INVESTMENT REPORT, 2025

PENSION FUND OF GEORGIA



საქართველოს საპენსიო ფონდი
PENSION FUND OF GEORGIA

2025

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MESSAGE FROM
THE CHAIRMAN

2025 was a year of significant transformation for the Pension Fund of Georgia and an important milestone in its continued institutional development. As Chairman of the Governing Board, I believe that the changes implemented during the year strengthened the Fund's institutional foundation and created a clearer framework for its long-term development.

Legislative amendments renewed the Fund's governance structure and strengthened the supervisory role of the National Bank of Georgia. These changes support stronger reporting and accountability, clearer and more transparent oversight, and improved protection of the long-term interests of participants in the funded pension scheme. They also contribute to the continuity of investment activities and the sustainable development of the Pension Fund.

The year was also marked by strong investment results. Assets under management reached GEL 8.2 billion, supported by rising contributions and consistent implementation of the Fund's investment policy. Despite volatility across global markets, all three portfolios delivered strong performance, with the Fund generating a net nominal return of 11.8% and a net real return of 7.6%. These results demonstrate the resilience of the Fund's strategy and its growing capacity in both local and international financial markets.



In parallel, the Fund continued to strengthen its specialized functions, including risk management and internal audit, and refined its policy framework to reflect legislative changes and the requirements of the National Bank of Georgia. This work further aligned the Fund with sound corporate governance standards and enhanced its institutional readiness for the challenges and opportunities ahead.

Looking ahead, institutional development remains our key priority. We will continue to focus on protecting pension assets and supporting their long-term, stable growth in the best interests of current and future generations of our country.

GIA MORCHILADZE
CHAIRMAN OF THE GOVERNING BOARD

MESSAGE FROM
THE INVESTMENT TEAM

2025 was another year of meaningful growth for the Fund. Assets under management closed the year at GEL 8.2 billion, up 37% year-on-year. Investment income for the year reached GEL 796 million — the highest annual profit in the Fund's history — lifting cumulative return since inception above GEL 2.2 billion.

All three portfolios delivered double-digit nominal returns in 2025. The Dynamic portfolio led with a return of 15.2%, followed by the Balanced at 13.3% and the Conservative — which houses the overwhelming majority of assets — at 11.8%. The Dynamic portfolio's outperformance was largely driven by its higher allocation to equities, which were the Fund's strongest-performing asset class during the year.

This performance was achieved in a year that combined periods of significant volatility with another strong year for global equities. Market leadership broadened beyond the narrow group of US mega-cap stocks that had dominated previous years, a rotation that rewarded the Fund's diversified regional structure across the US, Europe, Asia, and Emerging Markets. The international equity allocation rose from 16.5% to 19.2% over the year and contributed GEL 239 million to returns equivalent to a 20.7% return for the year.

With more than 80% of assets invested in Georgia, domestic market conditions remained the primary driver of overall results. The macroeconomic backdrop was supportive: economic growth remained strong, inflation was well anchored, and the Lari appreciated against the US dollar, supported by record international reserves.

Within the portfolio, Certificates of Deposits were again the single largest contributor to performance, reflecting both their weight in the total portfolio and the stable return generated by the domestic banking sector. Georgian Treasuries also maintained an important role, contributing materially to returns, with the Fund active across the curve in primary auctions throughout the year. In the corporate bond market, the Fund reaffirmed its role as the largest GEL institutional investor, through active participation in local placements.

The Fund's investment approach remains anchored in Strategic Asset Allocation, which is the most important driver of long-term outcomes for participants. Looking ahead, our focus remains unchanged: to deliver positive real returns over the long term, manage risks prudently, and continue acting as a constructive institutional investor in Georgia's capital markets and internationally.

MICHAEL RIDLEY
CHAIRMAN OF THE INVESTMENT COMMITTEE

MEET THE
GOVERNING BOARD



Grigori (Gia) Morchiladze
Chairman of the Governing Board



Teona Guntsadze
Vice Chair of the Governing Board



Michael Ridley
Member of the Governing Board



Jean-Frederic Paulsen
Member of the Governing Board



Frederick Artesani
Member of the Governing Board



Levan Shavkatsishvili
Member of the Governing Board



Tamar Tkeshelashvili
Member of the Governing Board



Giorgi Maisuradze
Member of the Governing Board



Giorgi Gurgenidze
Ex Officio Member of the Governing Board

GEL 8.2BN

01 ASSETS UNDER MANAGEMENT

The Fund's net assets reached GEL 8.2 billion at the end of 2025, reflecting continued growth driven by strong contributions and investment performance.

GEL 796.0MN

02 TOTAL INVESTMENT RETURN IN 2025

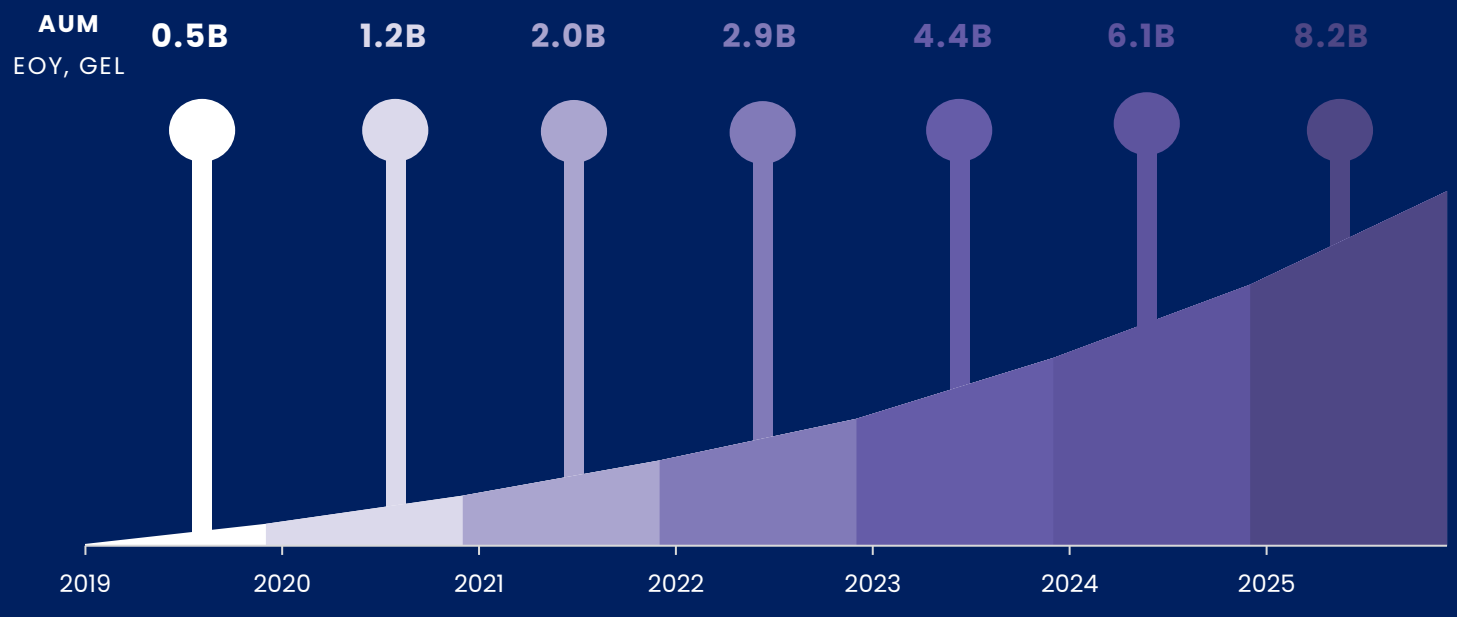
Generated return reached GEL 796 million in 2025, marking a historic high and bringing cumulative investment income since inception to over GEL 2.2 billion.

11.8% NOMINAL

7.6% REAL

03 PORTFOLIO PERFORMANCE

The total portfolio delivered a net nominal return of 11.8% in 2025 and a net real return of 7.6%, reflecting strong performance across domestic and international investments while preserving participants' purchasing power despite higher inflation.



₾8.1BN

₾51.8MN

₾46.8MN

CONSERVATIVE

The Conservative Portfolio remained the Fund's largest portfolio at end-2025. It delivered an 11.8% nominal return and a 7.5% real return, supported mainly by stable income from domestic fixed-income instruments and a lower-risk allocation.

BALANCED

The Balanced Portfolio delivered a 13.3% nominal return and a 9.0% real return in 2025. Its more growth-oriented allocation allowed it to benefit from strong international market performance while continuing to draw support from high domestic yields.

DYNAMIC

The Dynamic Portfolio was the best-performing portfolio in 2025, returning 15.2% nominally and 10.8% in real terms. Its higher allocation to international equities allowed it to benefit most from strong global equity markets during the year.

REALLOCATION REQUESTS IN 2025

CONSERVATIVE

₾ -7.5MN

NET OUTFLOWS

BALANCED

₾ +1.6MN

NET INFLOWS

DYNAMIC

₾ +5.9MN

NET INFLOWS

Note: Positive values indicate net inflows; negative values indicate net outflows across participant portfolio reallocations.

KEY HIGHLIGHTS

NET ASSETS (AUM)

AUM reached GEL 8,233 million at end-2025, up GEL 2,169 million year-on-year. Growth was driven by GEL 1.44 billion in contributions and strong investment performance.

NOMINAL RETURN

The Fund generated a net nominal return of 11.8% in 2025. Performance reflected resilient domestic yields and strong gains in international markets.

REAL RETURN

After inflation, the Fund delivered a net real return of 7.6% in 2025. While relatively elevated inflation moderated real returns, performance remained firmly positive in real terms.

INVESTMENT INCOME

Investment income reached a record GEL 796.0 million in 2025, bringing cumulative investment returns since inception to GEL 2.2 billion.



CONTRIBUTIONS IN 2025

In 2025, participants' contributions reached GEL 1,444 million, up 21.7% from 2024. Growth was supported by strong economic activity, improved administration and monitoring of pension contributions following legislative amendments, and the continued increase in the number of pension scheme participants.



PORTFOLIO COMPOSITION

At end-2025 the portfolio was allocated across CDs 57.1%, Georgian Treasuries 16.3%, foreign equities 19.2%, IFI bonds 2.8%, and local corporate bonds 1.9%.

CREDIT QUALITY

Portfolio quality remained strong in 2025, supported by a high share of assets invested in banks with higher credit ratings and in high-quality securities, including IFI bonds and government instruments.

DIVERSIFICATION

Portfolio diversification strengthened further in 2025, supported by broader exposure across domestic fixed income and international assets. Increased equity exposure, alongside investments in Georgian Treasuries, IFI bonds, and local corporate bonds, broadened sources of return and improved portfolio resilience.

PARTICIPANT OVERVIEW, 2025

852K MALE

56.4% of total

Average age: 38.0 yrs

659K FEMALE

43.6% of total

Average age 39.6 yrs

1,510,758

TOTAL PARTICIPANTS

The average participant balance stood at ₾5,453, while the median balance amounted to ₾2,143. Average balances were ₾5,963 for male participants and ₾4,795 for female participants, while median balances reached ₾2,231 and ₾2,044, respectively.

21.7%

GROWTH OF COMPANIES

Participating companies increased by 21.7% year-on-year in 2025, from 119,943 to 145,935, supported by improved contribution administration and continued new participant enrollment.

21.7%

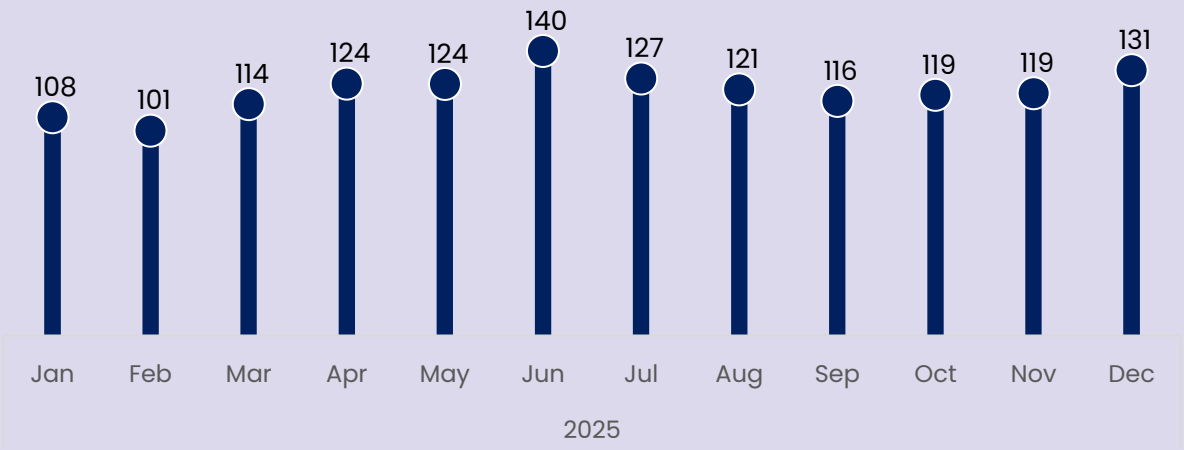
GROWTH OF CONTRIBUTIONS

Contributions showed a strong upward trend in 2025. Annual inflows rose to GEL 1.44 billion from GEL 1.19 billion in 2024, while average monthly contributions increased to GEL 120.3 million from GEL 98.8 million.

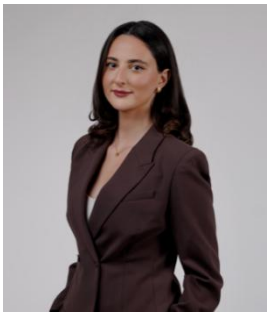
CONTRIBUTIONS

GEL 1,444MN

TOTAL CONTRIBUTIONS



MEET OUR
INVESTMENT TEAM



Ana Nachkebia, CFA
Acting
Chief Investment Officer



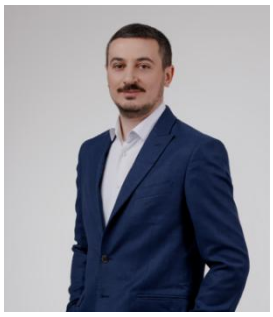
Giorgi Mikhelidze, CFA, FRM
Head of
Investment Risk



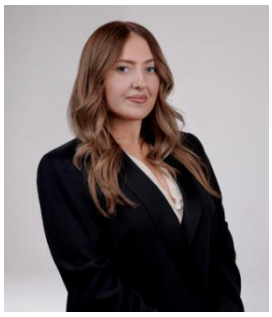
Lili Shergelashvili
Head of
Investment Operations



Juli Avlokhashvili, CFA
Portfolio Manager



Givi Gujaraidze, CFA
Investment
Risk Manager



Nana Kobeshavidze
Investment
Operations Manager



Sergi Kurashvili, CFA
Associate
Portfolio Manager



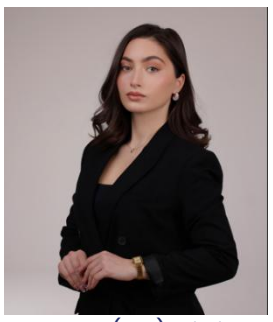
Ani Asanishvili
Senior
Operations Analyst



Mariam Gamkhuashvili
Investment Analyst



Mariam Kviraia
Investment
Risk Analyst



Potola (Po) Zinina
Investment
Operations Analyst



Gocha Kardava
Economist

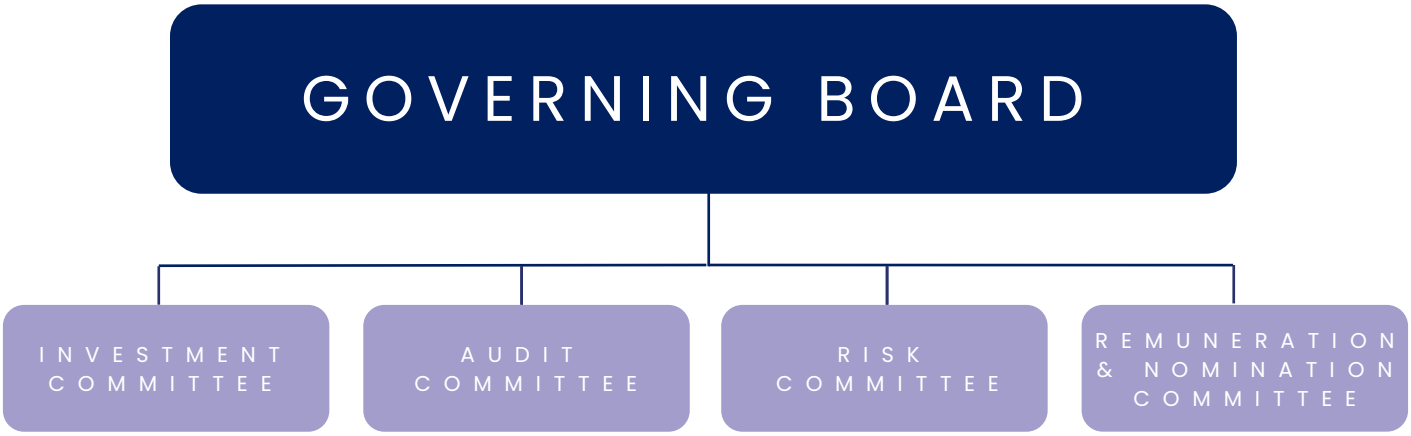


Nikoloz Dumbadze
Senior
Project Manager

INVESTMENT FRAMEWORK

GOVERNANCE STRUCTURE

UNIFIED GOVERNANCE



In 2025, the Fund implemented a fundamental reform of its governance framework, transitioning from a dual-board structure to a unified governing model. This change followed amendments to the Law of Georgia on Funded Pensions, effective from 1 May 2025, and the adoption of a new Charter of the Fund.

Prior to 2025, the governance structure consisted of multiple bodies with distinct and segmented responsibilities. The Supervisory Board oversaw the Fund's operations, while the Investment Board was responsible for investment policy development and oversight of investment activities. Day-to-day management was carried out by the Director, and investment execution was conducted under the leadership of the Chief Investment Officer within a framework established by the Investment Board.

From 2025 onwards, these functions were consolidated under a single Governing Board, creating a more integrated and streamlined governance structure. The Governing Board serves as the highest body of the Fund and is responsible for defining strategic direction and ensuring effective oversight across all key areas of activity. Its core responsibilities include approval of the Fund's charter and organizational structure, appointment and supervision of executive management, approval of key policy documents—including the Investment Policy Document—and oversight of financial, operational, and risk management frameworks.

To support its functions, the Governing Board operates through a committee structure aligned with the Fund's core functions. These include investment, risk, and audit committees, which provide specialized expertise, facilitate detailed review of key matters, and strengthen internal governance processes. The committees operate under clearly defined mandates and report directly to the Governing Board, ensuring consistency between strategic oversight and operational execution. Executive management is carried out by a clearly defined leadership structure comprising the General Director and key executive roles, including the Chief Investment Officer, Chief Risk Officer, and the Head of Internal Audit. These functions are institutionally separated to ensure independence of control functions and

effective checks and balances. The executive team is responsible for implementing the strategy and policies approved by the Governing Board and managing the day-to-day operations of the Fund.

The investment function operates within a comprehensive and clearly defined governance framework. The Investment Policy Document, approved by the Governing Board, sets the Fund's long-term investment strategy, including strategic asset allocation, benchmark portfolios, and risk limits aligned with the Fund's risk appetite. The investment objective is to maximize real long-term returns while maintaining prudent risk levels and ensuring diversification across asset classes, geographies, and instruments.

Investment activities are carried out by the Investment Office under the leadership of the Chief Investment Officer, covering the full investment lifecycle—from research and portfolio construction to execution, valuation, and reporting. The investment process is anchored in the Strategic Asset Allocation framework, which is the primary driver of long-term returns, while allowing controlled deviations to capture market opportunities through active management within predefined limits. Risk management and internal controls are central to this framework. The Fund applies a "three lines of defense" model, where the Investment Office manages investment-related risks as the first line, the risk management function provides independent oversight, and internal audit assures the effectiveness of governance, risk management, and control processes.

In addition to internal governance mechanisms, the Fund is subject to independent external oversight by the National Bank of Georgia. Under the regulatory rule effective from 1 May 2025, the National Bank sets requirements across investment, operational, administrative, and risk management areas, and approves the appointment of senior officials. This oversight strengthens the Fund's alignment with regulatory requirements and international best practices.

The 2025 governance reform marked an important step in the continued institutional development of the Fund, bringing governance and investment oversight into a more unified framework aligned with the Fund's long-term mandate and evolving operating model.

THREE LINES OF DEFENSE

FIRST - INVESTMENT OFFICE

The Investment Office manages risks arising from day-to-day investment activities and ensures that portfolio actions remain within approved limits and policies.

