ProCredit Bank
Georgia

ANNUAL REPORT
2025

OUR MISSION

We are a development-oriented commercial bank that provides tailor-made services to MSME clients and private individuals through sustainable and impact-oriented banking practices. In doing so, we want to generate long-term, sustainable returns and create a positive impact on the economy and society we operate in.

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Mission statement

ProCredit Bank is a development-oriented commercial bank. We provide superior customer service to small and medium-sized businesses and private individuals. In our operations, we adhere to a number of core principles: we value transparency in our communication with customers, we strive to minimize our ecological footprint, and we provide services that are based on both an understanding of each client's situation and on sound financial analysis.

The focus of our main activities is on micro, small and medium-sized enterprises, as we are convinced that these businesses create jobs and make a vital contribution to the economies in which they operate. We provide easy-to-use deposit facilities and online banking services to streamline their daily banking routines, along with tailored solutions to meet their financial needs in an ethical manner.

Our shareholders expect a sustainable return on investment over the long term, rather than being focused on short-term profit maximization. We invest extensively in the training and development of our staff in order to create an open and productive work environment and to provide our clients with a friendly and competent service.



Who we are: ProCredit today

An international development-oriented group of banks

JSC ProCredit Bank Georgia is part of the international ProCredit group of banks, which operates mainly in Eastern and South-eastern Europe in countries with transition economies as well as in Germany. ProCredit Holding AG, based in Frankfurt am Main, Germany, is the parent company of the development oriented ProCredit group, which consists of commercial banks for micro, small and medium enterprises (SMEs) and private individuals who appreciate modern banking services, who have the capacity to save and who are willing to do their banking through electronic channels. ProCredit Holding's shares are traded on the Prime Standard segment of the Frankfurt Stock Exchange.

Throughout its many years of operation in the banking industry, the group has undergone several stages of development, the majority of which involved strategic shifts. The group's core target segments consist of MSMEs with good development prospects. To this business sector, ProCredit banks provide a comprehensive range of banking services following the "Hausbank" principle.

The ProCredit Group provides banking services responsibly in all countries where it operates, in compliance with social, ethical and environmental standards. The operational setup as an international group of banks allows ProCredit customers to take advantage of the transparent and favorable conditions for the most popular banking services.

ProCredit Bank Georgia

ProCredit Bank Georgia has been operating in the Georgian banking sector since 1999. The primary objective of the bank's activities is to finance micro, small and medium-sized businesses with a plan for long-term growth. Alongside the business lending, ProCredit Bank focuses on providing modern banking services to private individuals.

Care for the environment is a significant aspect of the Bank's social responsibility. To this end, the bank has implemented an environmental management system and uses eco-products and, as a result, ProCredit is the first bank in Georgia to obtain ISO 14001 certification.

The Bank's head office is located in Tbilisi, which is the first green office building in Georgia that has been certified as energy efficient by EDGE international certification. The only bank in the country to operate its own solar power plant and rainwater system is ProCredit.

The Bank serves its clients through 6 branches (including online branch), 6 service points with the self-service areas in Tbilisi, Kutaisi, Batumi ,Zugdidi and Telavi. .

ProCredit Bank has one wholly owned subsidiary, ProCredit Properties LLC, which was established as a limited liability company under Georgian law on 23 July 2007 with the principal activity of holding and managing movable and immovable properties acquired through auctions resulting from defaults of the Bank's customers. The assets of ProCredit Properties LLC take a share of 0.64% of total assets of ProCredit Bank Georgia.



Business ethic

The ProCredit group's mission includes establishing standards in the financial sectors in which it operates. We want to make a difference in terms of not only the target groups we serve and the quality of the financial services we provide but also concerning business ethics. In this regard, our strong corporate values play a key role. Five essential principles guide the operations of the ProCredit institutions:

Transparency: We provide transparent information to our customers, the public and our employees. For instance, we ensure that customers fully understand the terms of the contracts, they conclude with us, and we engage in financial education to raise public awareness of the dangers of non-transparent financial offers.

A culture of open communication: We communicate with each other in an open, fair, and constructive manner, and we manage workplace conflicts professionally by collaborating to find solutions.

Social responsibility and tolerance: We provide our clients with sound, well-founded advice. Before offering loans to our clients, we evaluate their economic and financial situation, their business potential and their repayment capacity. On this basis, we assist them in selecting appropriate loan options from which they can genuinely benefit and to avoid becoming over indebted. Promoting a savings culture is another important aspect of our mission, as we believe that private savings play particularly vital role in societies with relatively low levels of publicly funded social welfare provision.

Moreover, we are committed to treating all customers and employees with fairness and respect, regardless of their origin, color, language, gender or religious or political beliefs.

High professional standards: Our employees take personal responsibility for the quality of their work and continually seek to grow as professionals.

A high degree of personal integrity and commitment: All ProCredit group employees are required to maintain absolute integrity at all times, and any breaches of this principle are dealt with swiftly and rigorously.

These five values serve as the foundation of our company's culture and are discussed and implemented in our daily operations.

International Ratings

In 2025, Fitch Ratings reaffirmed the Government of Georgia's Long-Term Foreign-Currency Issuer Default Rating at 'BB', reflecting the country's continued macroeconomic resilience, credible policy framework and stable public finance management. Over the course of the year, the outlook developed positively and was revised to Stable, supported by an improvement in international reserves, easing external liquidity pressures and the demonstrated resilience of the Georgian economy despite a challenging external environment.

In November 2025, Fitch Ratings affirmed ProCredit Bank Georgia's Long-Term Issuer Default Rating at 'BB+' and revised the Bank's outlook to Stable, in line with the improved sovereign outlook and a more favourable assessment of the operating environment for the banking sector. The rating confirmation reflects the Bank's strong financial profile, prudent risk management practices and consistently high asset quality.

ProCredit Bank Georgia continues to maintain the highest possible Fitch rating among Georgian banks, positioned one notch above the sovereign rating. This distinction underscores the Bank's long-standing record of conservative lending, strong corporate governance and effective risk management.

ProCredit Bank's ratings:

Long-term foreign and local currency IDRs,	BB+	Affirmed
Short-term foreign and local currency IDRs	B	Affirmed
Viability Rating	bb-	Affirmed
Shareholder Support Rating	bb+	Affirmed

Macroeconomic Environment

The economic growth in 2025 ended quite strong[1] reaching 7.5% annual rate according to the preliminary data. As in the last year, the reality again exceeded the earlier forecasts, so those for 2026 (5% according to the National Bank of Georgia and 5.3% according to the International Monetary Fund) should be taken with the grain of salt. Similarly to the previous year, 2025 was characterized by the importance of consumption contributing the bulk of the real growth, with net exports also contributing positively[2]. On the contrary, the contribution of investment to overall growth was negative. On the production side trade (1.4% pp), education (1.2%) were the main contributors to growth. High economic growth was also conditioned by strong aggregate demand, coming both from domestic and external sources. Domestically increased demand showed up in growth of credit activity (both in GEL and FX), although the credit growth in GEL has dropped compared to last year. Growth in external demand was visible in export of services, both IT and transportation.

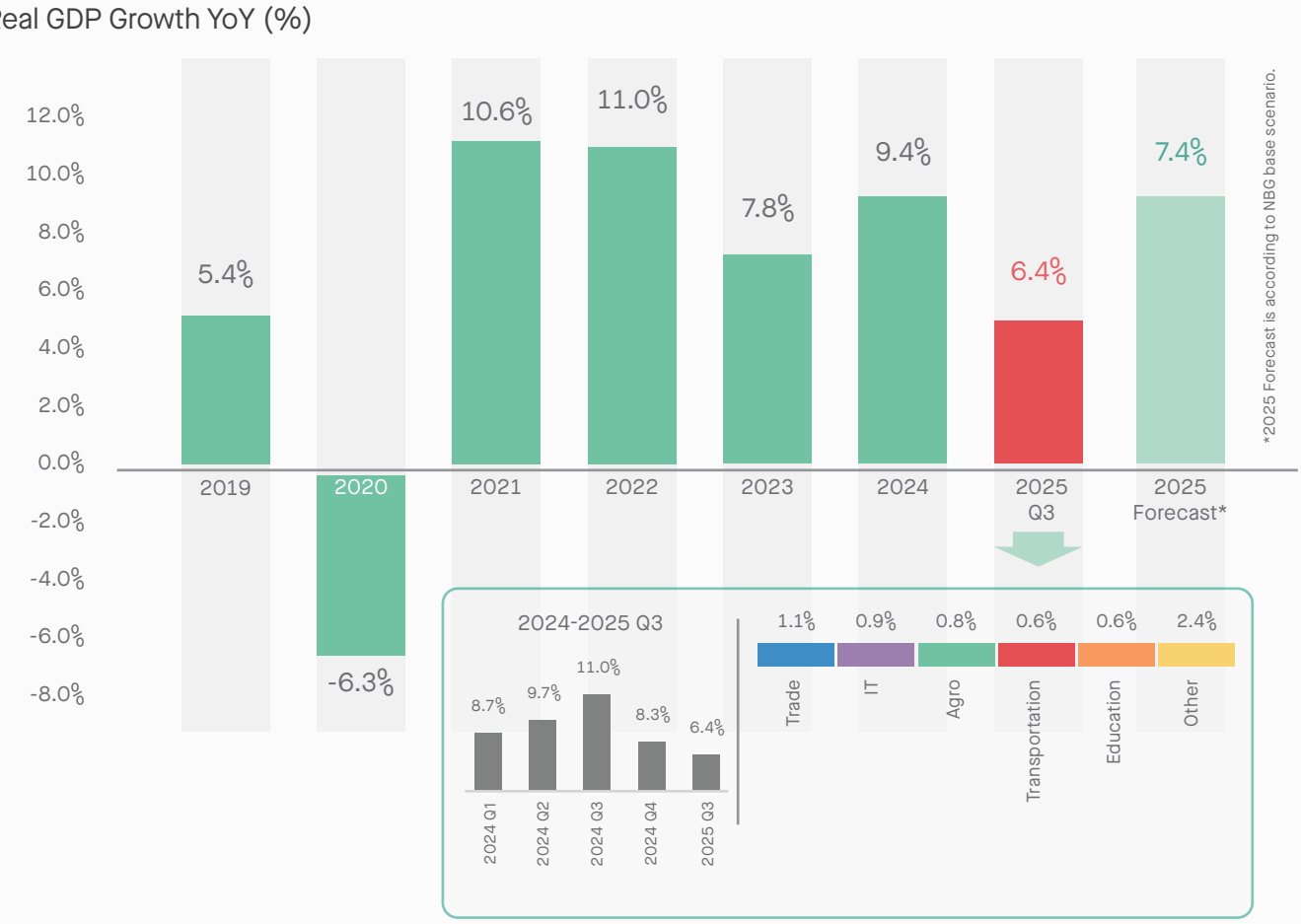


Figure 1. Real GDP Growth (Source: GeoStat, unless stated otherwise)

1. *Although not reaching the levels of the previous year, when it was 9.5%*
2. *The data are only available for the first three quarters, and the overall distribution might change once the annual data is available.*

The trade balance in goods remains negative and growing in absolute terms, with the annual growth of 8.7%, meaning that as a share of GDP it grew as well[3]. The volume of domestic exports grew by 12.5%, faster than total exports and reexports, meaning that the share of domestic exports increased to 46.2% from 45.6% a year earlier. As in 2024 the reexports have been driven by the motor cars, constituting 38.6% of total exports.

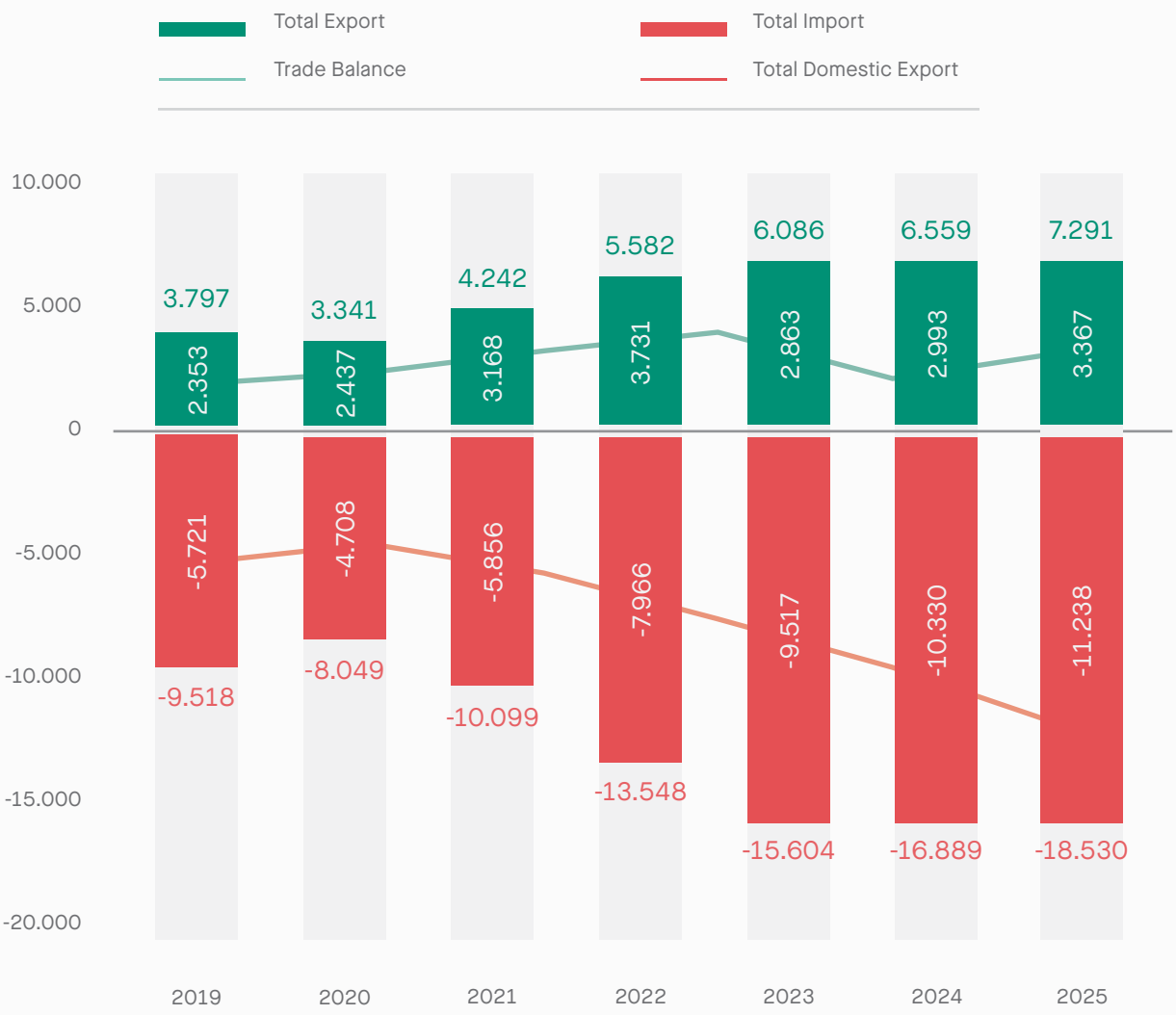


Figure 2. Trade in Goods

3. More precise numbers will be available once the official data on GDP is out in late March.

The CIS countries remain main export destination for Georgia (69.2% of total exports – a slight increase since last year's 69%), with Kyrgyzstan (20.6%) and Kazakhstan (12.5%) ahead of Russia (10.3%), Azerbaijan (9.6%), and Armenia (7.6%). As mentioned above, the motor cars constituted 38.6% of total exports, followed by precious metal ores (5.2%) spirits and liquors (3.9%), and wines (3.7%).

As for imports, Türkiye remains the main importer (15.0% of total), followed by the US (14.7%), China (10.7%), Russia (10.5%), and Germany (6.9%). Just as in the case of the exports, the imports are dominated by the motor cars (20.9%), followed by petroleum (7.3%), medicaments (3.7%), and natural gas (2.6%).

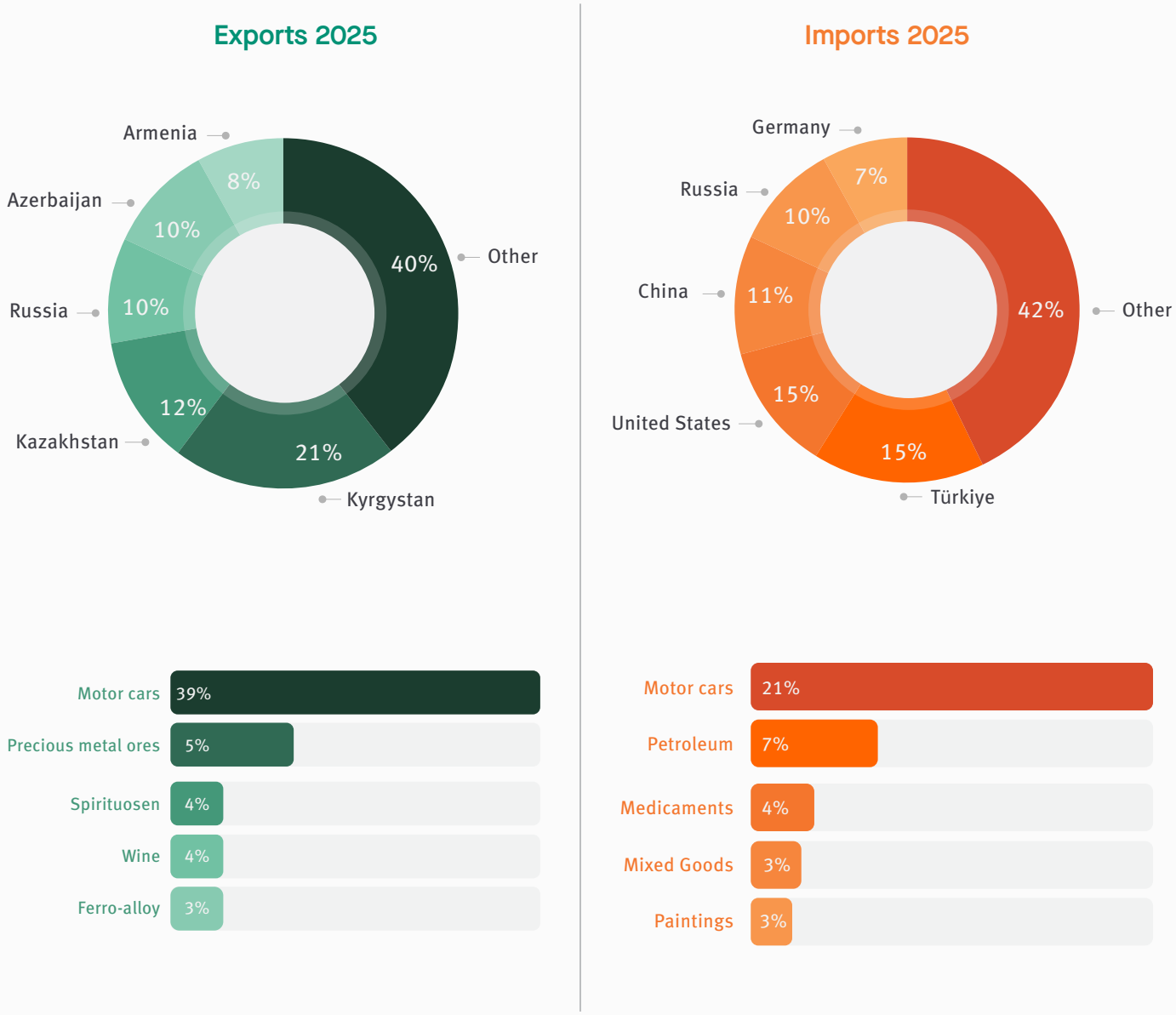


Figure 3. Decomposition of Exports and Imports

The number of international visitors continues to grow, with the annual growth in 2025 reaching 6.2%. However, the total still falls quite short of 2019 figures[4]. Revenues from international travel continue to grow as well, with the annual growth in 2025 of 6%, and total growth since 2019 of 43.5%. International visitors come mostly from Russia, Türkiye, and Armenia (55% of total[5]), with the EU being a far fourth at just 7% of total visitors[6]. However, as before, an EU visitor seems to spend almost three times as much as a Russian one, given the share of EU and Russian visitors in total revenues from tourism (respectively 14% and 23%).

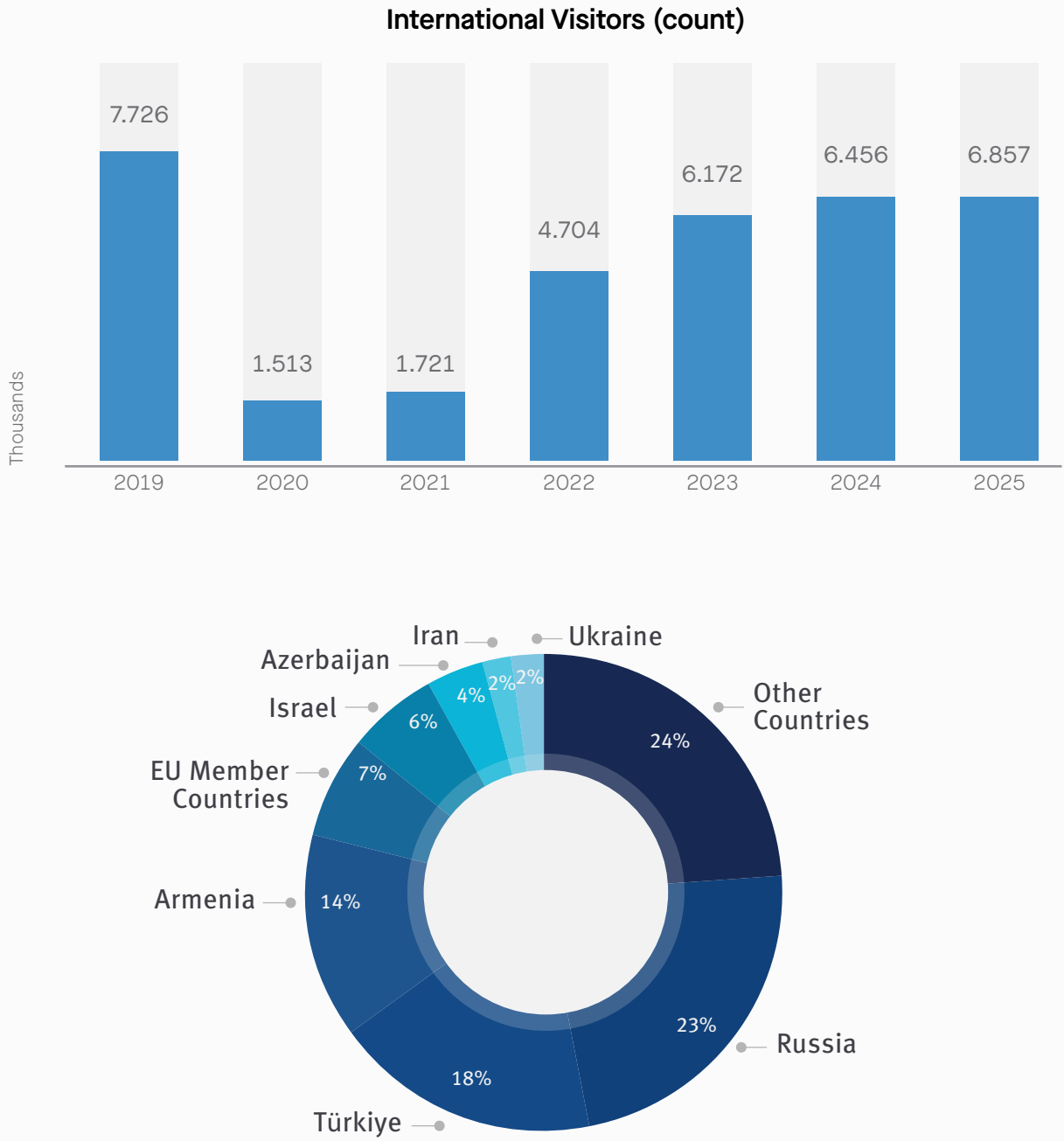


Figure 4. International Visitors by years (upper) and the decomposition by country of citizenship in 2023 (lower). (Source: Geostat and NBG)

4. *6,857 thousand visitors in 2025 and 7,726 thousand visitors in 2019*
5. *58% last year*
6. *An increase of 1 pp from the last year.*

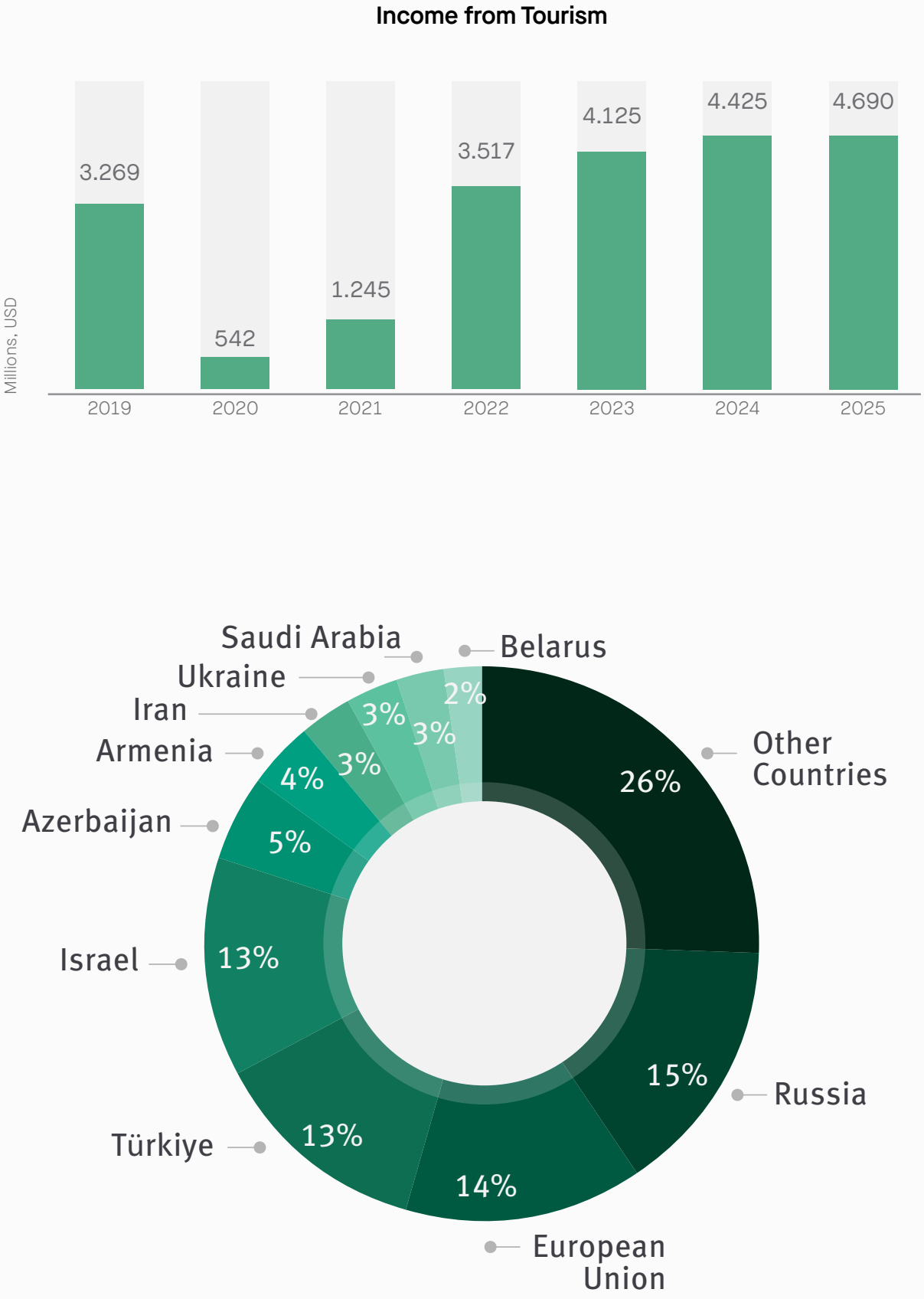


Figure 5. Income from Tourism by years (upper) and its decomposition by country of citizenship in 2023 (lower). (Source: Geostat, NBG)

The net volume of instant money transfers increased by 8.1% in 2025, and it is 58.7% than in 2021 – last pre-migrant year. As for the country composition of remittances the share of Russia dropped further to 13%, which is still the third-highest contribution after the USA (19%) and Italy (17%). It should be mentioned that such a "diversification" among sources of remittances is much more conducive to the financial stability of Georgia,

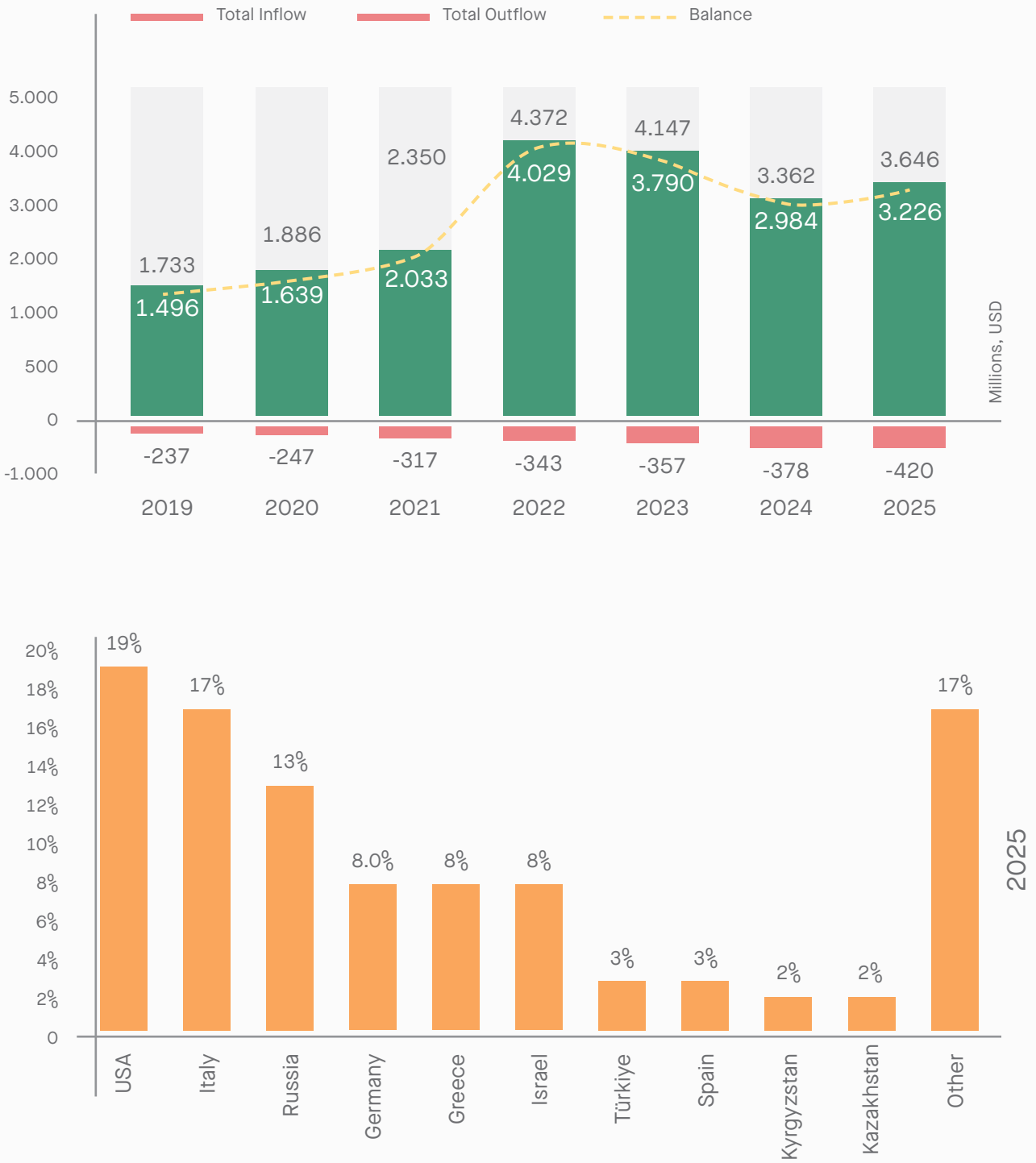
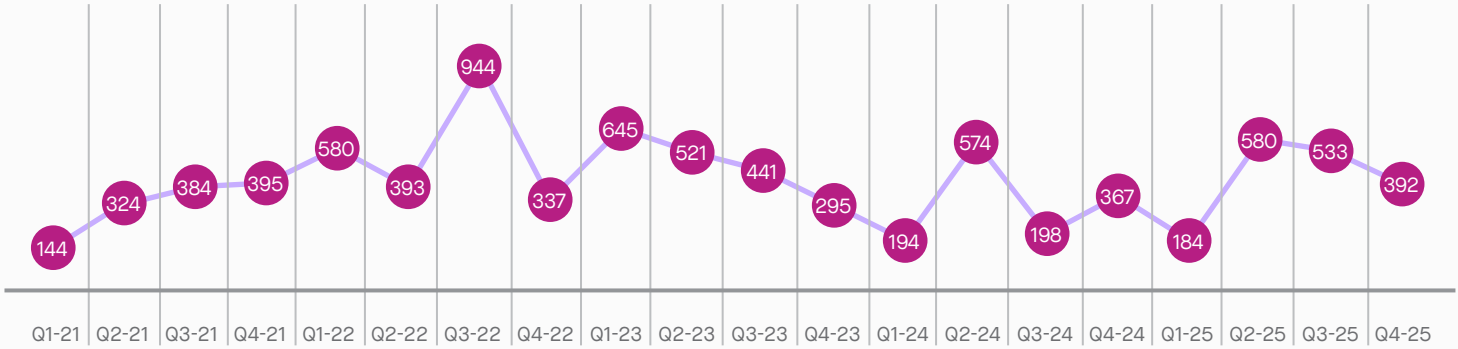


Figure 6. Remittance by years (upper) and by country in 2025 (lower). (Source: Geostat, NBG).

In 2025 the volume of foreign direct investments increased annually by 7.6%, reversing the decline observed in 2024 and 2023. Despite the growth the main part of the FDI (82.8%) is still covered by reinvested earnings. In terms of source countries the FDI in 2025 has been more diversified than in 2024, with top 5 countries being the UK, with 334.2 mln USD (19.8% of total[7]), followed by Türkiye (180.8 mln USD, 10.7%) Malta (173.7 mln USD, 10.3%), US (158.1 mln USD, 9.4%), and Azerbaijan (143.9 mln USD, 8.5%).

The sectoral distribution of the FDI remains traditionally skewed toward investment in financial and insurance activities, with 35.9% of total FDI directed there. Together with real estate activities (11.0%), transport (9.8%) and mining and manufacturing (9.5%), these sectors cover almost two thirds of total FDI.

