SCOPE | Ratings

JSC Microbank MBC

Rating report

Issuer

B+

Outlook

Negative

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Related research

Scope affirms JSC Microbank MBC's B+ issuer rating and changes Outlook to negative, December 2025

Table of content

Summary and Outlook

Bank's issuer rating of B+ with a negative outlook reflects the following assessments:

Business model assessment: Focused (Low). JSC Microbank MBC has total assets of GEL 187m (approx. EUR 60m) as of September 2025. While only commanding a 0.1% domestic market share it is the second largest domestic microbank with a market share of approx. 21% in the microbank niche. The focused business model comprises business, consumer, agricultural and mortgage loans which are mostly fully collateralized.

Operating environment assessment: Constraining (High). Georgia is a small emerging economy that has seen gradual improvements and reforms in recent years but still lags regional peers on several macroeconomic indicators.

Long-term sustainability assessment (ESG factor): Neutral. MBC has strengthened its digital and technological capabilities in the recent past and is actively pursuing environmental, social and governance initiatives.

Earnings and risk exposures assessment: Supportive. MBC's profitability remains supportive and but might have reached a peak with a return on RWAs of 5% and ROE of 27% in Q3 2025. MBC's asset quality metrics remain modest reflecting its business and lending focus but benefits from its exposures being collateralized.

Financial viability assessment: Adequate. The group's solvency position has started to deteriorate in the past months, driven by the microbanks strong growth. MBC's buffer to CET1 ratio reduced to 150bps as of September 2025.

The Negative Outlook reflects Scope's view that the risks are currently tilted to the downside.

The upside scenarios for the rating and Outlook:

- A material improvement in capital metrics, in particular larger and stable excess buffers above the minimum regulatory requirements, and sound liquidity management, could lead to a higher Financial Viability Management assessment.
- Significant growth and wider product offerings while preserving sound levels of profitability could strengthen MBC's market position and combined with strong governance and risk management lead to an upgrade of the Business Model assessment.
- An improvement of the operating environment assessment for Georgian banks and microbanks, could drive a review of the initial mapping for the issuer rating.

The downside scenarios for the rating and Outlook:

- Ongoing tight management of capital and liquidity buffers only slightly above regulatory requirements and/or material deterioration in the company's liquidity position could weaken the Financial Viability Management Assessment.
- A significant deterioration in the operating environment for Georgian banks and microbanks, which could result from prolonged political uncertainty and tensions, could lead to a downgrade of the Operating Environment assessment.
- Pressure on profitability due to a lower ability to generate sustained revenues, weaker risk management resulting in higher impairment charges from unbalanced growth and/or higher funding costs could lead to a lower Earnings Capacity and Risk Exposures assessment.

Table 1: Rating drivers

	Rating drivers	Assessment					
STEP 1	Operating environment	Very constraining	Constraining	Moderately supportive		Supportive	Very supportive
	Low/High	*Low*			*High*		
	Business model	Narrow	Focused	Consistent		Resilient	Very resilient
	Low/High	*Low*			*High*		
	Initial mapping	**b**					
	Long-term sustainability	Negative		Neutral		Positive	
	Adjusted anchor	**b**					
STEP 2	Earnings capacity & risk exposures	Very constraining	Constraining	Neutral		Supportive	Very supportive
	Financial viability management	At risk	Stretched	Limited	Adequate	Comfortable	Ample
	Additional factors	Significant downside factor	Material downside factor	Neutral		Material upside factor	Significant upside factor
	Standalone rating	**b+**					
STEP 3	External support	Not applicable					
Issuer rating		**B+**					