SECOND - RISK MANAGEMENT

The risk management function provides independent oversight of investment-related risks by monitoring exposures and reviewing compliance with risk limits.

THIRD - INTERNAL AUDIT

Internal Audit provides independent assurance over the effectiveness of governance, risk management, and internal controls through periodic reviews.

INVESTMENT MANDATE

The Pension Fund of Georgia's investment mandate is established by the Law of Georgia on Funded Pensions, the Regulatory Rule on the Activities of the Pension Fund of Georgia, and the Fund's Investment Policy Document.

Under the mandate, the Governing Board holds full discretion to determine the asset allocation strategy and define the resulting Benchmark Portfolios along with the permitted deviation corridors, subject to compliance with applicable legislation and regulatory requirements.

The Fund manages three distinct Investment Portfolios — Conservative, Balanced, and Dynamic — each tailored to different risk profiles and investment horizons. These horizons are defined as 5, 10, and 15 years, respectively, and serve as the period over which portfolio performance is assessed.

The investment universe is defined by the Law, the Regulatory Rule, and the Fund's Investment Policy Document, and includes both domestic and international asset classes permitted under the applicable framework.

The Fund's primary investment objective is to maximize the real return on participants' savings in a financially sound, well-diversified, and transparent manner, while maintaining adherence to operational, compliance, and reputational standards.

In line with this objective, the portfolios are designed to deliver positive real returns over their respective investment horizons, while maintaining sufficient liquidity to meet cash flow obligations under both normal and stressed market conditions.

INVESTMENT OBJECTIVE

The Fund's investment objective is to maximize real returns on participants' savings over the long term through a financially sound, diversified, and transparent investment approach, while maintaining prudent standards of risk management, governance, compliance, and alignment with each portfolio's strategy.

LIQUIDITY OBJECTIVE

The Fund's liquidity objective is to maintain sufficient liquid resources to meet expected and unexpected cash flow needs under normal and stressed conditions, ensuring timely benefit payments, portfolio rebalancing, and operational flexibility without undermining the efficient implementation of long-term strategy.

INVESTMENT BELIEFS

The Pension Fund of Georgia is guided by a set of investment beliefs that shape its investment approach and reflect its role as a long-term institutional investor acting in the best interests of its participants.

Markets can present selective opportunities. Within clearly defined parameters, the Fund may seek to capture additional value through active management, particularly in areas where local market knowledge is relevant.



Strategic Asset Allocation drives long-term returns through disciplined portfolio construction.



Diversification reduces risk by spreading investments across assets, sectors, and regions.



Long-Term Horizon enables sustainable growth by capturing long-term market opportunities.



Cost Management enhances net returns by minimizing fees and transaction costs.

Strategic Asset Allocation drives long-term returns. Over time, the asset class mix has greater influence on outcomes than individual security selection or short-term market timing.

Risk-taking is necessary to achieve investment objectives. The Fund seeks to take risks in a measured and deliberate manner, with the aim that expected returns are commensurate with the risks assumed.

Long-term horizon and scale are important advantages. As a long-term investor with relatively limited short-term liquidity needs, the Fund is positioned to capture illiquidity and maturity premiums through investments in longer-dated assets.

Diversification is fundamental. Broad diversification across asset classes, geographies, and sectors helps reduce risks and enhances portfolio resilience.

Cost management supports net returns. Investment-related transaction costs should be managed carefully, with the aim of preserving net returns without compromising the quality of investments.

Responsible investment supports long-term value. ESG factors are considered as part of the investment decision-making process, alongside financial and risk considerations, where relevant to long-term outcomes.

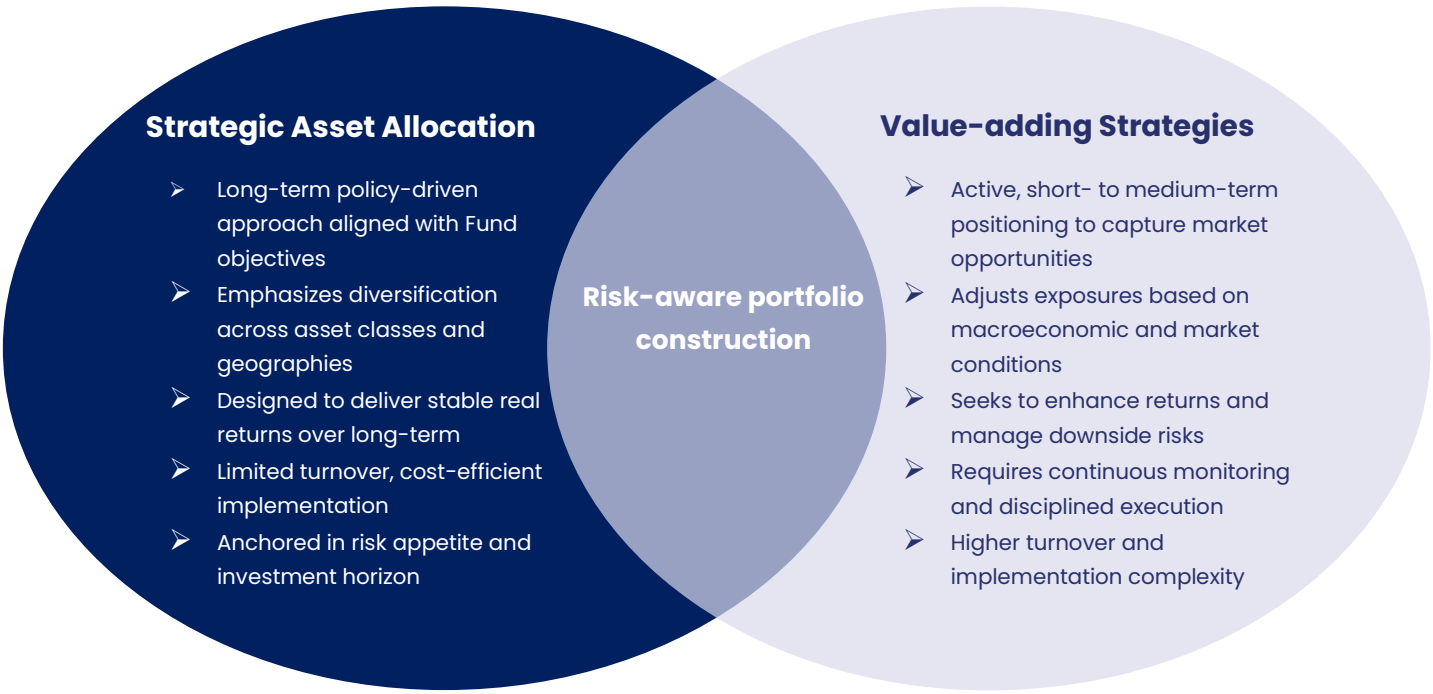
INVESTMENT APPROACH

The Fund's investment approach is built around a long-term strategic allocation, disciplined portfolio construction, regular rebalancing, and a clear risk management framework, with the objective of achieving its long-term real return objectives.

Strategic Asset Allocation. The investment process begins with the establishment of a Strategic Asset Allocation (SAA) for each Investment Portfolio. The SAA is a rigorous qualitative and quantitative exercise that defines the optimal long-term mix of asset classes consistent with each portfolio's strategic objectives, risk appetite, and investment horizon. The resulting Benchmark Portfolios serve as the reference point against which actual investment performance and risks are evaluated. The SAA, as part of the Fund's Investment Policy Document, is reviewed at least annually by the Investment Committee and, if amendments are needed, submitted to the Governing Board for approval after agreement with the National Bank of Georgia.

Portfolio Construction and Value-Adding Strategies. The Chief Investment Officer constructs the actual Investment Portfolio with the aim of adding value relative to the Benchmark Portfolio through two complementary strategies. Strategic Tilting involves deliberate, medium-term deviations from the SAA target weights based on prevailing and anticipated market conditions, within permitted deviation corridors. Active Return Strategies involve identifying and capturing investment opportunities and risk premia in eligible asset classes not represented in the Benchmark Portfolio. All value-adding strategies are subject to rigorous analysis and are implemented within the established risk limits.

Portfolio Rebalancing. The Fund employs a systematic calendar-based rebalancing process, conducted at least

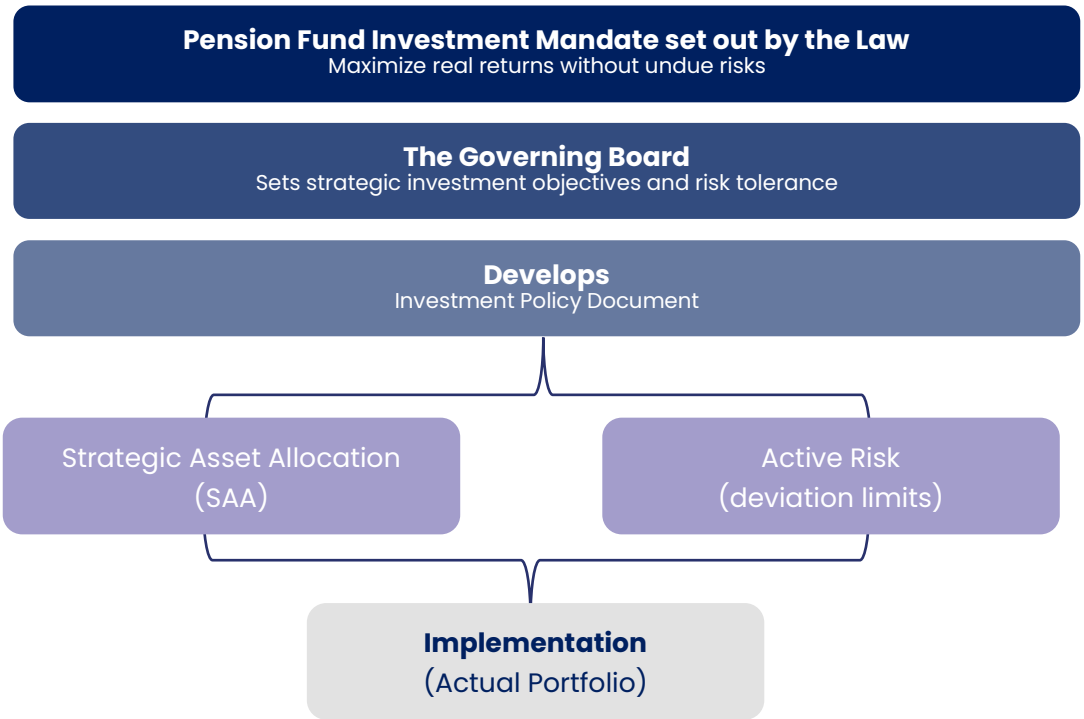


monthly, to ensure the Investment Portfolio remains aligned with target weights. Rebalancing decisions take into account transaction costs to strike an appropriate balance between maintaining target allocations and preserving portfolio efficiency. In the event of significant market disruptions or notable deviations from target weights, rebalancing frequency may be increased accordingly.

Risk Management. Risk management is embedded throughout the investment process and operates along the "three lines of defense" model. The Investment Office, under the Chief Investment Officer, acts as the first line of defense, managing and reporting investment risks. The Chief Risk Officer provides independent risk oversight as the second line of defense, monitoring compliance with approved risk appetite and limits. Internal Audit serves as the third line of defense, providing independent assurance on the effectiveness of internal controls and governance.

Risk Appetite and Risk Limits are formally approved by the Governing Board and are subject to ongoing monitoring and escalation procedures.

Monitoring and Reporting. Investment activities are subject to regular internal and external reporting, supporting oversight of portfolio positioning, risk, and performance for the Governing Board, Investment Committee, and the National Bank of Georgia. The Fund publishes monthly and annual performance reports in the interest of transparency and accountability to all stakeholders.



STRATEGIC ASSET ALLOCATION 2025

In 2025, the Pension Fund conducted its annual SAA review to reassess the long-term benchmark portfolios in light of updated market assumptions, portfolio objectives, and the evolving investment opportunity set available to the Fund. The review combined quantitative analysis with qualitative judgment and was supported by feasibility assessments, asset-class risk-return analysis, and forward-looking expectations for asset-class performance. This approach was intended to ensure that the proposed benchmark allocations remain both strategically appropriate and practically achievable.

The 2025 review also marked an important expansion of the proposed benchmark universe. As part of the annual SAA process, the Fund assessed a broader set of benchmark-grade asset classes and, supported by feasibility analysis, identified new asset classes suitable for inclusion in the benchmark portfolios. This resulted in a more diversified proposed benchmark structure and better aligned the benchmarks with the Fund's evolving investment opportunity set.



KEY 2025 SAA CHANGES

- Broader benchmark opportunity set assessed and incorporated
- Local corporate bonds added to all benchmark portfolios
- Conservative portfolio enhanced with 5% IFI bonds and 2% global fixed income

Note: The updated IPD, incorporating 2025 SAA results, is expected to be approved in 1H26, subject to NBG approval.

The 2025 SAA review reaffirmed the importance of maintaining differentiated risk-return profiles across the three portfolios. As participants continue to exercise portfolio choice, it is important that each benchmark portfolio represents a distinct long-term investment objective and risk profile. The revised benchmark structure was designed to preserve these distinctions across the Conservative, Balanced, and Dynamic portfolios in line with the Fund's long-term investment framework.

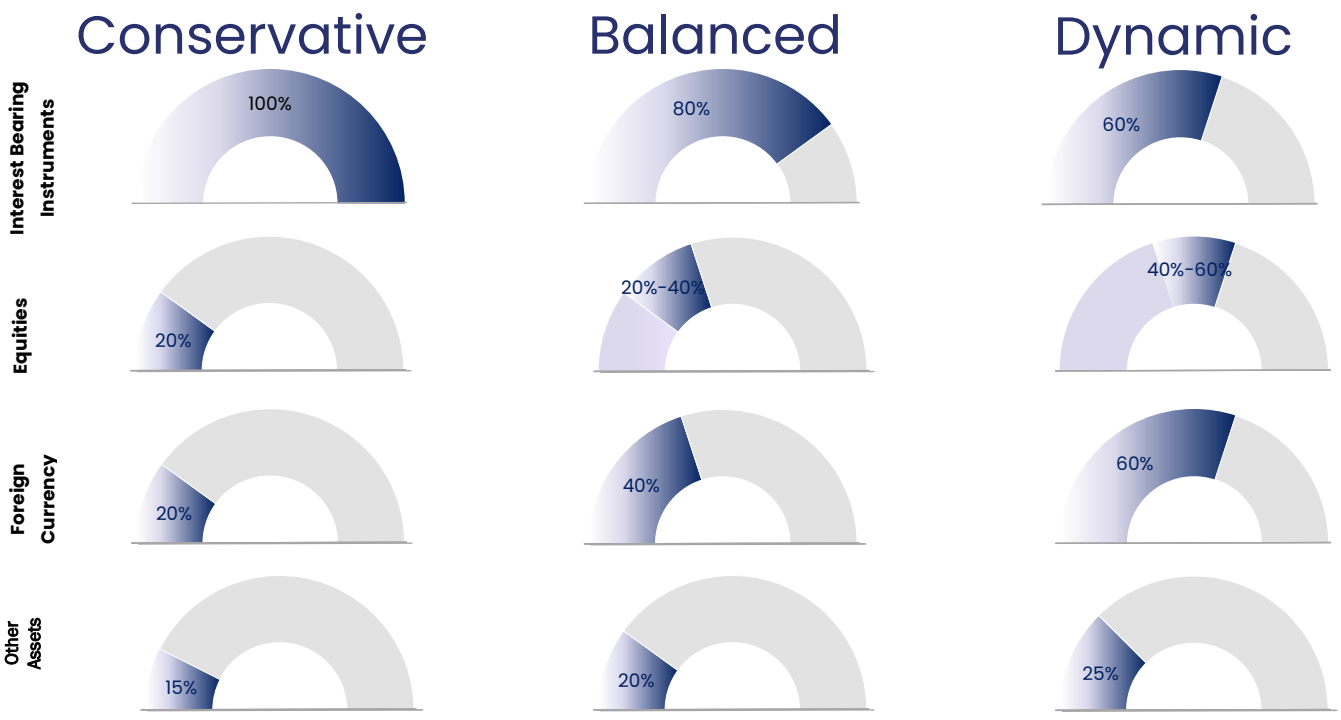
The proposed revised benchmark portfolios reflect the Fund's broader investment opportunity set and the growing depth of local capital markets. Following the introduction of corporate bond investments in 2024 and IFI bonds in 2025, both asset classes have reached sufficient scale and pipeline to be incorporated into the strategic asset allocation framework.

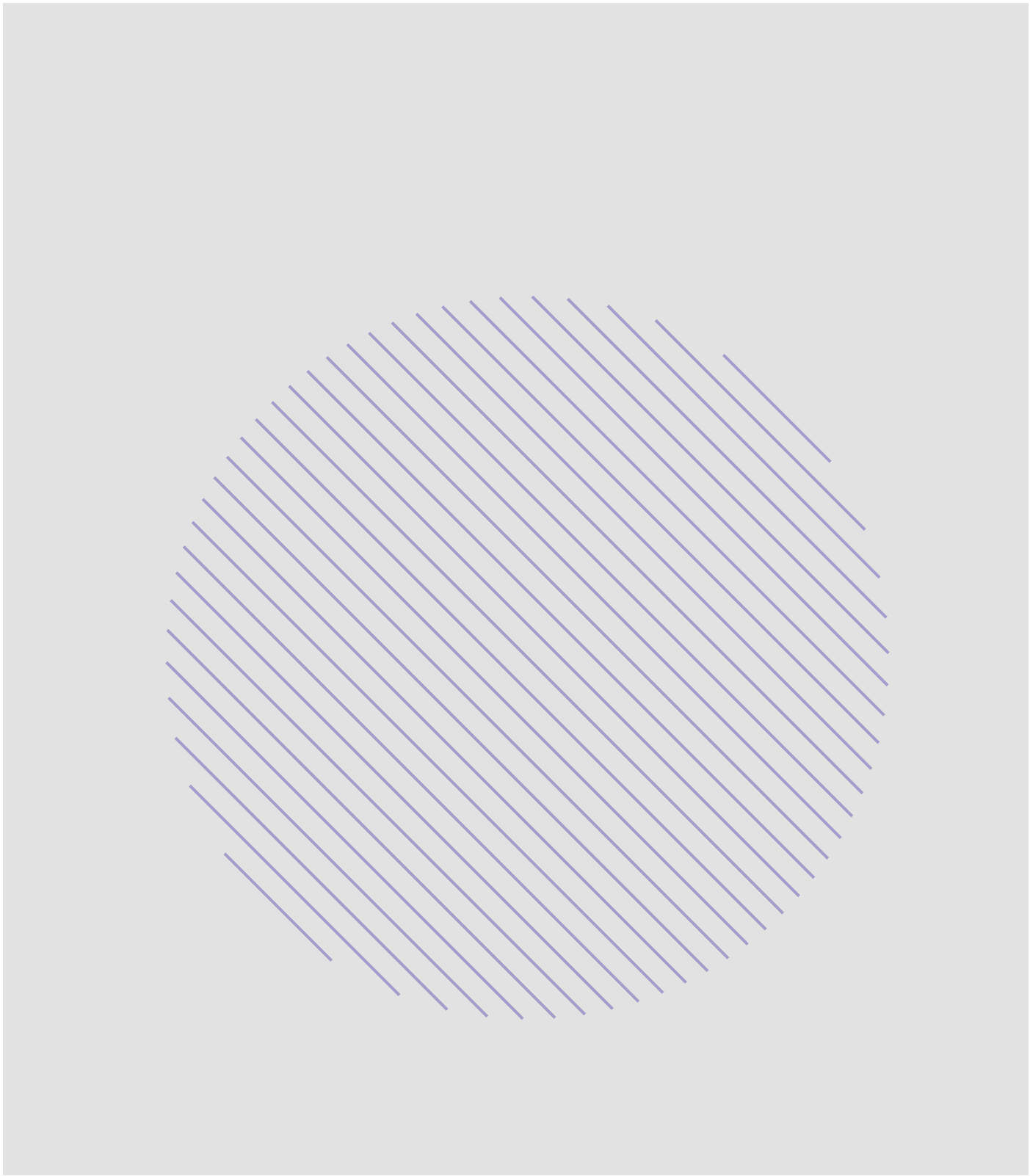
Georgian corporate bonds are introduced across all three portfolios, providing increased exposure to the real economy while supporting diversification away from the banking sector. IFI bonds are incorporated into the Conservative portfolio, reflecting their high credit quality and role in enhancing overall portfolio resilience, while remaining consistent with the portfolio's focus on capital preservation and liquidity.