FDI by Quarters (min. USD)



FDI by Countries (Top 10, 2025)

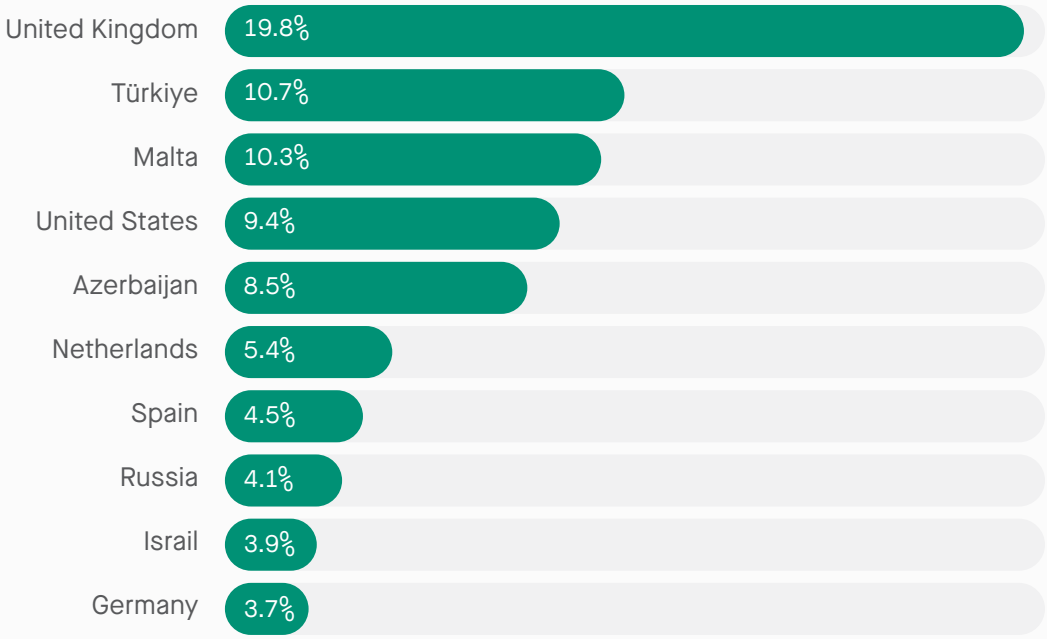
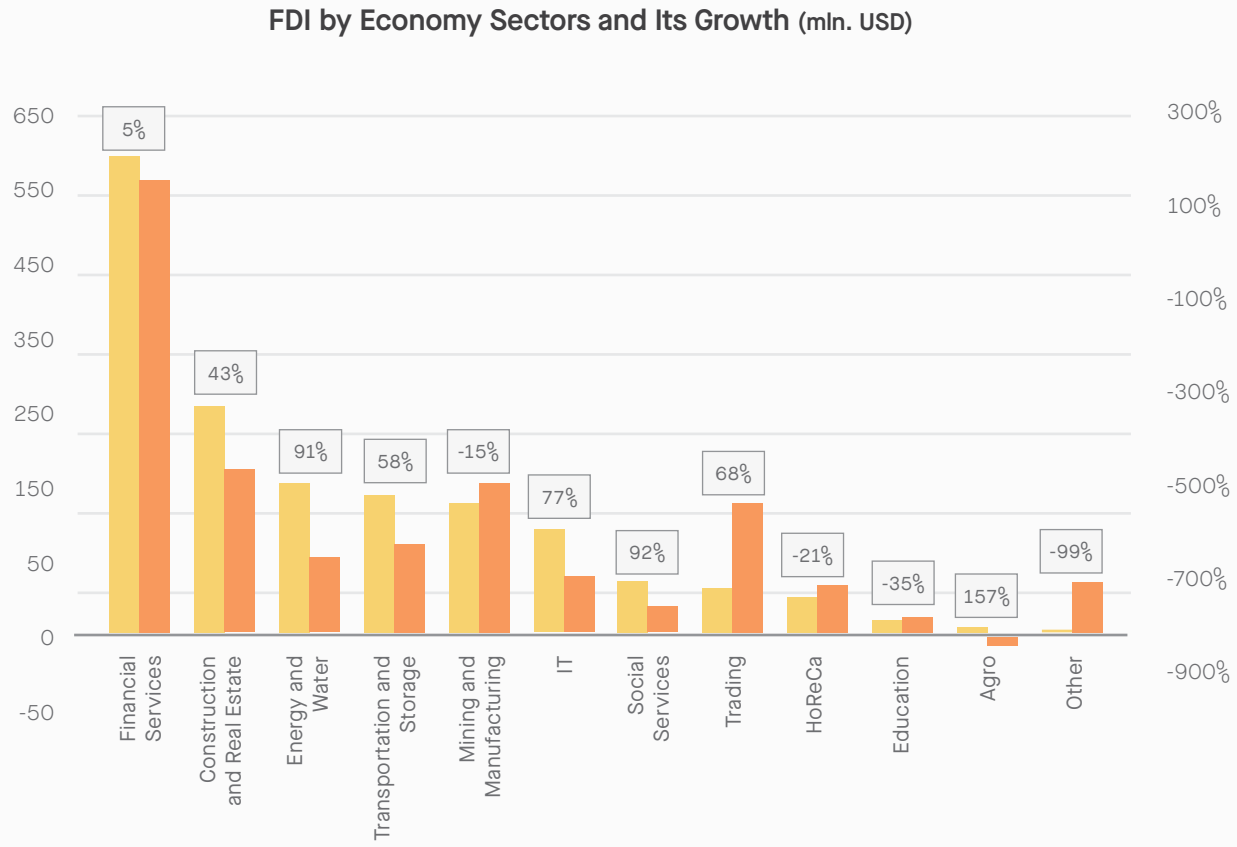


Figure 7. FDI by quarters since 2021(upper) and by country in 2025 (lower). (Source: Geostat, NBG).

7. 33.6% last year



2025	607	281	183	166	164	115	60	52	43	12	4	1
2024	580	197	96	105	192	65	31	162	55	18	-7	77
Share	36%	17%	11%	10%	10%	7%	4%	3%	3%	1%	0%	0%
Growth	5%	43%	91%	58%	-15%	77%	92%	68%	-21%	-35%	157%	-99%

Figure 8. FDI by Economy Sectors and respective growth rates

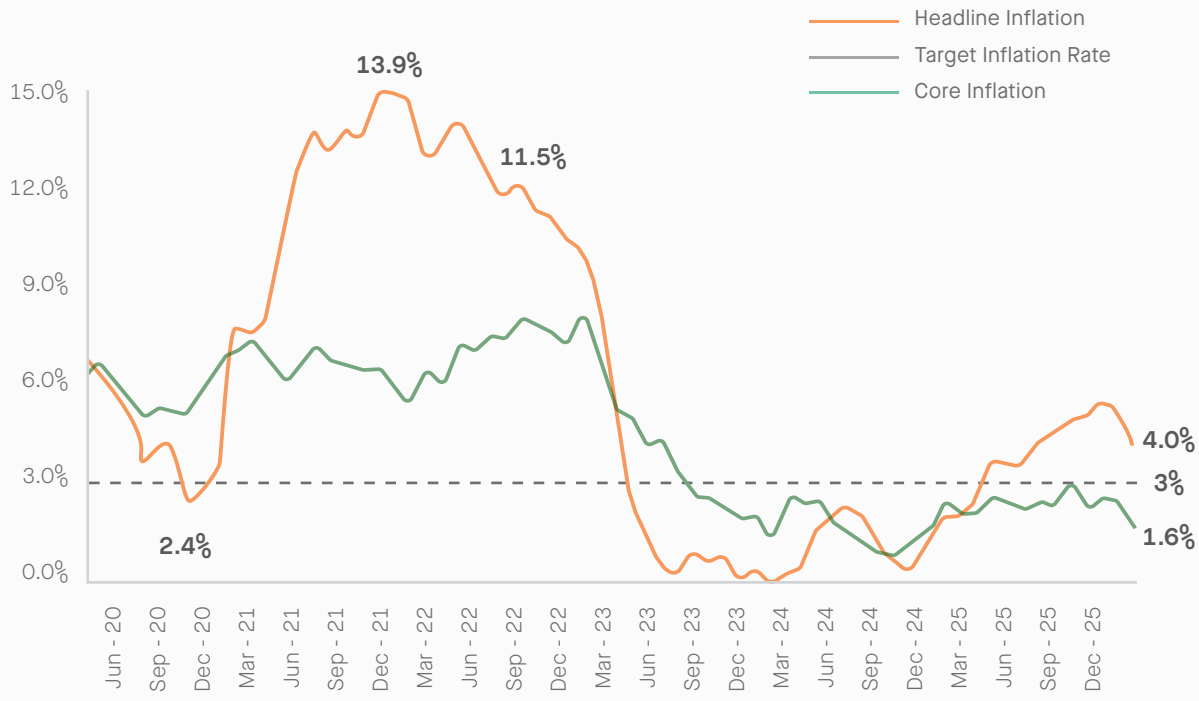


Figure 9. CPI Inflation (Source: GeoStat)

In February 2025 the annual inflation reached its 3% target and since then remained above it. Headline inflation reached 4% in December 2025 with the core inflation (inflation less the volatile prices of food, energy, and tobacco) being 1.6%. The inflation is expected to remain above the target throughout 2026 (the NBG forecasts the average inflation of 4.1% in 2026), temporarily falling below it in Q1 2026 and then go back to the target in 2027-2028.

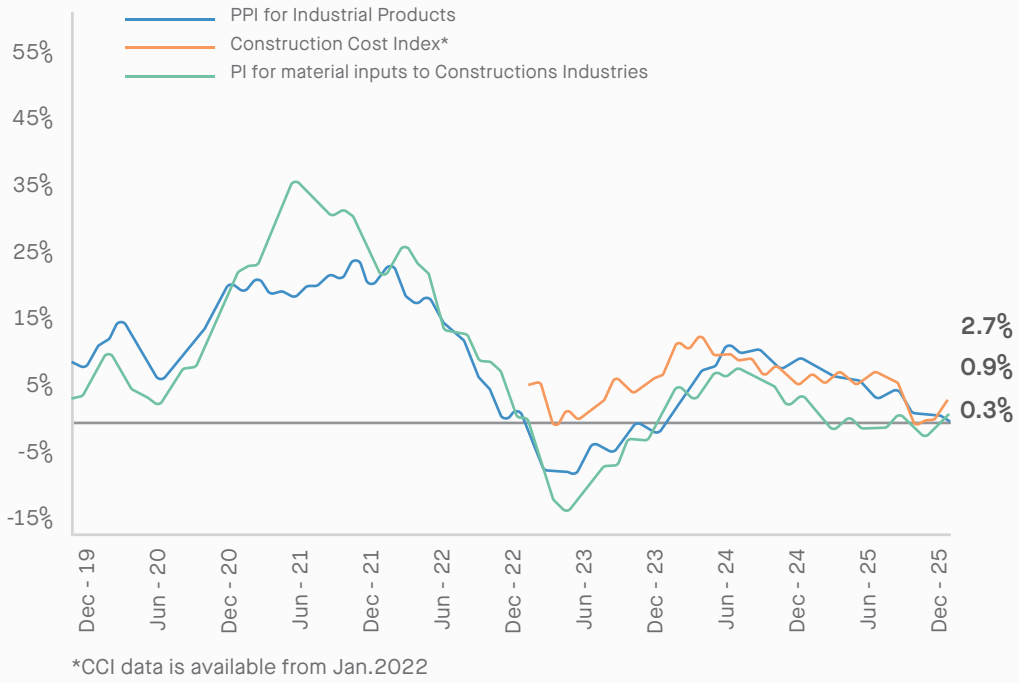


Figure 10. PPI Inflation (Source: GeoStat)

The dynamic of the Producer Price Index, as expected, somewhat mirrors the CPI, however, unusually falling below it in late 2025

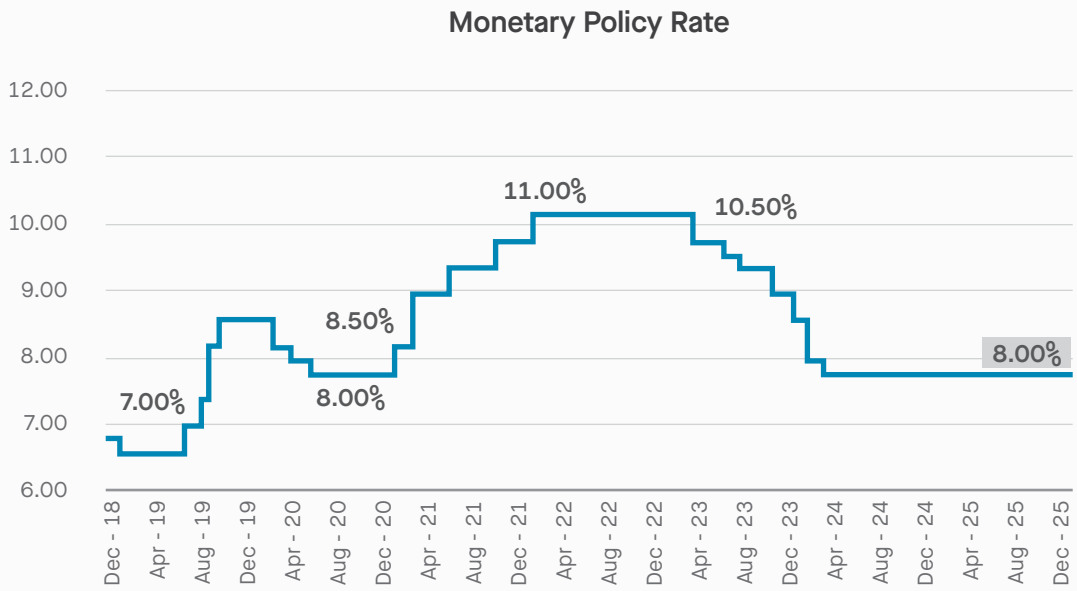


Figure 11. Monetary Policy Rate of the NBG (Source: NBG).

Since May 2024 the refinancing rate has been kept at 8% without any indication of any change in the near future. While by the end of 2025 the inflation as noted above has exceeded the target, it is mostly the result of increase in food prices, whereas the core inflation is below the target and GEL has been appreciating vs USD throughout the year. Nevertheless, given possible upside risks coming both from domestic and external uncertainty the NBG decided against phasing out from the tight monetary policy regime. According to own forecasts the NBG doesn't plan to reduce the monetary policy rate almost until 2nd half of 2026[8].

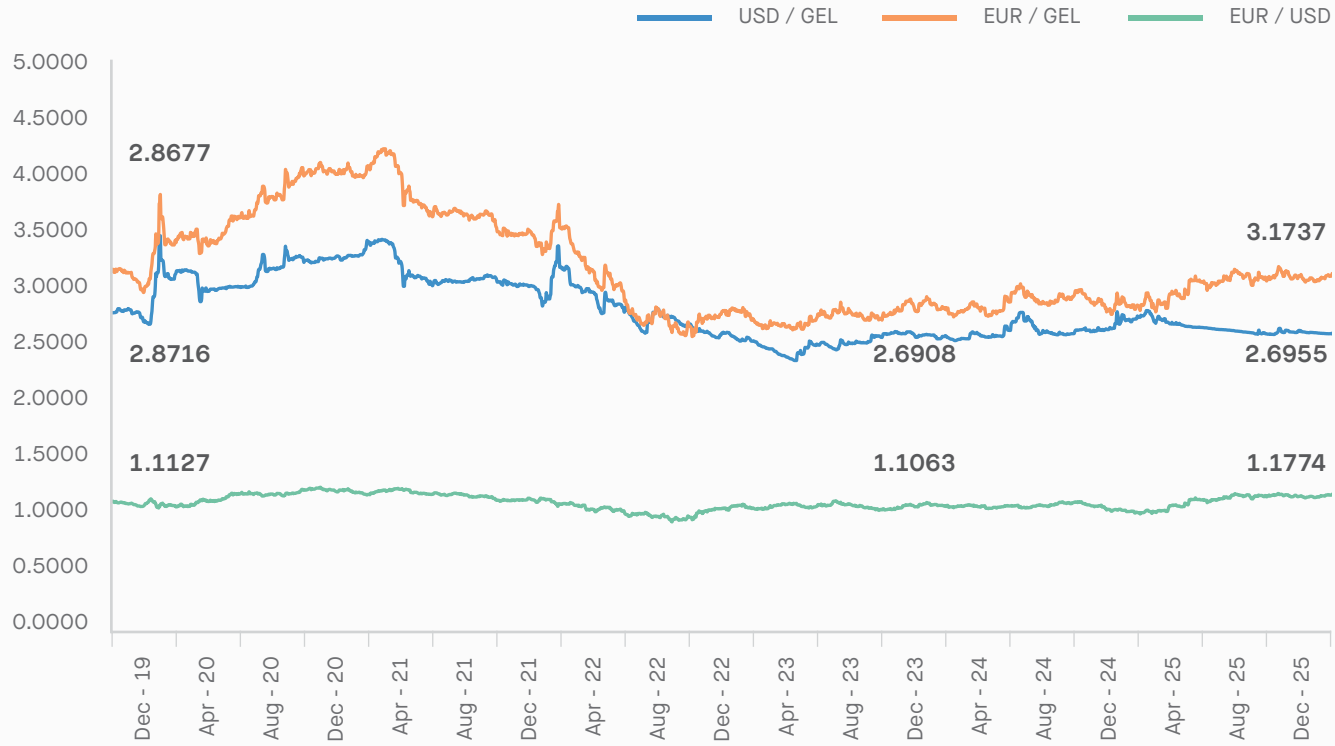


Figure 12. Nominal Exchange Rates (Source: NBG)

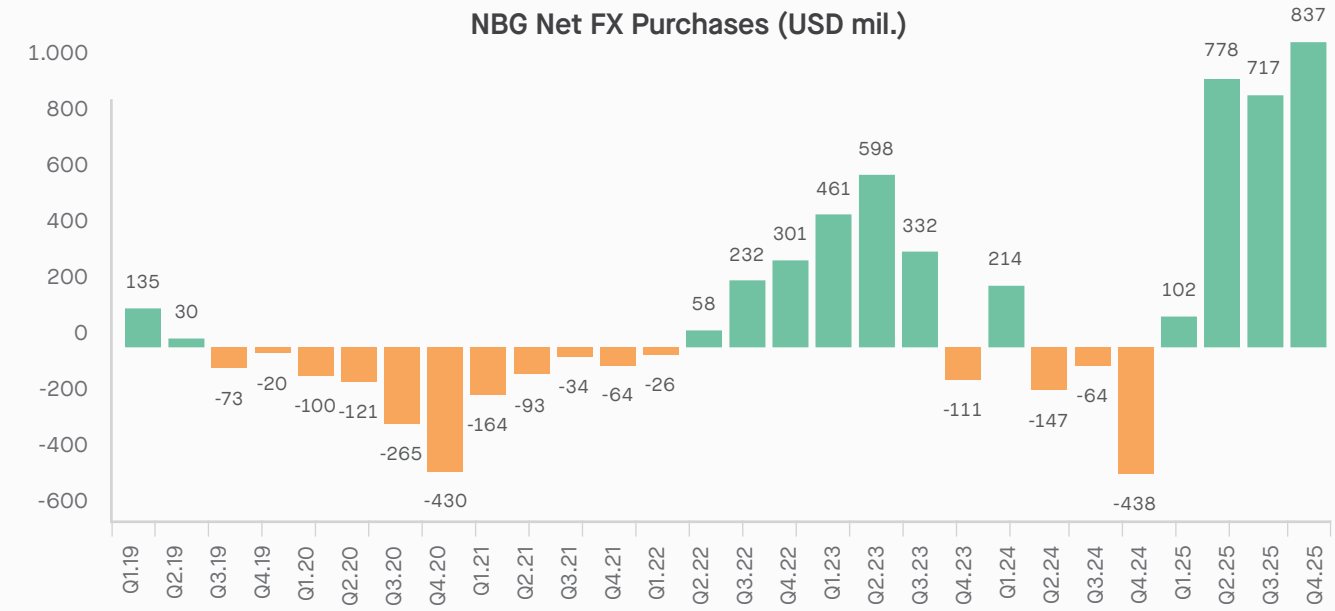


Figure 13. Net FX Purchases by the NBG (Quarterly data; Source: NBG)

8. Probably in the last Monetary Policy Committee meeting of the first half of 2026.

After a jump in early 2025, GEL has been steadily appreciating towards the USD, reaching 2.69 GEL/USD by December 31 (4.1% appreciation). On the other hand, given the USD decline against major currencies, GEL has depreciated against Euro by 8% in 2025. This allowed the NBG to replenish the international reserves it sold in October 2024 to alleviate the pressure on the exchange rate and stabilize GEL. Overall, in 2025 the NBG bought on the foreign exchange market 2.4 bln USD, so that by the end of 2025 the international reserves reached a record high of 6.3 bln USD.

Both real and nominal effective rates were quite stable throughout 2025. The NEER was virtually unchanged whereas the REER depreciated by just 1.8%, due to a slightly higher inflation in the major trading partners[9].

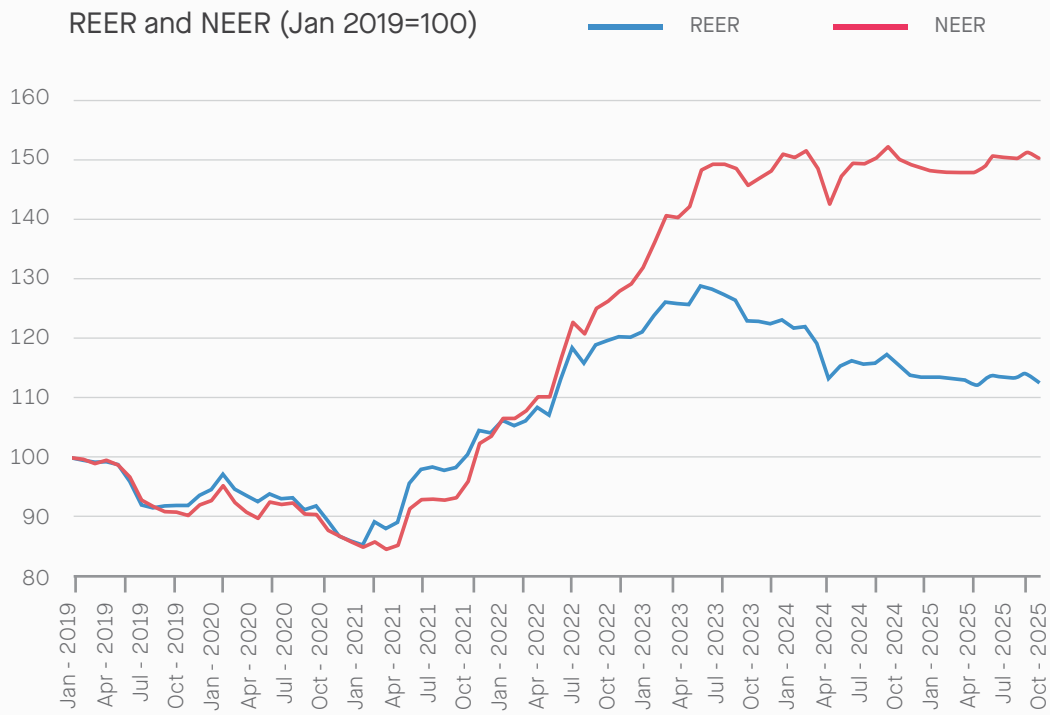


Figure 14. Real and Nominal Effective Exchange Rates (Source: NBG)

9. *Mostly at the expense of Turkey.*

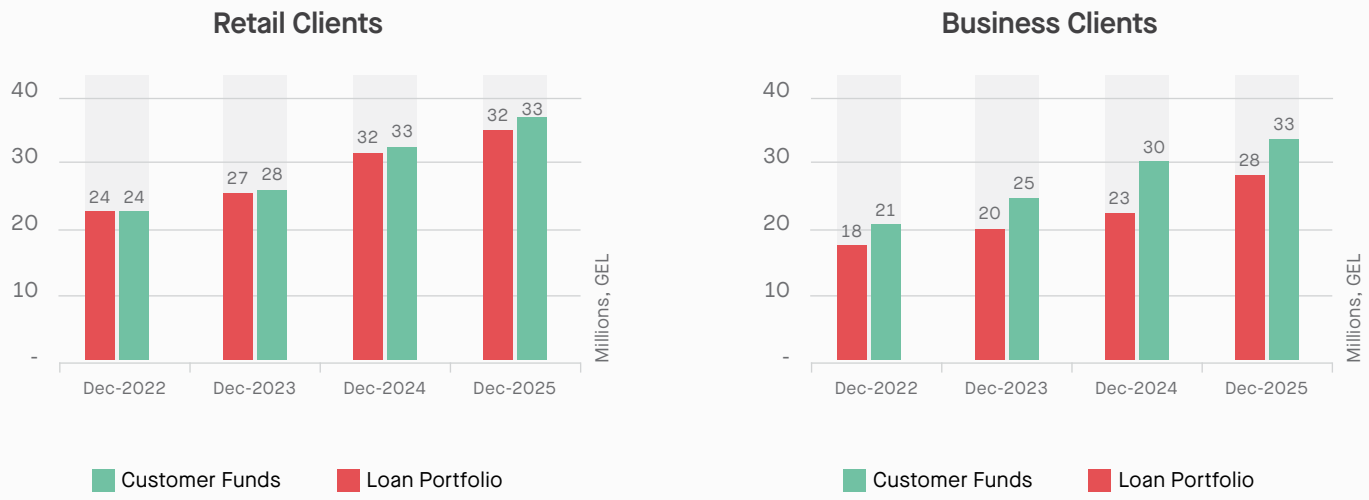
Banking Sector

In 2025, the Georgian banking sector continued its solid and sustainable growth, broadly in line with nominal economic expansion, while preserving high profitability, strong capitalization, and ample liquidity, with a return on equity (ROE) of 22.38%, with ROE above 25% for the biggest two banks and around 13% for the remaining sector, The sector remained resilient throughout the year, supported by stable macroeconomic conditions and prudent supervisory policies.

The total loan portfolio of the banking sector grew by approximately 14-15% YOY in 2025, adjusted for exchange rate effects, reflecting sustained demand from both retail and businesses. At the same time, customer funds increased by around 15-16% YOY, underpinned by continued confidence in the banking system and improving funding structure.

Lending to micro, small and medium sized enterprises (MSMEs) continued to expand at a healthy pace, supported by economic activity in services, trade, construction and manufacturing, reinforcing the sector's role in financing real economic growth.

The deposit structure remained well diversified, with growth recorded across both individual and legal entity deposits, contributing to stable funding profiles and strong liquidity buffers across the sector.



Source: NBG statistics

The financial system remains resilient, supported by strong capital and liquidity buffers, enabling the banking sector to continue lending to the economy without disruption, despite ongoing geopolitical and external uncertainties. The banking industry remains well capitalized, reinforcing its capacity to absorb potential shocks and support sustainable economic activity.

While dollarization has continued its gradual decline, it remains a structural challenge for the financial sector. Nevertheless, ongoing macroprudential measures and increased confidence in the national currency are expected to support a further gradual reduction in dollarization over the medium term, thereby easing related risks.

Key Financial Figures of PCBG (according to IFRS)

For 2025, the bank focused on expanding its presence in the micro and retail segments, resulting in higher operating expenses.

Consolidated Statement of Financial Position (in 000 GEL)	31.12.2025	31.12.2024
Cash and balances with the NBG	217 704	148 473
Mandatory reserve deposits with NBG	295 830	224 526
Loans and advances to customers	1 409 577	1 341 948
Allowance for losses on loans and advances to customers	(30 451)	(28 760)
Assets other than listed above	366 143	281 205
Total assets	2 258 803	1 967 393
Liabilities to customers	1 505 128	1 300 349
Other borrowed funds	352 979	316 563
Liabilities other than listed above	71 574	31 469
Total equity	329 122	319 011
Key Performance Indicators		
Deposit to Loan ratio	106,8%	96,9%
Return on average equity (ROAE)	8,9%	10,7%
Return on average asset (ROAA)	1,4%	1,8%
Net interest margin	3,6%	3,9%
Consolidated Statement of Profit or Loss (in '000 GEL)		
Total Interest Income	146 339	131 070
Total Interest Expense	(71 318)	(57 177)
Net interest income	75 021	73 893
Reversal of impairment losses on loans	6 113	3 360
Net Fee and commission income	16 345	2 884
Operating income	98 179	100 952
Operating expenses	65 952	62 869
Profit of the period	28 709	33 218
Additional indicators		
Cost-income ratio	71,6%	64,4%
Cost of Credit risk	-0,3%	-0,3%
NBG (Basel III) Tier I capital adequacy ratio/requirement from NBG	19,5%	20,1%
NBG (Basel III) Total capital adequacy ratio/requirement from NBG	23,2%	21,4%

ROAE - The bank generated a profit of GEL 28.7 million in 2025, with ROAE of 8.9%.

Net interest margin - In 2025, the Net Interest Margin (NIM) stood at 3.6%

Operating expenses - Aligned with its strategic objectives, the bank continued investing in digitalization initiatives to support long-term operational efficiency, resulting in an increase in operating expenses.

Minimum capital requirements - The Bank's capital adequacy ratios have remained comfortably above the minimum regulatory requirements. Stable capital development clearly indicates the financial stability of the bank.

Key Business segments

Business Clients

The target client group of PCB Georgia reflects the Bank's commitment to contribute actively to economic development. We see ourselves as the "Hausbank" for our clients and attach importance to building long-term relationships with them.

Our business clients are generally characterized by a clear ownership structure, a sustainable business model and a vision of sound and long-term management. We particularly focus on local manufacturing and on innovative, forward-looking companies with the greatest capacity for growth which is expected to result in job creation accordingly having a positive impact on the country's economic and social background.

The Bank views itself as a trustful and professional provider of financial services giving long-term support to sound MSMEs, and thus contributing to creating jobs, enhancing capacity for innovation, raising ecological awareness and assuming greater social responsibility.

Our purpose is, through professional business client advisors, to develop stable and long-term banking relationships between the Bank and its business clients. Accordingly, consultation or offers made by the bank are based on the profound analysis of the business and meet the clients' needs. Rendering banking services effectively and with responsibility is the most important principle of the Bank.

We target clients that value a transparent, broad-based banking relationship and that seek to work with a bank providing professional, friendly service. As a reliable banking partner, we help clients build their business with well-structured credit facilities. By monitoring their debt capacity and usage of funds, we reduce the risk of being overindebted and support sustainable business expansion and job creation.

In recent years, alongside overall growth, increased emphasis has been placed on expanding the small and micro business areas in order to diversify the portfolio. Both have delivered solid results, reflected in growth in the client base and portfolio volume.

The Bank's deposit ratio stands at 106.8%, exceeding the market average of 91.8%. This strong performance highlights the Bank's solid funding position and provides a sound basis for further growth.

The goal of ProCredit Bank is to provide continues financial services to its partners, regardless of fluctuating economic circumstances.


BARNER

Private Clients

In line with our long-standing commitment to providing modern, reliable banking services, ProCredit Bank continues to serve individuals who value digital convenience, financial independence, and secure options for saving and investing—emphasizing digital banking experiences while maintaining a personal touch for our private clients. While retail banking has always been part of our offering, in 2025 we strengthened our strategic focus on this area, marking an important step toward expanding our footprint in the retail market and deepening our engagement with private clients. . In 2025, we further reinforced this direction by deepening our commitment to retail.

To support this strategic shift, we identified and will continue to prioritize our initiatives around four key pillars: enhancing our customer-centric service model to meet the needs of targeted segments, delivering a seamless and high-quality customer experience across all channels, advancing digitalization through improved platforms and self-service solutions, and strengthening brand recognition through targeted marketing and internal empowerment. These pillars are central to our ambition to deepen client relationships and expand our retail presence.

We remain dedicated to building strong, long-term relationships with retail clients by offering tailored financial solutions and delivering consistent, high-quality service.


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პროკრედიტ ბანკი
ProCredit Bank

The General Meeting of Shareholders is the highest authority in decision-making. The rights, tasks and responsibilities of the management authorities of ProCredit Bank are stipulated in the charter, final amendments to which are approved by the General Meeting of Shareholders on February 07, 2025

Shareholder structure

ProCredit Holding AG owns 100% of ProCredit Bank's shares.

ProCredit Holding AG, the parent company of the ProCredit group, has the legal form of a Joint Stock Company.

The shareholders of the Bank carry out their execution rights and decision-making on the General Meeting of Shareholders. The General Meeting of Shareholders reviews and discusses reports about the Bank activities provided by the Supervisory Board of the Bank, approves the audited annual financial statements of the Bank, makes decisions regarding profit distribution, provisioning, change of the capital and selling of assets.

Below, there is the list of shareholders owning more than 5% of ProCredit Holding's, and consequently (indirectly), the Bank's shares:

List of shareholders owning 1% and more of issues capital, indicating shares	
ProCredit Holding AG	100%

List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares	
Zeitinger Invest GmbH	18.3%
KfW - Kreditanstalt für Wiederaufbau	13.2%
DOEN Paticipaties BV	12.5%
EBRD - European Bank for Reconstruction and Development	8.7%
Other	47.3%

Supervisory Board of the Bank

The Supervisory Board, whose members are appointed by the General Meeting of Shareholders (one third, however, at least two of which shall be the independent members), supervises the Bank's business activities. Members of the Supervisory Board may not be at the same time the Bank's employees.

Based on ¾ of present votes, the Supervisory Board defines the Bank's business strategy, approves policy guidelines, approves the annual business plan (including the annual operating budget) presented by the Board of Directors of the Bank, discusses and approves the business operations report presented by the Board of Directors during the financial year and prepares the Bank's annual report for submitting to the General Meeting of Shareholders.

Based on its discretion, the Supervisory Board appoints and releases the members of the Board of Directors of the Bank at any time. The Supervisory Board appoints and dismisses the members of the Audit Committee and Risk Committee

The Supervisory Board makes decisions on sources for the refinancing of the Bank, issuance of bonds, loans from international financial institutions. The Supervisory Board delegates the relevant decisions regarding the borrowings to the Board of Directors of the Bank.

The Supervisory Board approves the policy on conflict of interests and changes in the policy. The Supervisory Board approves any transaction, which is permitted by the Georgian legislation, between the Bank and its related parties.

The composition of the Supervisory Board as of December 2025 was as follows:

Marcel Zeitinger (Chairperson)
Nino Dadunashvili (independent member)
Rainer Peter Ottenstein (independent member)
Tamar Zhizhilashvili (independent member)
Hubertus Petrus Maria Knapen (independent member)

The Supervisory Board meetings are held at least once a quarter. At the Supervisory Board meeting, the quorum is reached if the majority of the Supervisory Board members are present or represented. Decisions on the Supervisory Board meetings are considered by a simple majority of votes present.

Board of Directors of the Bank



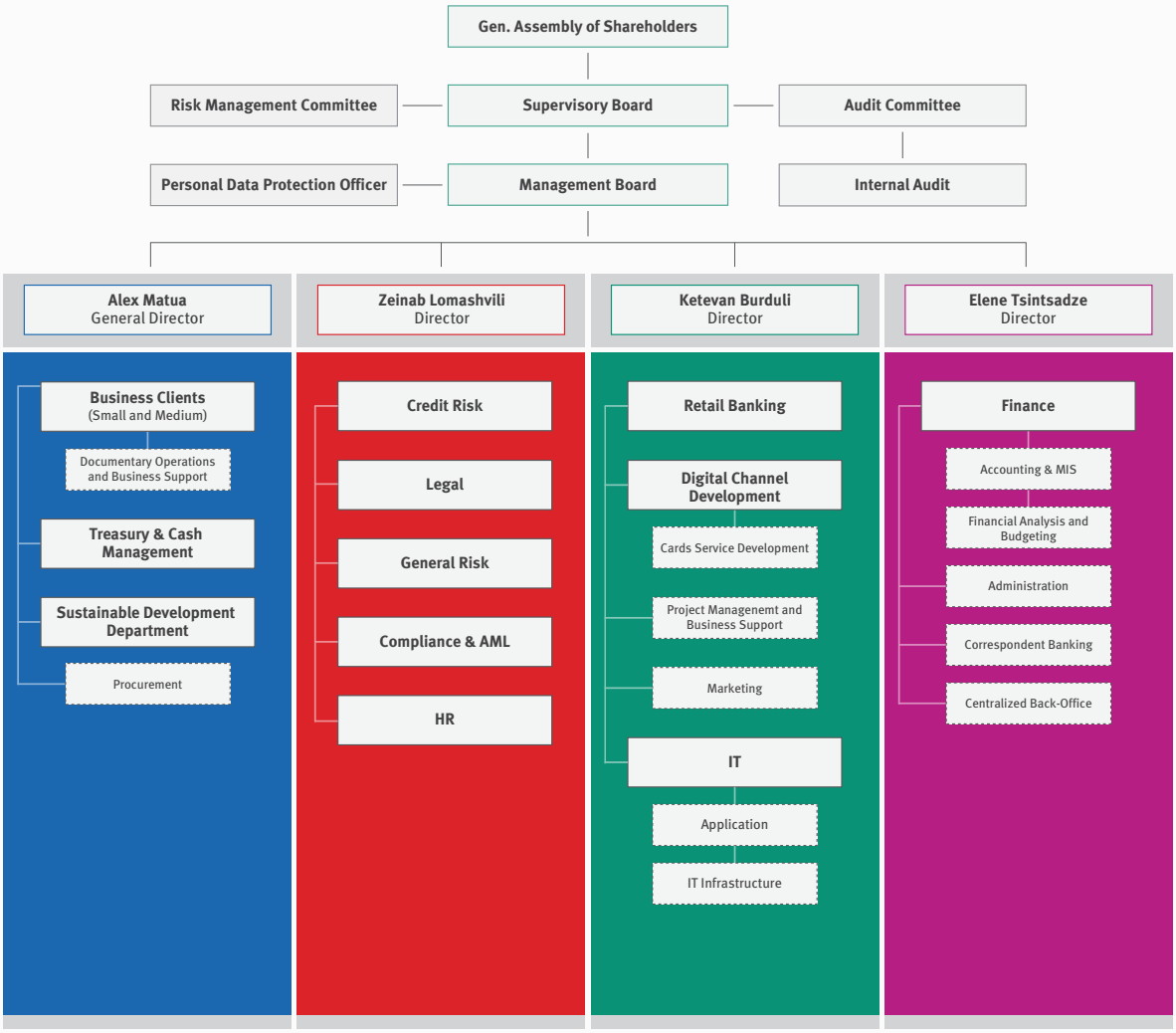
The Board of Directors of the Bank leads and performs activities related to the daily functioning of the Bank following the business strategy defined by the Supervisory Board. The members of the Board of Directors are appointed and dismissed by the Supervisory Board. The Board of Directors shall make decisions by a simple majority of votes present.

