidity Risk Management Framework guarantees that the Group fulfills its payment responsibilities in both typical and stressful scenarios. The Group maintains a diversified funding structure to manage the respective liquidity risks. These funds are sourced from international financial institutions (IFIs) and local banks through long-term arrangements.

The liquidity position is assessed and managed by the Group, based on 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 over the next 30 days. The LCR enhances short-term resilience. The total LCR limit set at 100%, the NBG defines limits per currency for the GEL and foreign currencies. ALCO is responsible for ensuring that treasury properly manages the Bank's liquidity position. The liquidity risk position and compliance with internal and regulatory limits are closely monitored by the ALCO of the Bank. As of 31 December 2025, the Bank disclosed the following Liquidity Coverage Ratio (LCR) levels:

	2025	2024
National currency (GEL)	136%	100%
Foreign currency	161%	178%
Total	146%	136%

The minimum requirement for Net Stable Financing Ratio (NSFR) for commercial banks in Georgia is at least 100%. The NSFR is calculated as the ratio of available amount of stable funding over the required amount of stable funding. A solid buffer over NSFR provides stable funding sources over a longer time span. NSFR as at 31 December 2025 was 113.92%, (2024: 124.08%).

(in thousands of Georgian Lari, unless otherwise stated)

25. Risk management (continued)

As of 31 December 2025, both LCR and NSFR ratios were above the NBS minimum requirements of 100%.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Group's financial liabilities as 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. 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 tables below. These balances are included in amounts due in less than three months in the tables below:

As at 31 December 2025	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Non-derivative financial liabilities					
Loans and current accounts and deposits from financial institutions	107,760	152,839	181,545	1,148	443,292
Lease liabilities	553	1,660	3,283	891	6,387
Current accounts and deposits from customers	829,405	577,217	55,801	2,040	1,464,463
Other financial liabilities	12,034	619	–	–	12,653
Subordinated loans	5,498	9,662	105,539	65,514	186,213
Derivative financial assets/liabilities					
Inflow	49,909	–	–	–	49,909
Outflow	(50,156)	–	–	–	(50,156)
Total undiscounted financial liabilities	955,003	741,997	346,168	69,593	2,112,761
As at 31 December 2024					
Non-derivative financial liabilities					
Loans and current accounts and deposits from financial institutions	127,291	71,426	240,220	2,050	440,987
Lease liabilities	464	1,340	3,075	662	5,541
Current accounts and deposits from customers	618,214	434,217	125,958	4,255	1,182,644
Other financial liabilities	14,096	–	–	–	14,096
Subordinated loans	6,610	9,936	86,261	22,184	124,991
Derivative financial assets/liabilities					
Inflow	68,282	–	–	–	68,282
Outflow	(68,125)	–	–	–	(68,125)
Total undiscounted financial liabilities	766,832	516,919	455,514	29,151	1,768,416

The Group considers the maximum liquidity risk of all its undrawn loan commitments as less than 3 months, as this is the earliest period when the loan commitments can be drawn. However, based on the past experience, the management believes, that the Group is exposed to liquidity risk from its financial guarantees and contingencies according to their contractual expiry dates:

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2025	94,393	21,412	12,298	172	128,275
31 December 2024	77,866	12,892	16,874	2,058	109,690

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk mainly arises from open positions in interest rate financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Group manages its market risk by following the NBS's prudential ratio requirements on open currency position limits. These limits are monitored on a daily basis and the monitoring process is supervised by the Management Board.

(in thousands of Georgian Lari, unless otherwise stated)

25. Risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The portion of the Group's borrowings bears floating interest rate, while the Group's deposits and majority of loan portfolios are at fixed interest rate, NBG pays floating interest rate on minimum reserves that the Group holds with the NBG. The Group also holds a portfolio of loans to customers and finance lease receivables earning a floating interest income, these financial assets have counter effect to offset possible losses on negative movements of the interest rates of borrowings.