Under the proposed structure, equity exposure is set at 16% for the Conservative portfolio, 35% for the Balanced portfolio, and 55% for the Dynamic portfolio, while local corporate bond exposure is introduced at 3%, 5%, and 7%, respectively.

As of the date of this report, the revised SAA has been submitted to the National Bank of Georgia and is currently under review. Following completion of the approval process, the Investment Office will continue portfolio construction in line with the revised benchmark allocations.

PENSION FUND ALLOWABLE LIMITS BY PORTFOLIO





YEAR IN REVIEW



DOMESTIC MARKET



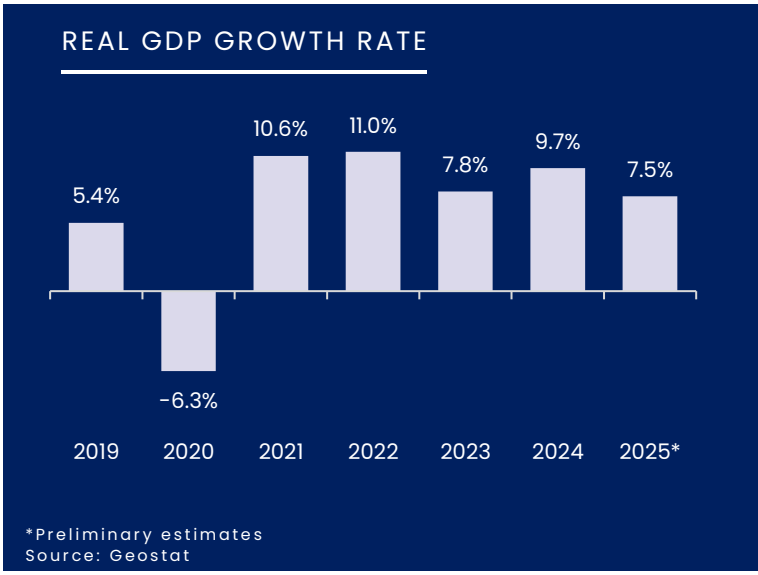
INTERNATIONAL MARKETS

DOMESTIC MARKET

ECONOMIC ENVIRONMENT

GEORGIA

The Georgian economy delivered another year of strong growth in 2025, with real GDP rising by 7.5%, after expanding by 9.7% in 2024 and 7.8% in 2023. This places the three-year average growth rate close to 8 percent — well above the NBG's estimate of long-term potential of around 5 percent — and among the strongest sustained growth episodes in Georgia's modern history. Nominal GDP surpassed the GEL 100 billion mark for the first time, reaching GEL 104.6 billion (USD 38.1 billion), and GDP per capita crossed USD 10,000 - a meaningful milestone in Georgia's longer-term convergence story.



Growth remained firmly service-led, with information and communication, education, and transportation once again the strongest performers, while trade retained the largest share of GDP. Construction nearly stagnated after a strong 2024, while agriculture, mining, and energy contracted. Together, these sectors paint a picture of an economy increasingly oriented toward higher-value, knowledge-intensive activity.

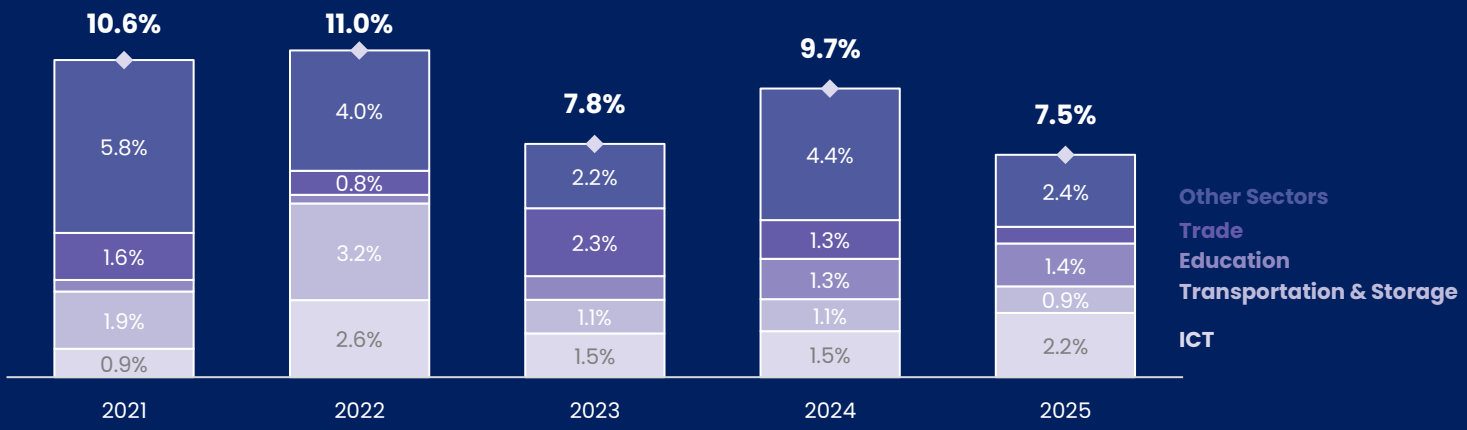
Two structural developments defined the Georgian growth story in 2025, and each represents a genuine reconfiguration of the productive economy.

The first is the consolidation of Georgia as a regional ICT hub. ICT has been Georgia's standout sector, with its GDP share **tripling** over the past decade to 9% in 2025 on the back of 28.7% real growth — the fourth-largest contribution to value added in the economy.

The sector's foundations were laid over years through targeted tax incentives and gradually accumulating endowments: English-language proficiency, a European time zone, a stable macroeconomic framework, and a cost base substantially below Western European and Gulf alternatives. The 2022 inflow of technology professionals and firms from Russia, Belarus, and Ukraine accelerated the process sharply. The ICT sector is now firmly export-oriented and anchored in high-value software services.

The second is the consolidation of Georgia's role as a transit corridor, a structural advantage that has become materially more valuable against the backdrop of the 2022 rerouting away from Russian territory and, more recently, the Iran conflict that has effectively disabled the Southern Corridor. Georgia, as part of Middle Corridor, sits at the intersection of road, rail, maritime, and pipeline corridors linking Europe to Central Asia.

SECTORAL CONTRIBUTIONS TO GDP GROWTH, GEORGIA (PERCENTAGE POINTS)



Source: Geostat, PFG calculations

The transportation sector has been one of the primary drivers of growth in recent years, contributing roughly 12 percent of total growth and now exceeding 10 percent of GDP. Growth moderated to 8.9% in 2025 - a sign of the sector maturing rather than stalling. As corridor connectivity strengthens and Georgia's position becomes more central to regional trade flows, the sector's contribution is only set to grow.

Education has followed a similar upward trajectory, expanding 24.5% in 2025 and raising its GDP share to nearly 7%. Record university enrollment, rising private school attendance, and over 37,000 foreign students have all contributed, as has strong demand for technology-related programs, driven by the wage premium that the ICT sector offers. Private providers are capturing a growing share of both markets, with tuition fees rising steadily to match.

Labor market indicators continued their gradual normalization through 2025. The unemployment rate averaged around 13.9 percent for the year, down from an already low 2024 base, and reached 13.3 percent in the fourth quarter — the lowest reading since 2003, and materially below the 16–17 percent range that prevailed in 2022-23, marking an important milestone for the economy against a multi-decade backdrop. Nevertheless, the quality of the improvement was uneven.

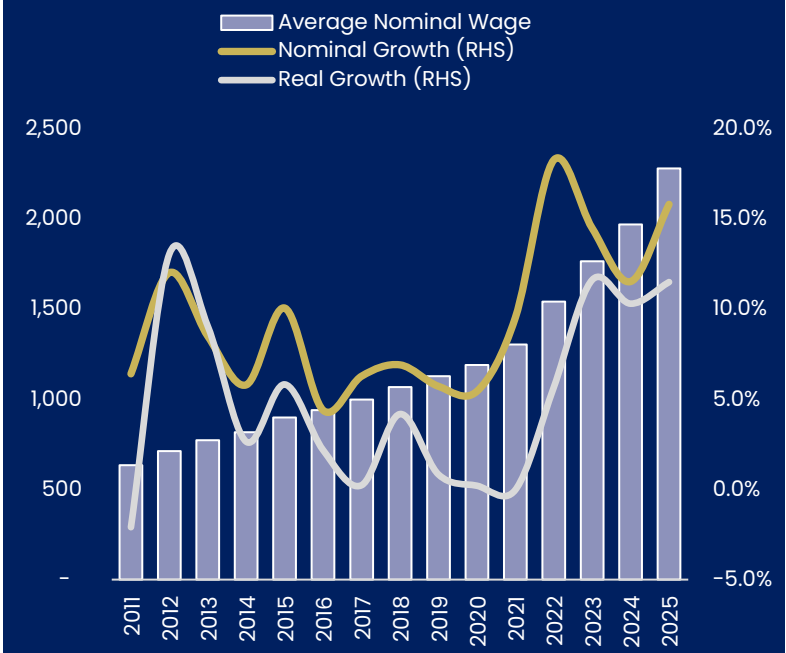
Total employment declined modestly on a year-on-year basis, the employment rate held roughly flat at 47 percent, and the labor force participation rate eased to 54.4 percent by year-end. The working-age population shrank while the inactive population grew — a pattern consistent with demographic drag and continued emigration, which push the headline rate without reflecting equivalent strength on the underlying side.

Wages accelerated in 2025, outpacing the growth recorded in both 2023 and 2024. Average monthly nominal earnings reached GEL 2,283, up 15.8 percent year on year. Although inflation accelerated relative to 2024, real wage growth remained strong at 11.5 percent year on year, exceeding the 2024 pace and standing broadly in line with 2023.

Wage dispersion across sectors mirrored the composition of GDP growth. ICT wages averaged GEL 4,373 in Q4, nearly 1.8 times the national average, reflecting both the sector's high value added and the tight labor market for skilled technology workers. Financial services followed at GEL 3,732, construction at GEL 3,468 (with quarterly gains above 17 percent on corridor-linked infrastructure work), and professional activities at GEL 2,995. Agriculture, hospitality, and parts of trade remained below the average, reflecting the long-standing productivity gap between modern services and traditional sectors.

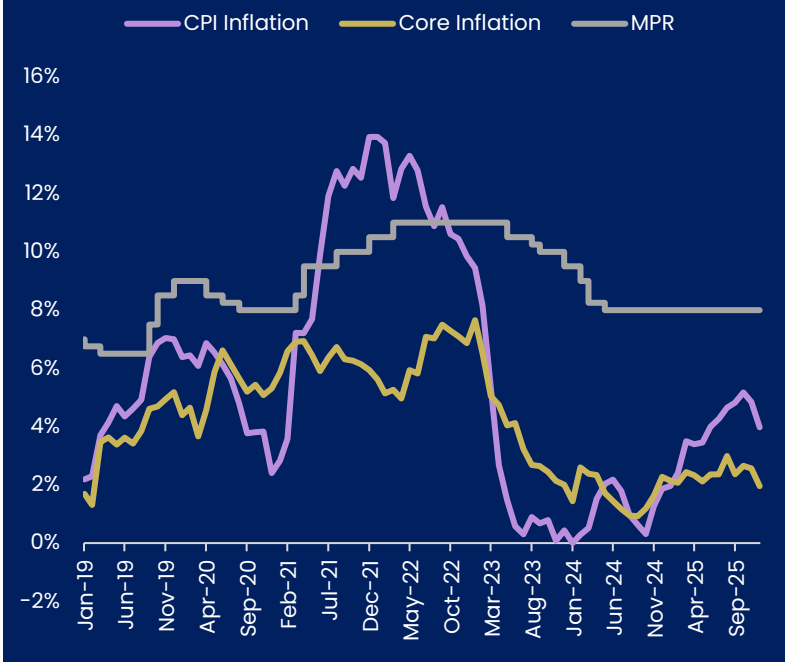
On the price side, inflation averaged 3.9% in 2025 - broadly in line with the NBG's central scenario and above the 3 percent target. Food prices accounted for the bulk of the deviation from target, reflecting a low base from 2024 and exogenous supply-side developments in specific domestic categories (wheat). Imported goods inflation remained close to zero through most of the year, reflecting Lari appreciation against the US dollar and soft global fuel prices. Underneath the headline, the stickier components of the index remained aligned with the target. Core inflation — excluding food, energy, and tobacco -

MONTHLY SALARY OF HIRED EMPLOYEES, GEL



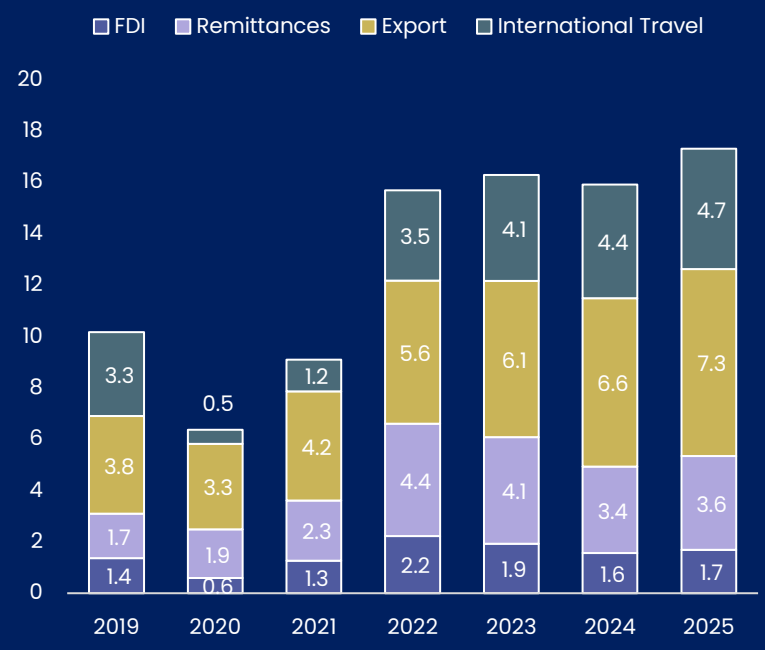
Source: Geostat, PFG calculations

INFLATION AND MONETARY POLICY RATE



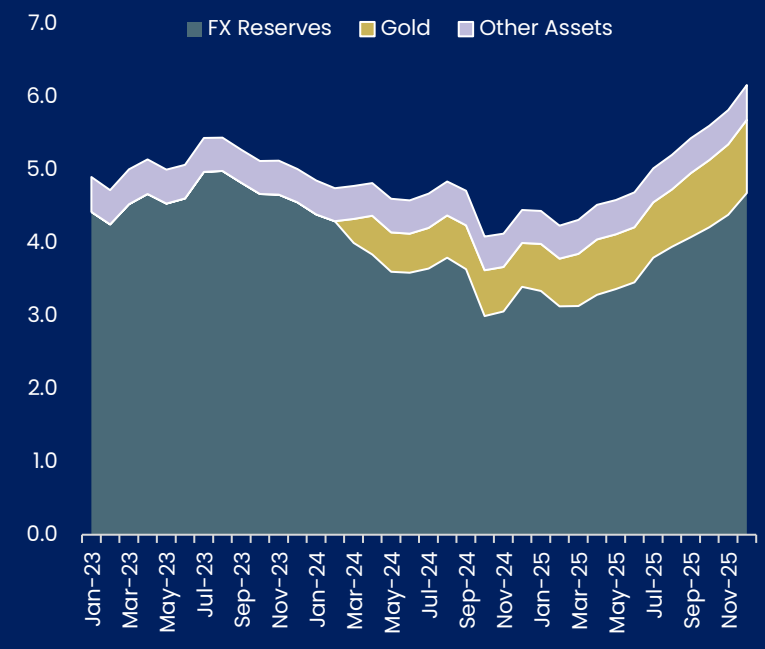
Source: Geostat, NBG

FOREIGN CURRENCY INFLOWS (USD BN)



Source: NBG, Geostat

FOREIGN RESERVES COMPOSITION (BLN USD)



Source: NBG

averaged 2.2 percent across 2025, well below the 3 percent anchor. This decomposition supports the central bank's reading that the headline overshoot is supply-driven and temporary, with no evidence of the shock spilling over into the broader inflation basket.

The policy stance reflected this reading. The refinancing rate was held at 8.0 percent throughout 2025 for the second consecutive year.

External inflows remained a reliable source of support. Tourism continued to be one of Georgia's more consistent bright spots: international arrivals reached 5.8 million, up 7.0% year-on-year, but the more telling figure was the 8.4% rise in tourist-type visits, pointing to longer stays and higher-quality inflows rather than just higher numbers. The source mix is also shifting, with arrivals from Israel, Saudi Arabia, and the EU posting strong gains, while flows from Russia, Iran, and Belarus continued to normalize after the post-2022 surge. Revenues rose 6.0% to USD 4.7 billion, with total in-country spending reaching GEL 15.0 billion.

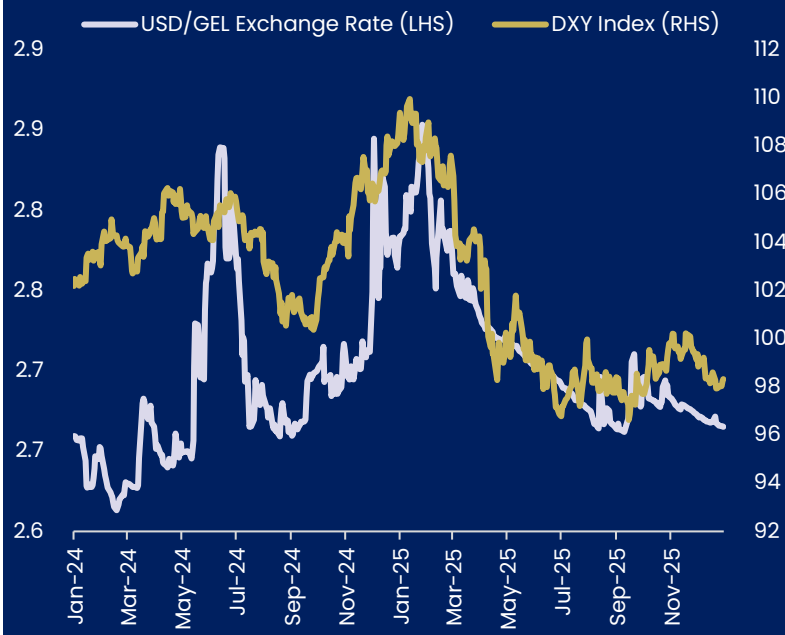
Remittances told a similarly encouraging story. Inflows rose 8.5% to USD 3.6 billion, with growth broadening across key source countries - particularly the United States and Germany, with Italy and Greece also contributing solidly. Excluding Russia, remittances grew 12.7%, underscoring how decisively the base of Georgian diaspora flows has shifted westward. Russia remained a drag, with inflows

falling 13.8% to USD 467 million as the post-2022 relocation wave continued to unwind - though with base effects fading and Russian-origin transfers returning to growth in later months, that normalization appears to be largely running its course. Underneath the aggregate, the United States overtook Italy as the single largest source during the year, with transaction counts up 3.5-fold since 2019, while average transaction size in real terms remained mostly flat. Israel stands apart as the highest-value source: average transfer size reached a record USD 982 on modest count growth, a pattern more consistent with capital flows than wage remittances.

With tourism revenues and remittances both holding firm, the Lari had a stable year, appreciating around 4% against the dollar - a quiet contrast to the volatility that closed out 2024. Underpinning this steadiness, the current account deficit continued its multi-year narrowing to an all-time low of around 2.6% of GDP - a structural improvement that reflects the durability of services exports and transfer inflows rather than a one-off cyclical effect.