The composition of the Board of Directors as of December 2025 was as follows:

Ketevan Burduli (Director)
Zeinab Lomashvili (Director)
Elene Tsintsadze (Director)
Alex Matua (General Director)

As stipulated by law, members of the Board of Directors meet all required criteria set forth under banking regulations and are approved by the National Bank of Georgia. The members of the Board of Directors have years of experience working in various departments within the Bank. Each director has completed a full course at ProCredit Management Academy (Furth, Germany).

Where permitted by the law, certain tasks, within the scope of the respective competence, may be delegated to the Bank employees. The Bank operates a system of responsibility delegation, which is regularly monitored through the committees operating in the Bank.



Risk Management

Risk strategy

An informed and transparent approach to risk management is a central component of Procredit's socially responsible business model. This is also reflected in our risk culture, resulting in decision-making processes that are well-balanced from a risk point of view. The Code of Conduct, which is binding for all staff, plays a key role in this respect as it describes these principles.

In accordance with our simple, transparent and sustainable business strategy, we have a conservative risk strategy. By following a consistent group-wide approach to managing risks, the aim is to ensure that the liquidity and capital adequacy of the Bank is and continues to be appropriate at all times no matter if external conditions are volatile, as well as to achieve steady business results. The overall risk profile of the Bank is low, which follows the Bank's Risk Appetite. This is based on an overall risk profile assessment of the individual risks.

All ProCredit institutions apply a single common risk management framework. This framework reflects the group's risk philosophy and defines group-wide minimum standards for risk management. The principles and standards comprising this framework are based on those formulated in the CRR (EU regulation 575/2013 - Capital Requirement Regulation) and EU directive 2013/36/EU (Capital Requirement Directive - CRD IV), German Banking Act and the German Federal Financial Supervisory Authority's policy document "Minimum Requirements for Risk Management", commonly referred to as "MaRisk". The ProCredit group's risk management framework is in a process of continuous development in line with changes in the relevant legislation and international best practice in risk management. A core aspect of the group's risk management system is the review of all processes and areas of operations (including branches) by the Internal Audit department on a regular basis, i.e. at least once every three years, subject to a risk assessment.

The business strategy of ProCredit as a responsible bank for small, medium (SME) and micro enterprises and Private Individuals has far-reaching consequences for the various day-to-day business operations of the Bank, but also for the risk profile of the Bank and thus for risk management. The risk strategy of the Bank is built around a number of core principles which characterize the way ProCredit Bank works. The consistent application of these principles strongly contributes to the cautious risk profile of the Bank.

The Bank will focus on its core client groups, micro, small and medium-sized business clients and will serve retail clients.

Through our business activities we aim to sustainably provide a return on investment for our shareholders while making a contribution to economic, social and ecological development. Our business strategy is based on long-term relationships with our clients and staff as well as a conservative approach to risk. The Bank does not engage in speculative lines of business.

Accountability is part of our culture. Sustainable behavior is therefore essential for us, and we want our activities to make a positive, lasting contribution to the environment and to society. We coordinate our actions using a comprehensive environmental management system. Accordingly, we analyze the environmental impact of both our own activities and those of our clients. During this process, we promote green investments projects, especially in energy efficiency and renewable energy.

Our target group comprises innovative companies showing dynamic growth and stable, formalized structures. Through our work we want to make a contribution to creating jobs, enhancing capacity for innovation and encouraging investments in ecological projects. We place particular emphasis on issuing green loans and promoting local production. Our approach is based on a careful and critical selection of clients with solvency, transparency and social responsibility at the heart of the lending process. In this way, we want to ensure that our customers can adequately service their loans from their current income and build up reserves for potentially more difficult times. We attach great importance to transparent business

relationships. This requires regular communication with us as a banking institution, as well as transparent interaction of our customers with society. We believe that our clients also make an important contribution to the formal sector, and thus to social and economic development. At the same time, we make clear demands on our customers with regard to ethical business practices and the responsible treatment of their environment. Consideration of our clients' social and environmental risks is firmly integrated into our credit decision processes.

The main objective of the Bank is building sound and long-term relationships with business clients and becoming the "Hausbank" for small and medium clients. Moreover, we will focus on building sound and efficient loan and non-loan services dedicated to micro business clients. As specialists in financing SMEs, we cater to the particular needs of these clients and want to support them in the special challenges they face. This means much more than just disbursing loans. We offer a full range of banking services in terms of financing, account operations, payments and deposit business, and we also support our clients in their long-term investment projects. We will keep our focus on deposit to loan ratio positive development.

In the following years, the Bank will continue to consolidate its position in the market as the bank for MSMEs and a Bank with competitive services and prices for private clients by focusing on the following main pillars:

highly professional staff, trained to better understand, serve and analyze clients in an efficient manner.

Organization of the risk management function

ProCredit Bank's supervisory Board, together with Risk and Audit Committees, oversee the overall risk profile of the bank and risk management practices.

- **The Risk Committee**, established at the Supervisory Board of the Bank is responsible for submitting the relevant recommendations and suggestions to the Supervisory Board of the Bank in connection with the current and future risk appetite of the Bank.
- **The Audit Committee**, established at the Supervisory Board of the Bank, supports and advises the Management in the approval of annual internal audit plans and in monitoring the timely implementation of measures to resolve the findings of internal and external auditors. Moreover, this body aims to achieve ongoing improvement in the Internal Audit Policy.

Risk management at ProCredit Bank is the overall responsibility of the Management of the Bank, which regularly analyses the risk profile of the Bank and decides on appropriate measures.

The Management of ProCredit Bank is supported by various committees.

- T**he Credit Portfolio Analysis and Management Committee** whose responsibility extends to conducting a thorough and comprehensive analysis of the bank's credit portfolio quality to enable precise management of credit risk.
- **The Loan Loss Provisions (IFRS) Committee** is responsible for coordinating and managing the development of a suitable loan loss provisioning strategy for the Bank, taking into account the future and expected dynamics of the credit portfolio, the development of the portfolio at risk, and the changes in the loan loss provisions.
- **The Credit Risk Management Committee** reviews the analysis, collateral assessment and composition, the legal opinion, integrity check or AML opinion (where applicable), assesses the creditworthiness of the client, and takes credit exposure decisions with respective conditions, covenants. Decides on forbearance measures for credit exposures.
- **The General Risk Management Committee** monitors the overall risk profile of the Bank, limit compliance and internal and regulatory capital adequacy. The Committee defines the risk tolerance limits within the limits set by the risk management framework and the National Bank of Georgia. It supports and advises the Management in connection with market risks, operational risks, including fraud prevention, information and IT security risks, ESG risks.
- **The Asset and Liability Committee (ALCO)** is responsible for monitoring the liquidity reserve and liquidity management of the Bank, for setting interest rates on loans and deposits, coordinating measures aimed at securing funding for ProCredit Bank and reporting on material developments in financial markets.
- **AML Committee** is established at ProCredit Bank for the primary purpose of assisting the Management Board in the oversight of the Bank's compliance framework, as well as in the adoption of suitable measures in particular with respect to the preventing and combating money laundering and terrorism financing; compliance with applicable sanctions regimes; compliance with laws and regulations issued by the National Bank of Georgia and other competent authorities applicable to the Bank in relation to ML/TF and sanction regimes; and compliance by bank employees with internal policies and procedures related to ML/TF and sanction regimes. The decisions of the Committee shall be implemented by the departments/units whose areas include the measures decided by the Committee.
- **The HR Committee** is responsible for the approval of the annual staffing and training plan, analysing the development of the staff structure, staff turnover and the recruitment process, monitoring the staff assessment process and taking the appropriate action based on the results, annually reviewing the salaries and deciding on changes, approving staff transfers, changes of position, promotions, calls to attention, warning letters and periodically reviewing the bank's remuneration practice.

- **Sustainable Development Committee** The Committee supports and advises the Management in relation to environmental and social impacts arising from the Bank's lending activities, while ensuring the development and implementation of a comprehensive, efficient, and sustainable approach to environmental and social issues in line with Group requirements. The Committee contributes to positioning the Bank as an environmentally and socially responsible organization, strengthening its reputation, improving and mitigating environmental and social impacts, increasing energy efficiency, promoting the rational use of natural resources, reducing costs, and mitigating risks associated with negative environmental and social impacts. In addition, the Committee promotes awareness and enhances the level of knowledge on environmental, social, and energy efficiency topics among the Bank's staff and clients. To achieve these objectives, the Committee ensures the allocation of adequate resources and assigns responsibilities across key areas of the environmental and social management system, including internal environmental improvement, reduction of environmental and social risks (including the exclusion of financing projects with negative impacts), and the promotion of green lending initiatives.

Risk management framework in the Bank is implemented and developed by the General Risk Department, together with the other controlling functions, which all of them are autonomous departments within the organization and are not involved in any way with the Bank's customer service operations (credit or deposit business) or treasury operations. The controlling functions of the Bank report regularly to the different risk departments at ProCredit Holding. In operational terms, risks are managed by three lines of defense. For key processes, risks are addressed by functions that own and manage them directly (first line of defense), they are supported by the controlling and risk functions (the second line of defense) and finally, the processes are monitored and checked by the internal audit (the third line of defense).

The Bank has an effective compliance management system which is supported by our Code of Conduct and our approach to staff selection and training. Compliance with the Code of Conduct is compulsory for all staff members. The compliance and risk management functions that bear responsibility for adhering to national banking regulations report regularly and on an ad-hoc basis to the Management of the Bank and the Group's responsible departments. Any conduct, which is inconsistent with the established rules, can be reported anonymously to an e-mail address established for the Bank.

Internal Audit is an independent functional area within the Bank that functionally reports to the Supervisory Board of the Bank via an Audit Committee, which is subordinate to and appointed by the Supervisory Board. It provides support in determining what constitutes appropriate risk management and an appropriate internal control system within the Bank. Once per year, the internal audit department of the ProCredit Bank carries out a risk assessment of Bank's activities to arrive at a risk-based annual audit plan.

The Group Audit team monitors the quality of the audits conducted in ProCredit Bank and provides technical assistance.

Under the banking legislation, the Bank undergoes an external audit on an annual basis. The selection of an external auditor is performed through the tender procedure. Based on the recommendations prepared by the Tender Committee, the Supervisory Board takes the final decision on appointing an external auditor.

The external audit process is always performed by experienced audit firms that are eligible and have rights to perform audit for financial institutions according to the Georgian law. However, in order to maintain impartiality of auditors, the bank follows the practice of rotating audit firms.


CRaFtBOX

Management of Individual Risk

Credit Risk

ProCredit Bank Georgia, with ProCredit Group, defines credit risk that losses will be incurred if the party to a transaction cannot fulfil its contractual obligations at all, not in full or not on time. Within overall credit risk we distinguish between customer credit risk, counterparty risk (including issuer risk) and country risk. Credit risk is the most significant risk facing the Bank, and customer credit exposures account for the largest share of that risk.

Customer credit risk

The key objectives of credit risk management are to achieve a high-quality loan portfolio, low risk concentrations within the loan portfolio and appropriate coverage of credit risks within loan loss provisions. Taking into account the diversification of business sectors the Bank cooperates with and its long-standing experience in the Georgian market, ProCredit Bank Georgia has developed strong expertise in effectively limiting customer credit risk.

ProCredit Bank Georgia serves a broad spectrum of clients, ranging from very small business clients with increasingly formalized structures to larger SMEs and private clients. In its lending operations, the Bank applies the following principles:

- Intensive analysis of the debt capacity of loan clients Careful documentation of credit risk analyses and lending processes, ensuring that the assessments performed can be understood by knowledgeable third partiesStrictly avoiding over-indebtedness of the Bank's clients by using a credit rating (risk classification) system that provides a thorough assessment of a borrower's creditworthiness, which is essential for understanding their ability to meet financial commitments.
- Building a personal and long-term relationship with the client, maintaining regular contact
- Conducting regular financial monitoring to identify potential risks at an early stage
- Close monitoring early warning indicators
- Conducting a structured portfolio-level analysis, including an assessment of the macroeconomic environment and the overall banking system, to identify potential vulnerabilities in the credit portfolio
- Applying a customer-oriented, intensified loan management approach
- Collecting collateral in the event of insolvency

The Bank's framework for managing customer credit risk is presented in the relevant policies and standards, prepared at the ProCredit group level. The policies, among other things, define the responsibilities for managing credit risk in the Bank, the principles for organizing lending business, the principles for granting loans, and the framework for the valuation of collateral for credit exposures. The standards contain detailed explanations of the Bank's lending operations with business clients and private clients and of the range of credit offered. They also set forth the rules governing restructuring, risk provisioning and write-offs. Thus, the policies and standards define risk-mitigating measures for the pre-disbursement phase (credit risk assessment) and post-disbursement phase (e.g. regular monitoring of the financial situation, review of early warning indicators, and both intensified and problem loan management).

One of the main principles of ProCredit Bank's approach to managing credit risk is intensively analysing the debt capacity of the Bank's clients and rigorously avoiding their over-indebtedness. It is essentially important to assess FX risks for the clients who have loans in foreign currency and/or have assets/liabilities denominated or indexed in foreign currency. High fluctuation can have a negative impact on payment capacity of the client. For this, the Bank uses a particular model of FX stress at the individual client base. Thus, the availability of buffers for stress situations related to FX fluctuations is considered in the credit committee decision-making process for all credit exposures.

Credit decisions at the Bank are taken within a clearly defined approval framework. Approval limits are assigned to decision-makers in line with their expertise and experience. The top five exposures require a positive vote issued by the responsible team at ProCredit Holding.

The credit risk management policies of the Bank limit the possibility for unsecured credit operation. Depending on the risk profile and the term of exposure, loans may also be issued without being fully collateralized. As a general rule, credit exposures with higher risk profile are covered with solid collateral, mostly through mortgages.

The valuation of collateral is conducted by external, independent appraisers. The Bank regularly monitors the value of all collateral items. The verification of external appraisals and the regular monitoring activities are carried out by the specialist staff members at ProCredit Bank Georgia.

In total collateral, the main share is comprised of real estate, financial guarantees and cash collateral, which equals approximately 96% in 2025.



Loan portfolio quality

In order to efficiently monitor performing exposures and prevent a deterioration in credit quality, the bank implemented appropriate internal procedures and reporting rules to identify and manage exposures with a potential increase of credit risk at an early stage. The earlier the bank becomes aware of information indicating a potential credit risk deterioration, the higher the probability that the bank will be able to take timely action and potentially avoid a credit default or at least minimize the financial impact. Early detection of risk is a process to support the management of the Performing loan portfolio by identifying exposures with a potential credit risk deterioration at an early stage, assessing them and taking the required action. Early warning signs do not necessarily indicate a realized increase in credit risk, but they do help to identify the characteristics that exposures with a potential for increased credit risk typically exhibit.

To assess credit risk effectively, the Bank has established a robust system of Key Risk Indicators (KRIs), utilizing a traffic light system that provides a clear and actionable view of potential risks. This system is focused on three primary areas: portfolio quality, risk mitigation measures, and concentration risk.

The portfolio quality KRI evaluates the performance of the loan portfolio, considering factors such as the share of underperforming, default, watchlist, and restructured exposures, as well as write-offs and the overall cost of risk. The mitigation measures KRI examine the effectiveness of strategies designed to reduce or offset potential credit losses, including the non-performing loan (NPL) coverage ratio and collateralization levels. The concentration risk KRI monitors exposure to specific sectors, high environmental risks, foreign exchange composition, and the concentration of top exposures.

As of December 2025, the majority of KRIs are in the green zone, confirming that credit risk is assessed as low, with a stable outlook.

In the area of portfolio analysis, the Bank systematically assesses multiple key factors that affect both the performance and overall risk profile of its credit portfolio. This process involves a detailed assessment of the macroeconomic environment, where global and local economic trends are carefully analyzed to determine their potential impact on credit risk exposure. The Bank also performs a comparative analysis, allowing it to benchmark its portfolio performance and assess its competitive position within the local banking sector. In addition, the Bank conducts an in-depth and detailed analysis of the quality of its credit portfolio, evaluating a variety of key factors that contribute to its overall risk profile. This includes a comprehensive evaluation of the portfolio's composition across different client segments, ensuring that performance and risk are understood in the context of diverse borrower profiles. The currency composition of the portfolio is also carefully examined to assess the potential impact of exchange rate fluctuations and the associated risks to the Bank’s overall exposure. A thorough review of the economic sectors within which the portfolio’s credit exposures are concentrated is performed, identifying any sector-specific risks or vulnerabilities that may arise from macroeconomic shifts, regulatory changes, or market trends. Additionally, other relevant variables, such as any early warning sings, payment delays, restructuring events, credit ratings, expected credit losses, collateral adequacy, write off events, possible recovery measures are rigorously assessed to provide a comprehensive view of the portfolio’s overall quality and stability.

Counterparty risk, including issuer risk

ProCredit Bank defines counterparty risk, including issuer risk, as the risk that a counterparty/issuer cannot fulfil its contractual obligations at all, not in full or not on time. Counterparty risk at ProCredit Bank mainly arises from keeping highly liquid assets for managing liquidity. There are also structural exposures towards the National Bank of Georgia in the form of mandatory minimum reserves.

Counterparty risk is managed according to the principle that our liquidity must be placed securely and in a manner, which is as diversified as possible. While the Bank tries to generate some income from these assets, the overriding objective is to ensure secure placement and timely availability, i.e. risk considerations predominate. For this reason, we only work with carefully selected, reliable banks which normally have high credit ratings, we typically place our money for short terms and we use only a very limited number of simple financial instruments.

Issuer risk is likewise managed according to these principles. ProCredit Bank does not engage in speculative trading. As a matter of principle, only highly liquid papers are bought by the Bank, typically with a maximum maturity of one year. Liquidity in local currency is predominantly invested in the papers of the NBG or bonds issued by the Ministry of Finance of Georgia. EUR or USD, on the other hand, are generally placed with banks in the OECD countries. The impact of market price changes on the Bank is limited. The reasons are that their maturities are short and issuers are carefully selected based on conservative risk criteria.

Typically, our counterparties are the National Bank of Georgia, the Georgian State and commercial banks. The main types of exposure are account balances, short-maturity term deposits, highly liquid securities, and, on a limited scale, simple derivative instruments for liquidity management and hedging purposes (particularly foreign currency swaps).

The exposures towards counterparties and issuers are managed based on a limit system. ProCredit Bank has exposures only with counterparties that have previously been carefully analysed and for which a limit has been approved. The total limit towards a non-OECD bank or banking group may not exceed 10% of the ProCredit Bank's CRR capital without prior additional approval from Group ALCO or the Group Risk Management Committee. For an OECD bank, the threshold is 25%. The typical maximum maturity of our term deposits is one month; longer maturities than 3 months must be approved by Group ALCO or the Group Risk Management Committee. Approval is likewise required before any investments in securities, except for NBG papers in the local currency with a remaining maturity of up to three months.

In order to avoid risk concentrations, an additional maximum limit towards each banking group and each state group (total exposure towards the central bank, government and state-owned entities) exists.



Market risks

Market risks comprise the risk of potential losses from shifts in market prices, such as exchange rates or other parameters which influence prices. Relevant market risks for ProCredit Bank are foreign currency risk and interest rate risk in the banking book. ProCredit Bank manages market risks in such a way that their impact is as limited as possible from an overall risk perspective. In accordance with the Bank's risk strategy, foreign currency risk and interest rate risk may not be incurred for speculative purposes; foreign currency derivatives and interest rate derivatives may only be used for hedging purposes or to obtain liquidity. ProCredit Bank is strictly a non-trading book institution.

Foreign currency risk

We define foreign currency risk as the risk that an institution incurs losses or is negatively affected by exchange rate fluctuations. Foreign currency risk can have adverse effects on income and can lead to a decline in regulatory capital ratios.

Results are impacted negatively when the volume of its assets and liabilities denominated in foreign currencies do not match and the exchange rates move unfavorably. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). The total OCP is limited to 10% of the Bank's CRR capital unless a deviation from this limit has been approved by the Group ALCO or Group Risk Management Committee. A threshold of 7.5% of a ProCredit bank's CRR capital has been defined as an early warning indicator for the total OCP, and ±5% for each individual currency OCP.

Foreign currency risk can reduce regulatory capital ratios as the capital of the bank is held in the local currency while many of the assets it supports are denominated in foreign currency. In that case, local currency depreciation can result in a significant deterioration of capital adequacy if the foreign currency assets appreciate (from a local perspective) and the Bank, therefore, has higher risk-weighted assets but the capital remains unchanged. To mitigate this risk, the Bank aims to increase the share of assets in the local currency. At least quarterly, currency risk stress tests are performed within the capital adequacy forecasting process that depicts the effects of unfavourable exchange rate developments on the Bank's capital ratios.

Interest rate risk in the banking book

Interest rate risk is the risk of incurring losses driven by changes in market interest rates and arises from structural differences between the repricing maturities of assets and liabilities. It is measured on a regular basis, at least quarterly.

To manage interest rate risk, ProCredit Bank focuses on issuing variable-rate and mixed rate loans. In this way, the repricing maturities of assets can be better matched to the repricing maturity of liabilities, even when liabilities have shorter maturities than loans. In order to grant variable and mixed-rate loans in a transparent manner, the Bank uses a publicly available interest rate as a benchmark when adjusting the interest rates (SOFR/Term SOFR, EURIBOR, TIBR, the NBG refinancing rate). Financial instruments to mitigate interest rate risk (hedges) are not available in local currency.

The Bank's approach used to measure, monitor and limit interest rate risk is based on repricing gap analyses. The assets and liabilities are distributed across time buckets according to the terms of the underlying contractual agreements. The Bank measures the interest rate risk based on two indicators: EVI – economic value impact, a longer-term perspective, and IEI – interest earnings indicator, 12 months perspective (P&L effect). The economic value impact (EVI) when simulating a simultaneous detrimental (upward or downward) interest rate shock across all currencies must not exceed 15% of the bank's CRR capital; the early warning indicator for each currency is set at 10% (non-netted in each case). The P&L effect is deemed significant if it exceeds 20% of the bank's projected net Interest Income of the current year as per ALCO Forecast Report (early warning indicator). The limit is set at 25%.

ESG risks

ESG risks are events or conditions in the areas of environmental, social or governance, the occurrence of which may have a potentially negative impact on the assets position, financial position and financial performance of the bank. The bank has defined risk appetite and risk tolerance levels in order to manage ESG risks, which may materialize in any risk direction, depending on the occurrence.

Operational and fraud risk

In line with CRR, we define operational risk as the risk of loss resulting from inadequate or failed internal processes, people or systems or external events. This definition includes fraud risk, IT and information security risks, legal risk, reputational risk and outsourcing risk. Policies on operational risk management have been implemented since 2009; they have been approved by the Management of the bank and are updated annually.

The principles set forth in the policies comply with the requirements for the standardized approach for operational risk pursuant to CRR, the operational risk management regulations of the National Bank of Georgia, the cybersecurity framework of the National Bank of Georgia and international best practices.

The aim of operational risk management is to detect risks at an early stage and to avoid the recurrence of loss events. The main tools utilized are:

The scenario analysis: On an annual basis the Operational Risk Management performs/updates the scenario analysis with the help of respective process owners, in order to re-assess the operational risk of various business processes and plan for the improvement of controlling measures when necessary.

New Risk Approval Process (NRA): An NRA is required to ensure that all new risks are assessed, and all necessary preparations and tests are completed prior to implementation. The NRA is initiated as soon as the decision has been taken concerning the respective project. This enables the project team to include the mitigating measures for identified risks in its project plan.

Risk Event Database (RED): PCBG maintains and updates a group-wide Risk Event Database (RED) which contains comprehensive information on operational risk events which have been experienced, including fraud.

The Bank has established an escalation rule for every relevant operational risk event that has been detected, which is binding for all employees. In addition to the escalation of the event, the main factors of each relevant risk event must be recorded in the RED without undue delay.

The Key Risk Indicators (KRIs): An instrument which is an integral part of the framework for management of operational risks in the Bank. KRIs are measurable metrics or indicators that track exposure or loss. KRIs which are used in the Bank cover the key processes.

Whistleblowing: Is the term used when an employee of ProCredit passes, a business partner, or a member of the general public passes on information concerning acts committed with criminal energy such as criminal infringements of policy or procedure or significant violations of applicable law. The Bank calls that "making a disclosure" or "blowing the whistle". Acts committed with criminal energy will typically (although not necessarily) be something a ProCredit employee witnessed at work, or something perceived by business partners or the general public. Therefore, making a disclosure and blowing the whistle about such behavior must be in the interest of the Bank, the ProCredit Group as a whole or in the public interest.

The Bank and the group provide different channels for whistleblowers for them to have an opportunity to pass the information without disclosing themselves. On the annual risk trainings all employees are informed regarding whistleblowing channels, their rights and responsibilities.

Outsourcing Risk analysis: Is performed by the Bank for every outsourced activity. The analysis covers the essence of the service, risk profile of the company, its impact on the various risks and business flow. The Bank has developed an outsourcing policy and is managing the process accordingly.

Client-oriented safeguards: The potential fraud risk associated with customers is reflected in the Customer Due Diligence (CDD) procedures of the Bank, in accordance with the risk-based approach to establishing customer relationships defined in the Anti-Money Laundering Policy.

Operational risk awareness trainings: The Bank pays a great attention to the risk awareness training for its staff. The training, which covers all types of operational risks, is conducted in every two years. As for the training, which covers IT and Informational security is conducted annually. These trainings provide participants with updates in operational risk management area.

In order to limit IT risks, the ProCredit group has defined standards for IT infrastructure, business continuity and information security. At the Bank level, ProCredit Bank incorporates the requirements from the National Bank of Georgia into the IT/information security risk management framework. Regular controls of information security and business continuity are part of existing processes and procedures. The Bank carries out a classification of its information assets and conducts an annual risk assessment on its critical information assets. The business continuity framework implemented in the bank ensures that these risks are understood by all members of staff that critical processes are identified and that resources are allocated to restore operations, in line with the prioritization of processes.

The risk of money laundering and terrorism financing

ProCredit Bank attaches great importance to providing transparent and socially responsible banking services. The Bank's code of conduct and the exclusion list, together form a binding frame of reference for all of our staff members by documenting ProCredit's refusal to enter into business relationships with individuals or companies whose activities are incompatible with the ProCredit group's and Bank's ethical values.

The prevention of money laundering and terrorist financing is a key function of the Bank. The business ethics and strong corporate values of the ProCredit group and the Bank play a key role in this regard.

The AML/CTF procedures of ProCredit banks, which are themselves subject to AML/CTF legislation at their location, collectively referred to as the AML/CTF Programme of the ProCredit group, have been prepared to comply with legal requirements and market standards (best practices) of the Federal Republic of Germany serving as minimum standard for all ProCredit banks. It describes the basic principles and minimum standards governing the following elements of the group-wide AML/CTF Programme:

- AML/CTF governance framework
- Customer Due Diligence (CDD) implementing the Know Your Customer (KYC) principle
- The Group Money Laundering and Terrorism Financing Risk Analysis (Group ML/TF Risk Analysis)
- Prohibitions and restrictions regarding business relationships (ProCredit Code of Conduct, incl. Exclusion List and Group Blacklist)
- Management information and group-wide AML reporting
- Documentation and information retention
- Submission of suspicious activity reports (SAR)
    - New Risk Approval (NRA) process for new products and services to assess money laundering and terrorism financing risks
- AML/CTF training for AML staff as well as staff of ProCredit banks
- Independent controls of the Group Anti-Money Laundering Officer.

Group-wide applicable minimum standards as per Policy as well as local anti-money laundering and counter terrorism financing laws and regulations are implemented by ProCredit Bank Georgia and aligned to each other.

In order to implement the highest standards in AML/CTF, the prevention of financial crime and other acts punishable by law, and as a matter of principle, any national AML/CTF or customer due diligence (CDD) legislation which is of a higher standard than that provided by Group Policy must be applied by the respective ProCredit bank.

The management board of PCBG appoints an Anti-Money Laundering Officer and Deputy Anti-Money Laundering Officer in accordance with the applicable local legislation and Group Policy. The Anti-Money Laundering Officer and Deputy Anti-Money Laundering Officer of the bank are responsible for compliance with AML/CTF provisions under Group Policy as well as national AML/CTF legislation and regulations.

The AML/CTF Programme of the bank ensures that:

- AML Officer/Deputy Anti-Money Laundering Officer regularly reports to the Management Board as well as to the Group AML Officer at ProCredit Holding.
- The Bank applies a strict Know Your Customer and Know Your Correspondent approach in its customer due diligence and correspondent banking procedures.
- Group AML and the Bank annually assesses the risk of money laundering and terrorist financing throughout the ProCredit group on the basis of a distinct risk model.
- The Bank staff members receive AML training when they first join the institution and thereafter on an ongoing basis within the framework of the Risk-Based training plans.
- The Bank maintains a risk classification of its customers to prevent money laundering and terrorist financing and applies due diligence and monitoring procedures accordingly.
- The bank applies adequate and uniform risk-oriented procedures for monitoring accounts in order to identify unusual or otherwise conspicuous transactions carrying potential risks of money laundering or terrorism financing, including the use of IT-based monitoring systems.

  Bank monitors customer-related transactions in order to identify conspicuous payments and comply with all financial sanctions and embargoes against certain persons, entities and countries.

ProCredit Bank has established the compliance function, which bears responsibility for adhering to national banking regulations and reports regularly and on an ad-hoc basis to the Management of the Bank and to the Group Compliance officer.

Liquidity and funding risk

Liquidity and funding risk addresses the ProCredit Bank's short- and long-term ability to meet its financial obligations in a complete and timely manner, even in stressful situations. In general, liquidity and funding risk is limited in the Bank by the fact that we primarily issue instalment loans with monthly repayments, financed largely by customer deposits. Our deposit-taking operations focus on our target group of business clients and savers, with whom we establish strong relationships. The financial crisis has shown that our customer deposits are a stable and reliable source of funding. As of end-December 2025, the largest funding source was customer deposits.

We measure our short-term liquidity risk using a liquidity gap analysis, among other instruments and monitor this risk based on a 30-day liquidity indicator (Sufficient Liquidity Indicator, SLI) and "Survival period", as well as in accordance with the minimum liquidity ratios stipulated by the National Bank of Georgia (NBG Liquidity Coverage Ratio, LCR) and CRR (CRR Liquidity Coverage Ratio, LCR). The SLI measures whether the institution has sufficient liquidity and expected inflows for the outflows of funds in the next 30 days. The survival period is the time period, during which the Bank can meet all its payments due without needing to generate additional funds. The calculations apply outflows derived from historical analyses of deposit movements in the banks. Liquidity Coverage Ratios indicate whether the Bank has sufficient liquidity to cover the net outflows expected in the next 30 days, even in the event of a specified severe economic shock scenario.

In addition, early warning indicators are defined and monitored. The indicators in this respect are: Total SLI or per local and hard currency, Interbank market indicator, Overnight funding indicator and Survival period, based on extended market stress scenario.

Stress tests are conducted monthly and ad hoc to make sure that ProCredit Bank keeps sufficient liquid funds to meet its obligations, even in difficult times. Moreover, the Bank has a liquidity contingency plan. If unexpected circumstances arise and the Bank proves not to have sufficient liquid funds, the ProCredit group has also developed a liquidity contingency plan and ProCredit Holding would step in as a "lender of last resort".

The liquidity of the Bank is managed daily by the treasury department based on cash flow projections which are approved by the ALCO and monitored by the risk management department daily.

ProCredit Bank manages, measures and limits funding risk through business planning, maturity gap analysis and relevant indicators. The funding needs of the Bank, identified in the business planning process, are monitored and regularly reviewed at the group level, as well. Group ALCO and Bank's ALCO monitor the progress of all individually significant transactions with external funding providers, especially international financial institutions. ProCredit Holding and ProCredit Bank Germany also offer bridge financing if a funding project is delayed. An important indicator to measure funding risk is deposit concentration. This is defined as the share of deposits of the 5 largest non-financial customer depositors or all non-financial customer depositors having more than 1% share in the total non-financial customer deposit portfolio. The reporting trigger is set at a level of deposit outflow assumptions.

Capital management

Capital management in the ProCredit group is guided by the principle that neither a ProCredit bank nor the ProCredit group as a whole may at any time incur greater risks than they can bear. This principle is monitored using different indicators for which early warning indicators and limits have been established. In addition to regulatory capital requirements, ProCredit Bank maintains a Tier 1 leverage ratio in accordance with the National Bank of Georgia's requirements.

The capital management framework has the following objectives:

- compliance with regulatory capital requirements
- ensuring internal capital adequacy
- compliance with the internally defined capital requirements and creation of a sufficient capital buffer to ensure the bank's capacity to act
- support for the bank in implementing its plans for continued growth.

Whereas the capital requirements for the ProCredit group are imposed and monitored by BaFin and by the Supervisory College pursuant to Section 8a KWG, the ProCredit Bank is subject to the requirements imposed by the National Bank of Georgia.



Pillar 1 and combined buffer

Starting from December 2017, the NBG reviewed the minimum Pillar 1 and Pillar 2 capital requirements and defined additional capital buffers. The minimum requirements for Common Equity Tier 1, Tier 1 and total regulatory capital have been decreased and minimums of 4.5%, 6% and 8%, respectively (7%, 8.5%, 10.5% previously) have been established, excluding additional capital buffers. JSC ProCredit Bank, Georgia is required to hold own funds, which are at all times greater than or equal to the above capital requirements.

Furthermore, banks are required to hold additional combined buffer through Common Equity Tier 1. The combined buffer consists of the conservation, the countercyclical and the systemic buffers. The rate for the conservation buffer has been set at 2.5% of risk-weighted assets. The countercyclical buffer can vary within the range from 0% to 2.5% and shall be reviewed periodically, based on the financial and macroeconomic environment. Currently it is set at 0.5%, however according to the NBG requirements the buffer shall increase up to 1% with the following schedule: commercial banks are obliged to meet the countercyclical buffer rate of 0.75% by March 15, 2026, and 1% by March 15, 2027. For systemically important commercial banks, the systemic buffer has been introduced. PCB Georgia is not considered a systemic bank; therefore, 0% for systemic buffers is required from the bank.

Pillar 2

In accordance with the Basel III framework, commercial banks within the framework of Pillar 2, should hold capital adequacy buffers for those risks that aren't sufficiently covered under Pillar 1. To formalize and establish this framework, the National Bank of Georgia introduced "Rule on Additional Capital Buffer Requirements for Commercial Banks within Pillar 2".

In accordance with this Rule, Pillar 2 capital requirements include requirements for unhedged currency induced credit risk buffer, which was previously integrated into Pillar 1.

Besides the abovementioned buffer, Pillar 2 framework determines capital buffer for credit portfolio concentration risk (single name as well as sectoral concentration risk), net stress-test buffer based on supervisory stress-test results and net GRAPE buffer determined through the supervisory process - General Risk Assessment Program (GRAPE) by NBG. The NBG introduced Credit Risk Adjustment (CRA) buffer after moving to IFRS reporting standards.