Table 2: Credit ratings

		Credit rating	Outlook
Issuer	**JSC Microbank MBC**		
	Issuer rating	B+	Negative

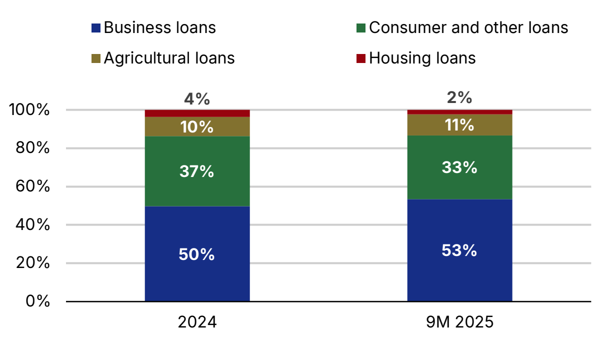
1. Business model

'Focused – low' business model assessment

MBC operates as a licensed microbank in Georgia since December 2024, after been working as one of the largest microfinance organisations in the country since 2012. JSC Microbank MBC is the second largest Georgian domestic microbank with total assets of approx. GEL 187m (approx. EUR 60m) as of September 2025. While only commanding a 0.1% domestic market share it has a market share of approx. 21% in the microbank niche segment as of September 2025.

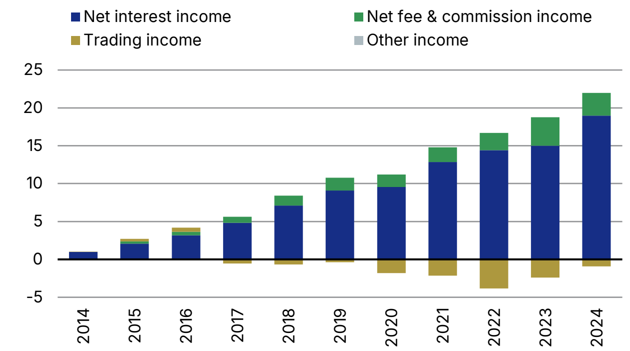
MBC's focused business model comprises business, consumer, agricultural and mortgage loans which are mostly fully collateralized. Consumer loans continue to play an important role in MBC's loan portfolio. Exposures to the business and agricultural sector are expected to grow from the current 64% as of September 2025 in the medium term unless NBG expectations on microbanks loan composition become changed. The microbank operates exclusively in its Georgian home country with its business well diversified throughout the country, both in urban and rural areas.

Figure 1: Loan portfolio by product type (2024-9M 2025)



Source: Company data, Scope Ratings

Figure 2: Revenues split by type (GEL m, 2014-2024)

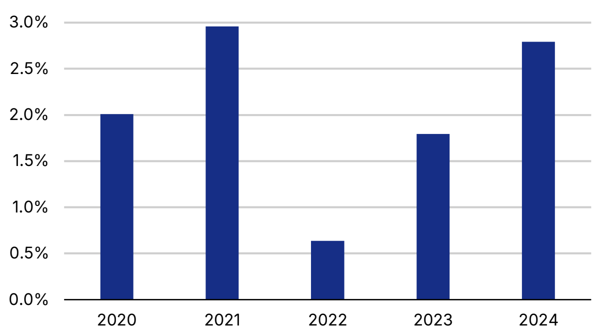


Source: SNL, Scope Ratings

Following the granting of its microbank licence, MBC has developed an ambitious strategic plan focusing on achieving strong growth and gaining a relevant market share within the Georgian microbanking sector. The group's strategic plan for 2025–2027 focuses on continuing to grow in business, consumer and mortgage loans, opening up new branches as well as strengthening its digital capabilities to compete with its peers. After becoming a microbank, the issuer started offering customer deposits which allows to diversify its funding sources and reduce funding costs.

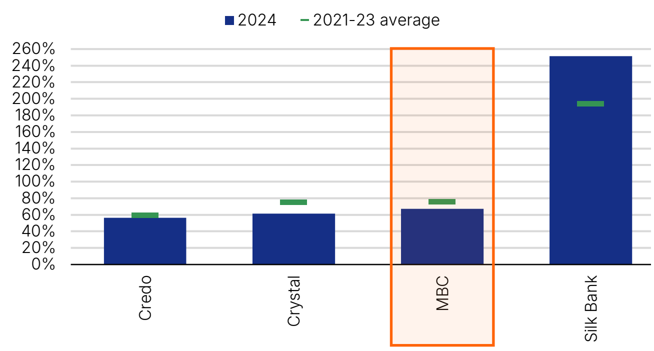
Scope expects MBC to continue developing new products, strengthening its focused business model and to gradually increase its market share in a highly competitive microbanking sector. Reaping the full benefits of microbanks (more product and funding diversification) will take some time.