The table below summarizes impact of the 100 basis points interest rate change on the market to the Group's net income:

	<u>2025</u>	<u>2024</u>
Financial assets	1,349,206	1,157,982
Financial liabilities	(308,298)	(275,731)
Net interest sensitivity position	<u>1,040,908</u>	<u>882,251</u>
100 basis points increase of market interest rates	<u>10,409</u>	<u>8,823</u>
100 basis points decrease of market interest rates	<u>(10,409)</u>	<u>(8,823)</u>

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following tables show the foreign currency exposure structure of financial assets and liabilities as at 31 December 2025 and 2024:

31 December 2025	GEL	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	75,814	27,044	42,446	1,171	146,475
Mandatory reserves with the NBG	–	78,527	25,685	–	104,212
Loans to customers and finance lease receivables	929,091	489,749	265,194	–	1,684,034
Investment securities	186,461	–	–	–	186,461
Other financial assets	4,050	4,781	728	503	10,062
Total assets	<u>1,195,416</u>	<u>600,101</u>	<u>334,053</u>	<u>1,674</u>	<u>2,131,244</u>
Liabilities					
Loans from financial institutions, lease liabilities and current accounts and deposits from financial institutions	203,174	61,466	142,834	–	407,474
Current accounts and deposits from customers	837,407	453,920	122,713	11,499	1,425,539
Subordinated loans	–	59,243	61,125	–	120,368
Other financial liabilities	11,715	818	120	–	12,653
Total liabilities	<u>1,052,296</u>	<u>575,447</u>	<u>326,792</u>	<u>11,499</u>	<u>1,966,034</u>
Net balance sheet position	<u>143,120</u>	<u>24,654</u>	<u>7,261</u>	<u>(9,825)</u>	<u>165,210</u>
Effect of derivatives	19,017	(20,594)	(8,929)	10,259	(247)
Net position	<u>162,137</u>	<u>4,060</u>	<u>(1,668)</u>	<u>434</u>	<u>164,963</u>

(in thousands of Georgian Lari, unless otherwise stated)

25. Risk management (continued)**Currency risk (continued)**

31 December 2024	GEL	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	55,842	42,356	19,913	1,253	119,364
Mandatory reserves with the NBG	–	118,386	24,903	–	143,289
Loans to customers	751,533	421,029	233,900	–	1,406,462
Investment securities	181,936	–	–	–	181,936
Other financial assets	1,256	4,120	1,413	345	7,134
Total assets	990,567	585,891	280,129	1,598	1,858,185
Liabilities					
Loans from financial institutions, lease liabilities and current accounts and deposits from financial institutions	219,105	33,846	132,664	–	385,615
Current accounts and deposits from customers	597,600	506,933	67,430	10,681	1,182,644
Subordinated loans	–	64,782	28,522	–	93,304
Other financial liabilities	12,096	325	1,669	6	14,096
Total liabilities	828,801	605,886	230,285	10,687	1,675,659
Net balance sheet position	161,766	(19,995)	49,844	(9,089)	182,526
Effect of derivatives	21,300	20,660	(51,138)	9,335	157
Net position	183,066	665	(1,294)	246	182,683

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

	2025	2024
10% weakening of USD against GEL	(345)	(57)
10% strengthening of USD against GEL	345	57
10% weakening of EUR against GEL	142	110
10% strengthening of EUR against GEL	(142)	(110)

The following significant exchange rates applied during the year:

In GEL	Average Rate 2025	Average Rate 2024	Reporting Rate Spot 2025	Reporting Rate Spot 2024
USD 1	2.7422	2.7208	2.6951	2.8068
EUR 1	3.0960	2.9440	3.1737	2.9306

26. Fair value measurements

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- ▶ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ▶ Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- ▶ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(in thousands of Georgian Lari, unless otherwise stated)

26. Fair value measurements (continued)

The estimated fair values of all financial instruments except for disclosed below as at 31 December 2025 and 31 December 2024 approximate their carrying amounts.

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

	<i>Fair value measurement using</i>		<i>Total fair value</i>	<i>Carrying amount</i>
	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>		
At 31 December 2025				
Assets for which fair values are disclosed				
Loans to customers and finance lease receivables	–	1,610,772	1,610,772	1,684,034
Investment securities	186,958	–	186,958	186,461
Liabilities measured at fair value				
Financial liabilities at fair value through profit and loss	247	–	247	247
Liabilities for which fair values are disclosed				
Subordinated loans	–	128,990	128,990	120,368
Current accounts and deposits with customers	1,425,408	–	1,425,408	1,425,539
At 31 December 2024				
Assets for which fair values are disclosed				
Loans to customers and finance lease receivables	–	1,361,008	1,361,008	1,406,462
Investment securities	182,656	–	182,656	181,936
Assets measured at fair value				
Financial assets at fair value through profit and loss	157	–	157	157
Liabilities for which fair values are disclosed				
Subordinated loans	–	101,907	101,907	93,304
Current accounts and deposits with customers	1,141,942	–	1,141,942	1,182,644