It's important to note, that all capital buffers under Pillar 2, besides CRA buffer, should be proportionately incorporated in capital requirements. CRA buffer should be fully covered with CET1 capital. For complying with these requirements, commercial banks have been given appropriate timeframes.

ESG and Sustainability

Integrating Sustainability into the Business Model

Sustainability at ProCredit Bank Georgia is embedded within the Bank's governance, risk management, and strategic decision-making processes, reflecting its role as an integral component of the business model rather than a standalone function. As part of ProCredit Holding, the Bank operates within a structured framework that ensures alignment between environmental and social objectives, financial performance, and long-term value creation.

In an environment characterised by increasing regulatory expectations and accelerating economic transformation, sustainability is no longer perceived as an additional consideration, but as a defining factor influencing risk, competitiveness, and resilience. The Bank therefore integrates ESG considerations across all core activities, including lending, portfolio management, and client engagement.

At the centre of this approach lies the recognition that the Bank's most significant impact arises from its financing activities. While operational sustainability remains important, the primary focus is on supporting the transition of clients toward more sustainable and resource-efficient business models. This requires not only the provision of green finance, but also the integration of environmental and social risk assessment into credit processes and ongoing client relationships.

Governance and Integration of Sustainability

Sustainability is embedded within the Bank's governance structure and overseen at the level of senior management. The Management Board is responsible for defining strategic priorities, monitoring progress, and ensuring that environmental and social considerations are reflected in decision-making processes across the institution.

This governance structure is supported by Group-level frameworks and policies, ensuring consistency in approach and alignment with international best practices. Through this structure, sustainability is closely linked to risk management and business strategy, enabling the Bank to respond effectively to emerging environmental and social challenges.

A key component of this integration is the Environmental and Social Risk Management framework, which directly links ESG considerations with credit decision-making. All clients are screened against exclusion criteria, and activities are categorised based on environmental and social risk. Where higher risks are identified, enhanced due diligence and on-site assessments are conducted.

Rather than relying solely on risk avoidance, the Bank adopts an engagement-based approach, working with clients to improve their environmental and social performance over time. This reflects a broader understanding of sustainability as both a risk management tool and a driver of long-term value creation.

As of the end of 2025, 74% of the loan portfolio is classified as low environmental risk, 24% as medium risk, and only 2% as high risk, reflecting both the Bank's sectoral focus and the effectiveness of its risk management practices.


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Climate Strategy and Operational Performance

Climate change continues to be a material consideration for the Bank, shaping both its financial outlook and broader performance. Our climate strategy is built around two reinforcing commitments: lowering our own operational footprint and actively working to reduce emissions embedded in our lending portfolio.

2025 marked a meaningful turning point in that journey. After several years of gradual transition - including the shift to a fully electric vehicle fleet, which we completed back in 2021 - the cumulative effect of those efforts became clearly visible in this year's results. Through a combination of on-site renewable energy generation, green electricity procurement, and the continued operation of our electric fleet, the Bank reached net-zero Scope 2 emissions on a market basis.

Total Scope 1 emissions stood at 185.25 tCO_2e, with transport emissions largely eliminated following the transition to a fully electric 29-vehicle fleet. Scope 2 emissions were brought to zero by fully substituting purchased electricity with renewable sources, bringing combined Scope 1 and Scope 2 emissions (location-based) to 185.3 tCO_2e. Renewable electricity now accounts for 100% of the Bank's electricity consumption.

This was made possible through a coordinated set of measures rather than any single initiative. The Bank operates solar installations at its Tbilisi and Batumi premises, with a combined installed capacity of 112.5 kWh, which have cumulatively generated 633,755 kWh of electricity to date. Beyond on-site generation, 1,929,000 kWh of electricity consumption was covered through the purchase of Certificates of Origin, ensuring full traceability of renewable sourcing across our operations.

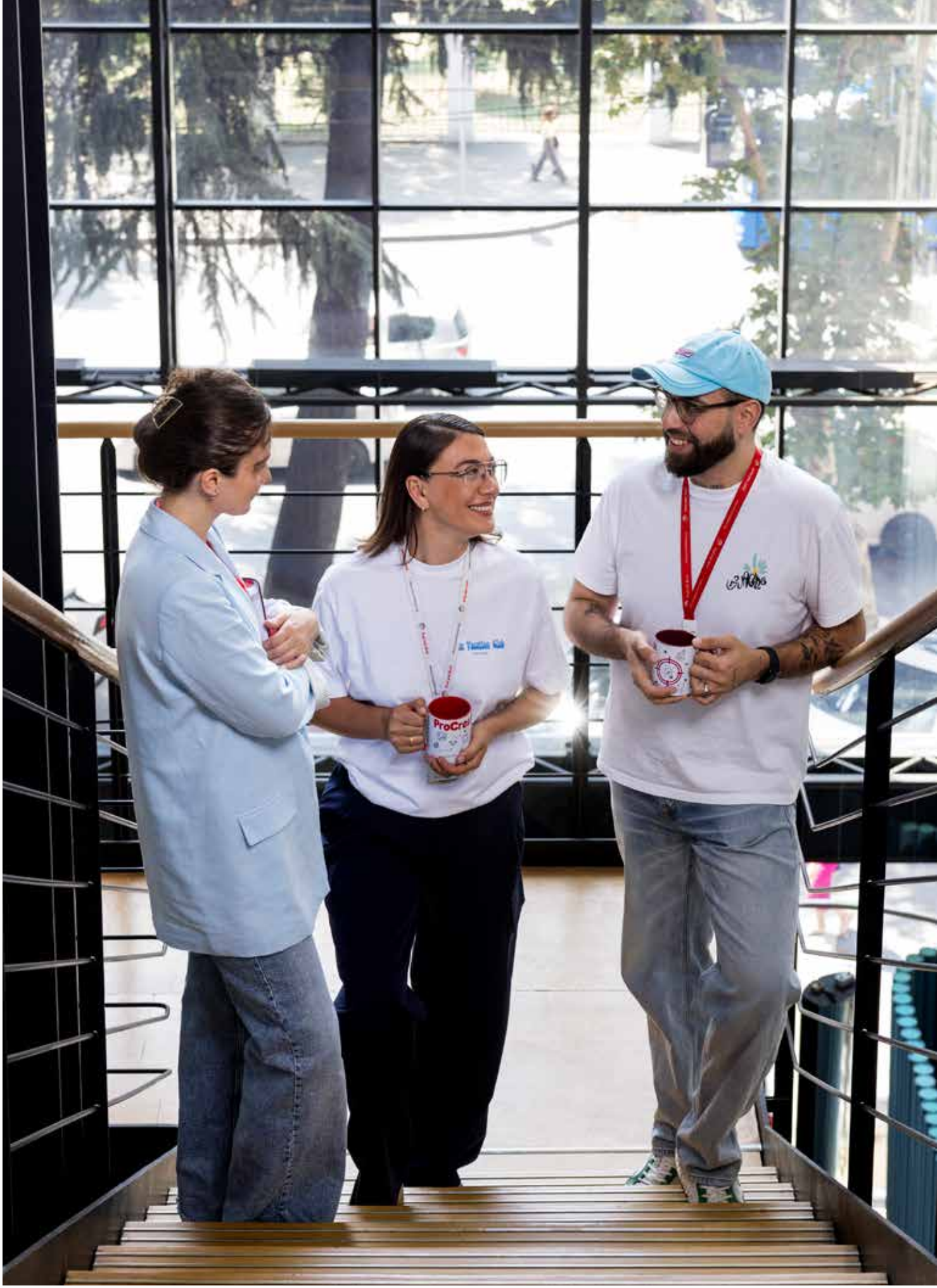
Taken together, these steps reflect a deliberate and system-wide shift toward low-emission operations - one that has been years in the making and continues to strengthen.

The Bank operates a structured waste management system across its premises, with waste streams separated and collected by category - including paper and cardboard, glass, plastic, electronic waste, batteries, and lamps. All collected waste is transferred to authorised waste management companies. For hazardous and electronic waste, relevant data is submitted to the Ministry of Environmental Protection and Agriculture of Georgia in accordance with applicable reporting requirements. Electronic waste and batteries are additionally managed under the Extended Producer Responsibility framework, ensuring their proper handling and disposal.

In 2025, the Bank collected 729 kg of paper and cardboard, 291 kg of glass, 70 kg of plastic, 136 kg of electronic waste, 71.5 kg of batteries, and 58 kg of lamps. Paper and cardboard collection has shown a notable downward trend over the three-year period, from 2,472 kg in 2023 to 1,164 kg in 2024 and 729 kg in 2025, consistent with the Bank's broader shift toward digital processes.

Environmental performance is managed within the ISO 14001 framework, with resource consumption and waste data recorded through the Bank's internal environmental management system. In 2025, the Bank successfully completed a surveillance audit, confirming continued compliance with ISO 14001 certification requirements.

The Bank's commitment to sustainable building management is further demonstrated by the EDGE Advanced certification held by its main office in Tbilisi - a recognition awarded to buildings that achieve significant reductions in energy, water, and embodied energy in materials compared to standard practice.



Financed Emissions and Climate Impact

While operational emissions have been significantly reduced, the Bank recognises that its most substantial environmental impact arises from its lending activities. Financed emissions associated with the loan portfolio amount to 222,260 tCO_2e, highlighting the importance of integrating climate considerations into financial decision-making. These emissions have been calculated using the financed emissions methodology and tool developed by the National Bank of Georgia, which is based on internationally recognised standards, including the PCAF framework.

The Bank is progressively strengthening its methodologies for measuring and managing financed emissions, with ongoing efforts to move from portfolio-level estimations toward more granular, client-level assessments.

A carbon calculation tool developed by ProCredit Holding will enable clients to assess their greenhouse gas emissions. The Bank is in the process of implementing this tool, which is expected to support a more structured approach to client engagement on climate-related matters and, over time, facilitate alignment with internationally recognised frameworks, including the Science Based Targets initiative (SBTi).

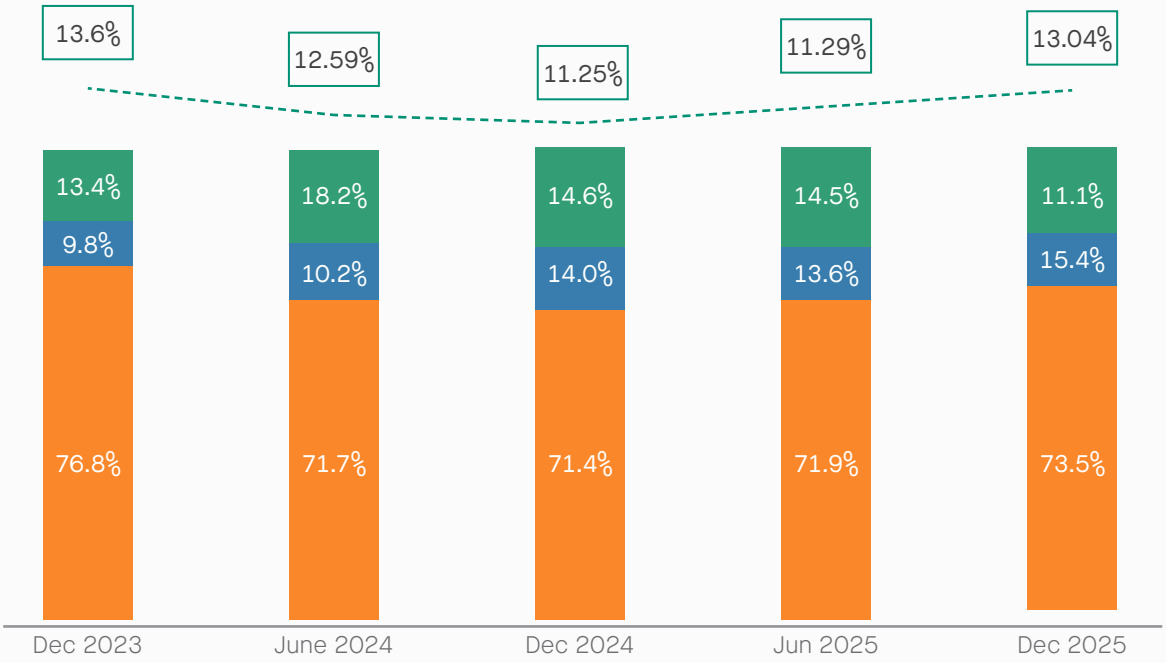
In parallel, the Bank's green lending activities generate measurable positive environmental impact. Through the financing of renewable energy and energy efficiency projects, the Bank's existing portfolio contributes to an estimated 22,000–25,000 tCO_2e of avoided emissions per year.

These avoided emissions are calculated based on the expected annual energy generation and energy savings from financed projects, combined with applicable emission factors.

Sustainable Finance and Eco Portfolio

Sustainable finance represents a core pillar of the Bank's business model, and 2025 saw a notable strengthening of this commitment. The Bank's eco portfolio - classified in accordance with ProCredit Holding's eco criteria - grew from 11.25% of the total loan portfolio at end-2024 to 13.04% by end-2025, representing a total volume of EUR 58.2 million. This growth reflects both deliberate portfolio steering and increasing client demand for sustainability-linked financing.

The eco portfolio is structured around three lending categories. Energy efficiency financing remains the dominant segment, accounting for 73.5% of the eco portfolio, reflecting strong and consistent demand from businesses seeking to reduce energy costs and improve resource productivity. Renewable energy financing represents 15.4%, supporting the expansion of clean energy generation capacity among the Bank's clients. The remaining 11.1% covers other green investments, including circular economy solutions, reflecting the Bank's effort to broaden its sustainable finance offering beyond the two core segments.



It is worth noting that the Bank operates under two distinct frameworks in this area. ProCredit Holding's eco criteria govern the classification of the eco portfolio described above. Separately, the Bank applies the National Bank of Georgia's Green Taxonomy for activities eligible under that framework — the two classification systems are maintained independently, in line with regulatory requirements.

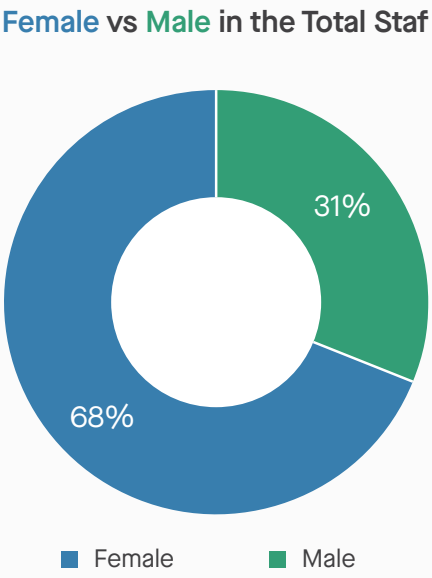
The eco portfolio's positive environmental contribution is directly connected to the avoided emissions outlined in the previous section. Through the financing of renewable energy and energy efficiency projects, the Bank's lending activities support an estimated 22,000–25,000 tCO_2e of avoided emissions per year, demonstrating that sustainable finance is not only a portfolio metric but a measurable driver of real-economy decarbonisation.

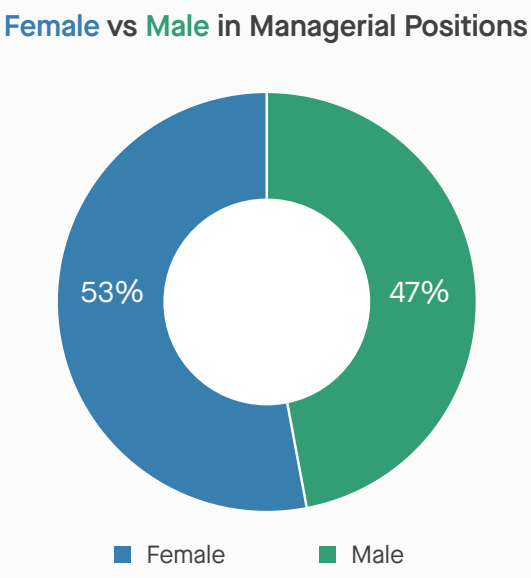
Social Impact and Inclusive Growth

In addition to providing financing, the Bank places strong emphasis on capacity building and knowledge transfer, recognising that access to finance alone is not sufficient for sustainable business growth. Through a combination of financial and non-financial services, the Bank supports its clients in strengthening their operational capabilities, improving financial management, and adapting to evolving market conditions.

In 2025, 839 representatives of small and medium-sized enterprises participated in training programmes delivered by the Bank, receiving a total of 17,378 hours of training. These programmes focused on key areas such as financial literacy, business planning, and operational efficiency, enabling participants to make more informed decisions and improve the sustainability of their business activities. By strengthening the skills and knowledge of entrepreneurs, the Bank contributes to increased competitiveness and long-term viability of the SME sector.

The Bank's social impact is also reflected in its internal practices. In 2025, the Bank employed 365 staff members, of whom 68.5% were women, highlighting a strong level of gender representation within the organisation. This commitment to gender equality is also reflected at the leadership level, where women held the majority of positions on the Management Board, with three female members and one male member.





Continuous professional development remains a priority, with 23,383 hours of training delivered to employees during the year. These efforts support the development of internal expertise, strengthen organisational capacity, and contribute to a culture of continuous learning.

Beyond individual capacity building, the Bank's approach to social impact is rooted in the principle of inclusive growth. This includes targeted efforts to expand access to economic opportunities for underrepresented groups, particularly women and individuals living in rural areas. Through dedicated programmes and partnerships, the Bank supports entrepreneurship, promotes financial inclusion, and contributes to reducing structural inequalities within the economy.

Overall, the Bank's approach reflects a broader understanding of social impact, where financing, knowledge sharing, and inclusion are combined to support sustainable economic development. By strengthening both businesses and individuals, the Bank contributes to the creation of more resilient, inclusive, and dynamic economic systems.

Gender-Lens Finance and Women's Empowerment

Promoting gender equality and women's economic participation is a key component of the Bank's sustainability approach. ProCredit Bank Georgia recognises that achieving meaningful progress in this area requires not only access to finance, but also a broader, systemic approach that combines financial inclusion with capacity building, partnerships, and community engagement.

Women in Business (WiB) remains an important focus area for the Bank. Women-related lending accounts for approximately 20% of the total business loan portfolio, both in terms of volume and number of loans.

In 2025, total WiB disbursements reached EUR 25 million across 337 loans, demonstrating the Bank's active role in expanding access to finance for women entrepreneurs. A significant share of this financing is directed toward micro and lower small segments, supporting inclusive economic participation.

In addition to its scale, the WiB portfolio demonstrates strong credit quality, with a PAR90 ratio of 0.05%, significantly below the 2.37% observed for the overall MSME portfolio. This highlights both the resilience of women-led businesses and the effectiveness of the Bank's targeted approach.

A central initiative in this regard is the Empower Her programme, implemented in cooperation with the TASO Foundation and supported within the framework of collaboration with UN Women. As a signatory to the Women's Empowerment Principles (WEPs), ProCredit Bank actively supports partnerships that bring together the private sector, civil society, and international organisations to create sustainable economic opportunities for women.

The Empower Her programme is designed to engage women living in rural areas through a structured process that combines social mobilisation, targeted training, and financial support. Beneficiaries are identified using community-based selection methodologies and are subsequently provided with specialised business training supported by the Bank. The programme focuses on practical and market-relevant skills, including business planning, financial literacy, and access to markets.

In 2025, 80 women participated in the programme across Georgia, of whom 79 received grant funding to initiate or expand income-generating activities. More than 6,100 training hours were delivered, contributing to the development of entrepreneurial skills tailored to local needs. The programme is designed not only to support individual businesses, but also to foster self-employment, strengthen economic independence, and promote long-term resilience within rural communities.

Beyond its immediate economic impact, the initiative contributes to broader social outcomes, including increased self-confidence, stronger community engagement, and the development of a culture of cooperation among participants. It also reflects the Bank's commitment to European values, inclusiveness, and responsible banking.

Complementing this programme, the Bank also supports targeted local initiatives that combine economic empowerment with cultural preservation. One such initiative is "Skhiviani", developed in partnership with Kopeshia, which focuses on supporting women living in mountainous regions of Adjara.

The project is built around the revitalisation of traditional handicrafts and aims to create sustainable income opportunities by connecting local production with market demand. Within the framework of the initiative, 67 women were engaged in traditional embroidery techniques and collectively produced 5,250 handmade items. These products, reflecting unique cultural narratives from upper Adjara, were integrated into corporate gifting and partner procurement channels, supported by full marketing and promotional assistance from the Bank.

By linking skills development with access to markets, the Skhiviani initiative addresses a critical gap often observed in development programmes, where training does not necessarily translate into income generation. At the same time, it contributes to the preservation of cultural heritage and the strengthening of local identity, demonstrating how economic and social objectives can be pursued simultaneously.

Together, these initiatives reflect the Bank's broader approach to gender-lens finance, which combines access to finance with targeted interventions designed to enable sustainable economic participation. Through these efforts, the Bank contributes to increased economic inclusion, reduced inequalities, and the strengthening of local communities.

Contribution to Sustainable Development Goals

The Bank's activities contribute directly to several key UN Sustainable Development Goals, reflecting its role as an impact-oriented financial institution.

SDG 7 - Affordable and Clean Energy

Generating clean and renewable energy remains central to the Bank's approach to climate action. ProCredit is an important provider of financing for renewable energy projects, particularly solar energy, supporting a segment of the market that is often underserved by larger investors.

At Group level, a significant milestone was reached with over 1 GWp of installed renewable energy capacity financed. While historically the share of green loans was a key performance indicator, the strategic focus is increasingly shifting toward alignment with net-zero targets. Nevertheless, green lending remains a core component of the Bank's business model and is expected to continue growing in absolute terms.

SDG 13 - Climate Action

The Bank is committed to a net-zero pathway across Scope 1, Scope 2, and, most importantly, Scope 3 emissions, in line with the Paris Agreement.

Achieving this requires not only measuring emissions associated with financing activities, but also improving the accuracy of data and transitioning toward more granular, client-level assessments. The Bank plans to engage with its clients to support them in setting emission reduction targets aligned with the Science Based Targets initiative (SBTi).

A key Group-level target is to engage with clients responsible for 28% of financed emissions by 2027, ensuring that they adopt science-based targets and implement decarbonisation pathways.

SDG 8 & SDG 9 - Economic Growth, Industry and Innovation

The Bank continues to support small and medium-sized enterprises, recognising their critical role in job creation, innovation, and economic development.

Through long-term investment lending and advisory services, the Bank contributes to capital formation, productivity improvements, and the development of more resilient and competitive businesses. This is particularly important in emerging markets, where access to finance remains a key constraint.

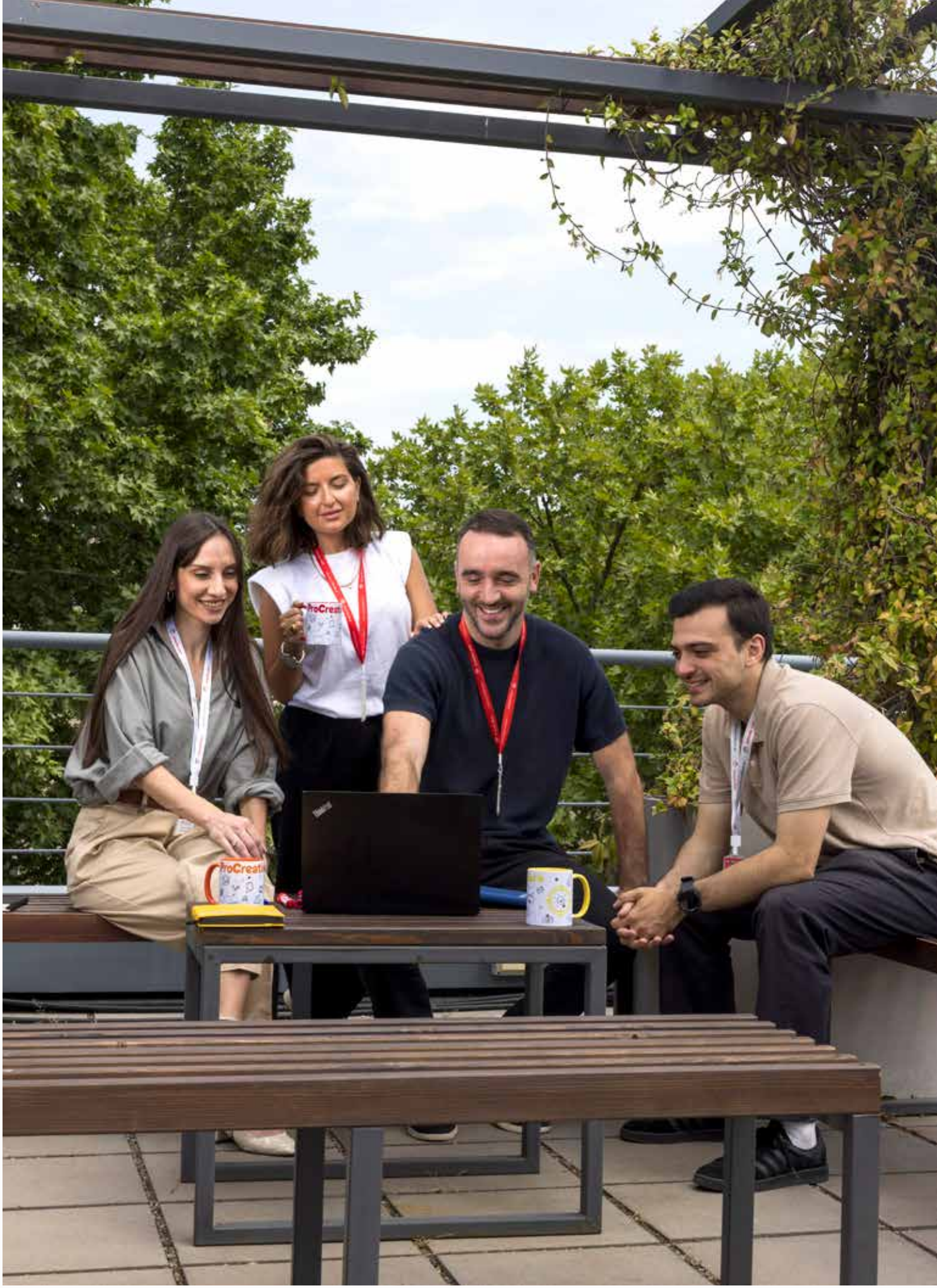
SDG 5 - Gender Equality

Promoting gender equality remains a strategic priority. The Bank supports women entrepreneurs through dedicated financial products, preferential lending conditions, and targeted programmes.

In line with Group initiatives, efforts are also focused on improving internal gender balance, raising awareness, and strengthening institutional commitment to equality. These initiatives reflect the Bank's broader objective of fostering inclusive economic participation.

Looking ahead, the Bank will continue to deepen the integration of sustainability into its operations and strategy. Key priorities include enhancing climate risk assessment, expanding green financing, improving ESG data quality, and strengthening client engagement on decarbonisation.

This next phase reflects a broader transformation - from managing sustainability as a responsibility to leveraging it as a driver of long-term value creation.



Our Approach to Staff

The success of our business strategy and our ability to deliver valuable service to our clients depends on the skills and attitude of our staff and management. We aim to build strong, visible, sustainable institution- founded on a commitment to staff development and a core set of ethical principles. We aim to sustain, together with our managers, a corporate culture that is proactive, productive and professional, as well as socially responsible, where our staff enjoys a long-term perspective and career-long professional development opportunities. A structured approach to staff recruitment, training and remuneration is a central component of our HR strategy. A group-wide standards have been developed for these areas in order to ensure a consistent, transparent and long-term approach.

We are committed to delivering exceptional customer service that extends far beyond offering financial products. Our goal is to build strong, lasting partnerships with our clients by providing personalized advice and consistent support at every stage of their financial journey.

Our core principles guide everything we do:

- We take the time to thoroughly understand our clients' unique circumstances, conducting sound financial analysis to promote their long-term financial stability.
- We prioritize transparency in all client interactions, ensuring clarity and trust in our financial services and products.
- We uphold responsible lending practices that promote financial inclusion while protecting clients from over-indebtedness.
- We focus on driving broad social, economic and environmental impact by engaging with our clients to promote sustainable practices and support their transition towards environmentally responsible operations

The strong management teams are key to our solid and long-term oriented approach to staff. The senior managers have a deep understanding of their banks and of the bank having been with the bank 13 years and of having all graduated from (and now being teachers at) our management academy. They have thus been well integrated into the bank and have developed a comprehensive understanding of our business model and share the same strategic vision and ethical compass.

At ProCredit, we attach great importance to our transparent salary structure with fixed salaries. We focus on fair and, above all, appropriate salary levels that reflect both the quality of our employees and the impact orientation of the bank. At the same time, we value a fair approach to remuneration, which is reflected in the annual total remuneration structure.

Our strategy is to promote a positive working environment characterized by diversity, flat hierarchies and open communication, in order to retain our staff in the long term. Our ethical approach to banking is a fundamental part of how we work and is fully integrated into our corporate culture. The ProCredit Georgia aims to attract and retain talented individuals who share our values and commitment to impact-oriented development finance. Our recruitment approach focuses on identifying skills, potential, and cultural fit, while ensuring high ethical standards, transparency, and accountability across all institutions. We evaluate candidates based on their education, experience, competencies, and alignment with our culture, as well as their proactivity and eagerness to perform, grow, and demonstrate their contribution from the very beginning. In this way, we ensure that new colleagues can contribute effectively to delivering high-quality products and services to our clients..

As the Group grows in complexity, our future success depends on strengthening three complementary capabilities: deep expertise, strong cross-unit project delivery, and effective leadership.

Onboarding

Our approach to recruitment focuses on individuals who are open, willing to learn and committed to our common values. Beyond technical and analytical skills, our staff must demonstrate personal integrity, openness and a willingness to work together with clients and colleagues. Candidates have the opportunity to gain a deep understanding of both the business strategy of the ProCredit bank and our ethical principles. Our Onboarding Programme covers what we believe to constitute to responsible banking, and it provides new staff with an opportunity to learn directly from management and experienced colleagues about how ProCredit contributes to transparent and sustainable financial sector development. We strive for a long-term relationship with all our employees, and this is based on training, continuous development and mutual respect.

Training

At ProCredit, we maintain an expansive training curriculum that enables everyone to participate in numerous training courses. Our training approach is comprehensive: It begins with the welcome programme for all new staff in our banks. We regularly offer specialised courses tailored to specific operations as well as groupwide training on relevant topics. The next level of training includes our ProCredit Banker and ProCredit Management programmes, which take place at the ProCredit Academy campus in Germany. The Academy serves as a meeting place for exchanging ideas and brainstorming together. The topics covered in the programme reflect our business practices and ethical principles (corporate governance, employee development, credit risk, climate change, ethics and political philosophy). Ethics and personal responsibility are a key component of the training we offer. In addition, we carry out annual workshops for all staff; these focus on our binding Code of Conduct and on environmental topics. Our employee development approach remains a high priority. We invest heavily in the training and development of our staff, in order to create an open and efficient working atmosphere and also ensure that our customers receive friendly and competent service.



Work-Life Balance

We strive to maintain a consistent, highly professional, and stimulating work environment across all ProCredit institutions. Our aim is to ensure that every colleague experiences a culture characterised by openness, collaboration, fairness, and continuous development. To support this, the Group implements measures that strengthen both the professional and personal well being of our staff, ranging from competitive remuneration and benefits, to clear development opportunities, a strong feedback culture, and recognition of achievements.

A high-quality work environment requires continuous listening and adaptation. We therefore systematically collect and analyse employee feedback to assess cultural strengths, identify areas for improvement, and ensure that our practices remain aligned with the expectations of our colleagues across diverse markets and functions.

First-ever group wide employee survey:

For the first time, we conducted a comprehensive employee survey across all ProCredit institutions, achieving a participation rate of 80 % for Georgia. The survey established a baseline for employee engagement and organizational climate and forms part of a continuous listening approach. It will be repeated annually to monitor progress and guide targeted action plans at both local and group level. The results of the survey shall be closely followed by ProCredit HR team through regular follow up on action plans with all the entities.

Remote work options:

Procredit Georgia have strengthened its hybrid[KK1.1]/remote work practices (where applicable), offering employees flexibility while maintaining strong team cohesion and productivity. Local adaptations ensure compliance with market specific and regulatory conditions.

Team Building and Cross Entity Exchange

Institutions continue to organise activities at local, regional, and Group level to strengthen collaboration, engagement, and a shared Group culture.

Well Being and Work Life Balance

Through flexibility, structured workloads, transparent communication, and supportive management practices, we aim to safeguard employee well being and enable sustainable performance.

Approved for issue and signed on behalf of the Board of Directors on 07 May 2025.

Elene Tsintsadze
Director



JSC ProCredit Bank

International Financial Reporting Standards
Consolidated and Separate Financial Statements,
Management Report and
Independent Auditors' Report
31 December 2025

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of JSC ProCredit Bank

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of JSC ProCredit Bank (the "Bank") and its subsidiary (the "Group") which comprise:

- the consolidated and separate statements of financial position as at 31 December 2025;
- the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity, and consolidated and separate statements of cash flows for the year then ended; and
- notes to the consolidated and separate financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 31 December 2025, and their consolidated and separate financial performance and their cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and with the disclosure requirements of the Law of Georgia on Accounting, Reporting and Auditing.

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 and Separate Financial Statements section* of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the 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.

BDO Audit LLC, a Georgian Limited Liability Company (ID 205145403), is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Other Information

Other information comprises the information included in the Group's and the Bank's consolidated and separate management report. Other information was obtained before the date of auditor's report and management is responsible for it. Our opinion on the consolidated and separate financial statements does not cover the other information.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the IASB, the disclosure requirements of the Law of Georgia on Accounting, Reporting and Auditing and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Group's and the Bank's 2025 consolidated and separate management report is consistent in all material respect with the 2025 consolidated and separate financial statements; and
- The 2025 consolidated and separate management report includes the information required by the Article 7 of the Georgian Law on Accounting, Reporting and Auditing in all material respect.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Management report

Management is responsible for the preparation of the consolidated and separate management report in accordance with the Georgian Law on Accounting, Reporting and Auditing.

Those charged with governance are responsible for overseeing the preparation process of consolidated and separate management report.

Auditor's responsibilities for the Consolidated and Separate Management report

Our responsibility is to express opinion on the consolidated and separate management report provided by the Group and the Bank as of whether it is consistent with the consolidated and separate financial statements as well as whether it includes information required by Law on accounting, reporting and auditing, Article 7.

The engagement partner responsible for the audit resulting in this independent auditor's report is:



Ivane Zhuzhunashvili (Registration # SARAS-A-720718)

For and on behalf of BDO Audit LLC

Tbilisi, Georgia

4 May 2026

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Consolidated and Separate Statements of Financial Position

in '000 GEL	Notes	Consolidated		Separate	
		31 December 2025	31 December 2024	31 December 2025	31 December 2024
Assets					
Cash and balances with the NBG	6	217,704	148,473	217,704	148,473
Mandatory reserve deposits with NBG		295,830	224,526	295,830	224,526
Investments in debt securities	8	149,987	90,490	149,987	90,490
Investments in equity securities	9	643	139	643	139
Investments in associates	9	3,578	3,400	3,578	3,400
Investment in subsidiaries	9	-	-	6,100	6,100
Due from banks	7	147,566	121,605	147,566	121,605
Financial Assets at fair value through profit or loss		3	1	3	1
Loans and advances to customers	10	1,379,126	1,313,188	1,379,126	1,313,188
Current tax asset		1,377	4,293	1,377	4,293
Investment properties	11	3,989	4,132	3,989	4,132
Intangible assets	12	4,235	2,152	4,235	2,152
Property and equipment	13	41,378	40,629	41,378	40,629
Right-of-use assets	14	3,423	2,940	3,423	2,940
Other assets	15	9,964	11,425	9,829	8,759
Total assets		**2,258,803**	**1,967,393**	**2,264,768**	**1,970,827**
Liabilities					
Financial liabilities at fair value through profit or loss		7	9	7	9
Customer accounts	16	1,505,128	1,300,349	1,514,990	1,307,677
Other borrowed funds	17	352,979	316,563	352,979	316,563
Subordinated debt	21	60,819	20,795	60,819	20,795
Lease liabilities	23	3,437	3,154	3,437	3,154
Other liabilities	18	2,103	2,431	1,970	2,276
Other provisions	19	2,634	2,792	2,634	2,792
Deferred tax liability	20	2,574	2,288	2,574	2,288
Total liabilities		**1,929,681**	**1,648,381**	**1,939,410**	**1,655,554**
Equity					
Share capital	22	112,483	112,483	112,483	112,483
Share premium	22	72,118	72,118	72,118	72,118
Retained earnings		144,120	134,411	140,356	130,672
Revaluation reserve		401	-	401	-
Total equity		**329,122**	**319,012**	**325,358**	**315,273**
Total equity and liabilities		**2,258,803**	**1,967,393**	**2,264,768**	**1,970,827**

Approved for issue and signed on behalf of the Board of Directors on 4 May 2026.