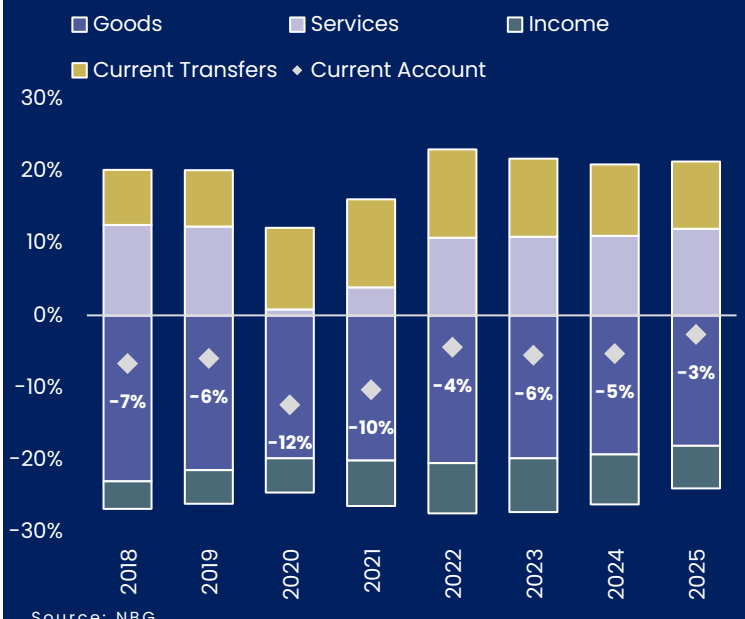
Against this backdrop, the NBG moved decisively to rebuild foreign exchange reserves, which had been drawn down through late 2024. Gross international reserves rose to a historic high of USD 6.2 billion by year-end, a USD 1.7 billion increase over the year, while net reserves covered approximately six months of imports. The build was broad-based. Foreign currency holdings rose 37.7 percent on the back of record NBG

USD/GEL EXCHANGE RATE



Source: NBG

CURRENT ACCOUNT BALANCE AND COMPONENTS, % OF GDP



Source: NBG

market purchases, reflecting how comfortably the inflow environment absorbed the accumulation without pressuring the exchange rate. Gold reserves crossed the USD 1.0 billion mark for the first time, up USD 404 million or 67.4 percent year on year — though that gain was almost entirely a price story, with bullion up 66.4 percent on the year, meaning the increase reflected revaluation rather than fresh accumulation.

The fiscal position remained sound in 2025. Tax revenues grew 8.7%, supported by strong income tax collection, up 13.4%, and solid VAT growth of 7.5%, broadly in line with economic activity. Public debt increased in nominal terms, though the debt-to-GDP ratio continued its declining trajectory, falling from 35.7% to 34.4% as economic growth outpaced borrowing. The share of domestic debt rose to 32.6%, reflecting a continued shift in the composition of borrowing. With an average debt maturity of 6.9 years, the debt profile remained well-structured.



Georgia's sovereign ratings remained unchanged in 2025, though assessments showed signs of improvement. Moody's affirmed the Ba2 rating with a negative outlook in March, while S&P affirmed the BB/B rating with a stable outlook in August. In November, Fitch revised Georgia's outlook from negative to stable and affirmed the BB rating, citing stronger reserves, reduced external imbalances, and solid growth prospects.

Overall, Georgia's economy maintained solid momentum in 2025, supported by strong service sector performance, resilient external inflows, and a stable macroeconomic environment. The labor market delivered historic-low unemployment and continued real wage gains, though both were concentrated in the sectors driving the structural shift in growth, and the broader distribution of gains remains uneven. The overall picture is of continued economic progress, underpinned by resilient fundamentals.

GEORGIAN FINANCIAL SECTOR

BANKING SECTOR OVERVIEW

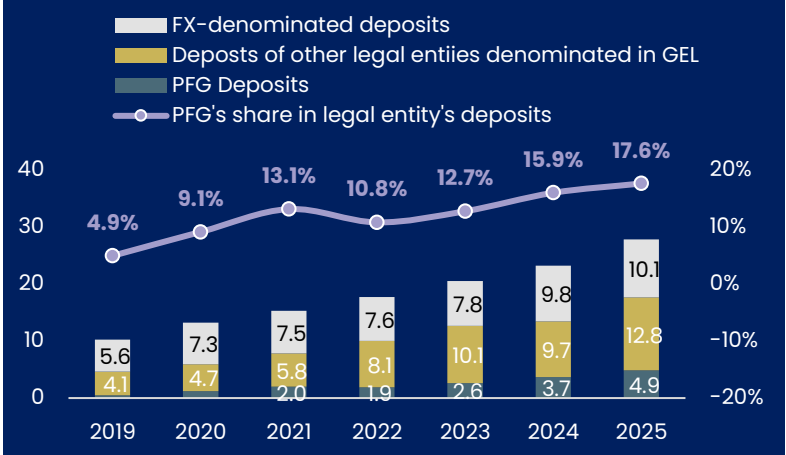
Georgia's financial system is largely bank-centric and continues to play a central, systemically important role in the broader economy. Over time, the sector has evolved into a mature and well-capitalized industry, albeit one marked by a high degree of concentration - by end-2025, the two largest banks together accounted for 75% of total lending activity.

The past decade has seen a substantial expansion in the scale of the banking sector. Total assets have surpassed the size of the economy, exceeding 100% of GDP, compared to around 65% a decade ago. This growth has been supported by persistently strong increases in both lending and deposit volumes, with double-digit growth rates recorded in recent years.

Despite this rapid expansion, key financial soundness indicators remain solid. Banks continue to operate with strong capital and liquidity positions, which underpin both financial stability and their ability to sustain credit growth. Asset quality also remains healthy, with the non-performing loan ratio contained at 2.54% of gross loans (slightly up from 1.47% in 2024, but still a healthy figure). Profitability has been notably high and stable, with average return on equity reaching 23.6% over the 2022-25 period, highlighting both efficiency and resilience across the sector.

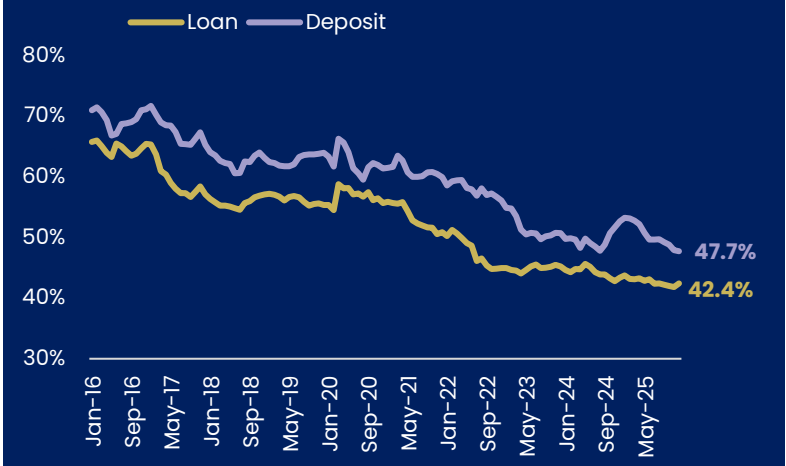
Credit activity remained dynamic in 2025, although growth moderated compared to previous years. By the end of the year, loan growth slowed to 14%, bringing the sector's total loan portfolio

DEPOSITS BY LEGAL ENTITIES, GEL BN



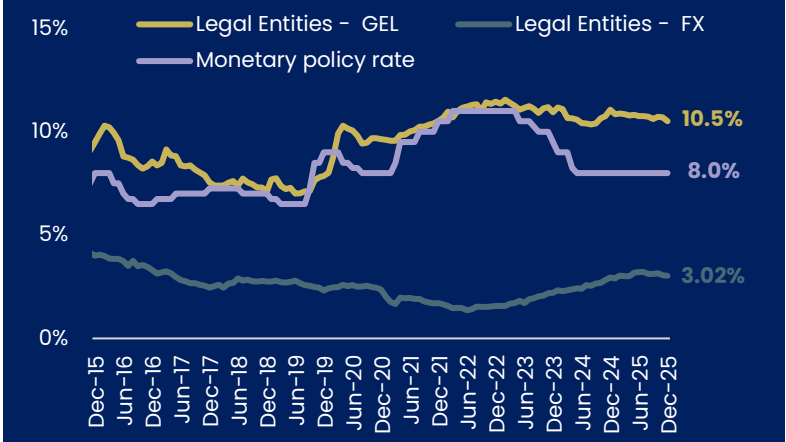
Source: NBG

DEPOSIT AND LOAN DOLLARIZATION



Source: NBG

INTEREST RATES ON DEPOSITS AND MPR



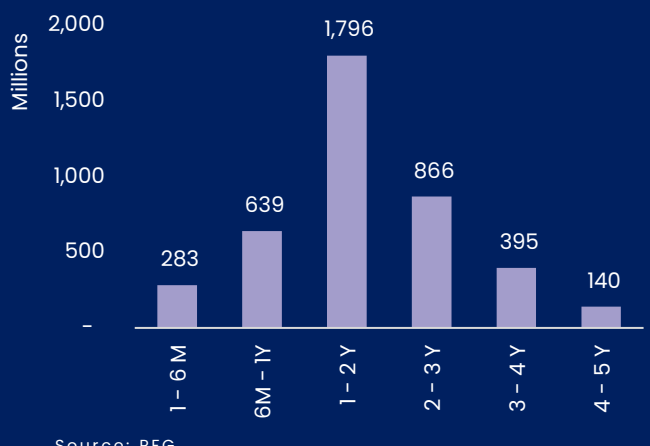
Source: NBG

to GEL 70.9 billion. While this sustained expansion has contributed to rising levels of household and corporate indebtedness, overall debt burdens remain below those observed in European markets.

On the funding side, deposits continued to grow steadily, reaching GEL 66.9 billion by December 2025, while the deposits-to-GDP ratio remained stable at 65%. Deposit growth was mainly driven by GEL-denominated deposits, which increased by 27% y/y, compared to 5% growth in foreign currency deposits. As a result, the GEL loan-to-deposit ratio declined from 126% in December 2024 to 114% in December 2025, while the FX ratio increased from 78% to 85%, leaving the total loan-to-deposit ratio broadly stable at 100%.

Loan and deposit dollarization declined to 42.4% and 47.7%, respectively, supported by the NBG's long-term de-dollarization strategy, including the gradual increase in the threshold for foreign currency loans.

MATURITY PROFILE OF CD PORTFOLIO, GEL



Source: PFG

Despite this progress, elevated dollarization continues to pose credit and liquidity risks and limits the development of domestic currency funding markets.

Interest rate dynamics have also evolved. Lending and deposit rates generally follow the National Bank of Georgia's refinancing rate – a trend that was broken in 2H24. However, dynamics went back to normal during 2025. This convergence has been supported in part by improved liquidity conditions in GEL within the financial system.

An increasingly important development in the deposit market has been the growing role of the Pension Fund of Georgia. Over the years, it has become a key institutional participant, significantly increasing its presence. Its share in legal entity deposits rose from 4.9% in 2019 to 17.6% by the end of 2025, with an even more pronounced position (27.7%) in GEL-denominated legal entity deposits.

The Fund continued to rely primarily on certificates of deposit as its main investment instrument, entering into 50 new agreements totaling GEL 2.04 billion in 2025. By year-end, CDs amounted to GEL 4.7 billion, representing 57.1% of NAV. The portfolio's average remaining maturity stood at 1.73 years, compared to an original average maturity of 2.97 years, reflecting a shift toward more attractive shorter-term opportunities. The PFG's growing presence in the market has also supported banks' funding structures by providing a stable, long-term source of funding.

GEORGIAN TREASURY SECURITIES

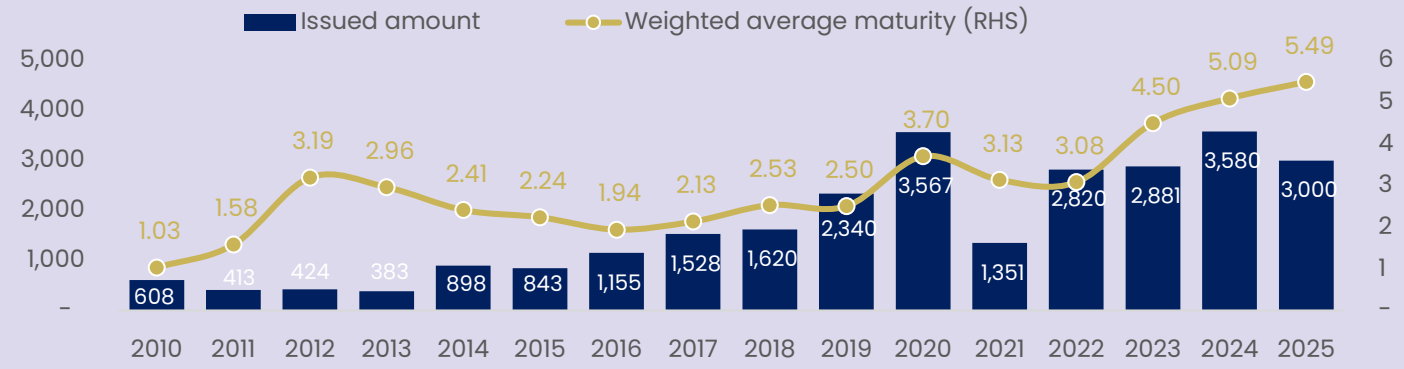
OVERVIEW

In 2025, Georgia's debt profile continued to shift towards domestic debt. By end-2025, general government debt reached GEL 35.9 billion, up from GEL 33.2 billion in 2024. Notably, despite the nominal growth, debt-to-GDP ratio decreased to 34.4% in 2025 vs. 35.7% in 2024, as GDP growth outpaced the pace of debt growth.

The local Treasury market expanded to GEL 11.4 billion at end-2025 (10.9% of GDP), consolidating its role as the primary domestic funding channel for the Georgian sovereign.

investor base of the Georgian treasuries continued into 2025. Commercial banks remain the dominant holders, with their share rising to 71% at end-2025, from 69% at end-2024, reflecting banks' increasing reliance on high-quality assets for liquidity management purposes. The National Bank of Georgia's share declined to 11% at end-2025, from 17% at end-2024. The reduction follows the suspension of NBG's secondary-market Treasury purchase operations, which had been conducted between 2018 and 2023 as part of open market operations.

TREASURY SECURITIES ISSUANCE AND WEIGHTED AVERAGE MATURITY OF NEW ISSUANCES, GEL



Source: NBG

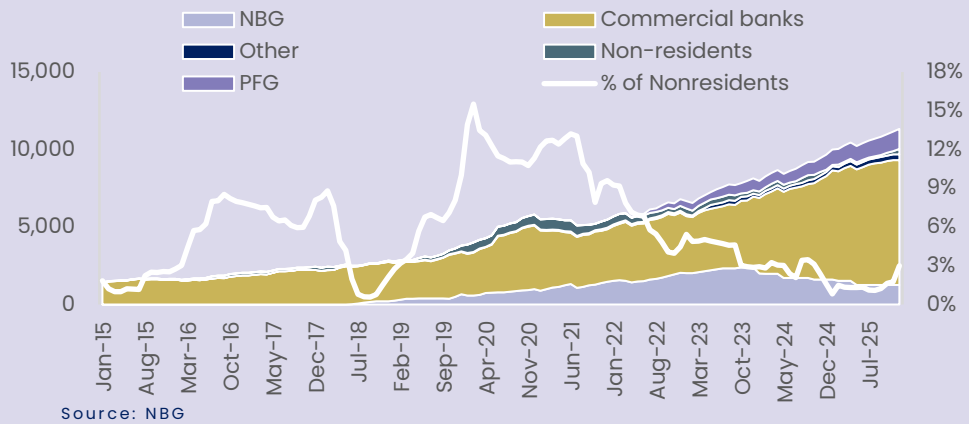
In 2025, government issued GEL 3.0 billion worth of Treasuries. Although a 16.2% y/y decline from 2024 highs, it remained substantially above the 2010-22 average of GEL 1.2 billion per year. Additionally, the weighted average maturity of the outstanding domestic debt reached 3.7 years at end-2025, compared with 3.5 years in 2024 and 3.0 years in 2023, reflecting the Ministry's policy of extending tenors, supported by the development of long-dated benchmark bonds in the 5–12 year segment. Structural changes in the

A more notable development in 2025 was the return of non-resident investors to the Georgian Treasury market. Foreign participation, which historically reached around 15% of outstanding Treasuries, had declined through the post-pandemic period, as the global flight to quality and the high-rate environment in developed markets drove capital outflows across emerging markets, including Georgia. The trend began to reverse during the second half of 2025, as Federal Reserve easing widened the yield differential between Georgian and

US Treasuries of comparable maturities. Non-resident auction participation accelerated in the fourth quarter, with their share of outstanding Treasuries doubling from 1.6% in 2024 to 3.0% by year-end.

The Pension Fund of Georgia continued to expand its presence in the domestic Treasury market during 2025, purchasing GEL 320 million across 29 auctions and lifting its share of outstanding Treasury securities to 12%. The Fund held a nominal GEL 1,296 million of Treasuries at end-2025, with a weighted average maturity of 4.3 years and a weighted average yield of 8.7%. Sustained institutional participation of this scale has supported the Ministry of Finance's ability to extend issuance along the curve and reinforces the Fund's established role in the domestic capital market.

GEORGIAN TREASURY SECURITIES BY HOLDER, GEL MN



Source: NBG

The GEL sovereign curve **steepened materially through 2025**, as long-end yields adjusted to a changing supply and demand profile. The year opened with the 2-year to 10-year spread at approximately 70 basis points, reflecting the residual effect of the National Bank's 2024 easing cycle. The short end remained anchored by the policy rate, which the NBG held at 8.00% throughout 2025, while long-end yields began to drift higher from the first quarter onward. The steepening accelerated through the middle of the year. Several factors pushed long-term yields higher: the Ministry of Finance issued more bonds at longer maturities, the National Bank stopped buying Treasuries in the secondary market, and inflation stayed above target.

This bear-steepening — long-end yields rising faster than short-end rates — peaked in early October with the 2-year to 10-year spread reaching c. 190 basis points. The curve closed the year with the spread at 167 basis points, with the 2-year yield at 8.2% and the 10-year yield at 9.9%. Rising long-term yields reduced the value of existing bonds and weighed modestly on the Fund's 2025 returns. At the same time, they created a better entry point going forward: new investments are now locking in higher yields, and with interest rates expected to decline in the coming years, these positions are well placed to support stronger returns in future periods.

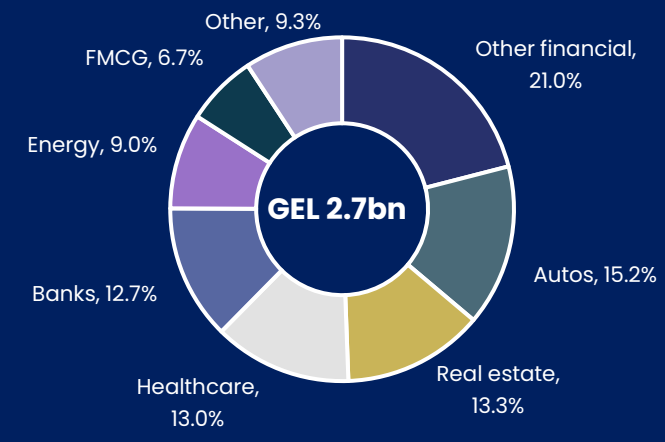
LOCAL CORPORATE BOND MARKET

GEORGIA

Georgian local securities markets delivered a record year in 2025, with both corporate bond issuance and total market outstanding reaching all-time highs. The two major categories present on the local debt securities market, local corporate issuers and International Financial Institutions (IFIs), both contributed to the expansion.

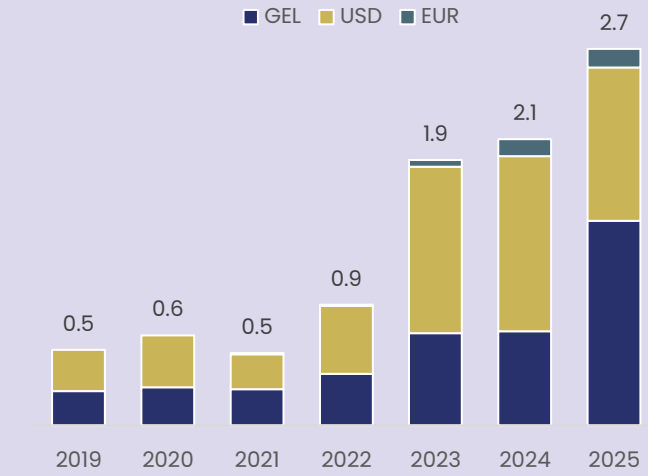
Local corporate bonds: The Georgian local corporate bond market continued its rapid growth trajectory in 2025, with total outstanding corporate bonds exceeding GEL 2.7 billion by end-2025, up from GEL 2.1 billion a year before. New corporate bond placement volume surged to almost GEL 1.6 billion for the year – more than triple the GEL 0.5 billion raised in 2024. The year's issuance trajectory was notably uneven: the first half started slowly amid local as well as global uncertainties. However, activity accelerated sharply in the second half, with several landmark transactions closing in Q3 and Q4.

LOCAL CORPORATE BONDS, BY SECTOR



Source: NBG

CORPORATE BONDS, OUTSTANDING, GEL BN



Source: NBG

This rapid growth was also supported by Enterprise Georgia's Capital Market Support Program, launched in 2024 to promote capital market development through the co-financing of credit rating expenses and brokerage-related fees. As of 2025, the program had supported 19 issuances by 12 companies, facilitating capital raising of up to GEL 1 billion.