(in thousands of Georgian Lari, unless otherwise stated)

26. Fair value measurements (continued)

	<i>Carrying value 2025</i>	<i>Fair value 2025</i>	<i>Unrecognised gain/(loss) 2025</i>	<i>Carrying value 2024</i>	<i>Fair value 2024</i>	<i>Unrecognised gain/(loss) 2024</i>
Financial assets						
Loans to customers and finance lease receivables	1,684,034	1,610,772	(73,262)	1,406,462	1,361,008	(45,454)
Investment securities	186,461	186,958	497	181,936	182,656	720
Financial liabilities						
Customer deposits	1,425,539	1,425,408	131	1,182,644	1,141,942	40,702
Subordinated loans	120,368	128,990	(8,622)	93,304	101,907	(8,603)
Total unrecognised change in fair value			(81,256)			(12,635)

Derivative financial assets/liabilities:

Derivative financial instruments valued using a valuation technique with market observable inputs consist solely of currency swaps. These are measured using present value techniques based on observable market data, such as foreign exchange spot and forward rates, interest rate curves, and the credit quality of counterparties.

Assets and liabilities for which fair value approximates carrying value:

For financial assets and financial liabilities that are liquid or have a short-term maturity (i.e., less than three months), as well as for floating rate instruments, the carrying amounts are assumed to approximate their fair value due to the short-term nature or frequent re-pricing of these instruments.

These include:

- ▶ Cash and cash equivalents;
- ▶ Mandatory reserve deposit with the National Bank of Georgia.

Assets and liabilities not measured at fair value but for which fair value is disclosed:

Fair values in Level 2 and Level 3 of the fair value hierarchy are estimated using the discounted cash flow valuation technique. Current interest rates for new instruments with similar credit risk, currency, and remaining maturity are used as the discount rate in the valuation model.

These include:

- ▶ Loans to customers and finance lease receivables;
- ▶ Investment securities;
- ▶ Customer deposits;
- ▶ Subordinated loans;
- ▶ Lease liabilities.

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27. Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities according to when they are contractually due to be recovered or settled.

	2025			2024		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Cash and cash equivalents	146,475	–	146,475	119,364	–	119,364
Mandatory reserve deposit with the NBG	104,212	–	104,212	143,289	–	143,289
Loans to customers and finance lease receivables	250,621	1,433,413	1,684,034	194,021	1,212,441	1,406,462
Investment securities	80,334	106,127	186,461	47,185	134,751	181,936
Other financial assets	5,631	4,431	10,062	4,831	2,303	7,134
Total	587,273	1,543,971	2,131,244	508,690	1,349,495	1,858,185
Loans from financial institutions, lease liabilities and current accounts and deposits from financial institutions	244,911	162,563	407,474	176,191	209,424	385,615
Current accounts and deposits from customers	1,371,071	54,468	1,425,539	1,055,089	127,555	1,182,644
Subordinated loans	3,050	117,318	120,368	7,334	85,970	93,304
Other financial liabilities	12,653	–	12,653	14,096	–	14,096
Total	1,631,685	334,349	1,966,034	1,252,710	422,949	1,675,659
Net gap	(1,044,412)	1,209,622	165,210	(744,020)	926,546	182,526

The Group's capability to discharge its liabilities relies on its ability to realize an equivalent amount of assets within the same period of time.

As at 31 December 2025, total amounts due to customers amounted to GEL 1,425,539 (2024: GEL 1,182,644). Current accounts, saving accounts and Time Deposits end-of-month balances have not fallen on average below GEL 238,380 (2024: GEL 248,859), GEL 255,476 (2024: GEL 244,101) and GEL 723,660 (2024: GEL 600,660) for the preceding 24 months, respectively. Significant part of total current accounts represents current accounts from legal entities, which historically are of stable nature.

28. Related party disclosures

(a) Control relationships

Ultimate controlling party of the Group is Sheikh Nahayan Mubarak Al Nahyan. The shareholding structure of the Group is disclosed in Note 1 of these consolidated financial statements.

(b) Transactions with related parties

Total remuneration of key management included in personnel expenses for the years ended 31 December 2025 and 2024 is as follows:

	2025	2024
Salaries and other benefits	4,715	3,627

As at 31 December 2025 interest rates on loans issued to key management personnel were between 8% and 29% (31 December 2024: 6% and 29%).