Elene Tsintsadze
Director

Nana Chikvaidze
Chief Accountant

The notes set out on pages 5 to 65 form an integral part of these Financial Statements.

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

in '000 GEL	Notes	Consolidated		Separate	
		2025	2024	2025	2024
Interest income calculated using effective interest rate method		146,339	131,070	146,339	131,070
Interest expense		(71,318)	(57,177)	(71,318)	(57,177)
Net interest income	24	**75,021**	**73,893**	**75,021**	**73,893**
Reversal of impairment losses on loans	10	6,113	3,360	6,113	3,360
Net interest income after provision for loan impairment		**81,134**	**77,253**	**81,134**	**77,253**
Fee and commission income	25	30,056	35,861	30,056	35,861
Fee and commission expenses	25	(13,711)	(15,490)	(13,711)	(15,490)
Personnel expenses		(25,584)	(22,023)	(25,545)	(21,975)
Other administrative expenses	26	(40,368)	(40,847)	(40,218)	(40,807)
Other operating income	27(a)	6,218	6,064	3,654	4,762
Other operating expense	27(b)	(5,518)	(2,736)	(3,169)	(2,405)
Profit before income tax		**32,227**	**38,082**	**32,201**	**37,199**
Income tax expense	20	(3,518)	(4,864)	(3,518)	(4,864)
Profit for the year		**28,709**	**33,218**	**28,683**	**32,335**
Other Comprehensive income for the year	28	**401**	**-**	**401**	**-**
Profit and total comprehensive income for the year		**29,110**	**33,218**	**29,084**	**32,335**

Approved for issue and signed on behalf of the Board of Directors on 4 May 2026.

Elene Tsintsadze
Director

Nana Chikvaidze
Chief Accountant

The notes set out on pages 5 to 65 form an integral part of these Financial Statements.

Consolidated and Separate Statements of Changes in Equity

in '000 GEL	Consolidated				Separate			
	Share capital	Share premium	Retained earnings	Total	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2024	**112,483**	**72,118**	**116,193**	**300,794**	**112,483**	**72,118**	**113,337**	**297,938**
Total comprehensive income								
Profit for the year	-	-	33,218	**33,218**	-	-	**32,335**	**32,335**
Total comprehensive income for the year		-	**33,218**	**33,218**	-	-	**32,335**	**32,335**
Dividends declared	-	-	(15,000)	**(15,000)**	-	-	(15,000)	**(15,000)**
Transactions with owners, recorded directly in equity	-	-	**(15,000)**	**(15,000)**	-	-	(15,000)	**(15,000)**
Balance at 31 December 2024	**112,483**	**72,118**	**134,411**	**319,012**	**112,483**	**72,118**	**130,672**	**315,273**
Balance at 1 January 2025	**112,483**	**72,118**	**134,411**	**319,012**	**112,483**	**72,118**	**130,672**	**315,273**
Total comprehensive income								
Profit for the year	-	-	28,709	**28,709**	-	-	**28,683**	**28,683**
Total comprehensive income for the year		-	**28,709**	**28,709**	-	-	**28,683**	**28,683**
Dividends declared	-	-	(19,000)	**(19,000)**	-	-	(19,000)	**(19,000)**
Revaluation Reserve	-	-	401	**401**	-	-	401	**401**
Transactions with owners, recorded directly in equity	-	-	**(18,599)**	**(18,599)**	-	-	**(18,599)**	**(18,599)**
Balance at 31 December 2025	**112,483**	**72,118**	**144,521**	**329,122**	**112,483**	**72,118**	**140,757**	**325,358**

Approved for issue and signed on behalf of the Board of Directors on 4 May 2026.

Elene Tsintsadze
Director

Nana Chikvaidze
Chief Accountant

The notes set out on pages 5 to 65 form an integral part of these Financial Statements.

Consolidated and Separate Statements of Cash Flows

in '000 GEL	Notes	Consolidated 2025	Consolidated 2024	Separate 2025	Separate 2024
Profit before income tax		**32,227**	**38,082**	**32,200**	**37,199**
Release of provision for loan impairment	10	(6,113)	(3,360)	(6,113)	(3,360)
Depreciation and amortization	26, 27	5,507	4,992	5,507	4,992
Net foreign exchange translation loss		262	990	262	990
Expenses for impairment of repossessed properties	27	3,338	338	998	7
Accrual of other provisions		(253)	607	(253)	607
Gain from disposal of property and equipment		(113)	(4)	(113)	(4)
Net interest income	24	(75,021)	(73,893)	(75,021)	(73,893)
Operating cash flows before changes in operating assets and liabilities		**(40,166)**	**(32,248)**	**(42,533)**	**(33,462)**
Net change in assets and liabilities from operating activities after non-cash items:					
Mandatory reserve deposit with the NBG		(72,841)	(49,424)	(72,841)	(49,424)
Loans and advances to customers		(54,561)	(125,599)	(54,561)	(125,599)
Other assets		(2,257)	(2,701)	(2,447)	(120)
Financial liabilities at fair value through profit or loss		(183)	(556)	(183)	(556)
Customer accounts		216,329	209,673	218,864	208,369
Other liabilities		(328)	(323)	(306)	(377)
Total net change in assets and liabilities from operating activities after non-cash items		**86,159**	**31,070**	**88,526**	**32,293**
Interest received		144,554	129,405	145,576	129,405
Interest paid		(66,582)	(52,052)	(67,885)	(52,052)
Income tax paid		(417)	(10,641)	(417)	(10,641)
Net cash from operating activities		**123,548**	**65,534**	**123,267**	**65,543**
Purchase of property and equipment and intangible assets		(9,732)	(6,265)	(9,732)	(6,265)
Proceeds from sale of property and equipment and investment properties		2,181	19	2,181	10
Purchase of investments in debt securities		(254,191)	(187,215)	(254,191)	(187,215)
Proceeds from sale of investments in debt securities		194,191	212,215	194,191	212,215
Net cash inflow/(outflow) from investing activities		**(67,551)**	**18,754**	**(67,551)**	**18,745**
Dividends paid	22	(19,000)	(15,000)	(19,000)	(15,000)
Payment of lease liabilities	23	(930)	(758)	(930)	(758)
Proceeds from other borrowed funds	23	101,294	41,869	101,294	41,869
Repayments of other borrowed funds	23	(82,908)	(130,261)	(82,626)	(130,261)
Proceeds from subordinated debts	23	37,745	5,924	37,745	5,924
Cash flows used in financing activities		**36,201**	**(98,226)**	**36,483**	**(98,226)**
Net increase/(decrease) in cash and cash equivalents		**92,198**	**(13,938)**	**92,198**	**(13,938)**
Cash and cash equivalents at the beginning of the year	6	270,078	283,139	270,078	283,139
Effects of exchange rate changes		2,994	877	2,994	877
Cash and cash equivalents at the end of the year	6	**365,270**	**270,078**	**365,270**	**270,078**

Approved for issue and signed on behalf of the Board of Directors on 4 May 2026.

Elene Tsintsadze
Director

Nana Chikvaidze
Chief Accountant

The notes set out on pages 5 to 65 form an integral part of these Financial Statements.

1. ORGANIZATION AND OPERATIONS

These consolidated and separate financial statements (hereafter the "Financial Statements") include the financial statements of JSC ProCredit Bank (the Bank) and its subsidiary (together referred to as the Group). The Bank and its subsidiary are joint stock and limited liability companies, respectively, as it is defined under the Law of Georgia on Entrepreneurs and are incorporated and domiciled in Georgia. The Bank was registered by Vake District Court on 04 January 1999, registration number is 204851197.

JSC ProCredit Bank is a development-oriented bank specialized for small and medium enterprises operating on the territory of Georgia. For supervisory purposes the Bank has the general banking license number 233 issued on 13 May 1999 and is therefore supervised by the National Bank of Georgia (the NBG).

The address of the Bank's registered office is: 21 Al. Kazbegi Avenue, 0160, Tbilisi, Georgia. The Bank's head office is located in Tbilisi. The Bank serves its clients through 6 branches (including online branch), 6 service points with the self-service areas in Tbilisi, Kutaisi, Batumi ,Zugdidi and Telavi.

The Bank has one wholly-owned subsidiary, LLC ProCredit Properties, which was formed as a limited liability company under Georgian law on 23 July 2007 with the principal activity of holding and managing movable and immovable properties acquired through auctions resulting from defaults of the Bank's customers. The address of the LLC ProCredit Properties' registered office is: 21 Al. Kazbegi Avenue, 0160, Tbilisi, Georgia.

The Bank is wholly owned by its immediate and ultimate parent company ProCredit Holding AG (the Parent). As of 31 December 2025 and 31 December 2024, the following shareholders directly owned more than 5% of the total outstanding shares of the Parent:

	% of ownership interest held as of 31 December	
	2025	**2024**
Zeitinger Invest GmbH	18.3	18.3
KfW - Kreditanstalt für Wiederaufbau	13.2	13.2
DOEN Foundation	12.5	12.5
EBRD - European Bank for Reconstruction and Development	8.7	8.7
TIAA-CREF - Teachers Insurance and Annuity Association	-	8.6
Other	47.3	38.7
Total	**100**	**100**

Other shareholders individually owned less than 5% of the outstanding shares. As at 31 December 2025 and 31 December 2024 the Group and Bank had no ultimate controlling party.

Refer to Note 32 for related party transactions.

2. BUSINESS ENVIRONMENT

The Group's and Bank's operations are located in Georgia. Consequently, the Group and Bank are 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 and separate financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group and Bank. The future business environment may differ from management's assessment.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Basis of preparation

These consolidated and separate Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The consolidated and separate Financial Statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss (FVTPL). Group and Bank accounts for derivative (foreign currency contracts) as fair value through profit or loss.

These consolidated and separate financial statements have been prepared on the assumption that the Group and Bank is a going concern and will continue its operations for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group and Bank in Georgia. As a result, the management believes that the going concern assumption is appropriate for the Group and Bank.

Basis of consolidation

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's and Bank's policies.

Subsidiaries

Subsidiaries are investees controlled by the Group and Bank. The Group and Bank controls an investee when it is exposed to, 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. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances, including cases when protective rights arising from collateral agreements on lending transactions become significant. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Bank accounts for its investments in subsidiaries at cost and consistently applies same accounting policies for each category of investments. Investments in subsidiaries is measured at acquisition cost less impairment losses.

The Bank accounts for investment in subsidiaries from the date that control effectively commences until the date that control effectively ceases.

Financial instruments - key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group and/or Bank becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group and Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories

The Group and Bank classifies financial assets in the following measurement categories: Fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortised cost ("AC"). The classification and subsequent measurement of debt financial assets depends on: (i) the Group's and Bank's model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group and Bank manages the assets in order to generate cash flows – whether the Group's and Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group and Bank undertake to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group and Bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, and how risks are assessed and managed. Refer to Note 4 for critical judgements applied by the Group and Bank in determining the business models for its financial assets.

On initial recognition of an equity investment that is not held for trading, the Group/Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. The Group/Bank has elected to account as such Investments in equity securities.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group and Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group and Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group and Bank in performing the SPPI test for its financial assets.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Expected Credit Losses – ECL

The Group and Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group and Bank measures ECL and recognises credit loss allowance at each reporting date.

Expected credit loss (ECL) – an unbiased and probability-weighted amount, calculated as the difference between the cash flows due to the bank in accordance with contractual terms of a financial instrument and the cash flows that the bank expects to receive. ECL is based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions. ECL is calculated using the following parameters: exposure at default (EAD), probability of default (PD) and loss given default (LGD) and is discounted to a present value.

Non-financial guarantees such as performance letters of guarantee1 are treated within the IAS 37 framework (Provisions, Contingent Liabilities and Contingent Assets) and are thus excluded from the IFRS 9 impairment scope.

Debt instruments measured at AC are presented in the consolidated and separate statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated and separate statements of financial position.

The Group and Bank applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group and Bank identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 29 for a description of how the Group and Bank determines when a SICR has occurred. If the Group and Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL considering a 100% probability of default (lifetime ECL credit impaired). The Group's and Bank's definition of credit impaired assets and definition of default is explained in Note 29. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group and Bank incorporates forward-looking information in the ECL models.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group and Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group and Bank may write-off financial assets that are still subject to enforcement activity when the Group and Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. The bank established criteria and a process for assessing the expectation of further recovery. Potential indicators that are considered: the smaller the level of collateralization and/or the higher the number of days in arrears, and the greater the uncertainties surrounding recoveries (such as an unpredictable legal environment) are, the smaller will be the chances of reasonable expectation of recovery. Accordingly, the lower and/or more uncertain the expected recovery of receivables from a client, and/or the higher the expected direct and indirect costs of the recovery process, the reasonability of recovery decreases and a write-off should be considered.

- Typically, uncollateralized or partially collateralized credit exposures are written off after 360 days in arrears.
- Typically, fully collateralized credit exposures are written off after 720 days in arrears.

Financial assets – derecognition

The Group and Bank derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group and Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial assets – modification

The Group and Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group and Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, change of debtor, prolongation of maturity or changes in payment dates or in the overall payment plan.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group and Bank derecognizes the original financial asset and recognizes a new asset at its fair value. The Group and Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss.

The following qualitative factors are considered within the Group and Bank as substantial modifications:
▪ Change of the existing debtor of the credit facility (loan, Credit Line, Overdraft). Exception would be change within the same group of consolidated entities (e.g. from daughter to mother company).
▪ Modifications to the currency on which the financial instrument is denominated for future debt repayments.
▪ Contractual changes that are non-compliant with the SPPI criterion
The quantitative analysis for the substantial modification is so called “10% NPV test”. For the 10% NPV test, the GCA before the date of modification (without NPV calculation of the remaining cash flows of the original financial asset as the current GCA before its first modification equals the present value of the discounted remaining cash flow) is compared with the present value of the modified cash flows discounted at OEIR.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. 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% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any

costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.
Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Foreign currency translation

(a) Functional and presentation currency

The national currency of Georgia is the Georgian lari (GEL), which is the Bank's and its subsidiary's functional currency and the currency in which these Consolidated and Separate Financial Statements are presented. Management has determined the functional currency to be the GEL as it reflects the economic substance of the underlying events and circumstances of the Group and Bank. The GEL is not convertible outside Georgia.

All financial information presented in GEL has been rounded to the nearest thousand except when otherwise indicated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting 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 items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Non-monetary items measured at historical cost denominated in foreign currency are translated with the exchange rate as of the date of initial recognition.

Foreign currency differences arising on retranslation are recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

The reporting exchange rates and average rates for the period used in the consolidated and separate statement of financial position and the consolidated and separate statement of profit or loss and other comprehensive income are listed in Note 29.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, amounts due from the National Bank of Georgia (NBG), excluding mandatory reserves, and all interbank placements and interbank receivables with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the consolidated and separate statement of cash flows represent the Group's and Bank's transfers of cash and cash equivalents, including amounts charged or credited to current accounts of

the Group and Bank's counterparties held with the Group and Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represent cash or cash equivalent from the customer's perspective.

Mandatory reserve deposits with the National Bank of Georgia

Mandatory reserve deposits with the NBG are carried at AC and are not available to finance the Group's and Bank's day to day operations. Hence they are not considered as part of cash and cash equivalents for the purposes of the consolidated and separate statements of cash flows.

Due from banks

Amounts due from banks include placements with the banks with original maturities of more than three months. Amounts due from banks are recorded when the Group and Bank advances money to counterparty banks. Amounts due from banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Otherwise they are carried at Fair value ("FV").

Repossessed collateral

Repossessed collateral represents financial and non-financial assets acquired by the Group and Bank in settlement of overdue loans. The Group and Bank recognises repossessed assets in the consolidated and separate statement of financial position when it has the full and final settlement rights to the collateral, and when it is entitled to retain any excess proceeds from the realisation of the collateral.

At initial recognition repossessed assets are measured at the lower of the cost and the fair value less costs to sell and are included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Group's and Bank's intention with respect to recovery of these assets. They are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

The carrying amount of the repossessed assets is measured based on the carrying value of the defaulted loan, including expenditure incurred in the process of collateral foreclosure. Fair value less costs to sell is the estimated selling price of the collateral in the ordinary course of business, less the related selling costs.

Investments in debt securities

Based on the business model and the cash flow characteristics, the Group and Bank classifies investments in debt securities as carried at AC, these are initially measured at fair value plus incremental transaction costs, and subsequently at their amortised cost using the effective interest method. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

The Group and Bank considers investment securities to have low credit risk. If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

The Group and Bank measures loss allowances at an amount equal to 12-month ECL. ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

For PD purposes, counterparties (financial institutions, sovereigns) and countries, rating information provided by Moody's is used. As empirical default rates are not available for all rating classes, PDs for classes without empirical information are linearly interpolated from the next available empirical rates above or below the considered class. For Financial Institutions, country-specific LGDs published by Moody's are used.

Release of loss allowances

In the event of decrease of credit risk, the already recognised loss allowance is reduced accordingly.

Write-offs, recoveries and direct write-offs

When a loan is uncollectible, it is written off against the related loss allowance set aside. Such write-offs occur after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the consolidated and separate Statement of Profit or Loss and other comprehensive income under "(Charge)/Reversal of impairment losses on loans". Uncollectible loans for which no loss allowances have been set aside in full are recognised as direct write-offs.

Non-substantial modification

Non-substantial modification is a modification event that does not result in derecognition of the original asset. The effect is recognised through profit or loss as a modification gain or modification loss. The modification gain or loss is calculated as the difference between the original gross carrying amount and the present value of the modified contractual cash flows discounted at the original effective interest rate.

Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Component parts of an asset are recognised separately if they have different useful lives or provide benefits to the enterprise in a different pattern.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Land and assets under construction are not depreciated. Depreciation on other major classes of assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings 2-3.5%
- Capital expenditures and other remaining fixed assets 5-50%
- Furniture and fixtures 3.33-20%
- IT and other equipment 4.16-50%

The assets' residual carrying values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated and separate statements of profit or loss.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. These include properties with currently undetermined future use. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in Consolidated and Separate profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Software has an expected useful life of one to ten years.

Impairment of non-financial assets

Non-financial assets are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in Consolidated and Separate profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Income tax

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

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

Deferred tax

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets 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. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Liabilities to banks and customers and other borrowed funds

Liabilities to banks and customers and other borrowed funds are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognised if:

- there is a present legal or constructive obligation resulting from past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation;
- and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in a settlement is determined by considering the class of obligations as a whole.

Provisions for which the timing of the outflow of resources is known are measured at the present value of the expenditures, if the outflow will be no earlier than in one year's time. The increase in the present value of the obligation due to the passage of time is recognised as interest expense.

Credit related commitments

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

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

Subordinated debt

Subordinated debt consists mainly of liabilities to shareholder which in the event of insolvency or liquidation are not repaid until all non-subordinated creditors have been satisfied. There is no obligation to repay early.

Following initial recognition at fair value, the subordinated debt is measured at amortised cost. Premiums and discounts are accounted for over the respective terms in the profit or loss under "interest expense".

Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. When share capital is increased, any difference between the registered amount of share capital and the actual consideration received is recognized as share premium.

Dividends

Dividends on ordinary shares are recognised as a distribution from equity in the period in which they are approved by the Group's and Bank's shareholders.

Interest income and expense

Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. As part of interest income or expense this method defers all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The Group and Bank does not have interest income on debt instruments at FVTPL calculated at nominal interest rate during 2025.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group and Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group and Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group and Bank does not designate loan commitments as financial liabilities at FVTPL.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest income is calculated by applying the effective interest rate to their AC, net of the ECL, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fee and commission income and expenses

Fee and commission income and expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Fee income earned from services that are provided over a certain period of time The Group and Bank recognises fees income for the provision of services over a period of time over that period.

Commissions for payment transfers and cash transactions and debit/credit card issuance fees, which are earned on execution of the underlying transaction, are recorded upon completion of the transaction. Account maintenance, internet bank and SMS service fees are recognized based on the applicable service contracts, usually on a time-proportion basis.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group and Bank have retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Leases

At inception of a contract, the Group and Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

Group and Bank recognize 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 minimum 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/Bank's incremental borrowing rate. Generally, incremental borrowing rate is used as the discount rate.

Lease payments included in the measurement of the lease liability comprise of fixed payments, including in-substance fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments or in assessment of whether the Bank will exercise extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset, or the amount is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank and Group presents right-of-use assets and lease liabilities as separate line-item in the consolidated and separate statement of financial position.

The Bank and Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank and Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of consolidated and separate financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Consolidated and Separate financial statements is included in the following judgements:

- **Classification of financial assets:** assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

- **Modification of financial assets:** When financial assets are contractually modified (e.g. renegotiated), the Group and Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Group and Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

- **ECL:** Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year is included in the following notes:

- Establishing the criteria for determining whether credit risk on financial assets has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of model used in ECL.– Note 29(a);

5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Group and Bank has not early adopted the new or amended standards in preparing these consolidated and separate financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's and bank's consolidated financial statements.

(a) Standards, amendments and interpretations that are already effective

- Amendments to IAS 21: "Lack of Exchangeability" have no impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2025.

(b) Standards, amendments and interpretations issued but not yet effective

- Amendments to IFRS 9 and IFRS 7: "Classification and Measurement of Financial Instruments" have a minor impact on the consolidated financial statements with regard to additional disclosures on financial assets at fair value with changes in fair value recognised in other comprehensive income. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026
- Annual improvements to IFRS (Volume 11) with amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 have a minor impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026.
- Amendments to IFRS 9 and IFRS 7: "Contracts Referencing Nature-dependent Electricity" have no impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026.
- IFRS 18 "Presentation and Disclosure in Financial Statements" replaces IAS 1 and affects the presentation of the consolidated statement of profit or loss. This standard defines categories and subtotals for the consolidated statement of profit or loss. Furthermore, additional disclosure requirements for management-defined performance measures have been introduced and the guidelines on the aggregation and disaggregation of items have been expanded. There are no effects on the presentation of the consolidated statement of financial position or the consolidated statement of cash flows. IFRS 18 is, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2027.
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures" will not have an impact on the consolidated financial statements. This standard is, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2027.
- Amendments to IAS 21: "Translation to a Hyperinflationary Presentation Currency" will not have an impact on the consolidated financial statements. This standard is, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2027.

There was no early adoption of any standards, amendments and interpretations not yet effective.

6. CASH AND BALANCES WITH THE NBG

Consolidated and Separate

The cash and balances with the National Bank of Georgia (NBG) comprise the following items:

in '000 GEL	31 December 2025	31 December 2024
Cash on hand	58,154	47,573
Balances at the NBG excluding mandatory reserves	80,412	41,814
Nostro accounts other than with NBG	79,146	59,087
Loss allowance for balances with NBG and Nostro accounts	(8)	(1)
Total cash and balances with the NBG in the statement of financial position	**217,704**	**148,473**

In 2025, Fitch Ratings has revised the Outlook on Georgia's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Stable from Negative and affirmed the IDR at 'BB'.

The following cash and equivalents were considered as cash for the cash flow statement:

in '000 GEL	31 December 2025	31 December 2024
Cash and balances with NBG, net	217,704	148,473
Due from banks with a maturity up to three months (Note 7)	147,566	121,605
Total cash and cash equivalents in the consolidated and separate statement of cash flows	**365,270**	**270,078**

Balances with the NBG above exclude the mandatory reserve deposit which is a non-interest bearing deposit calculated in accordance with regulations issued by the NBG. Refer to Note 30 for the estimated fair value of cash and cash equivalents. The interest rate analysis of cash and cash equivalents is disclosed in Note 29. As at 31 December 2025 the Group and Bank has three banks (2024: one bank), whose balance exceeds 10% of equity. The gross amount of the balance as at 2025 was GEL 176,104 thousand (2024: GEL 63,466 thousand).

As at 31 December 2025 the Group and Bank allocates cash equivalents under Stage 1 for the purposes of identifying expected credit loss under IFRS 9 (31 December 2024 Stage 1). Management estimates that ECL is immaterial at reporting dates.

7. DUE FROM BANKS

Consolidated and Separate

in '000 GEL	31 December 2025	31 December 2024
Due from Banks in OECD* countries	124,640	91,600
Due from Banks in non-OECD countries	22,927	30,007
Loss allowance for loans to banks	(1)	(2)
Total due from banks	**147,566**	**121,605**

* Organisation for Economic Cooperation and Development

The following table details the credit ratings of due from banks as assessed by Fitch Ratings:

in '000 GEL Neither past due nor impaired	AA-	A+	B+	BB	Total
31 December 2025	53,457	71,182	-	22,927	**147,566**
31 December 2024	63,445	28,154	-	30,006	**121,605**

Refer to Note 30 for the estimated fair value of each class of amounts due from banks. The interest rate analysis is disclosed in Note 29. Information on related party balances is disclosed in Note 32.

8. INVESTMENTS IN DEBT SECURITIES

Consolidated and Separate

Figures below represent Investment securities measured at amortized cost.

in '000 GEL	31 December 2025	31 December 2024
Certificates of deposit of the NBG	39,572	19,853
Treasury bills issued by the Government of Georgia	110,415	70,637
Total investments in debt securities	**149,987**	**90,490**

No investment in debt securities are past due or impaired. As at 31 December 2025 the Group and Bank allocates investment securities under Stage 1 for the purposes of identifying expected credit loss under IFRS 9 (31 December 2024: Stage 1). Management estimates that ECL is immaterial at reporting dates.

9. INVESTMENTS

Investments in subsidiaries

Separate

Investment in subsidiaries (related to separate financial statements)

Investment in subsidiaries as at the reporting dates were as follows:

Subsidiary	Country of incorporation	Ownership as at 31 December 2025	Investment as at 31 December 2025 ('000 GEL)
LLC ProCredit Properties	Georgia	100.00%	6,100

Subsidiary	Country of incorporation	Ownership as at 31 December 2024	Investment as at 31 December 2024 ('000 GEL)
LLC ProCredit Properties	Georgia	100.00%	6,100

LLC Procredit Properties is a wholly-owned subsidiary of Procredit Bank Georgia, which was formed under Georgian Law on 23 July 2007. The principal operations of LLC Procredit Properties is holding and managing movable and immovable properties acquired through auctions from the Bank's defaulted customers. As at 31 December 2025 net assets of the Subsidiary is GEL 14,529 thousand (2024: GEL 13,933 thousand).
The LLC ProCredit Properties is included in the scope of consolidation as of 31 December 2025.

Investments in equity securities

Consolidated and Separate

Equity investments comprise shares in the following companies:

in '000 GEL	Ownership interest	Amount At 31 December 2025	Ownership interest	Amount At 31 December 2024
JSC United Clearing Center Georgia	6.250%	68	6.250%	54
JSC American Academy in Tbilisi	4.730%	457	4.730%	50
S.W.I.F.T.SCRL	0.005%	118	0.005%	35
Total		**643**		**139**

The Bank has significant influence with the ownership more than 20% over JSC Creditinfo Georgia.

in '000 GEL	Ownership interest	Amount At 31 December 2025	Ownership interest	Amount At 31 December 2024
JSC Creditinfo Georgia	21.08%	3,578	21.08%	3,400

The Group applies equity method to account for its investments in associates and adjusts the carrying amount by recognizing share of the profit or loss of the investee after the date of the investment.

JSC Credit Information Bureau Creditinfo Georgia is a credit information bureau registered by the National Bank of Georgia, whose main activity is to collect credit information and provide it to credit or other types of organizations.

The company provides banks, leasing companies and other organizations whose activities are related to lending, delivery of services or goods on credit, important data in the decision-making process. The activities of the Bureau are regulated by the Organic Law of Georgia on the National Bank of Georgia and by the orders of the President of the National Bank of Georgia.

in '000 GEL	2025	2024
Current assets	12,253	11,651
Non-current assets	5,464	5,076
Current liabilities	744	601
Total Equity	16,973	16,126
Profit and total comprehensive income for the year	5,960	6,391

10. LOANS AND ADVANCES TO CUSTOMERS

Consolidated and Separate

The table below presents contractual size and outstanding amounts of loans and advances to customers as at 31 December 2025:

in '000 GEL (except for number of outstanding loans and loan sizes) **At 31 December 2025**	**Gross amount**	**ECL allowance for impairment**	**Net amount**	**Share of total portfolio**
Wholesale and trade loans				
loan size up to EUR 100,000	52,108	(486)	51,622	3.74%
loan size EUR 100,000 to EUR 250,000	105,924	(474)	105,450	7.65%
loan size more than EUR 250,000	288,889	(1,002)	287,887	20.87%
Total wholesale and trade loans	**446,921**	**(1,962)**	**444,959**	**32.26%**
Agricultural, forestry and fishing loans				
loan size up to EUR 100,000	9,850	(79)	9,771	0.71%
loan size EUR 100,000 to EUR 250,000	9,338	(1,800)	7,538	0.55%
loan size more than EUR 250,000	14,176	(33)	14,143	1.03%
Total agricultural, forestry and fishing loans	**33,364**	**(1,912)**	**31,452**	**2.28%**
Production loans				
loan size up to EUR 100,000	30,260	(780)	29,480	2.14%
loan size EUR 100,000 to EUR 250,000	56,584	(2,852)	53,732	3.90%
loan size more than EUR 250,000	130,450	(6,084)	124,366	9.02%
Total production loans	**217,294**	**(9,716)**	**207,578**	**15.05%**
Transportation and storage loans				
loan size up to EUR 100,000	8,179	(67)	8,112	0.59%
loan size EUR 100,000 to EUR 250,000	12,595	(83)	12,512	0.91%
loan size more than EUR 250,000	31,080	(3,950)	27,130	1.97%
Total transportation and storage loans	**51,854**	**(4,100)**	**47,754**	**3.46%**
Other economic activities				
loan size up to EUR 100,000	50,325	(1,671)	48,654	3.53%
loan size EUR 100,000 to EUR 250,000	102,937	(4,785)	98,152	7.12%
loan size more than EUR 250,000	345,409	(3,248)	342,161	24.81%
Total other economic activities loans	**498,671**	**(9,704)**	**488,967**	**35.45%**
Total Business loans	**1,248,104**	**(27,394)**	**1,220,710**	88.51%

Housing loans				
loan size up to EUR 100,000	66,463	(1,085)	65,378	4.74%
loan size EUR 100,000 to EUR 250,000	37,354	(556)	36,798	2.67%
loan size more than EUR 250,000	17,045	(235)	16,810	1.22%
Total housing loans	**120,862**	**(1,876)**	**118,986**	**8.63%**
Investment loans				
loan size up to EUR 100,000	4,472	(155)	4,317	0.31%
loan size EUR 100,000 to EUR 250,000	655	(5)	650	0.05%
Total investment loans	**5,127**	**(160)**	**4,967**	**0.36%**
Consumer loans				
loan size up to EUR 100,000	30,037	(995)	29,042	2.11%
loan size EUR 100,000 to EUR 250,000	2,979	(15)	2,964	0.21%
loan size more than EUR 250,000	2,468	(11)	2,457	0.18%
Total Consumer loans	**35,484**	**(1,021)**	**34,463**	**2.50%**
Total Private loans	161,473	(3,057)	158,416	11.49%
Total	**1,409,577**	**(30,451)**	**1,379,126**	**100.00%**

The table below presents contractual size and outstanding amounts of loans and advances to customers as at 31 December 2024:

in '000 GEL (except for number of outstanding loans and loan sizes) **At 31 December 2024**	**Gross amount**	**ECL allowance for impairment**	**Net amount**	**Share of total portfolio**
Wholesale and trade loans				
loan size up to EUR 100,000	44,886	(409)	44,477	3.39%
loan size EUR 100,000 to EUR 250,000	96,465	(1,112)	95,353	7.26%
loan size more than EUR 250,000	317,367	(717)	316,650	24.11%
Total wholesale and trade loans	**458,718**	**(2,238)**	**456,480**	**34.76%**
Agricultural, forestry and fishing loans				
loan size up to EUR 100,000	5,071	(34)	5,037	0.38%
loan size EUR 100,000 to EUR 250,000	8,510	(132)	8,378	0.64%
loan size more than EUR 250,000	10,724	(24)	10,700	0.81%
Total agricultural, forestry and fishing loans	**24,305**	**(190)**	**24,115**	**1.84%**
Production loans				
loan size up to EUR 100,000	24,358	(1,064)	23,294	1.77%
loan size EUR 100,000 to EUR 250,000	50,763	(3,321)	47,442	3.61%
loan size more than EUR 250,000	118,875	(6,198)	112,677	8.58%
Total production loans	**193,996**	**(10,583)**	**183,413**	**13.97%**
Transportation and storage loans				
loan size up to EUR 100,000	6,320	(30)	6,290	0.48%
loan size EUR 100,000 to EUR 250,000	14,908	(54)	14,854	1.13%
loan size more than EUR 250,000	28,186	(3,806)	24,380	1.86%
Total transportation and storage loans	**49,414**	**(3,890)**	**45,524**	**3.47%**
Other economic activities				
loan size up to EUR 100,000	40,168	(1,489)	38,679	2.95%
loan size EUR 100,000 to EUR 250,000	93,372	(4,446)	88,926	6.77%
loan size more than EUR 250,000	352,229	(3,582)	348,647	26.55%
Total other economic activities loans	**485,769**	**(9,517)**	**476,252**	**36.27%**
Total Business loans	**1,212,202**	**(26,418)**	**1,185,784**	**90.30%**
Housing loans				
loan size up to EUR 100,000	59,646	(918)	58,728	4.47%
loan size EUR 100,000 to EUR 250,000	35,297	(664)	34,633	2.64%
loan size more than EUR 250,000	14,308	(207)	14,101	1.07%
Total housing loans	**109,251**	**(1,789)**	**107,462**	**8.18%**
Investment loans				
loan size EUR 100,000 to EUR 250,000	5,669	(183)	5,486	0.42%
loan size more than EUR 250,000	650	(6)	644	0.05%
Total investment loans	**6,319**	**(189)**	**6,130**	**0.47%**

Consumer loans				
loan size up to EUR 100,000	13,475	(361)	13,114	1.00%
loan size EUR 100,000 to EUR 250,000	701	(3)	698	0.05%
Total Consumer loans	**14,176**	**(364)**	**13,812**	**1.05%**
Total Private loans	**129,746**	**(2,342)**	**127,404**	**9.70%**
Total	**1,341,948**	**(28,760)**	**1,313,188**	**100.00%**

The size categories above refer to the amounts originally disbursed to one single borrower.

As at 31 December 2025 and 2024 the Group and the Bank had no borrowers or groups of connected borrowers whose loan balances exceeded 10% of equity.