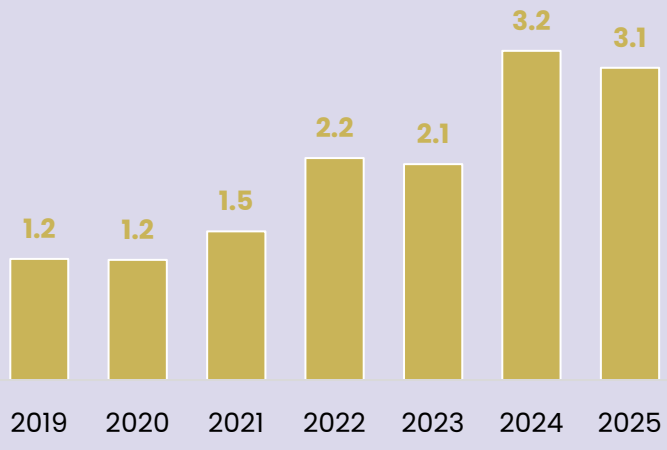
The corporate bond market made notable progress on dedollarization in 2025. The share of USD-denominated bonds in total outstanding fell from 61% at end-2024 to 40.8% by end-2025, reflecting a meaningful shift toward local currency issuance. Of the GEL 2.7 billion in total outstanding corporate bonds, GEL 1.5 billion (55.6%) was denominated in the local currency, GEL 1.1 billion (40.8%) in USD, and GEL 0.1 billion (3.7%) in EUR. This rebalancing was driven in part by several large GEL-denominated issuances during the year and aligns with the broader policy objective of reducing FX-related risks in the financial system. The improving

balance between local and foreign currency bonds was among the year's most positive structural developments.
In terms of interest rates, Georgian issuers continued to prefer floating-rate structures for GEL-denominated bonds, with interest rate spreads ranging between 2.00%-4.25% over the Tbilisi Interbank Interest Rate (TIBR), while foreign currency issuances remained predominantly fixed-rate, with USD-denominated bonds carrying rates of 7.0%-13.5%, including perpetual bonds, and EUR-denominated bonds at 6.50%-7.75%.

Large companies continued to dominate the market, however, the gradual entry of smaller companies indicates broader access to capital market financing.

Despite strong primary market growth, secondary market liquidity remains limited, especially for GEL-denominated corporate bonds. The market is still largely dominated by institutional and buy-and-hold investors.

IFI BONDS, OUTSTANDING, GEL BN



Source: NBG

The Pension Fund of Georgia continued to participate actively in the local corporate bond market during 2025, taking part in several of the year's landmark transactions and reinforcing its role as a leading institutional investor in the development of Georgia's financial markets. The Fund held GEL 165 million of local corporate bonds at end-2025, equivalent to approximately 11% of the GEL-denominated corporate bond market.

IFI bonds: International Financial Institutions continued to play a central role in the development of Georgia's local securities market. The total stock of IFI bonds stood at GEL 3.1 billion by the end of 2025, slightly below GEL 3.2 billion at the end of 2024. IFIs remained active both as issuers on the local market - providing liquidity benchmarks and supporting local currency development - and as anchor investors in corporate bond placements, with the EBRD, IFC, and AIIB all participating in key transactions during the year. Beyond co-investments, the Pension Fund of Georgia also participated in private placements of AIIB and ADB during 2025, further cementing its role as a trusted institutional partner to the international development finance community. Exposure to highly-rated supranational issuers improves the overall credit quality of the Fund's fixed income portfolio, providing diversification away from the domestic banking sector and adding a layer of AAA-rated assets that complements the Fund's holdings in Georgian sovereign and corporate bonds.

INTERNATIONAL MARKETS

ECONOMIC ENVIRONMENT

GLOBAL CONTEXT

The global economy demonstrated remarkable resilience in 2025, navigating a historic escalation in trade tensions, elevated policy uncertainty, and divergent growth dynamics across regions. According to the IMF, global growth held steady at an estimated 3.3 percent in 2025 — matching the pace of the prior year and exceeding earlier projections — supported by a surge in artificial intelligence-related investment, front-loading of trade ahead of tariff increases, accommodative financial conditions, and the adaptability of the private sector in adjusting to shifting trade policies.

This resilience, however, masked a notably uneven recovery. While advanced economies broadly maintained momentum, driven in particular by strong technology investment in the United States, more than one-quarter of emerging market and developing economies still registered per capita incomes below their 2019 pre-pandemic levels, according to the World Bank. The post-pandemic global rebound of 2021–25 has been described as the strongest recovery from a global recession in more than six decades, yet it came at the cost of higher inflation and elevated public debt across many economies.

Global trade growth proved stronger than anticipated in 2025, at an estimated 4.1 percent, buoyed significantly by the front-loading of goods imports ahead of US tariff increases. Following a 90-day pause, the US administration reinstated broad reciprocal tariff measures in August 2025, with the average effective US tariff rate rising to approximately 17–18.5 percent by late 2025 - the highest level since the 1930s. The announcement of several bilateral trade agreements and a US-China trade truce agreed in November helped partially ease tensions, though policy uncertainty remained substantially elevated relative to the start of the year.

Commodity markets reflected the subdued demand environment. Brent

+3.3%	**GLOBAL GROWTH** Global growth remained resilient despite trade tensions and policy uncertainty.
+4.1%	**TRADE GROWTH** Trade expanded faster than expected, supported by front-loaded imports.
+42%	**GOLD PRICE SURGE** Gold surged on safe-haven demand and strong central bank buying.
~4.1%	**GLOBAL INFLATION** Inflation continued to ease, though it remained above pre-pandemic levels.

crude oil averaged $69 per barrel in 2025, with prices expected to decline in 2026. Gold, in contrast, surged by approximately 42 percent on an annual average basis, driven by strong investor demand, central bank purchases, and safe-haven inflows amid geopolitical tensions and policy uncertainty.

Global inflation, while still above pre-pandemic norms, continued its gradual descent in 2025. The IMF estimated global headline inflation at approximately 4.1 percent for the year, with moderation observed across most regions, though notable divergence persisted.

In advanced economies, the inflationary pass-through from US tariffs was more contained than initially feared, as firms absorbed costs through compressed profit margins and supply chain adjustments. Services price inflation continued to outpace goods inflation, though it eased as labor markets softened. The adoption of AI-related technologies in some service industries appeared to support productivity gains, contributing to moderating price pressures.

Global financial conditions eased over the second half of 2025, supported by solid risk appetite, US dollar depreciation, and expectations of continued Federal Reserve easing. Equity markets posted substantial gains globally, with AI-driven investment sentiment lifting major indices, particularly in the United States. However, concerns emerged over stretched valuations in equity and corporate bond markets, raising the vulnerability of financial markets to sudden corrections. Sovereign bond yield curves in advanced economies steepened, as rising term premia pushed long-term yields higher amid fiscal sustainability concerns.

+17–18.5%
US TARIFF RATE

Global trade tensions intensified in 2025 as the United States reinstated broad reciprocal tariff measures following a temporary pause earlier in the year. By late 2025, the average effective US tariff rate rose to approximately 17–18.5 percent — the highest level since the 1930s — contributing to elevated policy uncertainty and increased volatility in

$69
BRENT OIL

Brent crude averaged approximately $69 per barrel in 2025, reflecting relatively subdued global demand conditions and ample supply. Commodity markets remained sensitive to geopolitical developments and shifts in global trade dynamics.

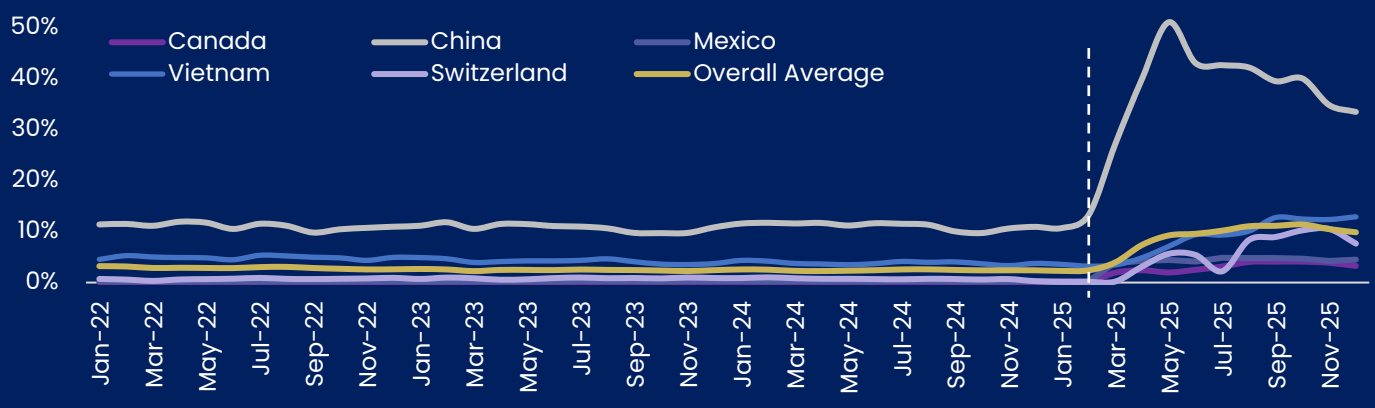
ECONOMIC ENVIRONMENT

UNITED STATES

The United States economy delivered another year of stronger-than-expected growth in 2025, reinforcing its role as the main engine of global economic activity. Full-year GDP growth is estimated at 2.1 percent, slightly below the 2.8 percent recorded in 2024. This moderation reflected a mixed backdrop: strong business investment and rapid technology spending supported activity, while slower consumer spending, a federal government shutdown in the final quarter, and rising trade-policy headwinds weighed on overall economic momentum.

On inflation, the US diverged somewhat from the global disinflation trend in 2025. While headline inflation continued to ease in many economies, US goods prices began rising again from mid-2025 as tariff effects increasingly passed through to consumers. Prices for imported and domestically produced consumer goods moved higher, with domestic goods also affected by supply-chain spillovers and reduced import competition. Household inflation expectations stayed elevated, and core inflation was projected to return to the target only in 2027.

EFFECTIVE US TARIFF RATES ON SELECTED ECONOMIES, 2022–2025



Source: Bloomberg

Technology investment was the clearest growth driver in 2025. Spending on AI-related equipment, software, and intellectual property expanded sharply during the year and made a meaningful contribution to annualized GDP growth across the first three quarters. The United States remained the leading destination for global AI-related capital flows, supported by its deep technology ecosystem and a policy environment that remained broadly favorable to digital infrastructure expansion.

Monetary policy eased further in 2025 as the Federal Reserve cut rates amid a softening labor market, extending the easing cycle that began in late 2024. Looser financial conditions supported equities and investment, though political scrutiny of the Fed increased. Fiscal policy also became more supportive, with a mid-year budget package and the government's reopening boosting growth.

ECONOMIC ENVIRONMENT

EURO AREA

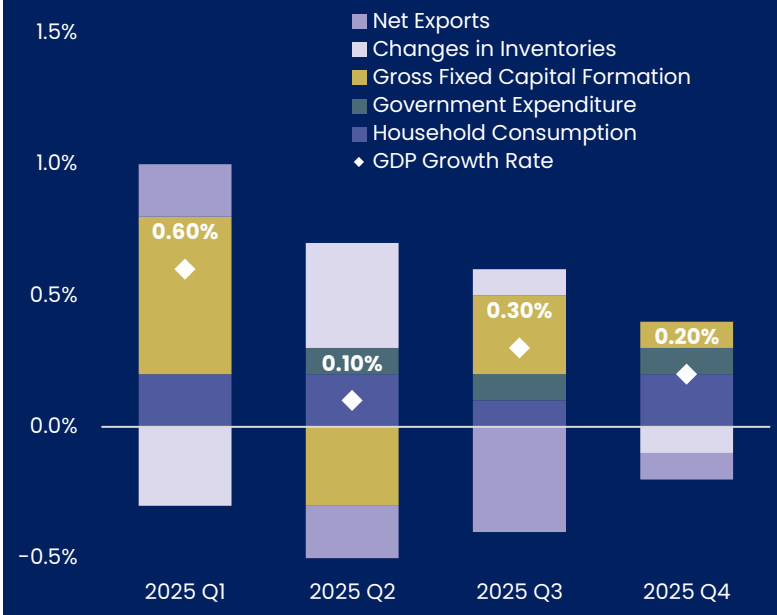
Economic growth in the euro area recovered modestly in 2025, with GDP expanding by an estimated 1.4 percent for the year, up from 0.9 percent in 2024 and slightly above earlier expectations. The improvement was driven partly by front-loaded exports ahead of higher US tariffs.

Still, the recovery remained fragile and uneven. Germany continued to face structural challenges, including high energy costs, weak industrial competitiveness, and soft export demand, leaving growth broadly flat. By contrast, Ireland and Spain performed better, supported by technology activity and resilient domestic consumption. France also received temporary support from stronger aerospace exports.

The euro area benefited less than other advanced economies from the global boom in technology and AI-related investment, which remained concentrated in North America and parts of Asia. Structural headwinds persisted, including energy-related competitiveness pressures linked to Russia's invasion of Ukraine and euro appreciation, which weighed on manufacturing.

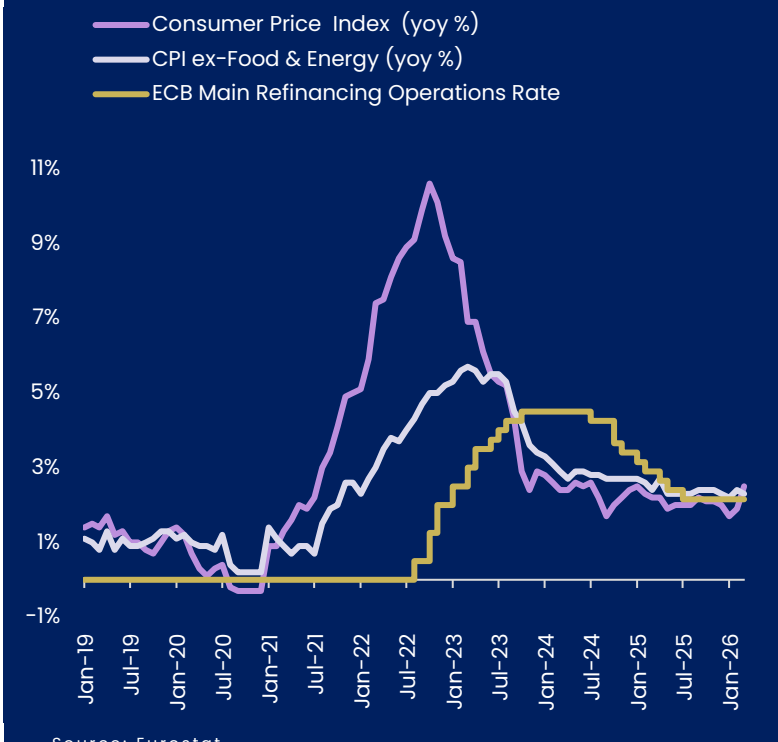
The ECB maintained an accommodative stance throughout 2025, continuing the easing cycle begun in 2024. With inflation nearing target, the ECB had room to lower rates gradually, supporting financial conditions and credit growth, though fiscal policy remained constrained by EU budget rules and limited fiscal space.

REAL GDP GROWTH RATE, EURO AREA



Source: Eurostat

INFLATION AND POLICY RATE, EURO AREA



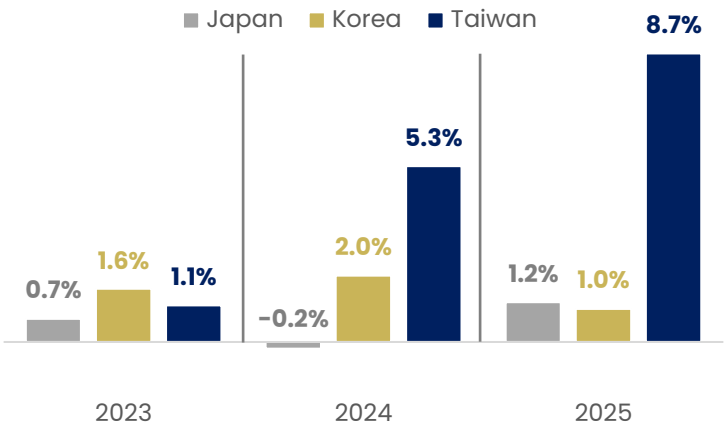
Source: Eurostat

ECONOMIC ENVIRONMENT

DEVELOPED ASIA

Developed Asian economies exhibited weak and uneven performance in 2025, reflecting structural constraints and high exposure to external demand. Japan's economy contracted on an annualized basis in Q3 (-2.3%), highlighting underlying fragility, although full-year growth is estimated at around 1.2 percent. Across advanced economies more broadly, growth remained subdued at approximately 1.6–1.7 percent, underscoring low potential growth and limited domestic demand momentum.

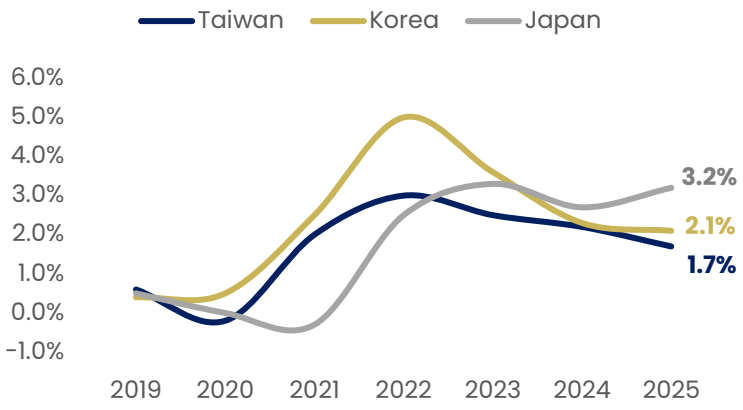
REAL GDP GROWTH, SELECTED DEVELOPED ASIAN ECONOMIES



Source: Bloomberg

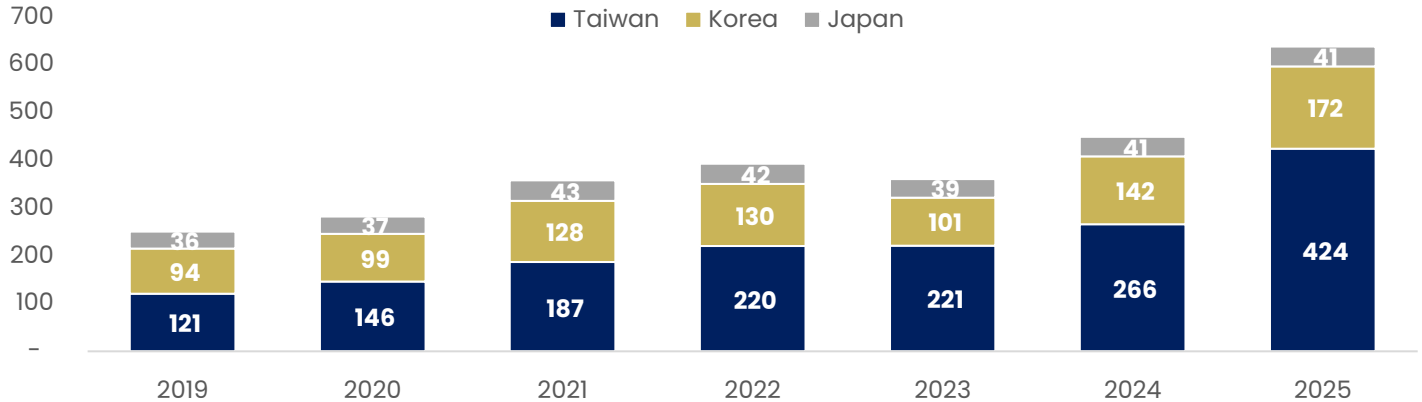
At the same time, production dynamics in developed Asia were shaped by strong performance in high-technology sectors. In particular, semiconductor and electronics exports provided a key source of support, driven by robust global demand for AI-related equipment. Technology-related trade flows remained a major offset to weaker activity in other sectors, with Asian exporters benefiting disproportionately from the ongoing investment cycle in digital infrastructure and artificial intelligence.

CONSUMER PRICE INFLATION, SELECTED DEVELOPED ASIAN ECONOMIES



Source: Bloomberg

TECHNOLOGY AND ELECTRONICS EXPORTS, SELECTED DEVELOPED ASIAN ECONOMIES, 2019-2025 (USD BILLIONS)



NOTE: COVERS HS CODES 8471, 8473, 8542, AND 9031. SERVES AS A PROXY FOR AI-RELATED CAPITAL GOODS EXPORTS. ACCELERATION IN 2024–25 REFLECTS SURGING GLOBAL DEMAND FOR AI INFRASTRUCTURE.