As at 31 December 2025 interest rates on Deposits placed to key management personnel were between 0.5% and 12.5% (31 December 2024: 0.5% and 12.5%).

(in thousands of Georgian Lari, unless otherwise stated)

28. Related party disclosures (continued)

	2025			2024				
	Parent	Entities under common control	Key management personnel	Other related parties	Parent	Entities under common control	Key management personnel	Other related parties
Subordinated loan	-	12,387	-	-	-	12,971	-	-
Subordinated loan – AT1 instrument	35,837	-	-	-	37,322	-	-	-
Interest expense on Subordinated Loan	-	850	-	-	-	1,064	-	-
Interest expense on AT1 instrument	4,278	-	-	-	4,256	-	-	-
Current accounts and term deposits	-	7,112	3,940	1,146	-	12,789	-	-
Interest expense on Current accounts and term deposits	-	123	170	76	-	97	-	-
Loans issued	-	-	616	215	-	-	1,033	-
Allowance for impairment	-	-	(2)	-	-	-	(3)	-
Credit loss expense	-	-	1	-	-	-	(1)	-
Interest income on loans issued	-	-	66	20	-	-	64	-

Terms and conditions of the subordinated loans is disclosed in Note 14.
Loans granted to related parties are primarily secured by real estate collateral.

29. Capital adequacy

The Group 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 Group's capital management are (i) to ensure that the Bank complies with externally imposed capital requirements set by the NBG, (ii) to safeguard the Bank's ability to continue as a going concern and is monitored monthly with reports outlining their calculation reviewed and subsequently submitted to the NBG.

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

The Bank complied with all its externally imposed capital requirements at 31 December 2025 and 2024.

The NBG capital adequacy ratio

According to the NBG capital adequacy regulation (Decree N100/04 of 18 December 2017), capital requirements consist of a Pillar 1 minimum requirement (4.5%, 6.0%, 8.0% for CET1, Tier1 and Total Capital consequently), combined buffers (countercyclical – 0%, and conservation buffers – 2.5%) and Pillar 2 buffers. The initial regulation provided gradual introduction of Pillar 2 buffers over four-year period.

In March 2023, the Financial Stability Committee of the NBG decided to set the neutral (base) rate of the countercyclical buffer at 1%. Banks are required to accumulate a countercyclical capital buffer according to a predetermined schedule: 0.25% by March 2024, 0.50% by March 2025, 0.75% by March 2026 and fully phased-in 1% by March 2027.

As at 31 December 2025 and 2024 the ratios were above the respective regulatory minimums.

The calculation of the capital adequacy ratios in accordance with the NBG accounting rules and capital adequacy Basel III framework for 31 December 2025 and 31 December 2024:

	2025	2024
Core capital	272,735	250,959
AT 1	35,036	36,488
Supplementary capital	71,295	42,440
Total regulatory capital*	379,066	329,887
Risk weighted assets*	1,763,995	1,608,766
Minimum total capital adequacy requirements	18.84%	18.06%
Total capital adequacy ratio*	21.49%	20.51%
Minimum Tier 1 capital adequacy requirements	15.67%	14.84%
Tier 1 capital adequacy ratio*	17.45%	17.87%

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

(in thousands of Georgian Lari, unless otherwise stated)

30 Contingencies

Operating environment

The Group's operations are located in Georgia. Consequently, the Group is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The consolidated financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Litigation

In the ordinary course of business, the Group 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.

31. Events after the reporting date

In April 2026, JSC Terabank carried out a private placement of unsecured, subordinated, perpetual, Additional Tier 1 (AT1) capital bonds with a total nominal value of USD 8 million and a fixed annual coupon rate of 13.25%, comprising of USD 7,2 million issued in April 2026 and USD 0,8 million issued in May 2026. The offering was conducted in accordance with the "Regulation on Capital Adequacy Requirements for Commercial Banks". Due to nature of the instrument, the placement (both primary and secondary) is restricted to "Sophisticated Investors".

In April 2026 a transfer of shares occurred between existing shareholders. As a result, Sheikh Nahayan Mabarak Al Nahayan's ownership interest increased to 86.9% while Sheikh Mohamed Butti Al Hamed's ownership interest decreased to 8.1%.

In May 2026, JSC Terabank received loans from ResponsAbility SICAV (Lux) in the aggregate amount of USD 5 million with a maturity date of April 2029.