The following table discloses the changes in the expected credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period:

Consolidated and Separate

in '000 GEL	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as at 1 January 2025	**1,279,637**	**30,642**	**31,385**	**284**	**1,341,948**
New financial assets originated	440,157	-	-	-	**440,157**
Modification of contractual cash flows of financial assets	701	246	18	-	**965**
Derecognitions	(148,190)	(16,580)	(792)	-	**(165,562)**
Write-offs	-	-	(1,596)	-	**(1,596)**
Changes in interest accrual	1,617	583	(118)	-	**2,082**
Repayments	(196,868)	(15,158)	(1,192)	-	**(213,218)**
Transfer from Stage 1 to Stage 2	(74,375)	74,375	-	-	**-**
Transfer from Stage 1 to Stage 3	(15)	-	15	-	**-**
Transfer from Stage 2 to Stage 1	15,657	(15,657)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(5,091)	5,091	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	-	**-**
Foreign exchange and other movements	3,872	212	869	(152)	**4,801**
Gross outstanding amount as at 31 December 2025	**1,322,193**	**53,572**	**33,680**	**132**	**1,409,577**

in '000 GEL	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as at 1 January 2024	**1,126,557**	**33,367**	**37,218**	**464**	**1,197,606**
New financial assets originated	480,750	-	-	-	**480,750**
Modification of contractual cash flows of financial assets	(111)	8	-	-	**(103)**
Derecognitions	(153,013)	(21,066)	(4,147)	-	**(178,226)**
Write-offs	-	-	(4,045)	-	**(4,045)**
Changes in interest accrual	1,194	76	1,190	(18)	**2,442**
Repayments	(158,431)	(11,337)	(6,364)	(173)	**(176,305)**
Transfer from Stage 1 to Stage 2	(43,931)	43,931	-	-	**-**
Transfer from Stage 1 to Stage 3	(65)	-	65	-	**-**
Transfer from Stage 2 to Stage 1	6,801	(6,801)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(7,798)	7,798	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
Transfer from Stage 3 to Stage 1	67	-	(67)	-	**-**
Foreign exchange and other movements	19,819	261	(262)	11	**19,829**
Gross outstanding amount as at 31 December 2024	**1,279,637**	**30,641**	**31,386**	**284**	**1,341,948**

The total amount of loans recoveries of amounts previously written off during the year 2025 was GEL 6,872 thousand (2024: GEL 5,417 thousand).

As at 31 December 2025 the Group and the Bank written-off exposures subject to enforcement activity was GEL 64 thousand (2024: the Group and the Bank had no written-off exposures subject to enforcement activity).

Further analysis of loans is detailed in Note 29.

The table below show reconciliations from the opening to the closing balances of the expected credit loss allowance of loans to customers:

Consolidated and Separate

in '000 GEL	Stage 1	Stage 2	Stage 3	(POCI)	Total
Balance at 1 January 2025	**(5,373)**	**(879)**	**(22,222)**	**(284)**	**(28,758)**
New financial assets originated	(2,252)	-	-	-	**(2,252)**
Release due to derecognition	457	153	309	-	**919**
Transfer from Stage 1 to Stage 2	405	(405)	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	-	**-**
Transfer from Stage 2 to Stage 1	(92)	92	-	-	**-**
Transfer from Stage 2 to Stage 3	-	290	(290)	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	-	**-**
Increase in PDs/LGDs/EaDs	(2,246)	(2,280)	(4,870)	(45)	**(9,441)**
Decrease in PDs/LGDs/EaDs	3,961	1,323	2,860	222	**8,366**
Usage of allowance	-	-	1,596	-	**1,596**
Increase due to modification without derecognition	(3)	(96)	-	-	**(99)**
Decrease due to modification without derecognition	35	1	1	-	**37**
Foreign exchange and other movements	(1)	(16)	(777)	(25)	**(819)**
Balance at 31 December 2025	**(5,109)**	**(1,817)**	**(23,393)**	**(132)**	**(30,451)**

in '000 GEL	Stage 1	Stage 2	Stage 3	(POCI)	Total
Balance at 1 January 2024	**(4,650)**	**(1,484)**	**(22,687)**	**(465)**	**(29,286)**
New financial assets originated	(2,098)	-	-	-	**(2,098)**
Release due to derecognition	491	435	2,561	-	**3,487**
Transfer from Stage 1 to Stage 2	196	(196)	-	-	**-**
Transfer from Stage 1 to Stage 3	1	-	(1)	-	**-**
Transfer from Stage 2 to Stage 1	(33)	33	-	-	**-**
Transfer from Stage 2 to Stage 3	-	149	(149)	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
Transfer from Stage 3 to Stage 1	(1)	-	1	-	**-**
Increase in PDs/LGDs/EaDs	(2,776)	(727)	(13,186)	(60)	**(16,749)**
Decrease in PDs/LGDs/EaDs	3,548	952	7,227	237	**11,964**
Usage of allowance	-	-	4,045	-	**4,045**
Increase due to modification without derecognition	-	(44)	-	-	**(44)**
Decrease due to modification without derecognition	18	2	-	-	**20**
Foreign exchange and other movements	(70)	(1)	(32)	4	**(99)**
Balance at 31 December 2024	**(5,374)**	**(881)**	**(22,221)**	**(284)**	**(28,760)**

Analysis by credit quality of loans outstanding at 31 December 2025 is as follows:

in '000 GEL	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Transportation and storage	Other economic activities	Housing	Investment	Other	Total
Stage 1									
Not in Arrears	417,578	30,263	193,325	42,352	479,986	114,249	4,893	34,188	**1,316,834**
- less than 30 days overdue	943	493	2,609	582	260	388	-	84	**5,359**
Total Stage 1 loans	**418,521**	**30,756**	**195,934**	**42,934**	**480,246**	**114,637**	**4,893**	**34,272**	**1,322,193**
Stage 2									
Not in Arrears	26,145	752	7,213	1,124	7,566	2,323	39	600	45,762
- less than 30 days overdue	1,481	81	89	1,669	359	2,062	19	96	5,856
- 31 to 90 days overdue	-	-	1,004	-	141	743	51	15	1,954
Total Stage 2 loans	**27,626**	**833**	**8,306**	**2,793**	**8,066**	**5,128**	**109**	**711**	**53,572**
Stage 3									
Not in Arrears	68	-	48	-	386	127	23	69	721
- less than 30 days overdue	-	-	4,923	-	58	-	-	20	5,001
- 31 to 90 days overdue	-	-	20	-	307	503	-	59	889
- over 90 days overdue	706	1,775	8,063	6,127	9,476	467	102	353	27,069
Total Stage 3 loans	**774**	**1,775**	**13,054**	**6,127**	**10,227**	**1,097**	**125**	**501**	**33,680**

in '000 GEL	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Transportation and storage	Other economic activities	Housing	Investment	Other	Total
POCI									
Not in Arrears	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**
- over 90 days overdue	-	-	-	-	132	-	-	-	**132**
Total POCI loans	**-**	-	**-**	**-**	**132**	**-**	**-**	**-**	**132**
Less impairment provisions	**(1,962)**	**(1,912)**	**(9,716)**	**(4,100)**	**(9,704)**	**(1,876)**	**(160)**	**(1,021)**	**(30,451)**
Total loans and advances to customers	**444,959**	**31,452**	**207,578**	**47,754**	**488,967**	**118,986**	**4,967**	**34,463**	**1,379,126**

Analysis by credit quality of loans outstanding at 31 December 2024 is as follows:

in '000 GEL	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Transportation and storage	Other economic activities	Housing	Investment	Other	Total
Stage 1									
Not in Arrears	451,266	23,563	176,862	41,228	456,554	104,946	6,033	13,701	**1,274,153**
- less than 30 days overdue	573	-	1,944	1,490	1,378	-	43	56	**5,484**
Total Stage 1 loans	**451,839**	**23,563**	**178,806**	**42,718**	**457,932**	**104,946**	**6,076**	**13,757**	**1,279,637**
Stage 2									
Not in Arrears	4,625	619	1,092	469	17,522	2,342	122	163	**26,954**
- less than 30 days overdue	-	-	1,248	-	435	1,506	5	15	**3,209**
- 31 to 90 days overdue	414	-		-	-	-	-	64	**478**
Total Stage 2 loans	**5,039**	**619**	**2,340**	**469**	**17,957**	**3,848**	**127**	**242**	**30,641**
Stage 3									
Not in Arrears	430	-	109	-	490	130	-	1	**1,160**
- less than 30 days overdue	262	-	-	6,227	4,626	20	6	-	**11,141**
- 31 to 90 days overdue	-	-	166	-	-	-	-	127	**293**
- over 90 days overdue	1,149	123	12,575	-	4,481	307	111	46	**18,792**
Total Stage 3 loans	**1,841**	**123**	**12,850**	**6,227**	**9,597**	**457**	**117**	**174**	**31,386**

in '000 GEL	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Transportation and storage	Other economic activities	Housing	Investment	Other	Total
POCI									
Not in Arrears	**-**	**-**	**-**	**-**	284	**-**	**-**	**-**	**284**
- over 90 days overdue	-	-	-	-	-	-	-	-	**-**
Total POCI loans	**-**	-	**-**	**-**	**284**	**-**	**-**	**-**	**284**
Less impairment provisions	**(2,238)**	**(190)**	**(10,584)**	**(3,890)**	**(9,517)**	**(1,789)**	**(189)**	**(363)**	**(28,760)**
Total loans and advances to customers	**456,481**	**24,115**	**183,412**	**45,524**	**476,253**	**107,462**	**6,131**	**13,810**	**1,313,188**

Impaired loans are classified as:

- Loans past due for more than 90 days
- Non-performing forborne (Impaired restructured loans)
- Court proceedings
- Bankruptcy
- Credit fraud risk (Class 8)
- Other signs of impairment

A client has to be considered impaired as long as the bank considers it unlikely that the obligation will be paid in full without recourse to actions such as realising collateral. Only after an analysis of the behaviour of the obligor and of its financial situation during the healing period, it is possible to assess whether the improvement of the credit quality is factual and permanent. Such an assessment should be performed in particular before reclassification of impaired exposures back to non-impaired status. In order to ensure that sufficient information exists to perform such an assessment and that it is done in a prudent manner minimum periods are specified. The return to non-impaired status cannot be done before 12 consecutive months for impaired restructuring and 3 consecutive months for all other triggers, during which period no impaired conditions are met.

The size categories above refer to the amounts originally disbursed to the groups of connected borrowers.

Analysis by credit risk rating grades at 31 December 2025 is as follows:

Consolidated and Separate

in '000 GEL		Stage 1	Stage 2	Stage 3	(POCI)	Total
Risk classification						
Performing	1	17,774	-	-	-	**17,774**
	2	236,090	-	-	-	**236,090**
	3	462,964	2,274	-	-	**465,238**
	4	297,136	3,532	-	-	**300,668**
	5	121,657	6,364	-	-	**128,021**
Underperforming	6	-	24,549	-	-	**24,549**
	7	-	8,798		-	**8,798**
Defaulted	8	-	-	8,895	-	**8,895**
Non-rated exposures		181,463	6,238	1,392	-	189,093
Balance at 31 December 2025		**1,317,084**	**51,755**	**10,287**	**-**	**1,379,126**

Analysis by credit risk rating grades at 31 December 2024 is as follows:

Consolidated and Separate

in '000 GEL		Stage 1	Stage 2	Stage 3	(POCI)	Total
Risk classification						
Performing	1	26,527	-	-	-	**26,527**
	2	251,357	-	-	-	**251,357**
	3	454,254	2,794	-	-	**457,048**
	4	251,629	1,196	-	-	**252,825**
	5	156,259	2,113	-	-	**158,372**
Underperforming	6	-	17,050	-	-	**17,050**
	7	-	1,960		-	**1,960**
Defaulted	8	-	-	8,469	-	**8,469**
Non-rated exposures		134,237	4,650	693	-	**139,580**
Balance at 31 December 2024		**1,274,263**	**29,763**	**9,162**	**-**	**1,313,188**

Collateral

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 and Bank generally requests the borrowers to provide it.

For loans to customers which are performing, the fair value of collateral was estimated at the inception of the loans and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group and Bank does not necessarily update the valuation of collateral as at each reporting date.

The following tables provide information on collateral securing loans and advances to customers by type of collateral as at 31 December 2025 and 2024:

in '000 GEL **At 31 December 2025**	**Real estate**	**Financial guarantees ***	**Cash collateral**	**Other**	**Guarantors**	**No collateral**	**Total**
Wholesale and trade	377,117	19,772	1,456	9,489	27,999	9,126	444,959
Agriculture, forestry and fishing	16,279	2,133	8,181	604	1,849	2,406	31,452
Production	148,781	24,036	6,300	14,363	12,221	1,877	207,578
Transportation and storage	37,884	1,334	1,201	5,517	972	846	47,754
Other economic activities	446,709	15,668	667	10,065	10,867	4,991	488,967
Housing	116,938	-	-	83	322	1,643	118,986
Investment loans	2,698	-	-	1,908	-	361	4,967
Other	14,285	-	1,291	823	868	17,196	34,463
Total	**1,160,691**	**62,943**	**19,096**	**42,852**	**55,098**	**38,446**	**1,379,126**

in '000 GEL **At 31 December 2024**	**Real estate**	**Financial* guarantees**	**Cash collateral**	**Other**	**Guarantors**	**No collateral**	**Total**
Wholesale and trade	393,162	18,637	324	9,880	29,926	4,552	456,481
Agriculture, forestry and fishing	14,043	2,573	4,976	83	2,070	370	24,115
Production	133,639	24,251	3,505	12,356	8,454	1,207	183,412
Transportation and storage	32,641	2,020	3,904	5,805	885	269	45,524
Other economic activities	432,520	16,904	564	14,202	9,646	2,417	476,253
Housing	106,167	-	183	196	12	904	107,462
Investment loans	3,375	-	-	1,877	86	793	6,131
Other	4,501	-	1,331	709	179	7,090	13,810
Total	**1,120,048**	**64,385**	**14,787**	**45,108**	**51,258**	**17,602**	**1,313,188**

*From international financial institutions.

As at 31 December 2025 and 2024 'Other' collateral consists from: Shares in companies, Movable properties (Vehicles, Equipment), Household Goods, Livestock, Inventory, Receivables.

The tables above exclude overcollateralization and include value of collateral (mainly real estate) for Stage 3 loans, which exceeds the carrying amount of the Stage 3 loans at each reporting date.

If loan is collateralized by multiple type of collateral the collateral should be considered in the indicated order: Cash collateral, Financial Guarantees, Real estate and only last Movable collateral.

Refer to Note 30 for the estimated fair value of each class of loans and advances to customers. For more information on credit risk management and interest rate analysis of loans and advances to customers refer to Note 29.

11. INVESTMENT PROPERTIES

Consolidated

in '000 GEL	2025	2024
Net book value at 1 January	**4,132**	**4,283**
Additions		
Disposals	-	(10)
Depreciation for the year	(142)	(142)
Disposal of depreciation	-	1
Net book value at 31 December	**3,990**	**4,132**
Total acquisition costs	5,870	5,870
Accumulated depreciation	(1,881)	(1,738)
Net book value at 31 December	**3,989**	**4,132**

Rental income in 2025 under operating leases was GEL 1,565 thousand (2024: GEL 1,473 thousand).

Separate

in '000 GEL	2025	2024
Net book value at 1 January	**4,132**	**4,274**
Additions		-
Disposals	-	-
Depreciation for the year	(142)	(142)
Disposal of depreciation	-	-
Net book value at 31 December	**3,990**	**4,132**
Total acquisition costs	5,870	5,870
Accumulated depreciation	(1,881)	(1,738)
Net book value at 31 December	**3,989**	**4,132**

Investment property comprises buildings leased to third parties. These are recognised using the acquisition cost model. Gains and losses on disposals (determined by comparing sale proceeds with carrying amount) are recognised in profit or loss at the time of disposal. As in the previous year, no impairment was recognised for investment property during the 2025 financial year.

Depreciation on Investment property is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Investment property/buildings 2-2.5%

For disclosure purposes a latest fair valuation exercise was carried out for investment properties as of 31 December 2023. The valuation was carried out by external valuators who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. Based on the valuation fair value of the investment properties are estimated to amount USD 4,415,000. As of 31 December 2025 there have been no major changes in the market and the fair value was approximately same. In the process of comparison, they have used comparative analogues (registered sale and/or offer for sale), in which prices were applied adjustments based on the difference between subject assets and analogues. As of 31 December 2025 the Bank engaged an independent external valuation company to perform the valuation of rent prices and assess comparatives. Since market rental prices remained relatively stable during the period the Bank concluded that revaluation was not necessary and that the previously determined fair value remains appropriate.
The fair value estimate is categorized into Level 3 of the fair value hierarchy, because of unobservable adjustments used in the valuation method.

12. INTANGIBLE ASSETS

The development of intangible assets is shown in the following table:

Consolidated and Separate

in '000 GEL	2025	2024
Net book value as at 1 January	**2,152**	**1,992**
Additions	3,665	1,742
Disposal	(1,255)	(1,359)
Amortisation for the year	(1,581)	(1,582)
Disposal of amortisation	1,254	1,359
Net book value as at 31 December	**4,235**	**2,152**
Total acquisition costs as at 31 December	6,308	3,898
Accumulated amortisation as at 31 December	(2,073)	(1,746)
Net book value as at 31 December	**4,235**	**2,152**

Intangible assets consists of software licences.

13. PROPERTY AND EQUIPMENT

The development of property and equipment was as follows:

Consolidated and Separate

in '000 GEL	Land and buildings	Furniture and fixtures	IT and other equipment	Other fixed assets	Total
Net book value at 1 January 2024	**32,498**	**755**	**3,513**	**2,012**	**38,778**
Additions	363	474	3,407	293	4,537
Disposals - at cost	(128)	(151)	(393)	(98)	(770)
Depreciation for the year	(900)	(106)	(1,343)	(331)	(2,680)
Disposals - accumulated depreciation	128	151	393	92	764
Net book value at 31 December 2024	**31,961**	**1,123**	**5,577**	**1,968**	**40,629**
Total acquisition costs	42,117	10,382	17,787	9,450	79,736
Accumulated depreciation	(10,156)	(9,259)	(12,210)	(7,482)	(39,107)
Net book value at 1 January 2025	**31,961**	**1,123**	**5,577**	**1,968**	**40,629**
Additions	2,191	942	623	203	3,959
Disposals - at cost	(190)	(86)	(334)	(52)	(662)
Depreciation for the year	(1,012)	(151)	(1,541)	(368)	(3,072)
Disposals - accumulated depreciation	69	86	334	35	524
Net book value at 31 December 2025	**33,019**	**1,914**	**4,659**	**1,786**	**41,378**
Total acquisition costs	44,117	11,239	18,076	9,601	83,033
Accumulated depreciation	(11,098)	(9,325)	(13,417)	(7,815)	(41,655)
Net book value at 31 December 2025	**33,019**	**1,914**	**4,659**	**1,786**	**41,378**

14. RIGHT-OF-USE ASSETS

Consolidated and Separate

Right-of-use assets

in '000 GEL	2025	2024
Net book value at 1 January	**2,940**	**1,773**
Additions	3,126	1,755
Disposals	(2,986)	(181)
Depreciation for the year	(711)	(588)
Disposals - accumulated depreciation	1,054	181
Net book value at 31 December	**3,423**	**2,940**

The Group and Bank leases branches, service centers and service points. Rental contracts are typically made for fixed periods of 2 to 14 years.

Leases are recognized as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group and Bank.

15. OTHER ASSETS

At 31 December 2025 and 2024, other assets were as follows:

Consolidated

in '000 GEL	31 December 2025	31 December 2024
Accounts receivable from credit card and online payment system companies and money transfer agencies	3,876	2,319
Security deposit	753	788
Other	808	519
Loss allowance for account receivables	(26)	(17)
Total other financial assets	**5,411**	**3,609**
Non-current		
Repossessed properties	-	2,363
Prepayments for court fees and charges, net of provision	375	187
Prepayments for fixed assets	259	614
Current		
Prepayments for various services	3,320	4,149
Inventory and other	599	503
Total other non-financial assets	**4,553**	**7,816**
Total	**9,964**	**11,425**

Separate

in '000 GEL	31 December 2025	31 December 2024
Accounts receivable from credit card and online payment system companies and money transfer agencies	3,876	2,319
Security deposit	753	788
Other	809	519
Loss allowance for account receivables	(26)	(17)
Total other financial assets	**5,412**	**3,609**
Non-current		
Repossessed properties	-	13
Prepayments for court fees and charges, net of provision	375	187
Prepayments for fixed assets	259	614
Current		

Prepayments for various services	3206	3,833
Inventory and other	577	503
Total other non-financial assets	**4,417**	**5,150**
Total	**9,829**	**8,759**

The Group and Bank allocates other financial assets under Stage 1 for the purposes of identifying expected credit loss under IFRS 9 (31 December 2024: Stage 1). ECL is calculated based on a simple average of PD parameters for SMEs in risk classes 1 to 4 and average LGD parameters for small and medium exposures.

ECL at the year ends is shown in the above table.

Refer to Note 30 for the estimated fair value of other financial assets. Information on related party balances is disclosed in Note 32.

16. CUSTOMER ACCOUNTS

Customer accounts consist of deposits due on demand, savings deposits and term deposits. The following table shows a breakdown by customer groups:

Consolidated

in '000 GEL	31 December 2025	31 December 2024
Current accounts	**278,786**	**275,641**
- private individuals	61,029	53,347
- legal entities	217,757	222,294
Savings accounts	**529,845**	**492,520**
- private individuals	208,512	220,391
- legal entities	321,333	272,129
Term deposit accounts	**690,327**	**530,192**
- private individuals	382,198	313,104
- legal entities	308,129	217,088
Other liabilities to customers	**6,170**	**1,996**
Total	**1,505,128**	**1,300,349**

Separate

in '000 GEL	31 December 2025	31 December 2024
Current accounts	**288,648**	**282,969**
- private individuals	61,029	53,348
- legal entities	227,619	229,621
Savings accounts	**529,845**	**492,520**
- private individuals	208,512	220,391
- legal entities	321,333	272,129
Term deposit accounts	**690,327**	**530,192**
- private individuals	382,198	313,104
- legal entities	308,129	217,088
Other liabilities to customers	**6,170**	**1,996**
Total	**1,514,990**	**1,307,677**

At 31 December 2025, the Group and Bank had included pending client transfers of GEL 6,170 thousand (2024: GEL 1,996 thousand) in other liabilities to customers.

The category "legal entities" includes liabilities to non-governmental organisations (NGOs) and public-sector institutions.

The following table shows a breakdown of customer accounts by economic sector:

Consolidated

in '000 GEL	31 December 2025	31 December 2024
Private individuals	651,739	586,843
Trade and services	557,716	502,308
Transportation and communications	108,139	61,317
Construction	90,373	59,941
Manufacture	59,242	48,255
Government	22,456	22,456
Agriculture and forestry	8,577	15,504
Mining and mineral processing	250	318
Other	6,636	3,407
Total	**1,505,128**	**1,300,349**

Separate

in '000 GEL	31 December 2025	31 December 2024
Private individuals	651,739	586,843
Trade and services	567,578	509,635
Transportation and communications	108,139	61,317
Construction	90,373	59,941
Manufacture	59,242	48,255
Government	22,456	22,456
Agriculture and forestry	8,577	15,504
Mining and mineral processing	250	318
Other	6,636	3,408
Total	**1,514,990**	**1,307,677**

At 31 December 2025, the Group and Bank had 256 customers (2024: 219 customers) with balances above GEL 1,000 thousand. The aggregate balance of these customers was GEL 915,086 thousand (2024: GEL 738,745 thousand) or 60.8 % (2024: 56 %) of total customer accounts.

At 31 December 2025, customer accounts included deposits of GEL 19,095 thousand (2024: GEL 14,760 thousand) held as collateral for on-balance exposures and GEL 13,781 thousand (2024: GEL 12,842 thousand) held as collateral for irrevocable commitments under financial and performance guarantees and letters of credit refer to Note 30

Interest rate analysis is disclosed in Note 29. Information on related party balances is disclosed in Note 32. Refer to Note 30 for the estimated fair value of each class of customer accounts.

17. OTHER BORROWED FUNDS

Consolidated and Separate

Liabilities to international financial institutions are an important source of financing for the Group and Bank. Below are reported medium- to long-term loans from international financial institutions:

in '000 GEL

Liabilities with fixed interest rates	Due	31 December 2025	31 December 2024
Ministry of Finance of Georgia	December 2026	287	530
European Investment Bank (EIB)	December 2026	4,985	9,964
European Investment Bank (EIB)	August 2027	9,084	12,594
Council of Europe Development Bank (CEB)	April 2027	15,811	21,940
ProCredit Holding AG	May 2026	24,688	46,141
ProCredit Bank AG, Frankfurt am Main	August 2027	27,179	25,143
ProCredit Bank AG, Frankfurt am Main	May 2027	24,224	-
Total liabilities with fixed interest rates		**106,258**	**116,312**
Liabilities with variable interest rates			
European Bank for Reconstruction and Development(EBRD)	July 2026	9,158	17,046
GREEN FOR GROWTH FUND, SOUTHEAST EUROPE S.A., SICAV-SIF(GGF)	December 2025	-	8,351
ProCredit Bank AG, Frankfurt am Main	July 2026	28,963	26,974
Council of Europe Development Bank (CEB)	March 2029	31,802	36,872
Oesterreichische Entwicklungsbank AG(OEeB)	January 2026	-	12,627
Oesterreichische Entwicklungsbank AG(OEeB)	January 2026	-	11,655
The European Fund For Southeast Europe S.A., SICAV-SIF	June 2027	18,936	29,149
GN FOR GROWTH FUND, SOUTHEAST EUROPE S.A., SICAV-SIF(GGF)	December 2027	10,516	14,572
European Bank for Reconstruction and Development (EBRD)	April 2029	13,568	14,173
European Bank for Reconstruction and Development (EBRD)	April 2029	13,566	14,169
European Bank for Reconstruction and Development (EBRD)	April 2029	15,867	14,663
BlueOrchard Microfinance Fund	September 2030	47,493	-
SOCIÉTÉ DE PROMOTION ET DE PARTICIPATION POUR LA COOPÉRATION ÉCONOMIQUE S.A.(Proparco)	May 2031	25,232	-
SOCIÉTÉ DE PROMOTION ET DE PARTICIPATION POUR LA COOPÉRATION ÉCONOMIQUE S.A. (Proparco)	May 2031	31,620	-
Total liabilities with variable interest rates		**246,721**	**200,251**
Total liabilities		**352,979**	**316,563**

Below table shows maturity analysis of other borrowed funds as at 31 December 2025 and 31 December 2024 based on carrying amount.

As at 31 December 2025 (in '000 GEL)	less than 1 year	1 - 5 years	More than 5 years	Total
Other borrowed funds	68,081	228,045	56,853	**352,979**
As at 31 December 2024(in '000 GEL)	**less than 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
Other borrowed funds	84,190	232,373	-	**316,563**

Refer to Note 30 for the estimated fair value of other borrowed funds. The interest rate analysis is disclosed in Note 29. Information on related party balances is disclosed in Note 32. Undiscounted cash flows are shown in note 29.

18. OTHER LIABILITIES

Consolidated

in '000 GEL	31 December 2025	31 December 2024
Account payable	798	591
Other	1,103	1,587
Total other financial liabilities	**1,901**	**2,178**
Received prepayments and deferred fees from guarantees issued	202	253
Total other liabilities	**2,103**	**2,431**

Guarantee amounts received from EIF against defaulted exposures are reflected in the loan portfolio in 2025.

Note for the separate other liabilities is not materially different from consolidated note, hence one schedule is presented above which provides consolidated balances of other liability as at 31 December 2025 and 2024.

Refer to Note 30 for the estimated fair value of other financial liabilities.

19. PROVISIONS

Provisions are established when we have a present legal or constructive obligation resulting from past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount of provisions represents the best possible estimate, taking into account estimation uncertainties regarding the amount to be paid or the probability of occurrence. The majority our obligations will be settled within a one-year period. Multi-year obligations are discounted at an average interest rate of 9.80%.

Unwinding is recognised as interest expense over time.

Consolidated and Separate

in '000 GEL	Non-financial off-balance sheet transactions	Financial off-balance sheet transactions	Untaken Vacation	Legal Risk	Unbilled services	Other provisions	Total Provisions
Book value as of 1 January 2025	**-**	**106**	**367**	**457**	**5**	**1857**	**2,792**
Used	-	-	(366)	(194)	(5)	(201)	**(766)**
Releases	-	-	-	-	-	-	**-**
Change in Loss allowance	-	(4)	-	-	-	-	**(4)**
Additions	-	-	346	75	20	-	**441**
Unwinding	-	-	-	22	-	14	**36**
Exchange rate movements	-	-	-	-	-	135	**135**
Book value as of 31 December 2025	**-**	**102**	**347**	**360**	**20**	**1805**	**2,634**
Expected amount to be settled later than 12 months	**-**	**-**	**-**	**-**	**-**	**-**	
Expected latest date of settlement	**-**	**102**	**347**	**360**	**20**	**1805**	**2,634**

in '000 GEL	Non-	Financial	Untaken	Legal	Unbilled	Other	Total

	financial off-balance sheet transactions	off-balance sheet transactions	Vacation	Risk	services	provisions	Provisions
Book value as of 1 January 2024	**1,286**	**128**	**365**	**137**	**5**	**249**	**2,170**
Used	-	-	(365)		(5)	-	**(370)**
Releases	(1,286)	-	-	-	-	(77)	**(1,363)**
Change in Loss allowance	-	(23)	-	-	-	-	**(23)**
Additions	-	-	367	299	5	1,669	**2,340**
Unwinding	-	-	-	22	-	16	**38**
Exchange rate movements	-	1	-	(1)	-	-	**-**
Book value as of 31 December 2024	**-**	**106**	**367**	**457**	**5**	**1,857**	**2,792**
Expected amount to be settled later than 12 months	**-**	**-**	**-**	**294**	**-**	**187**	
Expected latest date of settlement	**-**	**-**	**-**	**2026**	**-**	**2027**	

20. INCOME TAXES

Income taxes include current taxes and deferred taxes. Income tax expenses are generally recognised in the consolidated statement of profit or loss, except for items that are recognised directly in equity or in other comprehensive income, net of tax.

Deferred taxes are recognised in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the IFRS consolidated financial statements and their tax bases. Deferred tax assets and liabilities are determined using tax rate that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The applicable income tax rate is 20 % for Georgian financial institutions.

Income tax expenses recorded in profit or loss for the year comprise the following:

Consolidated and Separate

in '000 GEL	2025	2024
Current tax charge	3,332	4,541
Deferred tax charge	186	323
Income tax expense for the year	**3,518**	**4,864**

Reconciliation between the expected and the actual taxation charge is provided below:

in '000 GEL	2025	2024
Profit before tax	**32,227**	**38,083**
Theoretical tax charge at statutory rate of 20%	6,445	7,617
Tax effect of items which are not deductible:	-	
− Non-tax deductible expenses/(income)/ effects of change of tax legislation	(2,927)	(2,753)
Income tax expense for the year	**3,518**	**4,864**

There are no material unrecognised deferred tax assets or liabilities, or any taxes recognised directly in equity or other comprehensive income.

Note for the separate income tax is not materially different from the consolidated note, hence one schedule is presented above which includes consolidated balances related to income taxes as at and for the year ended 2025 and 2024.

21. SUBORDINATED DEBT

Consolidated and Separate

The subordinated debt can be broken down as follows:

in '000 GEL	Due	31 December 2025	31 December 2024
Subordinated debt with variable interest rates			
BlueOrchard Microfinance Fund	December-35	9,341	-
BlueOrchard Impact Credit S.A. SICAV-RAIF	December-35	9,341	-
		18,682	**-**
Subordinated debt with fixed interest rates			
ProCredit Holding AG	October-34	22,479	20,795
ProCredit Holding AG	August-35	19,658	-
		42,137	**20,795**
Total		**60,819**	**20,795**

Creditors' claims to repayment of these liabilities are subordinated to the claims of other creditors. There is no obligation to repay early. In the case of liquidation or insolvency, these creditors will only be paid after the claims of all non-subordinated creditors have first been satisfied.

Refer to Note 30 for the disclosure of the fair value of subordinated debt. The interest rate analysis is disclosed in Note 29. Information on related party balances is disclosed in Note 32.

22. SHARE CAPITAL AND SHARE PREMIUM

Shareholder structure is as follows:

in '000 GEL (except for the number of shares)	31 December 2025			31 December 2024		
Shareholder	**Size of stake in %**	**Number of shares**	**Amount of share capital**	**Size of stake in %**	**Number of shares**	**Amount of share capital**
ProCredit Holding AG	100%	22,496,561	112,483	100%	22,496,561	112,483
Total	**100%**	**22,496,561**	**112,483**	**100%**	**22,496,561**	**112,483**

in '000 GEL (except for the number of shares)	Number of ordinary shares issued	Share capital Amount	Share premium Amount
At 31 December 2024	**22,496,561**	**112,483**	**72,118**
At 31 December 2025	**22,496,561**	**112,483**	**72,118**

In 2025 par value per share were GEL 5 (2024: GEL 5).

Dividends

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 annual and general meetings of the Group. The Group may determine the distribution of annual and interim profits in the form of dividends.

In 2025 dividends were declared and paid GEL 19,000 thousand GEL 0.84 per share (2024: GEL 15,000 thousand).

23. NET DEBT RECONCILIATION

Consolidated and Separate

The table below sets out an analysis of our debt and the movements in our debt for each of the periods presented. The debt items are those that are reported as financing in the statement of cash flows.

	Liabilities from financing activities			
	Other borrowed funds	**Subordinated debt**	**Lease Liabilities**	**Total**
Balance at 1 January 2025	**316,563**	**20,795**	**3,154**	**340,512**
Proceeds	101,294	37,745	-	139,039
Repayments	(82,908)		(930)	(83, 838)
Total changes from financing cash flows	**18,386**	**37,745**	**(930)**	**55,201**
The effect of changes in foreign exchange rates	**19,353**	**1,569**	**(48)**	**20,874**
Other changes				
Interest expense	16,778	2,784	244	19,806
New lease liability	-	-	1,017	1,017
Interest paid	(18,101)	(2,074)	-	(20,175)
Balance at 31 December 2025	**352,979**	**60,819**	**3,437**	**417,235**

	Liabilities from financing activities			
	Other borrowed funds	**Subordinated debt**	**Lease Liabilities**	**Total**
Balance at 1 January 2024	**407,742**	**14,886**	**1,817**	**424,445**
Proceeds	41,869	5,924	-	47,793
Repayments	(130,261)		(758)	(131,019)
Total changes from financing cash flows	**(88,392)**	**5,924**	**(758)**	**(83,226)**
The effect of changes in foreign exchange rates	**(3,175)**	**(326)**	**187**	**(3,314)**
Other changes				
Interest expense	18,992	1,069	140	20,201
New lease liability	-	-	1,768	1,768
Interest paid	(18,604)	(758)	-	(19,362)
Balance at 31 December 2024	**316,563**	**20,795**	**3,154**	**340,512**

Lease liabilities are recognised at the present value of the lease payments not yet made at the reporting date. The lease payments are discounted at the lessee's incremental borrowing rate of interest. They are subsequently measured at amortised cost using the effective interest method.

24. NET INTEREST INCOME

Consolidated and Separate

Included within "net interest income" are interest income and expenses, as well as the unwinding of premiums and discounts on financial instruments at amortised cost.

in '000 GEL

Interest and similar income calculated using effective interest rate method	**2025**	**2024**
Loans and advances to customers	128,387	110,869
Cash and cash equivalents and due from banks	9,213	10,753
Investment in debt securities	8,739	9,448
Total interest income calculated using effective interest rate method	**146,339**	**131,070**

Interest and similar expenses		
Customer accounts	(50,454)	(36,937)

Other borrowed funds	(16,778)	(18,992)
Subordinated debt	(2,784)	(1,069)
Interest expenses on liabilities to banks	(1,022)	-
Lease liabilities	(244)	(140)
Other	(36)	(39)
Total interest expenses	**(71,318)**	**(57,177)**
Net interest income	**75,021**	**73,893**

25. FEE AND COMMISSION INCOME AND EXPENSES

Consolidated and Separate

in '000 GEL

Fee and commission income	**2025**	**2024**
Fee income from trading in foreign currency	17,286	23,126
Payment transfers and cash transactions	3,384	3,461
Account maintenance fee	3,733	3,798
Debit/credit card service fee	2,798	2,887
Letters of credit and guarantees	2,712	2,406
Internet bank fee	20	25
SMS service fee	3	3
Other fee and commission income	120	155
Total fee and commission income	**30,056**	**35,861**
Fee and commission expenses		
Fee expense from trading in foreign currency	(4,209)	(5,638)
Debit/credit card service fee	(5,836)	(5,694)
Account maintenance fee	(2,117)	(1,640)
Letters of credit and guarantees	(1,330)	(2,354)
Payment transfers and transactions	(79)	(51)
Service fee	(140)	(113)
Total fee and commission expenses	**(13,711)**	**(15,490)**
Net fee and commission income	**16,345**	**20,371**

26. OTHER ADMINISTRATIVE EXPENSES

Consolidated and Separate

Other administrative expenses include the following items:

in '000 GEL	**2025**	**2024**
Communication and IT expenses	12,156	10,887
Personnel recruitment, training and other staff-related expenses	6,492	9,295
Consulting and legal services	6,215	4,869
Depreciation and amortization	5,365	4,850
Taxes other than on income	3,033	2,549
Marketing, advertising and entertainment	2,308	3,495
Transport	1,185	1,430
Utilities and electricity	1,124	1,079
Repair and maintenance	805	920
Insurances	371	345
Audit and other financial services	176	162
Office rent	171	132
Security service	33	21
Other	934	813
Total	**40,368**	**40,847**

Administrative expenses above includes GEL 176 thousand (2024: GEL 162 thousand) fees incurred for audit and other professional services provided by Auditor/Audit Firm as defined in the Law of Georgia on Accounting, Reporting and Auditing.