ECONOMIC ENVIRONMENT

EMERGING MARKETS AND DEVELOPING ECONOMIES

Emerging market and developing economies (EMDEs) proved more resilient than expected in 2025, with aggregate growth estimated at 4.2 percent, above earlier projections of 3.9 percent. This outperformance reflected stronger exports across several regions, driven partly by front-loading of trade ahead of US tariff increases, as well as resilient services activity, easier global financial conditions, and a weaker US dollar, which supported local currencies and helped moderate inflation in many economies.

Looking ahead, growth is expected to moderate to 4.4–4.5 percent in 2026, constrained by weak consumer confidence, continued property sector softness, and elevated debt levels, with policy support providing only a partial offset. Growth is projected to slow further to around 4.0 percent in 2027 as structural challenges, including slower productivity growth, demographic pressures, and high debt, continue to weigh on potential output.

4.2%
GDP GROWTH YOY

3.3%
CPI INFLATION YOY

$7,028
+4.8%, GDP PER CAPITA

China

China's growth in 2025 is estimated at 4.9–5.0 percent, modestly above earlier forecasts. Growth was supported by additional fiscal stimulus, a goods trade-in program, consumer subsidies, and stronger-than-expected export performance as shipments were redirected away from the US market. Front-loaded exports to non-US destinations provided a near-term boost. However, structural headwinds persisted. The property sector remained in prolonged downturn, consumer confidence stayed subdued, and investment growth slowed amid ongoing real estate weakness. Monetary policy remained accommodative, while inflation stayed low, reflecting soft domestic demand.

Other Emerging Markets

Performance across other EMDEs remained mixed in 2025. East Asian exporters benefited from strong demand for AI-related semiconductor and electronics goods, while services activity stayed resilient across most regions. Latin America faced weaker domestic demand, political instability, and persistent inflation, with Brazil maintaining a tighter monetary stance.

EQUITY MARKETS

GLOBAL OVERVIEW

In 2025, the global equity landscape underwent a striking regime change, as international and emerging markets outperformed the U.S. for the first time since 2017. The MSCI All Country World Index rose 23%, marking one of the strongest years in recent memory. However, beneath the headline, the biggest story was the rotation: the MSCI World ex USA Index returned 32%, while the MSCI Emerging Markets Index 34%, their widest outperformance margin versus U.S. equities since 2009. A weaker U.S. dollar, a valuation catch-up in non-U.S. markets, and broadening market participation beyond U.S. mega-caps all contributed to this reversal. The year began with a continuation of the AI-driven rally from 2023-2024, but was sharply interrupted in April when President Trump's "Liberation Day" tariff announcement triggered the largest global sell-off since the COVID-19 pandemic. The S&P 500 plunged more than 10% in the days following April 2, and fear spread across every asset class, including U.S. Treasuries and the dollar. However, markets staged a remarkable recovery after Trump paused the most aggressive country-specific tariffs for 90 days on April 9 and subsequently struck deals with several trading partners. By June, the S&P 500 had recovered its pre-Liberation Day levels, and by year-end, major indices globally were near or at all-time highs. AI remained a dominant investment theme, but the narrative matured. While U.S. hyperscalers continued pouring hundreds of billions into AI CapEx, the market became more discerning, rewarding execution over hype. Notably, China's DeepSeek shocked the global tech community in January by releasing its R1 reasoning model, matching top U.S. AI systems at a fraction of the cost, prompting a broader reassessment of AI supply chain economics. The deepening of AI beyond U.S. borders, particularly into Asian tech and industrial sectors, European defense and robotics, and emerging market infrastructure, was a defining theme of 2025.

~500BN
AI CAPEX OVER 2025

U.S. TRADE POLICY

+10.9%
US EFFECTIVE TARIFF RATE

The U.S. effective tariff rate ended 2025 at 9.42%, after briefly reaching 10.91% following President Trump's "Liberation Day" announcements. Despite remaining below initially proposed rates, it was still far above 2.31% at end-2024, though trade agreements softened tariff implementation somewhat.

EQUITY MARKETS

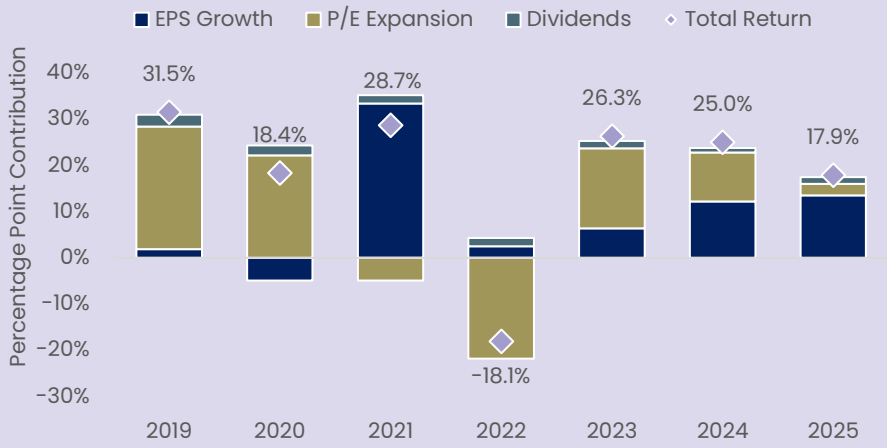
UNITED STATES

U.S. equities delivered their third straight year of double-digit gains in 2025, with the S&P 500 returning 17.9% including dividends. While strong by historical standards, this marked a clear moderation from the exceptional 25%+ gains recorded in both 2023 and 2024 and marked the first year since 2017 in which U.S. equities underperformed the rest of the world.

The year's journey, however, was far from linear. In the first half, the index experienced a sharp drawdown of nearly 19%, driven largely by the April "Liberation Day" tariff shock, which unsettled markets and raised concerns about the outlook for trade, inflation, and corporate earnings. Sentiment improved markedly later in the year, and the market rebounded strongly, climbing 37% from its April low through year-end as tariff rates were reduced through a series of trade agreements and a temporary truce with China.

Market leadership remained highly concentrated for much of the year. A small group of mega-cap stocks, led by Nvidia, Alphabet, Microsoft, Broadcom, JPMorgan Chase, Palantir, and Meta, generated more than half of the S&P 500's total advance. Heavy investment tied to artificial intelligence remained a central driver of economic activity, accounting for nearly half of U.S. GDP growth during the first half. Nevertheless, the second half of the year saw a meaningful broadening of leadership with small- and mid-cap stocks outperforming large-caps, and cyclical sectors gaining traction, signaling a healthier and more diversified rally.

THE S&P 500 INDEX PERFORMANCE



Source: PFG

One of the year's defining catalysts was the weakness of the U.S. dollar, which fell roughly 9.4% — its worst performance since 2017. While supportive for U.S. multinational earnings, dollar weakness reduced returns for unhedged non-U.S. investors and amplified international market returns in dollar terms.

Despite this, U.S. equities still completed a historic three-year run, doubling in total return since October 2022, even as 2025 began to challenge the notion of U.S. exceptionalism.

EQUITY MARKETS

EUROPE

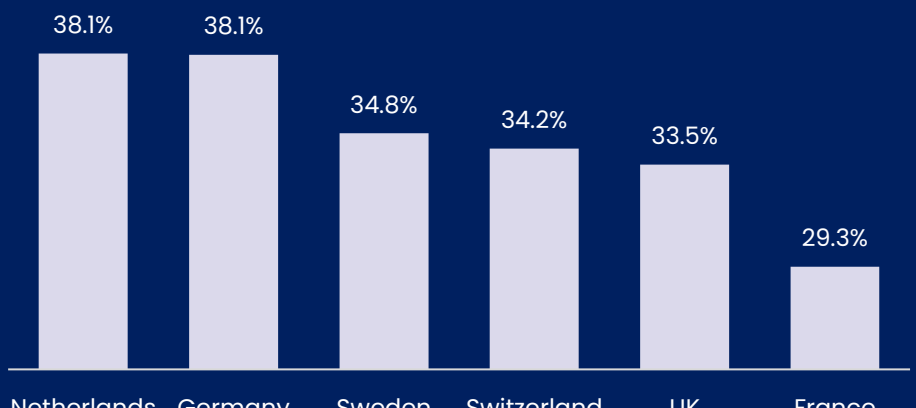
European equities delivered a breakout year in 2025, reversing the underperformance that had defined the region for much of the past decade. The Vanguard FTSE Europe ETF (VGK) returned 35.8% for the year (total return), a sharp turnaround from 2024's near-flat performance. Several factors converged to drive the European equity rally. Germany's landmark decision to overhaul its fiscal stance was a catalyst: in March, the government unveiled a major infrastructure and defense spending package, breaking with its long-standing fiscal conservatism. This helped lift German equities, with the DAX among the year's best performers. Across Europe, defense stocks surged as NATO allies agreed in June on a new spending target of 5% of GDP by 2035, and the EU's ReArm Europe Plan injected further momentum into the sector. European financials were strong, benefiting from improved lending prospects and robust profitability as the ECB's easing cycle progressed.

The European equity rally also reflected a valuation catch-up: entering 2025, European stocks traded at a historic discount to U.S. markets, and the combination of improving growth prospects and easing energy concerns attracted significant capital flows back to the region. For dollar-based investors, returns were further amplified by euro and sterling appreciation against the dollar, with currency contributing materially to the headline numbers. By year-end, European equities were near multi-year highs, though headwinds from elevated trade uncertainty and the stronger euro weighed on export-sensitive sectors.

INVESTMENT DRIVERS

- ✓ Economic Recovery and Growth
- ✓ Monetary Policy Outlook
- ✓ Energy Market Stabilization
- ✓ Export Demand and Global Trade
- ✓ Structural Investment and Green Transition

TOTAL RETURN BY COUNTRY, USD



Source: Bloomberg

EQUITY MARKETS

ASIA-PACIFIC

Asia-Pacific equities delivered a strong performance in 2025, with the Vanguard FTSE Pacific ETF (VPL) returning 32.6% on a total return basis, marking a sharp rebound from the near-flat performance recorded in 2024. The region's rally was led primarily by Japan and South Korea, two of the best-performing major equity markets globally with improved investor sentiment, the AI capex cycle, and corporate governance progress as the dominant themes.

Japan was a standout performer, with the Nikkei 225 rising 28.7% in local currency terms and reaching multiple record highs during the year. The rally was supported by continued corporate governance reforms aimed at improving capital efficiency and shareholder returns, which attracted significant foreign investor inflows. Political developments also boosted market confidence, as the election of Sanae Takaichi as Japan's first female prime minister strengthened expectations for expansionary fiscal policy and greater investment in strategic technologies such as artificial intelligence and semiconductors. The Bank of Japan also continued its gradual policy normalization, raising interest rates twice during the year.

South Korea delivered the strongest performance among major global markets, with the KOSPI surging 79%, its best annual return since 1999. The rally was driven largely by the global boom in artificial intelligence infrastructure, which significantly boosted demand for advanced memory chips.

South Korea's leading semiconductor firms, Samsung Electronics and SK hynix, benefited strongly from surging demand for High Bandwidth Memory chips used in AI systems. Political developments further supported sentiment as the election of President Lee Jae Myung helped restore investor confidence and contributed to a meaningful re-rating of Korean equities.

+28.7%
NIKKEI 225

Japan was one of the world's strongest-performing major markets in 2025, with the Nikkei 225 reaching multiple record highs during the year. The rally was supported by continued corporate governance reforms, improving shareholder returns, and strong foreign investor inflows, as greater capital efficiency and a more favorable policy environment helped strengthen confidence in Japanese equities.

+79%
KOSPI

South Korea was the best-performing major equity market globally in 2025, with the KOSPI posting its strongest annual return since 1999 as investor optimism and technology sector strength drove a powerful rally.

EQUITY MARKETS

EMERGING MARKETS

Emerging market equities delivered a strong year in 2025, with the Vanguard FTSE Emerging Markets ETF (VWO) returning 25.6% in dollar terms, a sharp reversal from the muted performance of recent years. Similar to Asian markets, multiple factors contributed to the rally with the global AI capex cycle, a meaningful weakening of the U.S. dollar, and a broad reassessment of EM as a destination for global capital after years of structural underweight positioning.

A key turning point for markets came early in the year when Chinese startup DeepSeek introduced its R1 reasoning model in January. The model demonstrated capabilities comparable to leading U.S. artificial intelligence systems while operating at significantly lower costs. This development, widely referred to as the "DeepSeek moment," sparked a global reassessment of China's technological competitiveness and triggered a broad revaluation of Chinese technology companies. As sentiment improved, several global investment banks upgraded their outlook for Chinese equities and raised target prices for major technology firms. In addition, the gradual easing of U.S.–China trade tensions during the second half of the year, following a tariff truce and renewed bilateral negotiations, provided further support to investor sentiment.

Elsewhere in emerging markets, Taiwan remained a major beneficiary of the global artificial intelligence investment cycle. The TAIEX index gained 28.6%, continuing to capitalize on the island's dominant position in semiconductor manufacturing through Taiwan Semiconductor Manufacturing Company (TSMC). As the world's leading supplier of advanced chips used in AI infrastructure, TSMC remained central to the global technology supply chain and was a major driver of Taiwan's market performance. Although the pace of gains moderated compared with the previous year's rally, Taiwan remained one of the strongest-performing emerging markets.

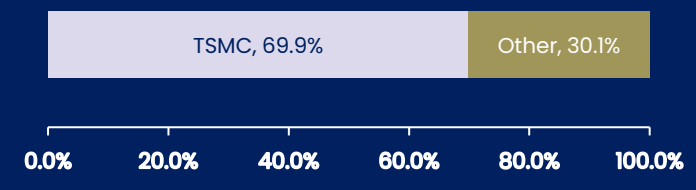
By the end of the year, emerging market equities offered increasingly attractive valuations alongside improving growth prospects, reinforcing their appeal within global equity allocations.

+25.6%

VANGUARD FTSE EM ETF (VWO)

VWO's 2025 performance was driven by a revaluation of Chinese technology stocks after DeepSeek's breakthrough, easing U.S.–China trade tensions, and Taiwan's semiconductor-led gains as TSMC benefited from the global artificial intelligence investment cycle and improving emerging-market valuations throughout the year.

SEMICONDUCTOR MARKET SHARE



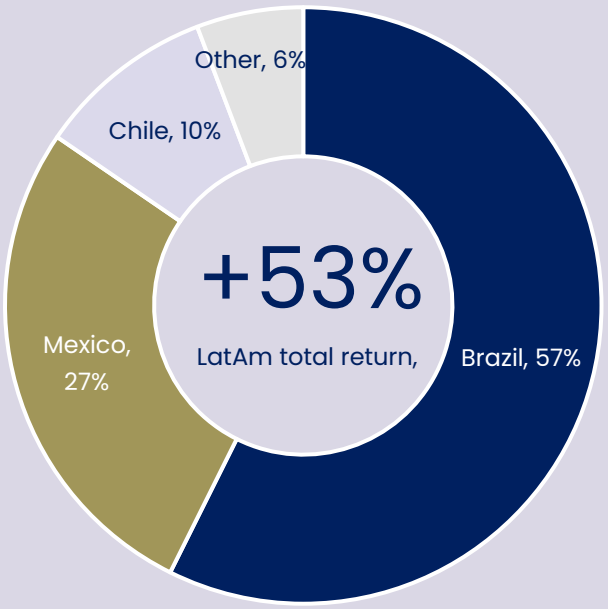
EQUITY MARKETS

LATIN AMERICA

Latin American (LatAm) equities staged a strong recovery in 2025 after finishing 2024 as the world's worst-performing region. The iShares Latin America 40 ETF (ILF) surged 52.7% on a total return basis, making it one of the best-performing regional equity ETFs globally. The rebound was driven primarily by Brazil and Mexico, where improving investor sentiment, recovering currencies, and attractive valuations helped reverse the sharp weakness seen in the prior year.

Brazil was the main engine of the regional recovery. After suffering heavy capital outflows and significant currency depreciation in 2024, the Brazilian real rebounded strongly and became one of the best-performing emerging market currencies against the U.S. dollar. Equity markets also recovered sharply, with the Ibovespa posting strong gains in local currency terms and the iShares MSCI Brazil ETF (EWZ) rising 48.9%. Much of the rebound reflected deeply depressed starting valuations, as Brazilian equities entered the year trading at single-digit price-to-earnings multiples. Domestic fundamentals also remained relatively supportive, with resilient employment conditions and a hawkish central bank maintaining an elevated Selic rate to contain inflation. At the same time, growing expectations that monetary easing could begin in early 2026 provided additional support to market sentiment. Although tensions persisted between the Lula administration's expansionary fiscal agenda and the central bank's restrictive stance, investor confidence improved on the back of more market-friendly signals and the possibility of political change in the 2026 presidential election.

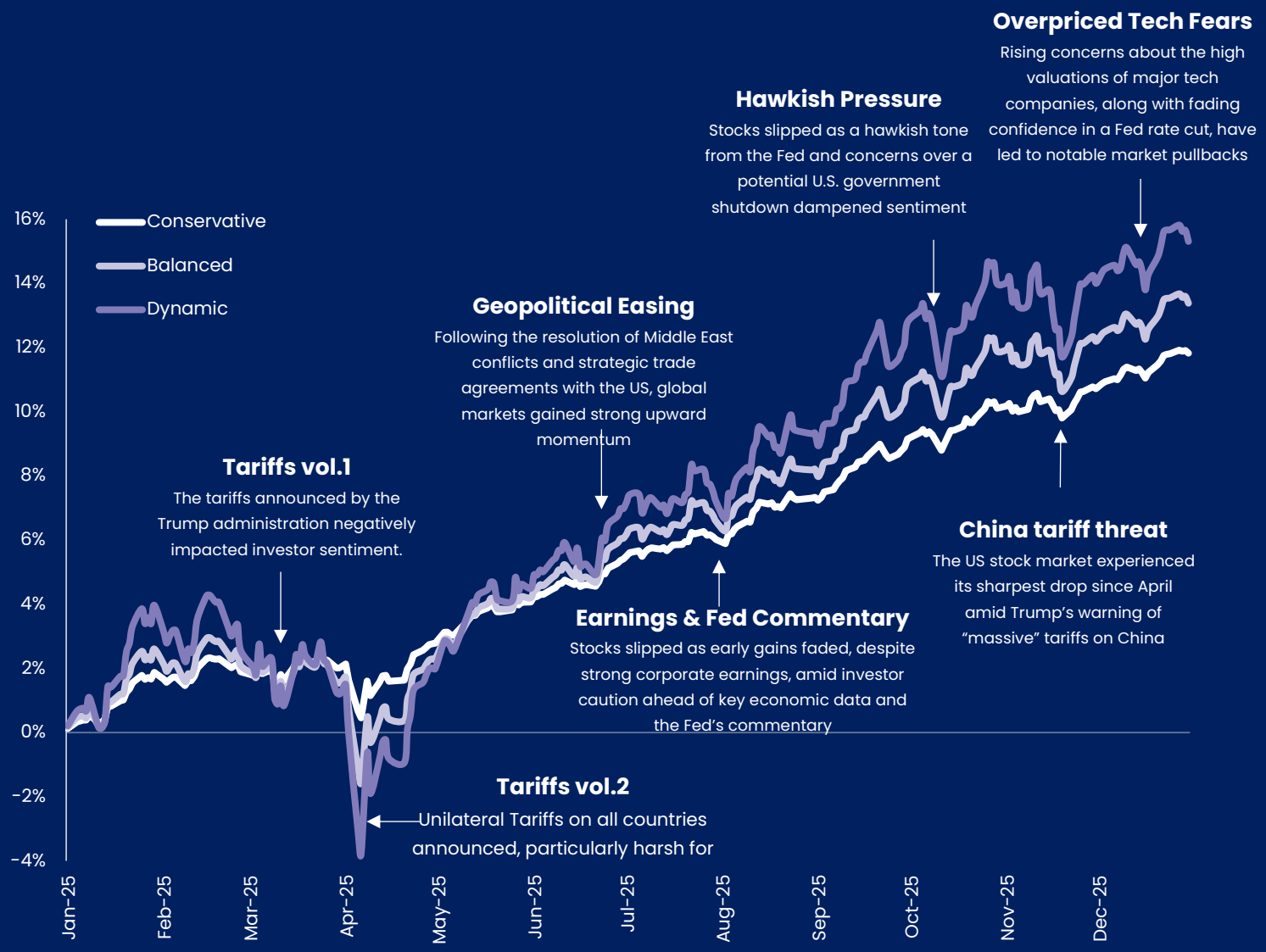
PERFORMANCE BREAKDOWN BY COUNTRY



Source: Bloomberg

Mexico also made an important contribution to the region's rally, supported by improved trade relations with the United States after a tariff agreement and continued benefits from nearshoring trends. The Mexican equity market returned 56.8% for the year, recovering from the uncertainty that followed the 2024 presidential transition. Despite the broad-based rebound, Latin American equities continue to trade at a significant valuation discount to both developed and broader emerging markets, while political and fiscal risks remain key considerations heading into 2026.