Of the total personnel and administrative expenses, expenses of GEL 2,453 thousand were incurred on staff training and related activities during 2025 (2024: GEL 2,807 thousand).

In 2025 the monthly average number of persons employed by the Group and Bank was 365 people (2024: 336).

Breakdown of monthly average number of employees by categories is as follows:

	2025	2024
Senior Management	4	4
Middle Management	27	24
Other staff	334	308
Total	**365**	**336**
Service contractors	135	120

Consolidated other administrative expenses presented above are not materially different from separate amounts.

27. OTHER OPERATING INCOME AND EXPENSES

Consolidated

(a) *Other operating income*

in '000 GEL	2025	2024
Income from sale of repossessed properties	2,000	1,410
Rental income from investment properties	1,565	1,473
Share of the investee's profit recognized under the equity method	1,324	1,412
Income from reversals of provisions on non-financial off-balance items	-	1,363
Gain from disposal of property, and equipment	113	4
Other operating income	1,216	402
Total	**6,218**	**6,064**

(b) *Other operating expenses*

in '000 GEL	2025	2024
Loss related to write/sale off of repossessed property	3,338	338
Expenses related for deposit insurance fund	775	746
Net foreign exchange translation (loss), gain	262	990
Depreciation of investment property	142	142
Expenses from disposal of property and equipment	67	6
Other operating expense	934	514
Total	**5,518**	**2,736**

Separate

(a) *Other operating income*

in '000 GEL	2025	2024
Share of the investee's profit recognized under the equity method	1,324	1,412
Rental income from investment properties	1,560	1,473
Income from reversals of provisions on non-financial off-balance items	-	1,363
Income from sale of repossessed properties	148	99
Gain from disposal of property, and equipment	113	4
Other operating income	509	411
Total	**3,654**	**4,762**

(b) *Other operating expenses*

in '000 GEL	2025	2024
Loss related to write/sale off of repossessed property	998	7
Expenses related for deposit insurance fund	775	746
Net foreign exchange translation (loss), gain	262	990
Depreciation of investment property	142	142
Expenses from disposal of property and equipment	67	6
Other operating expense	925	514
Total	**3,169**	**2,405**

28. OTHER COMPREHENSIVE INCOME AND EXPENSES

Consolidated and Separate

in '000 GEL	2025	2024
Revaluation reserve fair value changes of FVOCI shares	501	-
Deferred tax on revaluation reserve of FVOCI shares	(100)	-
Total Other Comprehensive income/(Expense)	**401**	**-**

29. FINANCIAL RISK AND CAPITAL MANAGEMENT

Consolidated and Separate unless otherwise indicated.

Management of the Overall Group and Bank Risk Profile – Capital Management

Objectives

Overall, the Group and Bank is not allowed to take on more risk than it is capable of bearing. The capital management of the Group and Bank has the following objectives:

- Ensuring that the Group and Bank is equipped with a sufficient volume and quality of capital at all times to cope with (potential) losses arising from different risks even under extreme circumstances.
- Ensuring full compliance by the Bank with external capital requirements set by the regulator of the Georgian banking sector.
- Meeting the internally defined minimum capital adequacy requirements, as well as keeping capital indicators within the acceptable levels under risk management framework.
- Enabling the Group and Bank to implement its plans for growth while following its business strategy.

Processes and procedures

The capital management of the Group and Bank is governed by the Policy on Capital Management and the Policy on ICAAP (Internal Capital Adequacy Process). To ensure that the above stated objectives are met, the Group and Bank uses four indicators. Aside from regulatory and Basel III/Capital Requirements Regulation (CRR) ratios, the Tier1 leverage ratio and ICAAP are monitored on a monthly and quarterly basis respectively by the General Risk Department and the Parent's General Risk Management Committee.

Compliance with external and internal capital requirements

External minimum capital requirements are imposed and monitored by the local banking supervision authorities of Georgia. Capital adequacy is calculated and reported to the members of the Group and Bank General Risk Management Committee on a quarterly basis. These reports include rolling forecasts to ensure not only current but also future compliance (quarterly). Regulatory Tier 1 and total capital ratios are also reported to the Bank's ALCO on a monthly basis.

As at 31 December 2025 the Group and Bank was in compliance with the regulatory capital adequacy requirements imposed by the NBG. The following table shows the capital adequacy ratios as calculated in

accordance with those requirements:

As at 31 December (Pillar I + Pillar II)	2025 Actual	2025 Requirement	2024 Actual	2024 Requirement
Tier 1 Capital /RWA	19.48%	14.96%	20.07%	14.73%
Tier 1 + Tier 2 Capital /RWA	23.23%	18.47%	21.42%	18.22%

NBG introduced Pillar II buffers which were to be maintained from December 2017. As of 31 December 2025, the minimum requirements including set buffers for Tier 1 equals to 14.96% and for Regulatory capital 18.47% of the total risk weighted assets. Unhedged credit risk is excluded from total risk weighted assets for Pillar I and added as a buffer.
Additionally, capital adequacy is monitored by using a uniform capital adequacy calculation across the ProCredit group. The following table shows the Basel III / CRR capital adequacy ratios of the Group and Bank:

Consolidated:

As at 31 December	2025*	2024*
Tier 1 Capital / RWA	20.05%	21.30%
Tier 1 + Tier 2 Capital / RWA	23.97%	22.75%

in '000 GEL

As at 31 December	2025*	2024*
Ordinary share capital	112,483	112,483
Share premium	72,118	72,118
Prior period retained earnings	134,411	116,193
Profit for first nine months	21,889	26,336
Less other adjustments	(4)	-
Less dividends paid in current year	(19,000)	(15,000)
Less planned dividends in next year	(11,097)	(11,056)
Less intangible assets	(2,134)	(2,152)
Developed software	(2,102)	-
Tier I capital	**306,564**	**298,922**
Adjusted Tier I capital	**306,564**	**298,922**
Subordinated loans	**59,904**	**20,462**
Tier II capital	**59,904**	**20,462**
Total regulatory capital	**366,468**	**319,384**

in '000 GEL

As at 31 December	2025*	2024*
RWA on balance	1,395,106	1,212,141
RWA off balance	26,867	27,189
RWA from CVA	99	36
RWA from operational risk	106,872	164,229
Total RWA	**1,528,944**	**1,403,595**

* These amounts are unaudited.

The Group and Bank uses a combination of straight equity and subordinated debt.

With respect to leveraging, a lower limit for the ratio of Tier 1 capital to recognized and unrecognized exposures (Tier 1 leverage ratio) was introduced in 2011 according to which the leverage ratio of the Group and Bank should not fall below 5%. The Group and Bank's leverage ratio was above 10% throughout the reporting period.

ICAAP

In addition to regulatory capital ratios, the Group and Bank assesses its capital adequacy by using the concept of ICAAP to reflect the specific risk profile of the Group and Bank, i.e. comparing potential losses arising from its operations with its total Resources Available to Cover Risk (RAtCR). The economic capital requirement is

determined on the basis of statistical models or other procedures which enable quantification of the risks incurred. The Bank considers the significant risks which it faces, i.e. credit risk, counterparty risk, interest rate, currency risk and operational risk, to be quantifiable.

According to the changes made in 2023, balance sheet subordinated debt is not added to the risk-taking potential. In order to ensure sufficient internal capital adequacy, a maximum of 80% (limit) of the risk-taking potential was made available as resources (RAtCR) as of 2023 which can be used to cover credit, market and operational risks. Risk-taking potential was GEL 310 million as at 31 December 2025 (2024: GEL 302 million). The Resources Available to Cover Risk (RAtCR) was set at 80% of the risk-taking potential, i.e. GEL 248 million, unaudited for 2025 (2024: GEL 242 million). For calculating potential losses in the different risk categories the following concepts are used:

- Credit risk (clients): Based on a regularly updated migration analysis on the loan portfolio, the historical loss rates are calculated and applied to the current loan portfolio as well as the off-balance portfolio to calculate potential loan losses;
- Counterparty risk: The calculation of potential losses due to counterparty risk is based on the probability of default arising from the respective international rating of the counterparty or its respective country of operation;
- Market risks: Whereas historical currency fluctuations are statistically analysed and the highest variances (99% confidence level) are applied to current currency positions, interest rate risk is measured by the economic value impact which represents the change in present value of the bank's future cash flows which would result in the case of interest rate shock. The economic value risk has a longer term perspective;
- Operational risk: The calculation of economic capital required to cover operational risk on bank level is made according to Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR). The value used for the internal capital adequacy calculation equals the capital charge under the Standardised Approach.

Credit Risk Counterparty, interest rate and currency risk limit utilisation remained low. All risks combined, as quantified by the methods established in the Group and Bank Standards for Bank ICAAP, are below 80% of the Group and Bank's total risk taking potential as defined. Furthermore, for the following aspects a management buffer is built: funding pricing risk, business risk, sum of non-material risks and ESG risks. Management can define in addition an unallocated buffer on top. This combined management buffer is deducted from the RTP before determining the RAtCR. ProCredit Bank differentiates between the total risk-taking potential (RTP) and resources available to cover risk (RAtCR). The differentiation between RAtCR and RTP is intended to cover risks that are not (yet) explicitly included in the calculations at bank level (funding risk, business risk and model risk) and to serve as a "security buffer". For the ProCredit banks the RAtCR are defined as: RAtCR = 80% of RTP.

The table below shows the distribution of the RAtCR among the different risk categories as determined by the Parent's Risk Management Committee and the level of utilisation for the Group and Bank as at the end of December 2025.

Risk Factor	**Risk Detail**	**Limit** (in %) *	**Limit** (in '000 GEL)*	**Actual** (in '000 GEL)*	**Limit Used** (in % of risk taking potential)*
Credit Risk	Credit Risk (Clients)	44.0%	136,461	53,104	17.1%
Counterparty Risk	Sovereign and Commercial Banks	7.0%	21,710	5,882	1.9 %
Market Risk	Interest Rate Risk	13.0%	40,318	10,156	3.3%
Market Risk	Currency Risk	3.0%	9,304	336	0.1%
Operational Risk	Operational Risk	13.0%	40,318	8,550	2.8%
Resources Available to Cover Risk		80.0%	248,111	78,028	25.2%

As at the end of December 2024 the distribution of RAtCR was as follows:

Risk Factor	Risk Detail	Limit (in %)*	Limit (in '000 GEL)*	Actual (in '000 GEL)*	Limit Used (in % of risk taking potential)*
Credit Risk	Credit Risk (Clients)	44.0%	132,940	45,350	15.0%
Counterparty Risk	Sovereign and Commercial Banks	7.0%	21,150	5,001	1.7 %
Market Risk	Interest Rate Risk	13.0%	39,278	4,482	1.5%
Market Risk	Currency Risk	3.0%	9,064	715	0.2%
Operational Risk	Operational Risk	13.0%	39,278	13,138	4.3%
Resources Available to Cover Risk		80.0%	241,710	68,686	22.7%

* These amounts are unaudited.

(a) Credit risk

Credit risk is defined as the danger that the party to a credit transaction will not be able, or will only partially be able, to meet its contractually agreed obligations towards the Group and Bank. As house bank for small and medium businesses, ProCredit bank is lending institution in which loans to customers dominate statement of financial position Consequently, customer credit risk is the most important risk that the Group and Bank faces.

Credit risk is defined as the risk of losses due to a potential non-fulfilment of the contractual payment obligations associated with a customer credit exposure.

The management of credit risk from customer credit exposures is based on a thorough implementation of the following lending principles:

- Analysis of the debt capacity of borrowers.
- Documentation of the credit risk assessments, assuring that the analysis performed can be understood by knowledgeable third parties.
- Avoidance of over indebting the Group and Bank's borrowers.
- Building a personal and long term relationship with the client and maintaining regular contact.
- Regular monitoring of borrower's capacity.
- Monitoring of loan repayment, fulfilment of covenants.
- Practicing effective arrears management.
- Exercising strict collateral collection in the event of default.
- Investing in well-trained and highly motivated staff implementing carefully designed and well-documented processes.
- Application of the "four-eyes principle".

The differentiation between significant and insignificant credit exposures leads to distinct processes in lending for the different types of credit exposures. The processes are distinguished mainly in terms of segregation of duties; the information collected from the clients, ranging from audited Consolidated and Separate to self-declarations; the key criteria for credit exposure decisions based on the financial situation of the borrower. All credit decisions are taken by a credit committee consisting representatives of front and back office staff members.

The core business of the Group and Bank, lending to SME, PI and Very Small clients, necessitated a high degree of standardization in lending processes and ultimately led to a high degree of diversification of these exposures in terms of economic sectors.

The Group and Bank offer financial services to business clients, typically the very small, small and medium-sized businesses which provide livelihoods for many families and which drive economic growth and job creation in country. The group also offers its financial services to ordinary private clients in those countries, primarily to

clients who receive their salaries at the bank, self employed and/or owners of very small, small and medium-sized businesses.

The Group and Bank have developed robust processes for its lending operations under which it is able to successfully manage the specific credit risks. Different methods of credit risk management are applied when dealing with different categories of clients and credit exposures. The key features of the credit processes for business and private clients are as follows: segregation of duties, informational basis for credit analysis, criteria for credit exposure decisions (The decision to grant credit exposures to clients is based mainly on an assessment of the quality and capacity of the management of the Group and Bank, an assessment of creditworthiness, the purpose of the loan, collateral (serves as protection for the Group and the Bank from losses due to a borrower's default).

The quality of the loan portfolio is monitored on an ongoing basis.

The central element of IFRS 9 Impairment Model approach for the Group and Bank is the expected credit loss model for the recognition and measurement of impairment.

The model requires the recognition of expected credit losses in a timely manner to ensure that the amount of expected credit losses recognised at each reporting date reflects the changes in the credit risk of the financial instruments.

As such, the model is forward-looking and credit losses not necessarily triggered by a potential loss event.

Specifically, the model addresses the IFRS 9 requirements on measurement of expected credit losses based on reasonable and supportable information that is available without undue cost or effort, including historical, current and forecasted information.

Credit risk in the context of the calculation of loan loss provisions is quantified by the expected loss due to client default risk. In general, the expected loss (*EL*) is determined by the exposure at default (*EAD*), the probability of a default (*PD*), and the loss rate (*LGD*):
$ECL = EAD \times PD \times LGD.$

Exposure at default:

- Only a part of the off-balance amount might be used in the case of a default. This is quantified by the credit conversion factors (CCF).
- All or a part of the total exposure might be repaid prematurely within the considered time period. This situation is quantified by the methods for full and partial prepayments.

Probability of default:

- The PDs are specified for the relevant time horizon (one year or lifetime). In particular, there is an adaption for maturities below one year.
- PDs are defined for all risk-relevant sub-portfolios (like business, private, or restructured clients), and depend on several client characteristics (like the risk classification for business clients).
- PDs are specified as point-in-time (PiT) forecasts, that is, they take into account the macroeconomic outlook of the upcoming period, and time trend.
- The uncertainty inherent in the macroeconomic outlook of the upcoming period is addressed by considering several macroeconomic scenarios, using them to derive alternative PiT PD forecasts, and applying a weighted average of them as the final parameter for the LLP calculation.

Loss given default:

- LGDs are specified in such a way that allows direct inclusion of collaterals and financial guarantees in the calculation of the loss rate as well as it incorporates explicit modelling of the probability of cured defaults. In addition, this setting accounts for the fact that not all collaterals are sold by the bank after a non-cured default.
- As PDs, LGDs are specified as weighted averages of PiT forecasts based on different scenarios of the macroeconomic outlook.

Loans and advances to customers

Loans and advances to customers are recorded when the Group and Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group and Bank classifies loans and advances to customers into AC category.

Impairment allowances are determined based on the forward-looking ECL models. Note 28 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group and Bank incorporates forward-looking information in the ECL models.

Increase of loss allowances

For the recognition of loss allowances, a three-stage model is used based on expected credit losses.

- Stage 1: All financial assets are generally classified as "Stage 1" at initial recognition except for purchased or originated credit impaired (POCI) assets which are treated and reported separately within Stage 3. The Group and Bank establishes loss allowances in an amount equivalent to the 12 month expected credit losses, insofar as there has not been a significant increase in credit risk since initial recognition. For exposures with a remaining maturity of less than 12 months, the used probability of default (PD) reflects the remaining maturity.
- Stage 2: If the credit risk increases significantly, then "Stage 2" classification is assigned, and loss allowances are established in an amount equivalent to the lifetime expected credit losses.
- Stage 3: Defaulted financial assets are assigned to "Stage 3" and loss allowances are likewise established in an amount equivalent to the lifetime expected credit losses considering a 100% probability of default (lifetime ECL credit impaired). For significant exposures, risk provisioning is determined on the basis of recoverable cash flows. For insignificant exposures, loss allowances are determined on the basis of portfolio-based parameters. Stage 3 also includes financial assets which are already impaired at initial recognition ("POCI"). These are measured initially at fair value and without loss allowances.

This model outlines three stages based on changes in the exposure's credit risk since the date of initial recognition.

Stage 1 includes exposures that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date, including those that transfer back from Stage II due to decrease in credit risk. For these exposures, one-year expected credit losses are recognised in the profit or loss and a loss allowance is established. One-year expected losses refer to the expected credit losses that result from default events possible within 12 months after the reporting date.

For exposures with a remaining maturity of less than 12 months, the used probability of default (PD) reflects the remaining maturity.

Credit exposures are not considered to have low credit risk based on the quantity or quality of collateral used for securitization of that exposure. Loan contracts are also not considered to have low credit risk simply because they have a lower risk of default than other credit products or relative to the credit risk of the jurisdiction within which an entity operates.

All exposures in this stage 1 consist of the portfolio that does not show any signs of increased credit risk.

Stage 2 comprises financial assets for which credit risk has significantly increased since initial recognition, but for which there is no objective indication of impairment. This assessment takes account for appropriate and plausible information. Loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity, i.e. lifetime expected losses (lifetime ECL not credit impaired).

The significant increase in credit risk is established based on both quantitative and qualitative information

Based on the comparison of the remaining lifetime PD of an exposure at each reporting date against its remaining lifetime PD at the date of origination. The loss parameters are based on the internal risk classification system for the rated exposures. A SICR occurs if the difference in PDs exceeds a pre-defined threshold (the threshold is specified as a separate parameter, predetermined threshold for each risk class is set as 2.5) and the respective asset will be transferred from Stage 1 to Stage 2. Inversely, a transfer from Stage 2 to 1 is possible when the associated credit risk is reduced significantly.

Significant increase in credit risk occurs when at least one of the following events is detected:

- customer is in arrears more than 30 days (including DPD 30 during month) but less than 90 days

- performing forborne standard or watch restructuring event(s)

- customer is assigned to Risk Classification 6 / 7

After being transferred into Stage 2, the lifetime expected credit loss must be determined.

Stage 3 includes all exposures that are credit impaired as of the reporting date. The respective calculation of loss allowances is performed based on the lifetime expected credit losses considering a 100% probability of default (lifetime ECL credit impaired).

An exposure is considered as credit impaired and transferred to Stage 3 when the following or similar characteristics apply at the reporting date:

- Exposure more than 90 days past due
- Qualitative and quantitative criteria based on which the bank considers the clients' unlikeliness to pay in full without realising collateral
- Client is assigned to Risk Classification 8
- Non-Performing Forborne (Impaired)
- Bankruptcy procedure is initiated
- The bank has started legal proceedings against the client
- Credit fraud event
- Other signs of impairment

After being transferred into Stage 3, the lifetime expected credit loss considering a 100% probability of default (lifetime ECL credit impaired) must be determined.

Individually insignificant credit exposures

For individually insignificant credit exposures showing signs of impairment, an individualised impairment test is typically not performed, as the operational costs do not justify an extensive impairment test for each of these clients. Instead, the assessment of expected losses is based on the methodology as defined in the Description of the credit risk model for LLPs. Only in exceptional cases may the bank perform an impairment test for individually insignificant credit exposures through an assessment for specific individual impairment.

Individually significant credit exposures are monitored by the respective Credit Committee and Business Client Adviser or Credit Analyst. For such credit exposures, the committee assesses whether objective evidence of impairment exists, i.e.:

- Non-Performing Forborne (Impaired)
- The bank has initiated court procedures.
- Bankruptcy proceedings have been initiated.
- Past due days in arrears of 90 days.
- A credit fraud event.
- A downgrade of risk classification to 8 for all clients with small and medium credit exposures.
- Originated Credit Impairment exposures (POCI) at initial recognition.
- Other signs of impairment.

For individually significant exposures a discounted cash flow approach is applied in order to calculate the respective ECL. Expectations regarding both the timing and the amount of future cash flows are conservative and adequately reflects the uncertainties of the future. In the assessment and measurement of ECL the Group and Bank is using at least two different scenarios based on forward-looking information including macroeconomic factors. This concerns any net expected future payments from the customer and its guarantor (s), as well as expected net recoveries on collateral. The expected direct costs of collateral recoveries is based on actually incurred costs in previous, comparable cases as well as on external standards such as established costs for presenting cases to the court, execution costs as percentages of the collateral value etc. The expected cash inflows from the customer or its guarantor(s) are based on the assessment of the payment capacity of the respective customer or guarantor(s). Additionally, in using multiple scenarios, the client's payment capacity should be affected by one or several relevant macroeconomic indicators.

In cases where a relevant financial analysis showing the payment capacity of the customer or guarantor(s) is not available, only cash flows from collateral are assumed. The amount that can be recovered on collateral and the expected time until recovery is estimated based on the previous relevant experience of the Bank with collateral enforcement on comparable collateral items and forward looking information formed on projected macroeconomic data and the forecasted collateral price. At least two different scenarios are used for focused cash flows received from collateral sales.

Risk classification process

The risk classification system for small and medium clients comprises an important part of the process for determining an increase in credit risk and, consequently, the classification of the loan portfolio. Prior to initial disbursement, each credit exposure is assigned one of the risk classes – 1 to 8 (1 being the best and 8 the worst). Assigning a risk class implies an extensive analysis of multiple qualitative and quantitative criteria at client level, which are assessed in regular basis to identify the increase in credit risk through the classes.

ProCredit grants new loan exposures to performing clients. Additional exposures for clients with risk classification 6, 7 or 8 are not allowed.

	Stage 2	Stage 3 and POCI
At 31 December 2025	**3.8%**	**2.4%**
At 31 December 2024	**2.3%**	**2.4%**

According to the policies of the Bank, usually only short-term credit exposures may be issued without being well collateralised. Credit exposures with a higher risk profile are always covered with solid collateral, typically real estate.

The Group and Bank's policy on the treatment of repossessed property requires that all goods obtained due to customers' defaults be sold to third parties in order to avoid any conflict of interest arising from the below-market valuation of collateral. Also, repossessed property is sold at the highest possible price via public auction, and any remaining balance after the payment of principal, interest and penalty is credited to the customer's account. Most repossessed property consists of land and buildings.

The structure of the loan portfolio is regularly reviewed by the Credit Risk Department, in order to identify potential events which could have an impact on large portion of the loan portfolio (common risk factors) and, if necessary, limit the exposure towards certain sectors of the economy.
The maximum credit exposure which a bank may grant to a single borrower or a group of connected clients other than financial institutions shall only in exceptional circumstances exceed 10% of the bank's total Tier 1 capital. Credit exposures equal to or exceeding 10% of the bank's Tier 1 capital are defined as large credit exposures and the bank shall request the Group Risk Management Committee (or the Risk Management Sub-committee) to authorise in principle the credit exposure before the case is analysed and before the Credit Committee takes a decision on the credit exposure in question. No large credit exposure may exceed 25% of the bank's Tier 1 capital.

Larger credit exposures are analysed and monitored, both by the responsible employees through regular monitoring activities enabling early detection of risks, and through the regular reviews carried out by the Credit Committee. Information about related parties of the borrowers is typically collected prior to lending.

Credit risk from interbank placements and issuer risk

Conceptual risk management framework

The objective of counterparty and issuer risk management is to prevent the Group and Bank from incurring losses caused by the unwillingness or inability of a financial counterparty (e.g. a commercial bank) or issuer to fulfil its obligations towards the Group and Bank. This type of risk is further divided into:

- principal risk: the risk of losing the amount invested due to the counterparty's failure to repay the principal in full on time;
- replacement risk: the risk of loss of an amount equal to the incurred cost of replacing an outstanding deal with an equivalent one on the market;
- settlement risk: the risk of loss due to the failure of a counterparty to honor its obligation to deliver assets as contractually agreed;
- issuer risk: the probability of loss resulting from the default and insolvency of the issuer of a security;
- market price risk: the risk of loss due to the drop of the market value of securities as interest rates increase.

Counterparty and issuer risks evolve especially from the Group and Bank's need to invest its liquidity reserve, to conclude foreign exchange transactions, or to buy protection on specific risk positions. Excess liquidity is placed in the interbank market with short maturities, typically up to three months. Foreign exchange transactions are also concluded with short maturities, typically up to two days. Derivative contracts, which are used to protect the Group and Bank against foreign currency risk, may have maturity of up to one year. Furthermore, as a result of the Group and Bank's efforts to finance its lending activities with retail deposits, there is also an exposure towards the NBG. This is because the NBG requires banks operating in its territory to hold a mandatory reserve on a NBG account, the size of which depends on the amount of deposits taken from customers or other funds used to fund the Group and Bank's operations.

The counterparty and issuer risks are managed according to the Counterparty Risk Management Policy (incl. Issuer Risk), which describes the counterparty/issuer selection and the limit setting process, as well as by the Treasury Policy, which specifies the set of permissible transactions and rules for their processing. As a matter of principle, only large international banks and, for local currency business, local banks with a good reputation and financial standing are eligible counterparties. As a general rule, the Group and Bank applies limits of up to 10% of its regulatory capital for exposures to banking groups in non-OECD countries and up to 25% for those in OECD countries with maximum remaining maturity of 3 months. Higher limits and longer maturities are subject to approval by the Parent's General Risk Management Committee.

The Asset Liability Committee (ALCO) ensures that every counterparty is subject to a thorough analysis, typically conducted by the General Risk Unit in collaboration with the Compliance and Anti-Money Laundering (AML) Unit. If the counterparty is approved, a limit for the maximum exposure is set.

According to the Counterparty Risk Management Policy the Group and Bank is not supposed to conduct any

speculative trading activities. However, for liquidity management purposes, the Group and Bank is allowed to buy and hold securities (treasury bills and certificates of deposits). The inherent issuer risk is managed by the provisions of the Treasury Policy. Among other requirements, the policy stipulates that the securities in GEL should preferably be issued by the Government of Georgia or the NBG, or in case of foreign currency by international and/or multinational institutions with very high credit ratings (i.e. an international rating of AA- or better).

The following table provides an overview of the types of counterparties and issuers with whom the Group and Bank concludes transactions.

in '000 GEL	31 December 2025	In %	31 December 2024	In %
Banking groups	**226,713**	**30%**	**180,692**	**34%**
OECD banks	184,347	24%	115,530	22%
Non-OECD banks	42,366	6%	65,162	12%
NBG	**415,806**	**55%**	**286,193**	**53%**
Mandatory reserve	295,830	39%	224,526	42%
Other exposures	119,976	16%	61,667	11%
Government of Georgia	**110,415**	**15%**	**70,637**	**13%**
Treasury bills	110,415	15%	70,637	13%
Total counterparty and issuer exposure	**752,934**	**100%**	**537,522**	**100%**

The exposure to the NBG is primarily related to the mandatory reserve requirement which makes up 71% (2024: 78%) of the NBG's exposure. The distribution of the NBG and government exposures across currencies can be seen in the following table:

in '000 GEL

31 December 2025	**GEL**	**EUR**	**USD**	**Total**
NBG	**119,716**	**102,686**	**193,405**	**415,807**
Mandatory reserve	-	102,579	193,251	295,830
Balances at NBG excluding mandatory reserves	80,143	107	154	80,404
Certificates of deposits of NBG	39,573	-		39,573
Government of Georgia	**110,415**	**-**	**-**	**110,415**
	230,131	**102,686**	**193,405**	**526,222**

in '000 GEL

31 December 2024	**GEL**	**EUR**	**USD**	**Total**
NBG	**61,661**	**67,397**	**157,135**	**286,193**
Mandatory reserve	-	67,393	157,133	224,526
Balances at NBG excluding mandatory reserves	41,808	4	2	41,814
Certificates of deposits of NBG	19,853	-		19,853
Government of Georgia	**70,637**	**-**	**-**	**70,637**
	132,298	**67,397**	**157,135**	**356,830**

(b) Liquidity risk

"Liquidity risk' is the risk that the Group and Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financials asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's and Bank's operations and investments.

The liquidity risk management (LRM) system is tailored to the specific characteristics of the Group and Bank. Portfolio of loans given comprises of large number of short and medium-term exposures to small and medium sized businesses. The majority of the loans are disbursed as annuity term loans and have low default rates. This leads to highly diversified, reliable cash inflows. The usage of financial markets instruments is low. All of these factors limit possible liquidity risk concentrations and warrant a relatively simple and straightforward LRM system.

Liquidity risk in the narrowest sense (risk of insolvency) is the danger that the Group and Bank will no longer be able to meet its current and future payment obligations in full, or in a timely manner. Liquidity risk in a broader sense (funding risk) is the danger that additional funding can no longer be obtained, or can only be obtained at increased market interest rates.
The ALCO determines the liquidity strategy of the Group and Bank and sets the liquidity risk limits. The Treasury and Cash Management Department manage the Group and Bank's liquidity on a daily and is responsible for the execution of the ALCO's decisions. Compliance with strategies, policies and limits are constantly monitored by the General Risk Department.

In addition to the requirements set by the local regulatory authorities, the standards that the Group and Bank apply in this area are guided by the Liquidity Risk Management Policy and the Treasury Policy. Both policies were first implemented by the Group and Bank in 2009 and are updated on an annual basis. These policies are also in line with the Principles for Sound Liquidity Risk Management defined by the Basel Committee on Banking Supervision EU regulation 575/2013 [Capital Requirement Regulation -CRR] and EU directive 2013/36/EU [Capital Requirement Directive - CRD IV]. Limit breaches and exceptions to these policies are subject to decisions of the Parent's ALCO and Parent's General Risk Management Committee.

The key tools for measuring liquidity risks includes a forward-looking liquidity gap analysis, which shows the contractual maturity structure of assets and liabilities and estimates future funding needs based on certain assumptions.

Starting with the estimation of future liquidity in a normal financial environment, the assumptions are increasingly tightened in order to analyse the Group and Bank's liquidity situation in adverse scenarios (stress tests). Based on the gap analyses, a set of key liquidity risk indicators and early warning indicators are calculated on daily and monthly basis and are closely monitored.

The main indicator of short-term liquidity is the sufficient liquidity indicator (SLI), which compares the amounts of assets available and liabilities assumed to be due within the next 30 days. The indicator must be above 1, which implies that the Group and Bank has sufficient funds to repay the liabilities simulated to be due within the next 30 days. This is complemented by the indicators, which was implemented in 2018 – "survival period", which is the time-period during which the bank can meet all its payments due without needing to generate additional (i.e. still not contracted) funds, i.e. the period within which the bank does not have negative liquidity gaps in any of the time-buckets. The defined minimum survival period limits are at least 90 days on total currency level, as well as on total hard currency level and local currency level.

The Group and Bank also analyses its liquidity situation from a more structural perspective, considering the liquidity gaps of the later time buckets and additional sources of potential liquidity. The respective key indicator is defined as the Liquidity Position.

In addition to prescribing the close monitoring of these early warning indicators, the Liquidity Risk Management Policy also defines reporting triggers related to interbank market indicator, negative short-term liquidity gap, deposit concentration NSFR and Liquidity Coverage Ratio (set forth under Basel III), also several external indicators. If one of the reporting triggers is passed the ALCO or General Risk Management Committee must be involved in decisions on appropriate measures.

To safeguard the liquidity of the Group and Bank even in stress situations, the potential liquidity needs in different scenarios are determined. The result is analysed and on this basis the Group and Bank's liquidity reserve target is determined by the ALCO. The results of these stress tests are also used to determine liquidity standby lines provided by the Parent to the Group and Bank if necessary.

The Group and Bank also aims to diversify its funding sources. Depositor concentrations are monitored to avoid dependencies on a few large depositors.

The Group and Bank also minimizes its dependency on the interbank market. The Group and Bank's policies stipulate that the total amount of interbank liabilities should not be higher than the minimum of 4% of total liabilities of the bank / EUR 20m. In addition, total amount of overnight funding should not be higher than the minimum of 3% of total liabilities / EUR 15m. Higher limits need to be approved by the Parent's ALCO.

The following tables show the remaining contractual maturities of the undiscounted financial assets and financial liabilities. The remaining contractual maturity is defined as the period between the reporting date and the contractually agreed due date of the asset or liability, or the due date of a partial payment under the contract for an asset or liability.

in '000 GEL **At 31 December 2025**	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 -5 years**	**More than 5 years**	**Total gross amount inflow (outflow)**	**Carrying amount**
Non-derivative Financial Assets							
Cash and balances with the NBG (reserve)	370,704	21,412	97,785	22,609	1,073	513,583	513,534
Due from banks	147,607	-	-	-	-	147,607	147,566
Loans and advances to customers	47,980	117,687	450,966	772,992	342,061	1,731,686	1,379,126
Investments in debt securities	34,627	22,997	72,978	26,652	-	157,254	149,987
Other financial assets	4,658	-	-	-	753	5,411	5,411
- Inflow	4,810		-	-	-	4,810	3
- Outflow	(4,813)		-	-	-	(4,813)	(7)
Total Financial Assets	**605,573**	**162,096**	**621,729**	**822,253**	**343,887**	**2,555,538**	**2,195,620**
Non-derivative Financial Liabilities							
Customer accounts	891,952	94,722	432,572	100,015	4,745	1,524,006	1,505,128
Other borrowed funds	4,796	12,196	121,016	233,108	5,781	376,897	352,979
Other financial liabilities	1,901	-	-	-	-	1,901	1,901
Lease liability	51	164	546	1,653	1,565	3,979	3,437
Subordinated debt	-	2,638	6,263	51,173	63,846	123,920	60,819
Total Financial Liabilities	**898,700**	**109,720**	**560,397**	**385,949**	**75,937**	**2,030,703**	**1,924,264**
Liquidity Gap	**(293,127)**	**52,376**	**61,332**	**436,304**	**267,950**		
Cumulative Liquidity Gap, excluding credit related commitments and guarantees	**(293,127)**	**(240,751)**	**(179,419)**	**256,885**	**524,835**		
Credit related commitments and guarantees	**169,560**	**-**	**-**	**-**	**-**	**169,560**	

in '000 GEL **At 31 December 2024**	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 -5 years**	**More than 5 years**	**Total gross amount inflow (outflow)**	**Carrying Amount**
Non-derivative assets Financial Assets							
Cash and balances with the NBG (reserve)	293,293	11,626	44,519	21,861	1,720	373,019	372,999
Due from banks	121,730	10	-	-	-	121,740	121,605
Loans and advances to customers	37,342	113,389	442,461	703,662	322,815	1,619,669	1,313,188
Investments in debt securities	14,979	19,920	34,986	28,241	-	98,126	90,490
Other financial assets	2,821	-	-	-	788	3,609	3,609
- Inflow	4,562		-	-	-	4,562	1
- Outflow	(4,570)		-	-	-	(4,570)	(9)
Total Financial Assets	**470,157**	**144,945**	**521,966**	**753,764**	**325,323**	**2,216,155**	**1,901,883**
Non-derivative Financial Liabilities							
Due to banks	-	-	-	-	-	-	-
Customer accounts	843,977	67,764	259,481	127,421	10,026	1,308,669	1,300,349
Other borrowed funds	13,256	10,558	68,789	244,530	-	337,133	316,563
Other financial liabilities	1,852	125	201	-	-	2,178	2,178
Lease liability	47	171	605	1,960	545	3,328	3,154
Subordinated debt	-	-	1,927	7,714	30,104	39,745	20,795
Total Financial Liabilities	**859,132**	**78,618**	**331,003**	**381,625**	**40,675**	**1,691,053**	**1,643,039**
Liquidity Gap	**(388,975)**	**66,327**	**190,963**	**372,139**	**284,648**		
Cumulative Liquidity Gap, excluding credit related commitments and guarantees	**(388,975)**	**(322,648)**	**(131,685)**	**240,454**	**525,102**		
Credit related commitments and guarantees	**151,567**	**-**	**-**	**-**	**-**	**151,567**	

Customer Accounts of Group consists from Current account of subsidiary , LLC ProCredit Properties for amount of GEL 9,862 thousand at 31 December 2025 (2024: GEL 7,327 thousand)

The Group/Bank'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 current accounts within 'Customer accounts' amounted to GEL 280,576 thousand (2024: GEL 277,635 thousand). Within amounts of the customer accounts for the period of the preceding four years on a monthly basis, current accounts end-of-month balances have not fallen below GEL 208,575 thousand. Significant part of total current accounts represents current accounts from legal entities (around 76%) which historically are of long-term nature.

The Parent's financial risk management team together with the Group/Bank' risk management conducts historical analysis, annually to determine cash flow behavior of customer accounts. Based on the result of this analysis, the outflow rates are applied on customer accounts. The Group/Bank performs regular estimation and stress test analysis of liquidity position for all financial assets and liabilities including customer accounts. Based on expected liquidity analysis Bank maintains robust liquidity position for next 12 months from the date these Consolidated and Separate Financial Statements are authorized for issues. The longer-term liquidity and funding needs are covered in the 5-year business plan.

As at 31 December 2025, the Group and Bank was in compliance with the sufficient liquidity indicator limit set at 1 (trigger set at 1.2) according to the Liquidity Risk Management Policy as well, as with "survival period" limit set at 120 days.

As mentioned above, the Group and Bank also performs stress test calculations in order to safeguard its liquidity. The result is analyzed and the Group and Bank's liquidity reserve target is determined by ALCO. The results of the stress tests are also used to determine liquidity stand-by lines provided by the Parent to the Group and Bank if necessary.

The Group and Bank aims to rely primarily on customer deposits for its funding. This source is supplemented by funding received from international financial institutions (IFIs), such as the CEB, EFSE, EIB, GGF, Proparco, Blueorchard and EBRD which provide earmarked funds under targeted financing programmes (e.g. for lending to SMEs). In order to further diversify its sources of funds, the Group and Bank also maintains relationships with other banks, especially for short-term liquidity lines. In addition, the Parent and also ProCredit Bank Germany provide short- and long-term funding.

To maintain a high level of diversification among its customer deposits, the Group and Bank has implemented a deposit concentration indicator, which is the share of deposits of 5 largest non-financial customer depositors or of all non-financial customer depositors having more than 1% share in the total non-financial customer deposit portfolio which can be withdrawn in the next 30 days in the total non-financial customer deposits. Customers excluding financial institutional clients include all private individuals and legal entities, excluding financial institutional clients. Financial institutional clients are the ones which are assigned to the client category "Institutional" and sub-category "Financial and insurance activities".

The table below shows the approximate distribution of funding sources as at 31 December 2025and 2024. It shows that, as mentioned above, customer deposits are by far the largest source of funds. Other main sources of funding are liabilities to the companies under Parent's control and IFIs.

In %	31 December 2025	31 December 2024
Customer deposits	80.9%	80.3%
Liabilities to the companies under Parent's control	5.6%	6.1%
Liabilities to IFIs	13.4%	13.5%
Other liabilities	0.1%	0.1%

Overall, the Group and Bank considers its funding sources to be sufficiently diversified, especially given that the bulk of the funds are provided by a large number of customer deposits.

I. Funding risk

The business plan, which is reviewed annually, serves as the basis for determining medium-term funding needs in regard to both equity and debt financing for the Group and Bank. To ensure sufficient liquidity at all times, the Parent holds a liquidity reserve, which can be tapped in case of emergency.

The Group and Bank still considers funding risk to be low due to strong reliance on customer deposits as well as the fact that the Group and Bank continues to access funding from various international sources.

(c) Market risk

Market price risk for the Group and Bank is defined as currency risk (i) and interest rate risk (ii).

(i) Currency risk

The assets and liabilities of the Group and Bank are denominated in more than one currency. If the assets and liabilities in one currency do not match, the Group and Bank has an open currency position (OCP) and is exposed to potentially unfavorable changes in exchange rates.

Due to the still developing financial market, a history of high inflation and exchange rate fluctuations a considerable part of private savings in Georgia is held in USD or EUR. Also, loans in USD and EUR which are available at (nominally) lower interest rates and have longer maturities (as compared to GEL loans) still play an important role in the financing of many of the country's businesses. As a result, foreign currencies play a major role in the Group and Bank's operations.

Currency risk management is guided by the Foreign Currency Risk Management Policy. This policy was first implemented by the Group and Bank in 2009 and is updated on an annual basis. Its adherence to this policy is constantly monitored by the Parent's financial risk team at the group level, and amendments as well as exceptions to this policy are decided by the Parent's ALCO or General Risk Management Committee.

The Treasury and Cash Management Department is responsible for continuously monitoring the developments of exchange rates and foreign currency markets. The Treasury and Cash Management Department also manages the currency positions of the Group and Bank on a daily. As a general principle, all currency positions should be kept as low as possible at end-of-day; long or short positions for speculative purposes are not permitted. According to the Treasury Policy, derivatives may only be used for hedging purposes to close positions of the Group and Bank as well as for liquidity purposes. Permissible foreign exchange derivatives are currency forwards (including non-deliverable forwards) and currency swaps. The Group and Bank's foreign currency exposures are monitored and controlled on a daily basis by the Treasury back office and General Risk Department.

Developments in the foreign exchange markets and the currency positions are regularly reported to the ALCO, which is authorised to take strategic decisions with regard to Treasury activities. In cases where exceptions to the Group and Bank's policy may be necessary or violations to the limits may have occurred, the General Risk reports to the Parent's ALCO or General Risk Management Committee and proposes appropriate measures.

The Group and Bank aim to keep currency positions as low as possible and ensures that an open currency position always remains within the limits. For the purpose of currency risk management the Group and Bank has established two levels of control: early warning indicators and limits. In cases where the positions cannot be brought back below 5% of the CRR capital for a single currency, or 7.5% for the aggregate of all currencies, the bank's ALCO and the Parent's ALCO must be informed and appropriate measures taken. This mechanism helps to ensure that the Group and Bank's total Open currency position (OCP) does not exceed 10% of CRR capital. Exemptions from the limit or strategic positions are subject to approval by the Parent's ALCO or General Risk Management Committee.

The Group's OCPs were within the aforementioned limits as at 31 December 2025.

The following significant exchange rates applied during the year:

in GEL	Average rate 2025	Average rate 2024	Reporting date spot rate 31 December 2025	Reporting date spot rate 31 December 2024
Group exchange rates				
USD 1	2.7414	2.7193	2.6893	2.8137
EUR 1	3.0957	2.9423	3.1599	2.9232

The Consolidated financial statements of the Group are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that statement of financial position.

The Group exchange rates are obtained from the Bloomberg FX rates as published at 16:00 CET.

The following tables show the distribution of financial monetary assets and liabilities across its material operating currencies:

in '000 GEL As at 31 December 2025	EUR	USD	Other currencies	GEL	Total
Assets					
Cash and balances with the NBG (including Mandatory reserve deposits with NBG)	144,107	268,783	3,687	96,957	513,534
Investments in debt securities	-	-	-	149,987	149,987
Due from banks	69,542	78,024	-	-	147,566
Loans and advances to customers	368,386	499,687	-	511,053	1,379,126
Other financial assets	1,029	2,735	-	1,647	5,411
Total financial assets	**583,064**	**849,229**	**3,687**	**759,644**	**2,195,624**
Liabilities					
Customer accounts	217,599	799,749	3,870	483,910	1,505,128
Other borrowed funds	320,858	27,135	-	4,986	352,979
Subordinated debt	42,137	18,682	-	-	60,819
Lease liability	-	3,347	-	89	3,436
Other financial liabilities	623	29	-	1249	1,901
Total financial liabilities	**581,217**	**848,942**	**3,870**	**490,234**	**1,924,263**
Net position	**1,847**	**287**	**(183)**	**269,410**	**271,361**
The effect of derivatives	**632**	**405**	**307**	**(1,348)**	**(4)**
Net position after derivatives	**2,479**	**692**	**124**	**268,062**	**271,357**

in '000 GEL As at 31 December 2024	EUR	USD	Other currencies	Local currency	Total
Assets					
Cash and balances with the NBG (including mandatory reserve)	99,522	213,705	4,074	55,698	372,999
Investments in debt securities	-	-	-	90,490	90,490
Due from banks	40,930	50,668	-	30,007	121,605
Loans and advances to customers	328,494	513,448	-	471,246	1,313,188
Other financial assets	575	2,090	-	944	3,609
Total financial assets	**469,521**	**779,911**	**4,074**	**648,385**	**1,901,891**
Liabilities					
Due to banks					
Customer accounts	192,190	723,779	4,302	380,078	1,300,349
Other borrowed funds	253,975	52,624	-	9,964	316,563
Subordinated debt	20,795	-	-	-	20,795
Lease liability	-	3,154	-	-	3,154
Other financial liabilities	1,272	16	-	890	2,178
Total financial liabilities	**468,232**	**779,573**	**4,302**	**390,932**	**1,643,039**
Net position	**1,289**	**338**	**(228)**	**257,453**	**258,852**
The effect of derivatives	**877**	**2,191**	**308**	**(3,384)**	**(8)**
Net position after derivatives	**2,166**	**2,529**	**80**	**254,069**	**258,844**

Customer Accounts of Group consists from Current account of subsidiary LLC ProCredit Properties for amount of GEL 9,862 thousand at 31 December 2025 (2024: GEL 7,327 thousand).
In order to identify maximum expected losses associated with currency fluctuations (USD and EUR), seven years of historical currency movements are statistically analyzed and considered to be reasonably possible at the reporting date. Historical rate of fluctuation is used to stress the net foreign currency position subject to 99% and 95% confidence levels.

1-year holding period are applied to current currency positions:

in '000 GEL

As at 31 December 2025	95% confidence	99% confidence
Maximum loss (VaR)	378	491
Average loss in case confidence interval is exceeded	377	439

in '000 GEL

As at 31 December 2024	95% confidence	99% confidence
Maximum loss (VaR)	717	985
Average loss in case confidence interval is exceeded	757	899

During 2025, the local currency appreciated by 4.4% against USD and depreciated by 8.1% against EUR. The Bank maintains its "closed-positions" policy, any fluctuations on the foreign currency markets will have a minor effect on the Bank's financial results.

ii. Interest rate risk

Interest rate risk specifies the risk that movements in market interest rates will adversely affect the Bank's economic value and its interest earnings and eventually capital. Interest rate risk arises from structural differences between the maturities of assets and those of liabilities. The average maturity of loans typically exceeds that of customer deposits, thus exposing the Group to interest rate risk as described above. In order to keep the interest rate risk at acceptable level, the most of the Group's short-term loans are offered at fixed interest rates while loans with longer maturities are disbursed with floating interest rates. Given that financial instruments to mitigate interest rate risks (hedges) are only available for hard currencies such as EUR and USD, this requires the Group to closely monitor interest rate risk.

The Group's and Bank's approach to measuring and managing interest rate risk is guided by the Interest Rate Risk Management Policy.

There are two indicators, which the bank uses for managing interest rate risk: economic value impact and interest earnings indicator.

Economic value risk

The economic value of the Bank is the net present value of all future expected cash flows, i.e. the present value of expected cash inflows from assets minus the present value of expected cash outflows from liabilities. The present value of expected cash flows that depend on interest rates from the Bank's off-balance sheet items is also considered. Economic value risk is the risk that the net present value of expected cash flows from already contracted interest rate sensitive assets and liabilities will decrease.

The economic value risk is measured by the economic value impact which represents the change in present value of the bank's future cash flows which would result in the case of an interest rate shock. The economic value risk has a longer-term perspective and therefore identifies the risk arising from long term re-pricing. The size of the economic value impact depends on the repricing structure and characteristics of interest sensitive assets and liabilities, as well as on the assumed interest rate change.

Interest earnings risk

Interest earnings risk considers how changes in interest rate could affect the Bank's profitability over a defined time horizon given its current re-pricing structure. The interest earnings risk has a short-term perspective (up to one year) and identifies the risk arising from shorter term re-pricing mismatches. It is measured by the interest earnings impact, factoring in also the effect of fair-value change of financial instruments.
For EUR or USD, a parallel shift of the interest rate curve by +/- 200 bps is assumed. For the local currency, the definition of a shock is derived from historic interest rate volatilities over the last seven deviations from the Interest Rate Risk Policy and violations of interest rate limits are subject to approval by the Parent's General Risk Management Committee.

The Group's interest rate risk position is monitored by the General Risk Management Committee and ALCO. The indicators are also reported to the Parent's General Risk Management Committee.

Beyond monitoring and limiting interest rate risk in the sense of re-pricing risk, the Group also aims to align the maturities of its assets and liabilities which generate interest earnings and interest expenses.

The table below presents the aggregated amounts of the Group's and the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest re-pricing or maturity dates.

in '000 GEL **As at 31 December 2025**	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 -12 months**	**1 -5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Assets								
Cash and balances with the NBG (including Mandatory reserve deposits with NBG)	408,609	-	-	-	-	-	104,925	**513,534**
Due from banks	147,506	-	-	-	-	-	60	**147,566**
Investments in debt securities	34,018	22,522	53,530	17,030	22,354	-	533	**149,987**
Loans and advances to customers	68,790	337,526	246,103	299,273	410,211	10,211	7,012	**1,379,126**
Other financial assets							5,411	**5,411**
Total financial assets	**658,923**	**360,048**	**299,633**	**316,303**	**432,565**	**10,211**	**117,941**	**2,195,624**
Liabilities								
Customer accounts	605,536	90,091	132,263	275,853	91,150	3,106	307,129	**1,505,128**
Other borrowed funds	9,021	80,805	162,654	33,213	63,403	-	3,883	**352,979**
Other financial liabilities	-	-	-	-	-	-	1,901	1,901
Lease liability	-	-	-	-	-	-	3,437	3,437
Subordinated debt	-	18,959	18,637	-	22,119		1,104	**60,819**
Total liabilities	**614,557**	**189,855**	**313,554**	**309,066**	**176,672**	**3,106**	**317,454**	**1,924,264**
Net interest sensitivity gap	**44,366**	**170,193**	**(13,921)**	**7,237**	**255,893**	**7,105**		

in '000 GEL **As at 31 December 2024**	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 -12 months**	**1 -5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Assets								
Cash and balances with the NBG (including mandatory reserve)	317,118	18	-	-	-	-	55,863	372,999
Due from banks	93,434	28,136	-	-	-	-	35	121,605
Investment securities available-for-sale	14,932	19,785	9,681	23,691	22,354	-	47	90,490
Loans and advances to customers	192,744	172,835	221,754	293,714	414,026	9,940	8,175	1,313,188
Other financial assets							3,609	3,609
Total financial assets	**618,228**	**220,774**	**231,435**	**317,405**	**436,380**	**9,940**	**67,729**	**1,901,891**
Liabilities								
Customer accounts	563,743	64,093	88,343	162,629	111,397	9,556	300,588	1,300,349
Other borrowed funds	40,085	38,624	104,309	30,908	97,286	-	5,350	316,563
Other financial liabilities	-	-	-	-	-	-	2,178	2,178
Lease liability	42	162	567	1,860	522	-	-	3,154
Subordinated debt	-	-		-	20,462		333	20,795
Total liabilities	**603,870**	**102,879**	**193,219**	**195,397**	**229,667**	**9,556**	**308,449**	**1,643,039**
Net interest sensitivity gap	**14,358**	**117,895**	**38,216**	**122,008**	**206,713**	**384**		

Customer Accounts of Group consists from Current account of subsidiary LLC ProCredit Properties for amount of GEL 9,862 thousand at 31 December 2025 (2024: GEL 7,327 thousand).

In quantitative terms, the risks associated with interest rate fluctuations are currently limited by stipulating that the interest rate risk exposure (economic value impact in present value) of the Group and the Bank following an interest rate shock of +/- 200 bps on EUR/USD and historical worst case for local currency, may not exceed 15% of total capital for all currencies. As at 31 December 2025, the Group and the Bank were in compliance with these requirements. Cumulative interest earnings impact for 12 months shows the following figures as at 31 December 2025:

in '000 GEL	Impact on profit or loss (equals impact on equity)			
	Probable adverse case scenario		Stress scenario	
	2%	-2%	5.5%	-5.5%
EUR	-	(0)	-	(0)
USD	-	(704)	-	(324)
GEL	-	(6,496)	-	(12,079)
	-	**(7,200)**	**-**	**(12,403)**

As at 31 December 2024, the impact of cumulative interest earnings was as follows:

in '000 GEL	Impact on profit or loss (equals impact on equity)			
	Probable adverse case scenario		Stress scenario	
	2%	-2%	5%	-5%
EUR	-	(1,021)	-	(1,185)
USD	-	(208)	-	(675)
GEL	-	(4,676)	-	(8,437)
	-	**(5,905)**	**-**	**(10,297)**

The scenarios for interest rate sensitivity calculations are taken from Basel regulations.

The Group and Bank monitors interest rates for its financial instruments by each major currency. The table below summarises average interest rates based on reports reviewed by key management personnel:

At 31 December 2025 in % p.a.	**EUR**	**USD**	**GEL**
Financial assets			
Due from banks	1.67	3.22	-
Loans and advances to customers	7.10	8.29	12.97
Financial liabilities			
Customer accounts	1.45	3.35	6.80
Other borrowed funds	4.20	6.21	8.45
Subordinated debt	9.20	9.60	-

At 31 December 2024 in % p.a.	**EUR**	**USD**	**GEL**
Financial assets			
Due from banks	2.50	4.21	8.60
Loans and advances to customers	6.61	7.32	11.47
Financial liabilities			
Customer accounts	0.89	2.75	5.85
Other borrowed funds	4.66	7.00	8.45
Subordinated debt	9.29	-	-

iii. Country risk

Country risk is defined as the risk that the Group and the Bank may not be able to enforce rights over certain assets in a foreign country (expropriation risk) or that a counterparty in a foreign country is unable to perform an obligation because specific political, economic or social risks prevailing in that country have an adverse effect on the credit exposures (transfer and convertibility risk). Given the nature of the Group's and the Bank's business and the environment in which it operates, the Group/Bank defines country risk more broadly to refer to the possible adverse impact that significant country-specific external macroeconomic, socio-political or regulatory factors can have on the Group's/Bank's earnings, capital or liquidity. In particular, it includes the risk of direct or indirect government intervention in the business operations of the Group/Bank in the form of nationalisation or seizure of assets, or significant market or regulatory intervention.

The Group's/Bank's business strategy is to focus on meeting the demand for credit exhibited by small and medium businesses in the local market. Therefore, it does not normally enter into cross-border transactions or incur country risks. However, as stated above, for the purpose of financial risk management the Group/Bank may need to enter into cross-border transactions, e.g. for the purpose of investing excess liquidity in bond exposures to highly rated international or multinational institutions.

Broader country risk issues are addressed by, and inherent in the Group's/Bank's policies and methodologies for the management of credit, market, liquidity, counterparty/issuer and operational risk. As cross-border exposures are controlled by the Group's/Bank's and the Parent's risk management functions, the Group/Bank is exposed to country risk only to a limited degree.

(d) Operational risk

The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This definition includes fraud risk, IT and information security risks, legal risk, reputational risk and outsourcing risk. Policies on operational risk management have been implemented since 2009; they have been approved by the Management of the bank and are updated annually. The principles set forth in the ICAAP policies are in compliance with the requirements for the standardized approach for operational risk pursuant to CRR and for the regulatory reporting comply with the basic indicator method according to the Capital Adequacy Requirement (order 100/04) regulation. The operational risk management policies are in compliance with the operational risk management regulations of the National Bank of Georgia, the cybersecurity framework of the National Bank of Georgia and international best practices.

The aim of operational risk management is to detect risks at an early stage and to avoid recurrence of loss events. The main tools utilized are the group-wide Risk Event Database (RED), the annual risk assessments of operational and fraud risks, established Key Risk Indicators (KRI) and the analysis of all new services and processes in a structured procedure, the New Risk Approval (NRA) process.

The Risk Event Database was developed to ensure that all operational risk events identified in the ProCredit group are documented, analyzed and communicated effectively. All ProCredit banks document their risk events using the provided framework, which ensures that adequate attention is paid to the implementation of necessary corrective or preventive measures for reducing or avoiding operational and fraud risk.

In contrast to the ex-post analysis of risk events as recorded in the Risk Event Database, annual risk assessments are systematically performed to identify and evaluate key risks and assess the adequacy of the control environment. These two tools complement each other and provide an overall picture of the operational risk profile for ProCredit Bank.

Risk indicators are also used to identify elevated fraud risk in specific areas of banking operations or specific outlets that could be used by potential fraudsters. These indicators are analyzed regularly and where needed preventive measures are agreed on.

To complete the management of operational risk, all new services need to be analyzed to identify and manage potential risks before implementation (NRA process).

To limit IT risks, the ProCredit group has defined standards for IT infrastructure, business continuity and information security. At bank level, ProCredit Bank incorporates the requirements from the National Bank of Georgia into the IT/information security risk management framework. Regular controls of information security and business continuity are part of existing processes and procedures. The bank carries out a classification of its information assets and conducts an annual risk assessment on its critical information assets. The business continuity framework implemented in the bank ensures that these risks are understood by all members of staff that critical processes are identified and that resources are allocated to restore operations, in line with the prioritization of processes.

(e) Anti-money laundering activities

ProCredit Bank attaches great importance to providing transparent and socially responsible banking services. The group's code of conduct and the exclusion list, together form a binding frame of reference for all of Bank's staff members by documenting ProCredit's refusal to enter into business relationships with individuals or companies whose activities are incompatible with the ProCredit group's ethical values.
The prevention of money laundering and terrorist financing is a key function of the Bank. The business ethics and strong corporate values of the ProCredit group and the Bank play a key role in this regard. The AML/CTF procedures of ProCredit Bank, which are themselves subject to AML/CTF legislation at their location, collectively referred to as the AML/CTF Programme of the ProCredit group, have been prepared to comply with legal requirements and market standards (best practices) of the Federal Republic of Germany serving as minimum standard for all ProCredit banks. It describes the basic principles and minimum standards governing the following elements of the group-wide AML/CTF Programme:

• AML/CTF governance framework along the three lines of defense model defining the roles and responsibilities of Anti-Money Laundering Officers as well as Management Boards and Supervisory Boards
• Customer Due Diligence (CDD) implementing the Know Your Customer (KYC) principle
• The Group Money Laundering and Terrorism Financing Risk Analysis (Group ML/TF Risk Analysis)
• Prohibitions and restrictions regarding business relationships (ProCredit Code of Conduct, incl. Exclusion List and Group Blacklist)
• Management information and group-wide AML reporting
• Documentation and information retention
• Submission of suspicious activity reports (SAR)
• New Risk Approval (NRA) process for new products and services to assess money laundering and terrorism financing risks
• AML/CTF training for AML staff of ProCredit banks
• Independent controls of the Group Anti-Money Laundering Officer by the Anti-Money Laundering Officers at group level and within ProCredit banks.

Group-wide applicable minimum standards as per Policy as well as local anti-money laundering and counter terrorism financing laws and regulations are implemented by Bank and aligned to each other. In order to implement the highest standards in AML/CTF, the prevention of financial crime and other acts punishable by law, and as a matter of principle, any national AML/CTF or customer due diligence (CDD) legislation which is of a higher standard than that provided by group Policy must be applied by the respective ProCredit bank.
The management board of Bank appoints an Anti-Money Laundering Officer and Deputy Anti-Money Laundering Officer in accordance with the applicable local legislation and group Policy. The Anti-Money Laundering Officer and Deputy Anti-Money Laundering Officer of the bank are responsible for compliance with AML/CTF provisions under Group Policy as well as national AML/CTF legislation and regulations.

The AML/CTF Program of the Bank ensures that:

- AML Officer/Deputy Anti-Money Laundering Officer regularly reports to the Management Board as well as to the Group AML Officer at ProCredit Holding.

- The Bank applies a strict Know Your Customer and Know Your Correspondent approach in its customer due diligence and correspondent banking procedures.
- Group AML and the Bank annually assesses the risk of money laundering and terrorist financing throughout the ProCredit group on the basis of a distinct risk model.
- The Bank staff members receive AML training when they first join the institution and thereafter on an ongoing basis within the framework of the Risk-Based training plans.
- The Bank maintains a risk classification of its customers to prevent money laundering and terrorist financing and applies due diligence and monitoring procedures accordingly.
- The Bank applies adequate and uniform risk-oriented procedures for monitoring accounts in order to identify unusual or otherwise conspicuous transactions carrying potential risks of money laundering or terrorism financing, including the use of IT-based monitoring systems. Banks monitor customer-related transactions in order to identify conspicuous payments and comply with all financial sanctions and embargoes against certain persons, entities and countries.

Bank has established the compliance function, which bears responsibility for adhering to national banking regulations and reports regularly and on an ad-hoc basis to the Management and to the group Compliance officer.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

A number of accounting policies and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes.

The Group's fair value determination gives the highest priority to (unadjusted) quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. For short-term financial instruments (maturity up to six months) carried at amortised costs, the carrying value represents a reasonable estimate of fair value to the extent that there are no significant interest rate changes

The fair value is determined in accordance with the IFRS valuation hierarchy. This categorises the inputs used in the valuation techniques to measure fair value into three levels:

- Level 1 Inputs: quoted market price (unadjusted) in an active market for an identical instrument that the entity can access at the measurement date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 Inputs: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 Inputs: inputs that are unobservable. If observable market interest rates are not available, internal rates are used as an input for a discounted cash flow model. Internal rates reflect the cost of funds, taking into account foreign currency effects and maturities as well as a risk margin, e.g. ProCredit Group Funding interest rates. Internal rates are regularly compared to those applied for third-party transactions and are consistent with the parameters of an orderly transaction between market participants under market conditions at the measurement date.

The Group and Bank estimates the fair value of all financial assets and liabilities as at 31 December 2025.

The following table provides a reconciliation of classes of financial assets and liabilities with these measurement categories :

Consolidated

At 31 December 2025

in '000 GEL	Category	Carrying value	Fair Value	Level 1	Level 2	Level 3
Financial assets						
Cash and cash equivalents	AC	217,704	217,704	-	217,704	-
Mandatory reserve deposits with NBG	AC	295,830	295,830	-	295,830	-
Investments in debt securities	AC	149,987	148,646	-	148,646	-
Investments in equity securities	FVOCI	643	643	-	-	643
Due from other banks	AC	147,566	147,566	-	147,566	-
Financial Assets at fair value through profit or loss	FV	3	3	-	3	-
Loans and advances to customers	AC	1,379,126	1,455,411	-	-	1,455,411
Other financial assets	AC	5,411	5,411	-	-	5,411
Total financial assets		**2,196,270**	**2,271,214**	**-**	**809,749**	**1,461,465**
Financial liabilities						
Customer accounts						
Current accounts	AC	278,786	278,786	-	278,786	-
Savings accounts	AC	529,845	529,845	-	529,845	-
Term accounts	AC	690,327	655,163	-	-	655,163
Other liabilities to customers	AC	6,170	6,170	-	6,170	-
Financial liabilities at fair value through profit or loss	FV	7	7	-	7	-
Other borrowed funds	AC	352,979	366,823	-	-	366,823
Other financial liabilities	AC	1,901	1,901	-	-	1,901
Subordinated debt	AC	60,819	91,754	-	-	91,754
Total financial liabilities		**1,920,834**	**1,930,449**	**-**	**814,808**	**1,115,641**

Consolidated

At 31 December 2024

in '000 GEL	Category	Carrying value	Fair Value	Level 1	Level 2	Level 3
Financial assets						
Cash and cash equivalents	AC	148,473	148,473	-	148,473	-
Mandatory reserve deposits with NBG	AC	224,526	224,526	-	224,526	-
Investments in debt securities	AC	90,490	91,245	-	91,245	-
Investments in equity securities	FVOCI	139	616	-	-	616
Due from other banks	AC	121,605	121,605	-	121,605	-
Financial Assets at fair value through profit or loss	FV	1	1	-	1	-
Loans and advances to customers	AC	1,313,188	1,294,827	-	-	1,294,827
Other financial assets	AC	3,609	3,609	-	-	3,609
Total financial assets		**1,902,031**	**1,884,902**	**-**	**585,850**	**1,299,052**
Financial liabilities						
Customer accounts						
Current accounts	AC	275,641	275,641	-	275,641	-
Savings accounts	AC	492,520	492,520	-	492,520	-
Term accounts	AC	530,192	522,769	-	-	522,769
Other liabilities to customers	AC	1,996	1,996	-	1,996	-
Financial liabilities at fair value through profit or loss	FV	9	9	-	9	-
Other borrowed funds	AC	316,563	314,845	-	-	314,845
Other financial liabilities	AC	2,178	2,178	-	-	2,178
Subordinated debt	AC	20,795	20,626	-	-	20,626
Total financial liabilities		**1,639,894**	**1,630,584**	**-**	**770,166**	**860,418**

Categories: FV - at fair value through profit or loss; AC - at amortised cost; FVOCI - at fair value through other comprehensive income

Customer Accounts of Group consists from Current account of subsidiary LLC ProCredit Properties for amount of GEL 9, 862 thousand at 31 December 2025 (2024: GEL 7,327thousand).

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 realisable in an immediate sale of the assets or transfer of liabilities.

The Group has determined fair values using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model.

The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. In case observable market rates are not available to determine the fair value of financial liabilities measured at amortized cost, rates from Parent's treasury are used as an input for a discounted cash flow model. The Parent's Treasury rates are determined considering the cost of capital depending on currencies and maturities plus a risk margin that depends on an internal risk rating for each institution. These internal rates are regularly compared to those applied for third party transactions.

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using the Group's own fair value model, such as the discounted cash flow technique. Input using the valuation technique includes expected lifetime credit losses, interest rates and prepayment rates. The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

31. CONTINGENT LIABILITIES AND COMMITMENTS

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

The Group/Bank 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 and advances to customers.

in '000 GEL

As at 31 December	**2025**	**2024**
Financial guarantees and stand-by letters of credit	9,260	9,592
Performance guarantees	63,404	62,590
Commitments to extend credit:		
- Original term to maturity of one year or less	96,026	78,449
- Original term to maturity of more than one year	870	936
Total	**169,560**	**151,567**

As at 31 December 2025 the Group/Bank allocates commitments to extend credit, financial guarantees and stand-by letters of credit in Stage 1 and 2 (major part of this exposures are in stage 1) for the purposes of identifying expected credit loss under IFRS 9 (31 December 2024: Stage 1and 2). The Group/Bank calculates provision of performance guarantees according to IAS 37. Management estimates that ECL is immaterial at reporting dates. The table discloses the nominal principal amounts of contingent liabilities, commitments and guarantees, i.e. the amounts at risk, should contracts be fully drawn upon and clients default. The management believes that a significant portion of guarantees and commitments will expire without being drawn upon; therefore the total of the contractual amounts is not representative of future liquidity requirements.

Tax legislation

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

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

Litigation

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

32. RELATED PARTY TRANSACTIONS

The Group and Bank's immediate parent company is ProCredit Holding AG, which produces publicly available Consolidated and Separate financial statements.

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The key management personnel include the executive directors of the Group and Bank and their close family members.

The Group and Bank had the following balances outstanding as at 31 December 2025 and 2024 with related parties:

in '000 GEL **As at 31 December**	**Contractual interest rate, p.a.**	**2025**	**2024**
Assets			
Due from banks and cash			
- Entities under common control	2.85%-4.25 %	8,244	23,911
Financial Assets at fair value through profit or loss			
- Entities under common control		3	1
Loans and advance to customers			
- Key management	4.3%-13 %	426	433
Loss allowance for expected credit losses (ECL)			
- Key management		(3)	(4)
Other assets			
- Parent		19	-
- Entities under common control		286	1,061
Credit related commitments			
- Parent	0.35%	31,599	29,232
- Entities under common control		11,228	11,364
Received guarantees			
- Parent	0.88%-1.33%	70,436	121,105
Due to banks		-	-
Financial Liabilities at fair value through profit or loss			
- Entities under common control		3	1

Customer accounts			
- Key management	0.0%-7%	992	841
- Associates	0.0%-10%	1,855	4,142
Other borrowed funds			
- Parent	6.45%	24,688	46,141
- Entities under common control	3.20% - 6.58%	80,366	52,117
Subordinated debt			
- Parent	9.09% - 9.29%	42,137	20,795
Other Liabilities			
- Parent		357	406
- Entities under common control		74	73
Other Provision			
- Entities under common control		20	5
- Key management		1	-
Contingent Liabilities/Loan commitments			
- Parent		23	26

Included in the profit or loss for the year ended 31 December 2025 and 2024 are the following amounts which arose due to transactions with related parties:

in '000 GEL	**2025**	**2024**
Interest income		
- Entities under common control	429	1,385
- Key management	22	26
Commission income		
- Entities under common control	13	15
Other income		
- Parent	19	-
- Entities under common control	24	-
- Associates	1,170	1,366
Interest expense		
- Parent	5,747	3,443
- Entities under common control	2,867	3,528
- Key management	28	18
- Associates	137	205
Fees and commission expenses		
- Parent	1,230	2,170
- Entities under common control	2,236	1,945
Personnel expenses		
- Key management	1,765	1,447
Other administrative expenses		
- Parent	5,112	3,612
- Entities under common control	9,634	9,032
- Supervisory Board members	280	147
Reversal of impairment losses on loans		
- Key management	1	-

Related parties of the Group include subsidiary as well as persons in key management positions and their family members. Supervisory Board independent members' remuneration is recognised as an Other administrative expenses. All related party transactions related to key management personnel is short term employee benefits.

The transactions leading to the above balances were made in the ordinary course of business and on substantially the same terms as for comparable transactions with entities or persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of payment defaults nor did they comprise other unfavorable features.

The Bank had the following balances outstanding as at 31 December 2025 and 2024 with it subsidiary:

in '000 GEL **As at 31 December**	**2025**	**2024**
Assets		
Investment in Subsidiaries - Subsidiary	6,100	6,100
Liabilities		
Customer accounts - Subsidiary	9,862	7,327

33. EVENTS AFTER THE END OF THE REPORTING PERIOD

- On February 27, the Bank signed new agreement with EBRD, youth for business (YiB) fund of the amount of EUR 15 million.
- The escalation of the Iran conflict has created heightened volatility in global energy markets and financial flows, but its direct impact on Georgia remains limited due to weak economic linkages and low dependence on Iran. While some short-term pressures may arise through exchange rate movements, energy prices, and sentiment-driven market reactions, these effects are expected to be manageable and partially offset by potential benefits such as increased transit activity and strengthened regional positioning. Overall, Georgia's macroeconomic fundamentals remain resilient, and given the minimal direct exposure and contained transmission channels, no significant effect is expected on the banking sector and, consequently, on ProCredit Bank overall.