PORTFOLIO PERFORMANCE



11.8%

Conservative Portfolio

13.3%

Balanced Portfolio

15.2%

Dynamic Portfolio

SOURCES OF INVESTMENT RETURN

₾796.0MN

COMPOSITION OF TOTAL INVESTMENT RETURN IN 2025

CDs

₾440.9 MN — share in return, 55.4%



Largest contributor to 2025 investment return, supported by consistently high and stable income from the Fund's largest domestic allocation. The instrument remained a key source of resilience and return generation during the year.

Equity

₾239.2 MN — 30.1%



Best-performing asset class in 2025, driven by strong global market gains. International equity exposure increased during the year and continued to strengthen the Fund's diversification and long-term growth profile.

Georgian Treasuries

₾76.1 MN — 9.6%



Provided stable local-currency income and continued to support portfolio quality, liquidity, and duration exposure. The Fund also strengthened its presence in the domestic Treasury market through active participation in government securities auctions.

Others

₾39.8 MN — 5.0%



This category was driven primarily by corporate and IFI bond exposures, which strengthened diversification, improved portfolio quality, and provided an additional source of return beyond the Fund's core holdings.

PERFORMANCE & PORTFOLIOS

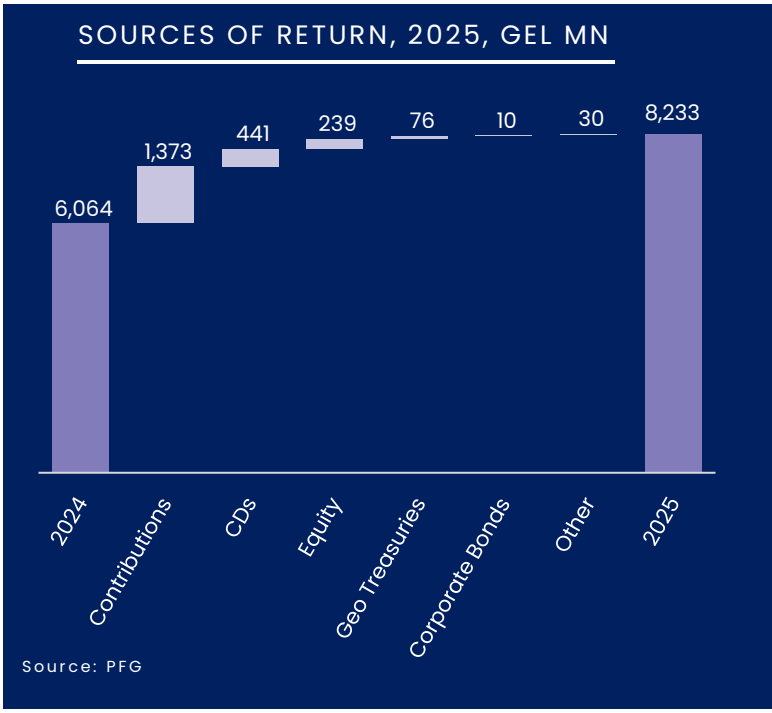
ASSET GROWTH AND INVESTMENT PERFORMANCE

The Pension Fund maintained a strong pace of asset growth in 2025, ending the year with net assets of GEL 8,233 million, up by GEL 2,169 million compared to the end of 2024. The increase was driven primarily by higher participant contributions of GEL 1,373 (net) million and strong investment performance. Investment income reached a historical high of GEL 796.0 million in 2025, bringing the cumulative investment returns generated since inception to over GEL 2.2 billion.

In 2025, the Fund's net nominal annual return stood at 11.8%. Higher inflation during the year reduced the real result, with the net real return reaching 7.6%. Over the seven-year period from the Fund's launch through the end of 2025, annualized nominal and real returns stood at 10.2% and 4.4%, respectively.

More than 80% of pension assets are invested in Georgia, making the domestic macroeconomic environment an important driver of the Fund's investment results. In 2025, Georgia continued to record strong economic growth, which, according to preliminary data, reached 7.5%. Although this was below the 9.7% growth recorded in 2024, the trend reflected a normalization of economic growth and its gradual convergence toward the long-term potential level.

At the same time, inflationary pressures increased, mainly driven by higher food prices in international markets. As a result, inflation rose to 3.9%, exceeding the National Bank of Georgia's 3.0% target. In response, the National Bank maintained a tight monetary policy stance throughout 2025 and kept the monetary policy rate unchanged at 8.0%. Elevated inflation reduced the Fund's real return.



During the year, the Georgian lari appreciated by 4.2% against the U.S. dollar, supported by increased foreign currency inflows, the broad weakening of the U.S. dollar globally, and lower demand for dollars in the domestic market.

The Fund continued to implement its asset diversification strategy. Over the years, the asset structure has become more diversified, and this trend continued in 2025, including through the Fund's active participation in the local capital market. The presence of a large institutional investor remains an important catalyst for the development of the domestic market.

PERFORMANCE & PORTFOLIOS

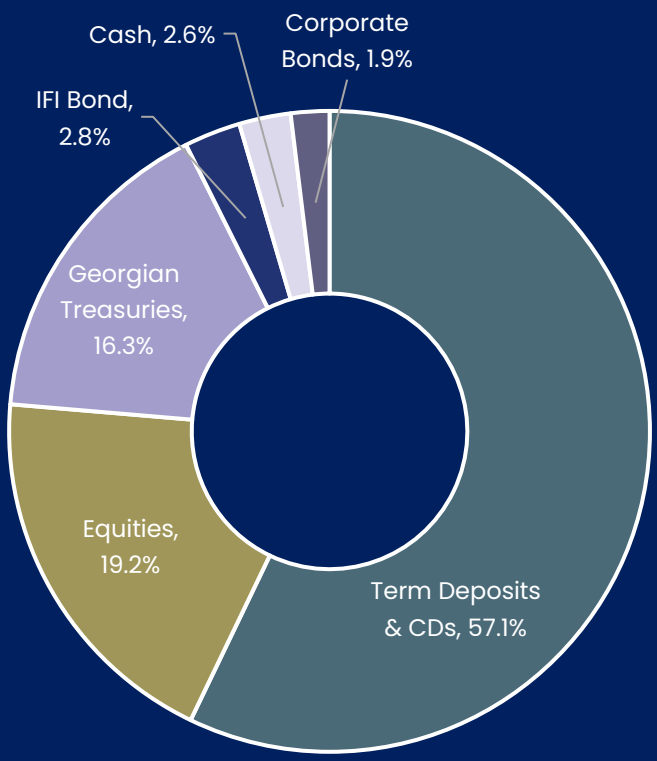
PORTFOLIO ALLOCATION AND DIVERSIFICATION

The Fund delivered a net nominal return of 11.8% and a real return of 7.6% in 2025, supported by strong contributions from both domestic fixed income and international equities. As of 31 December 2025, 80.3% of assets were denominated in Georgian Lari, while 19.7% were invested in foreign-currency denominated instruments, broadly consistent with the Fund's strategic asset allocation. Total assets under management closed the year at GEL 8.2 billion, up GEL 2.2 billion from the start of the year. From a credit quality perspective, 87.2% of assets were invested in banks and securities rated at the sovereign level or no more than one notch below.

Certificates of Deposit - Fixed-rate certificates of deposit issued by 11 Georgian commercial banks remained the Fund's largest asset class, accounting for 57.1% of total assets at year-end. An additional 2.6% of assets was held in current accounts. In absolute terms, certificates of deposit were the largest source of the Fund's return, reflecting both the size of this position and the high interest rates maintained in the local market.

By year-end, the weighted average remaining maturity of the certificates of deposit portfolio stood at 1.73 years, compared with an original weighted average maturity of 2.97 years. This reflected the gradual shortening of the portfolio's maturity profile and the attractive interest rate conditions available on relatively shorter-term deposits during the year.

COMPOSITION OF ASSETS, EOY 2025



PORTFOLIO TAKEAWAYS

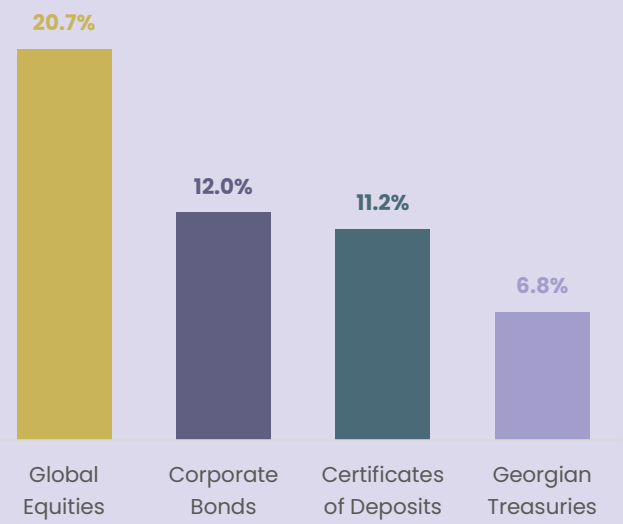
Deposits remained the Fund's largest allocation at 57.1%.

International equities supported diversification and growth.

Most assets remained invested in GEL instruments, consistent with strategic allocation.

Georgian Treasuries – Georgian government treasuries represented 16.3% of the portfolio at year-end. The allocation contributed a return of 6.8% over the year, broadly consistent with curve positioning. The Fund further strengthened its role in the local sovereign market during 2025, purchasing GEL 320 million in government securities across 29 auctions and lifting its market share to 11.4% of the outstanding Treasury balance. By year-end, the weighted average maturity of the Treasury portfolio stood at 4.3 years and the weighted average yield at 8.7%. The allocation continues to serve a dual purpose in the portfolio: a high-quality store of value in Lari and a building block for the long-duration component of the Fund's strategic allocation.

RETURNS BY ASSET CLASS, IN GEL, 2025



Source: PFG

PORTFOLIO CURRENCY COMPOSITION

80.3%
GEL-DENOMINATED ASSETS

Local currency assets represented 80.3% of the portfolio, led by deposits and government securities, with smaller allocations to corporate and IFI bonds.

19.7%
FX-DENOMINATED ASSETS

Foreign currency exposure stood at 19.7%, largely reflecting international equities (19.2%), with smaller allocations to Eurobonds and IFI bonds enhancing diversification.

Georgian Corporate Bonds - 2025 was a particularly strong year for Georgia's local capital markets, with GEL-denominated corporate bond issuance reaching GEL 1.5 billion — a historical high. The Fund remained an active participant, investing more than GEL 100 million during the year, equivalent to roughly 20% of total issuance, based on detailed analysis of each issuer's financial profile, credit quality, and risk characteristics. By 31 December 2025, the local corporate bond portfolio reached GEL 165 million, representing 1.9% of total assets. Despite rapid growth, corporate bonds remain a relatively small share of the overall portfolio. Georgian corporates also remained active in international capital markets, where the Fund's participation as a leading domestic institutional investor continued to play a meaningful role.

International Financial Institution Bonds - Partnerships with international financial institutions continued to serve as an effective channel for improving diversification and supporting domestic capital-market development. The Fund began investing in IFI bonds in 2024 through GEL-denominated EBRD Eurobonds, which ultimately supported financing for the Georgian economy. In 2025, the Fund expanded these investments to include bonds issued by the Asian Infrastructure Investment Bank (AIIB) and the Asian Development Bank (ADB). As a result, the share of AAA-rated bonds rose to 2.8% of the total portfolio by year-end, strengthening overall portfolio quality. A further 0.5% of assets was invested in Eurobonds.

International Equities - The share of international equities increased from 16.5% at the beginning of the year to 19.2% at year-end, while trading volume during the year amounted to USD 150 million. In percentage return terms, international equities were the strongest asset class: the return in Lari stood at 20.7%, while the return in the base currency, the U.S. dollar, was approximately 25.5%. The Lari-denominated result was reduced by the appreciation of the Lari against the U.S. dollar. Traditionally, Lari appreciation has a negative impact on foreign currency-denominated investments, as the same amount of foreign currency can be converted into fewer Lari at the end of the period. If hedged, the portfolio would have fully captured the return generated in the base currency; however, the Fund currently follows an unhedged strategy.

The diversified regional structure enabled the Fund to benefit from gains across all major regions, as market leadership broadened in 2025. Latin America delivered the strongest result, with a return of 52.7%, followed by Europe and developed Asia, each with gains of around 30%. U.S. equities, which accounted for 46% of the equity portfolio, generated a more moderate base-currency return of 17.9%. This was the first time since 2017 that non-U.S. markets led global equity markets.

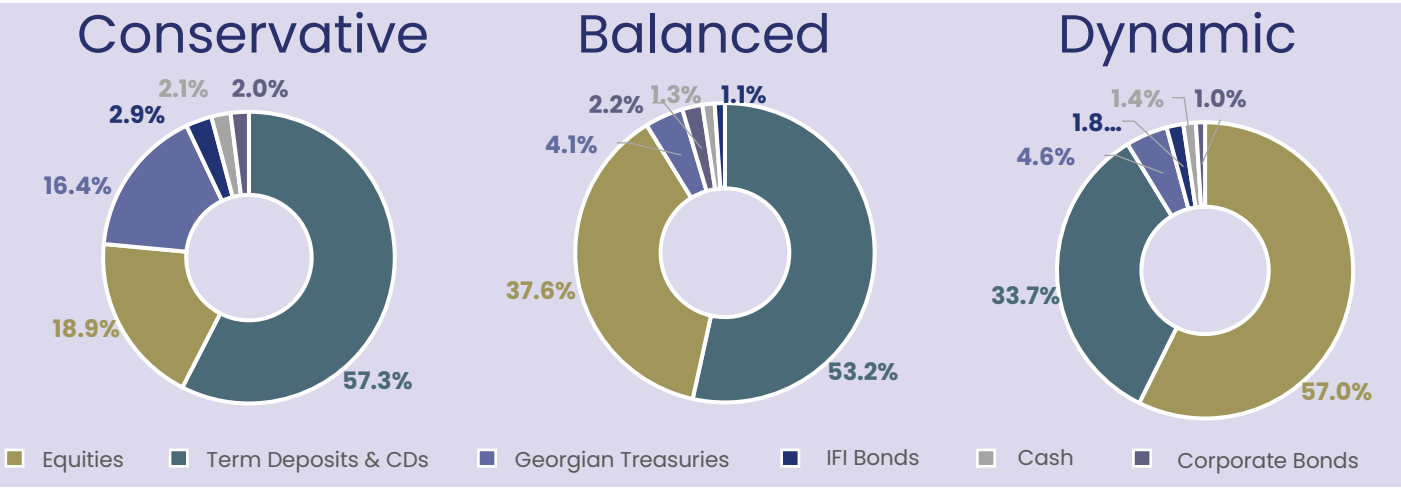
In 2025, Latin American equities were the Fund's only active position and accounted for approximately 5.4% of the equity portfolio. Despite its relatively small allocation, the region's strong performance improved the Fund's portfolio return relative to the benchmark and contributed 1.27 percentage points of additional return.

PERFORMANCE & PORTFOLIOS

MULTI-PORTFOLIO STRUCTURE AND PERFORMANCE

The Fund operates within a clearly defined legislative framework, managing three distinct portfolios: Conservative (low-risk), Balanced (medium-risk), and Dynamic (high-risk), with the latter two introduced in August 2023. At the end of 2025, the Conservative portfolio remained the default option, accounting for 98.8% of total assets (GEL 8,132.2 million), while the Balanced and Dynamic portfolios represented 0.6% (GEL 46.8 million) and 0.6% (GEL 51.8 million), respectively. Participant-driven reallocations across portfolios continued in 2025; most requests involved transfers from the Conservative to the Dynamic portfolio, with such reallocations totaling GEL 5.9 million. Nevertheless, the overall volume of switching remains relatively limited.

2025 was among the most successful years for the Fund's investment portfolios. All three portfolios achieved double-digit nominal returns, led by the Dynamic portfolio at 15.2%, followed by the Balanced portfolio at 13.3% and the Conservative portfolio at 11.8%. These outcomes reflected both the positive momentum in international markets and the continued high yields available in domestic instruments. Differences in portfolio returns were primarily explained by their risk profiles: the Dynamic portfolio, with its higher allocation to international equities, benefited more from equity-market strength, while the Conservative portfolio relied more heavily on stable income generated by fixed-income instruments. As a result, strong equity performance in 2025 contributed materially to the Dynamic portfolio's outperformance, which exceeded the Conservative and Balanced portfolios by 340 and 190 basis points, respectively, although it should be noted that geopolitical turbulence during the year had a direct impact on market performance and portfolio volatility. Despite higher inflation, real returns remained strong across all portfolios, amounting to 7.5% for the Conservative portfolio, 9.0% for the Balanced portfolio, and 10.8% for the Dynamic portfolio.



PERFORMANCE & PORTFOLIOS

MULTI-YEAR RESULTS

Over the longer term, the Fund's investment portfolios have delivered solid performance since inception, reflecting both disciplined portfolio construction and evolving asset allocation.

Since its launch in January 2019, the Conservative portfolio has delivered an annualized nominal return of 10.2%, corresponding to a real return of 4.4%. Performance has strengthened materially since August 2023, when the Fund's investment universe expanded with the launch of the Balanced and Dynamic portfolios and the introduction of international equities into the strategic asset allocation. Measured from that point, the Conservative portfolio has delivered an annualised nominal return of 11.8% (8.4% real), the Balanced portfolio 13.1% (9.6% real), and the Dynamic portfolio 14.2% (10.7% real).

A key structural development underpinning recent performance has been the rally of equity markets in the past 3 years which has benefitted all three portfolios to varying degrees.

This is also evident in three-year asset-class performance in GEL terms, where global equities generated a nominal annualized return of 20.4%, outperforming corporate bonds at 12.5%, certificates of deposit at 11.5%, and Georgian Treasuries at 8.8%. Differences in portfolio performance therefore continue to be primarily driven by strategic asset allocation, particularly equity exposure limits of up to 20% in the Conservative portfolio, 40% in the Balanced portfolio, and 60% in the Dynamic portfolio. Within these limits, equity investments have been implemented through a well-diversified approach across major global regions, supporting risk mitigation and enhancing the consistency of returns over the medium term.

PORTFOLIO PERFORMANCE SNAPSHOT

Annualised return (%)

CONSERVATIVE	**10.2%** Since inception	**1Y**	11.8%
		3Y	11.8%
		5Y	10.7%
BALANCED	**11.8%** Since inception	**1Y**	13.3%
		3Y	13.1%
		5Y	—
DYNAMIC	**12.4%** Since inception	**1Y**	15.2%
		3Y	14.2%
		5Y	—
Total Fund	**10.2%** Since inception	**1Y**	11.8%
		3Y	11.9%
		5Y	10.8%

Note: For the Balanced and Dynamic portfolios, 3Y returns are calculated from 7 August 2023.



GLOBAL MARKET

The Pension Fund of Georgia gains exposure to global markets via equity investments. It mainly invests through Exchange Traded Funds (ETFs), covering major regions and leading economies worldwide. This approach allows the Fund to access a wide range of companies and sectors while maintaining strong diversification. By spreading investments across markets and geographies, the Fund aims to reduce concentration risk and benefit from long-term growth opportunities in the global economy.

PFG IS INVESTED IN ~9,300 LEADING COMPANIES GLOBALLY

North America

46%

The US is the largest holding, providing broad market exposure while closely tracking the overall performance of the S&P 500 index.



ENSURING DIVERSIFICATION VIA REGIONAL EXPOSURES

Europe

18%

European exposure is diversified across major economies, including Germany, France, the United Kingdom, and other key regional markets.

Developed Asia

18%

The ETF provides exposure to developed economies across the Asia-Pacific region, covering key markets from Japan to Australia for broad regional diversification.

Emerging Markets

18%

Emerging markets exposure spans multiple continents, from Latin America to Africa, as well as Eastern Europe and Asia.

ASSET SAFEGUARDING

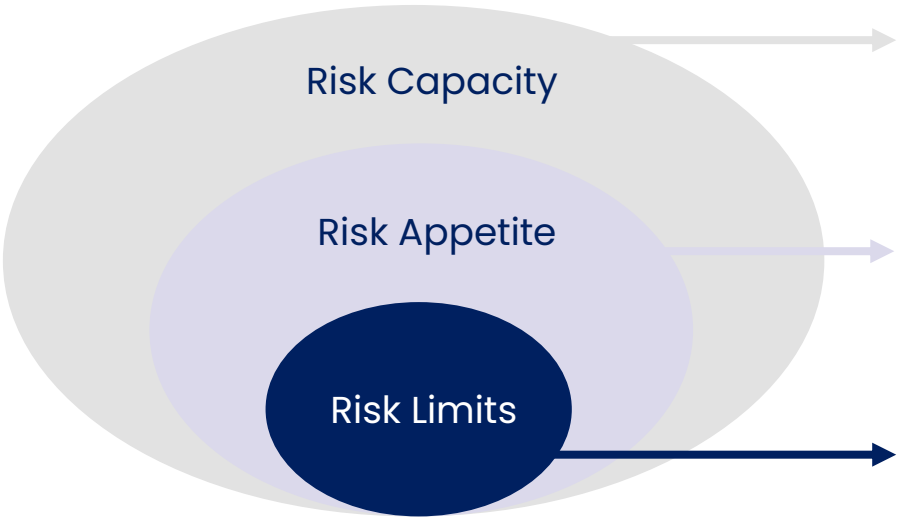
RISK MANAGEMENT

GOVERNANCE AND OVERSIGHT

Risk is inherent to the Fund's investment activities and is accepted to the extent necessary to achieve long-term investment objectives. The purpose of risk management is not to eliminate risk, but to ensure that it is appropriately understood, measured, monitored, and managed in a manner consistent with the Fund's investment mandate and risk appetite. In this context, the Fund is exposed to a range of investment-related risks, including market, credit, liquidity, concentration, counterparty, valuation, inflation, and operational risks.

Fund's Risk Appetite and Risk Limits. The Fund's risk appetite defines the level of risk it is willing to assume in pursuit of its strategic and investment objectives. Risk limits give practical effect to that approach by setting measurable boundaries for portfolio management and helping ensure that risk-taking remains consistent with the Fund's overall strategy and governance framework. Together, they support prudent investment decision-making and help align investment activities with the Fund's long-term objectives. The Investment Committee develops the Fund's investment risk appetite and risk limits and submits them to the Governing Board for approval. They are reflected in the Investment Policy Document and embedded in the Strategic Asset Allocation, including the benchmark portfolios and the permitted deviation ranges for each portfolio.

Risk Governance. In 2025, the Pension Fund elaborated a new Risk Governance Framework and submitted it to the National Bank of Georgia. The Framework sets out the Fund's overall approach to risk governance and risk management, covering both investment and non-investment risks across the institution. It defines how risks are identified, assessed, managed, monitored, and reported, while defining the roles and responsibilities of the Governing Board,



Set out by the Law and applicable regulations, the maximum amount of risk the Fund can assume given its current level of financial and operational resources.

Set out by the Governing Board, the risk target the Board is willing to assume to achieve its strategic and investment objectives. It is reflected in the SAA and the resulting Benchmark Portfolios and permitted deviations.

Set by the Governing Board, risk limits provide clear boundaries of risk exposure, corresponding to the investment Risk Appetite and the Board expects that these limits will not be breached by the Chief Investment Officer.

its committees, executive directors, and control functions. As of the date of this report, the Framework remains under review by the National Bank of Georgia.

Three lines for risk management and internal control. The Fund operates under a three lines of defense model. For investment activities, the Investment Office serves as the first line of defense, managing risks arising from day-to-day portfolio management and investment operations. The second line is the Risk Management Office under the Chief Risk Officer, which provides independent oversight and monitors compliance with approved risk appetite and limits at Fund level. The third line is Internal Audit, which provides independent assurance over the effectiveness of governance, risk management, and internal controls. Together, these lines form the foundation of the Fund's risk governance framework and support clear accountability across the institution.

Investment Risk Management. Investment risk management is integrated into the full investment process and supported by a clear division of responsibilities across portfolio management, risk and analytics, and investment operations. This helps ensure that investment decisions are accompanied by ongoing risk monitoring, valuation control, and operational oversight within a structured framework. The process is further strengthened by independent oversight from the Risk Management Office, which supports challenge, control, and escalation at Fund level.

Core risk exposure. The Fund's investment activities are exposed to a range of risks that are continuously monitored within the broader risk management framework. In 2025, particular attention remained focused on market, credit, liquidity, concentration, and operational risks, reflecting both the scale of the portfolio and its composition across domestic and international assets

Market, Inflation and Country Risk. Market risk remains one of the Fund's most important investment risks for all three portfolios managed by the Fund, given the portfolio's exposure to interest rates, exchange rates, equity markets, and credit spreads. As the Fund continues to hold a large share of assets in Georgia, portfolio performance also remains closely linked to domestic macroeconomic conditions, including inflation and interest-rate developments. Inflation risk is particularly important in the context of the Fund's long-term objective of generating positive real returns for participants. At the same time, international investments introduce additional exposure to global market volatility and foreign-exchange movements, which are managed as part of the Fund's broader diversification strategy including macroeconomic conditions, including inflation and interest-rate developments. Inflation risk is particularly important in the context of the Fund's long-term objective of generating positive real returns for participants. At the same time, international investments introduce additional exposure to global

Market volatility and foreign-exchange movements, which are managed as part of the Fund's broader diversification strategy.

Credit, Counterparty and Concentration Risk. Credit and counterparty risk remain important features of the Fund's investment activities, reflecting the significant role of bank instruments in the portfolio as well as the Fund's exposure to domestic fixed-income securities. Concentration risk is also relevant in the Georgian market, where the range of investable instruments and counterparties is naturally more limited than in larger international markets. These risks are managed through eligibility criteria, credit analysis, exposure monitoring, and portfolio limits designed to keep portfolio exposures consistent with the Fund's approved risk appetite. Diversification across issuers, counterparties, and asset classes remains an important element of the Fund's risk management approach.

Liquidity Risk. Liquidity risk remains an important consideration in portfolio construction and ongoing risk monitoring. Although the Fund benefits from a long investment horizon and limited short-term liquidity pressure, it must maintain sufficient liquidity to meet pension-related cash flow needs, portfolio rebalancing requirements, and participant-driven reallocations across portfolios. This is particularly relevant in the context of the domestic market, where some instruments may have limited secondary-market liquidity. The Fund therefore continues to incorporate liquidity considerations into both strategic and day-to-day investment decision-making.

Valuation Risk. Valuation risk arises where market prices are not readily observable or where instruments are valued using methodologies rather than continuously quoted market prices. This is particularly relevant for domestic fixed-income instruments and bank deposits, where valuation relies on accrued interest, yield curves, contractual terms, and available market inputs.

The Fund manages valuation risk through documented valuation methodologies, data validation, consistency checks, reconciliation processes and oversight of valuation outputs. These controls support the

Distribution by Credit Rating, Fixed Income Portfolio

31 December, 2025

Credit Rating	AAA	BB+	BB	BB-	B+	B	B-
Allocation	3.52%	2.58%	78.92%	2.16%	9.50%	3.04%	0.27%

reliability of portfolio reporting and help ensure that investment values are calculated in a consistent and transparent manner.

Stress Testing and Scenario Analysis. Stress testing and scenario analysis form part of the Fund's Strategic Asset Allocation process and are conducted at least annually. These analyses help assess how the portfolios may perform under different market conditions and adverse scenarios, including changes in interest rates, exchange rates, equity markets, inflation and other relevant risk factors.

Scenario analysis complements historical risk metrics by providing a forward-looking perspective on portfolio resilience. It supports the assessment of whether the strategic allocation, risk limits, and liquidity profile of each portfolio remain appropriate in light of the Fund's long-term objectives and changing market conditions.

Risk Measurement and Portfolio Risk Profile. The Fund monitors portfolio risk through a set of institutional risk and risk-adjusted performance indicators. These include annualised standard deviation of returns, maximum drawdown, Sharpe ratio, Value-at-Risk and other portfolio-level metrics used to assess the evolution of risk over time. The use of consistent metrics across portfolios helps compare risk profiles. Risk profiles, evaluate risk-adjusted performance and monitor whether each portfolio remains aligned with its intended investment objective and risk level.

The reported risk metrics should be interpreted in the context of the Fund's valuation practices. A significant share of Fund assets represented by bank deposits is valued using accrual accounting rather than daily mark-to-market prices. This approach is consistent with the practice of institutional investors operating in markets where deep and continuous secondary-market pricing is limited.

As these instruments do not fully reprice on a daily basis in response to market movements, their contribution to reported volatility is lower than it would be under a fully mark-to-market valuation approach. Accordingly, the reported volatility figures reflect the Fund's applied valuation framework and should not be interpreted as a fully mark-to-market measure of underlying

Maturity Summary of Fixed Income Instruments

31 December, 2025, GEL mn

Maturity	Within 1 Year	1 to 2 Years	2 to 5 Years	5 to 10 Years	Over 10 Years	**Total**
Allocation	1,114	2,481	2,449	321	111	**6,475**

market risk, particularly for the Conservative portfolio, where domestic fixed-income instruments represent the dominant share of assets.

market-driven volatility in the Fund's portfolios. While the underlying equity exposures are broadly similar across the three portfolios, their impact on total

Portfolio Risk Profile

Since inception to 31 December 2025, %, unless otherwise stated

Portfolio	Annualized Standard Deviation	Maximum Drawdown	Sharpe Ratio
Conservative	1.61%	1.95%	0.99
Balanced	3.25%	4.39%	1.40
Dynamic	4.92%	7.75%	1.17

The Fund's overall reported risk profile remained relatively low, reflecting the substantial allocation to income-generating fixed-income instruments, including certificates of deposit, corporate bonds and Georgian government securities. At the same time, the level of reported risk increased progressively across portfolios, in line with their intended design.

Since inception, the Conservative portfolio recorded annualized volatility of 1.6%, compared with 3.3% for the Balanced portfolio and 4.9% for the Dynamic portfolio. Maximum drawdowns followed the same pattern, at 1.95%, 4.39% and 7.75%, respectively. These differences primarily reflect the varied allocation to international equities and are consistent with the different risk profiles of the three portfolios.

Equity Risk. Equity investments represent the main source of

portfolio risk differs depending on the size of the allocation. In 2025, the equity component exhibited an annualized standard deviation of 17.29%, with an ex-post Value-at-Risk of -1.35% at a 95% confidence level. These metrics are consistent with the behaviour of global equity markets and reflect the higher inherent volatility of equity instruments compared with fixed-income assets.

Equity exposure plays an important role in the Fund's long-term return potential, while also representing the principal source of short-term market volatility. This risk is managed through strategic allocation limits, diversification across international markets and ongoing monitoring of portfolio-level risk contribution.

OPERATIONAL INFRASTRUCTURE

CONTROLS

Investment operations support the implementation of the Fund's investment strategy by ensuring that investment transactions are accurately processed, settled, and recorded. These operational processes form an essential part of the Fund's investment infrastructure and contribute to the reliability, transparency, and integrity of portfolio management activities.

The operational infrastructure supporting investment activities continues to evolve in line with the growth and increasing complexity of the Fund's investment portfolio. Ongoing improvements focus on strengthening operational processes, enhancing coordination with the Specialized Depository and other service providers, and developing systems that support portfolio management, valuation, and reporting.

Investment activities are conducted within a robust internal control framework designed to ensure the accuracy of investment records, the proper execution of transactions, and the safeguarding of the Fund's assets. Operational processes are governed by the Fund's investment policy and applicable regulatory requirements, which establish clear procedures, segregation of responsibilities, and control mechanisms throughout the investment transaction lifecycle.

A multi-layer control environment supports the protection and safekeeping of the Fund's assets. Investment instructions, transaction records, and portfolio data are subject to verification and reconciliation procedures to ensure consistency across internal systems and the records maintained by the Specialized Depository and other service providers. Regular reconciliation of portfolio positions and cash balances, together with oversight of settlement processes and corporate actions, provides additional assurance regarding the accuracy of investment records.

Assets are held with authorized financial institutions and the Specialized Depository, which is responsible for the safekeeping of the Fund's securities and the maintenance of independent asset records. This structure provides an additional layer of oversight and control, ensuring that portfolio holdings are independently verified and monitored.

Through these processes, the operational framework supporting investment activities contributes to the effective execution of the Fund's investment strategy while maintaining strong operational controls and reliable investment records.

PORTFOLIO MANAGEMENT SYSTEM

SYSTEM IMPLEMENTATION

The Pension Fund of Georgia reached a significant milestone in the development of its investment operations with the successful launch of a new Investment Portfolio Management Software into the live production environment in January 2026. The platform is provided by FIS, a leading global provider of financial technology solutions to institutional investors, asset managers, and banks worldwide.

The go-live followed an intensive implementation process carried out throughout 2025. Over the course of the year, the Fund and the vendor collaboratively configured the platform to fully align with the Fund's technical and business requirements, covering portfolio management, risk monitoring, transaction processing, compliance controls, as well as performance and risk reporting. In parallel, historical investment data across all three portfolios was successfully migrated and reconciled to ensure the integrity and continuity of portfolio records. The system was also integrated with the Fund's existing operational infrastructure.

The implementation represents a fundamental transformation and structural enhancement of the infrastructure supporting the investment function. Core activities - including portfolio management, risk monitoring, transaction processing, compliance, and reporting - are now consolidated within a single, fully integrated platform, replacing processes that were previously fragmented across multiple manual and semi-automated tools.

Fidelity National Information Services, Inc. (FIS)

Founded:
1968

Headquarters:
Jacksonville, Florida, USA

Employees:
50,000+ globally

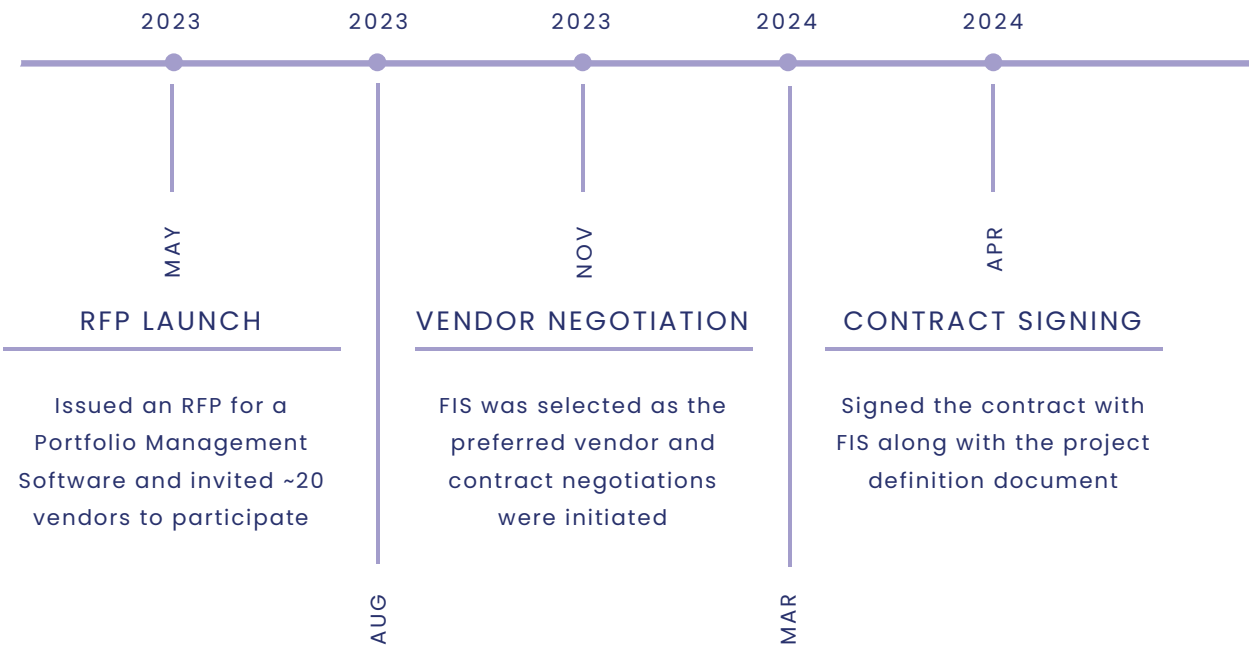
Clients:
20,000+ worldwide

Global leader in financial technology & services

Beyond improving operational efficiency, the new platform automates key investment processes, reduces operational and human error risks, and strengthens the Fund's internal control framework. The partnership with FIS, a recognized global leader in financial technology, further introduces established international best practices and ensures long-term vendor support, providing a strong foundation for the continued development and resilience of the Fund's investment operations.

IMPLEMENTATION ROADMAP

KEY PROJECT MILESTONES



RFP LAUNCH

Issued an RFP for a Portfolio Management Software and invited ~20 vendors to participate

VENDOR EVALUATION

Evaluated vendor submissions, shortlisted 5 candidates, and conducted demos

VENDOR NEGOTIATION

FIS was selected as the preferred vendor and contract negotiations were initiated

PROJECT SCOPING WORKSHOPS

Conducted scoping workshops to define and align on functional and technical requirements

CONTRACT SIGNING

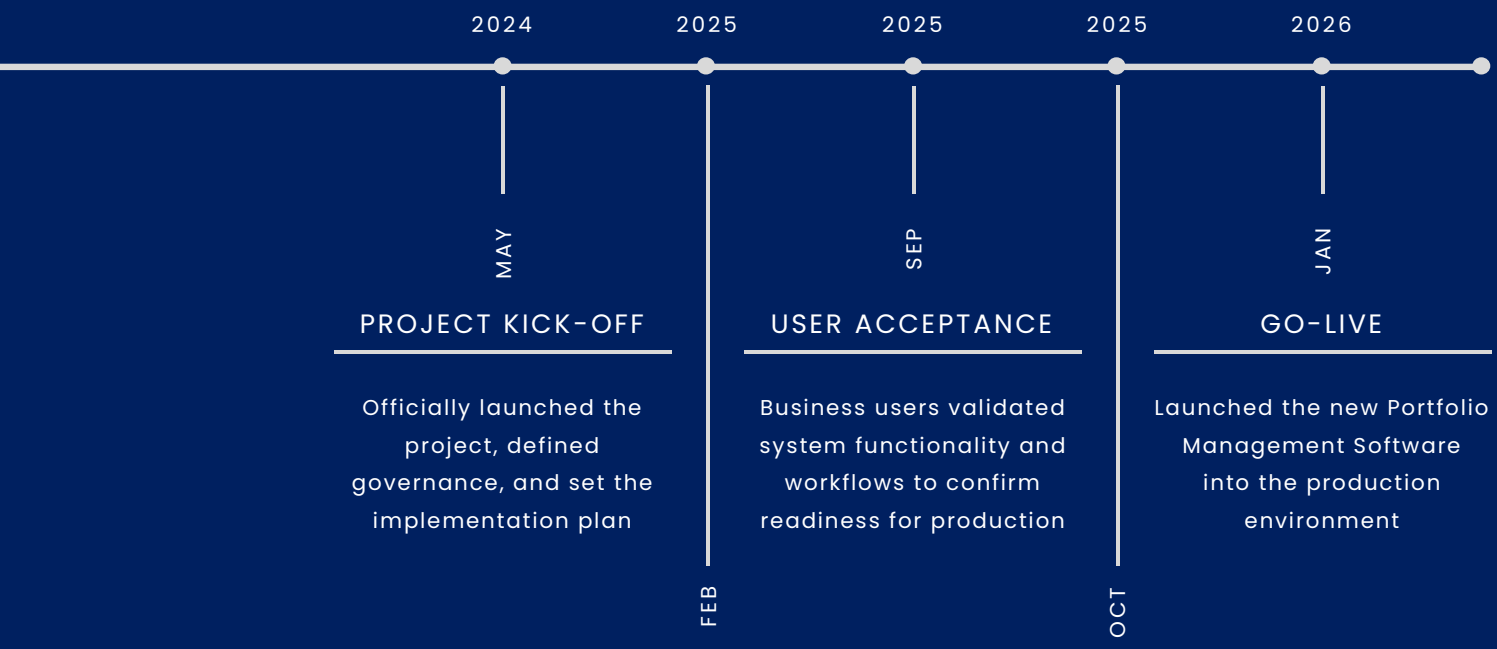
Signed the contract with FIS along with the project definition document

DATA INTEGRITY & MIGRATION

Ensured complete migration and validation of historical investment data, supporting accurate and continuous portfolio management.

PLATFORM DELIVERY & LAUNCH

Delivered full system functionality, completed UAT, and successfully transitioned to live operations in January 2026.



PROJECT KICK-OFF

Officially launched the project, defined governance, and set the implementation plan

IMPLEMENTATION & DATA MIGRATION

Configured and developed the software, including the migration of historical and reference data

USER ACCEPTANCE

Business users validated system functionality and workflows to confirm readiness for production

SOFTWARE ACCEPTANCE

Completed final validation and approval following successful testing and issue resolution

GO-LIVE

Launched the new Portfolio Management Software into the production environment

2025

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PENSION FUND OF GEORGIA



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