Figure 3: Return on average RWAs (2020-2024)



Source: SNL, Scope Ratings

Figure 4: Cost-to-income ratio, peer comparison



Source: SNL, Scope Ratings

2. Long-term sustainability (ESG-D)

'Neutral' long-term sustainability assessment

MBC remains committed and active in environmental, social and governance areas and further invests in digitalisation of its processes and offerings.

Digitalisation

MBC has strengthened its digital and technological capabilities and plans to make further investments in the medium-term to accompany growth. Significant investments already were made in 2024 and continued in 2025 to support the transition to a microbank.

Environment

MBC has been publishing corporate social responsibility reports since 2019 which distinguishes it to most of its domestic peers. Sustainability initiatives have been integrated gradually in the company's strategy and are focused on efficient use of resources, optimized energy consumption and optimized waste management. MBC will begin to implement ESG risk in its business model as a new requirement of microbanks. In the past year, MBC has been involved in different initiatives and events focused on the environment and sustainability. Examples include becoming the first impact investor in Georgia of the Aktio Foundation, one of whose main objectives is environmental protection and waste reduction.

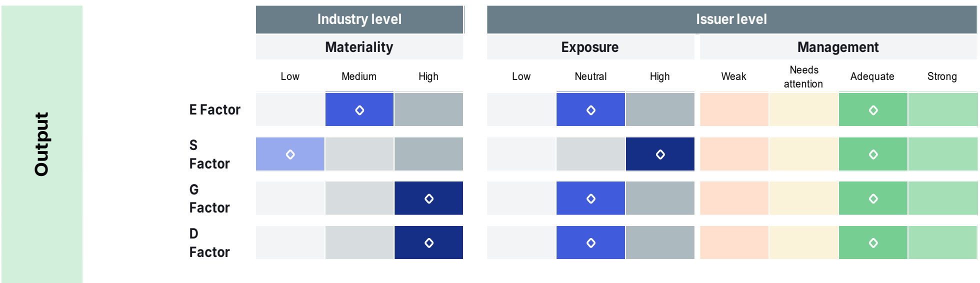
Governance

MBC's governance model is adequate compared to peers. The microbank has a two-tier corporate governance structure, with a Supervisory Board and a Board of Directors comprised of executive members of the microbank. All members of top management hold shares in the company, indicating a commitment to the company's long-term value. The company has a clear strategy in terms of transparency and social impact. For the fourth year in a row, MBC has won the Transparency Bartas Honorary Award within the category of small and medium business as a result of its quality of reporting and transparency

Social

As a Georgian microbank, the issuer aims to empower underserved local communities, supporting entrepreneurial and agricultural sectors as well as facilitating financial inclusion which also reinforces its relevance.

Figure 5: Long-term sustainability overview table[1]



Source: Scope Ratings

[1] The overview table illustrates how each factor informs our overall assessment. Materiality refers to our assessment of the credit relevance of each factor for the banking industry. Exposure refers to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. Management refers to how we view the bank's navigation through transitions.

3. Earnings capacity and risk exposures

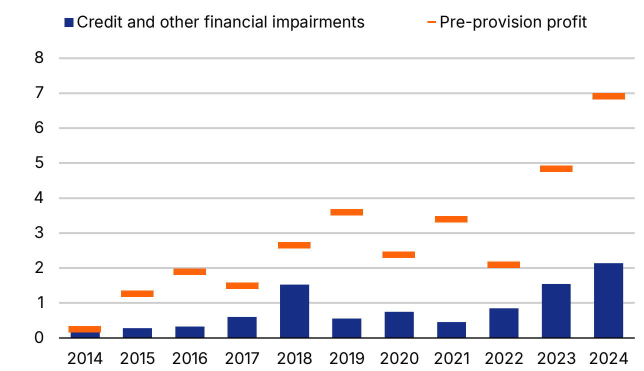
'Supportive' earnings capacity and risks exposures' assessment

MBC's profitability remains supportive and since the conversion also driven by increased maximum lending amounts, which has driven stronger customer growth and higher loan volumes. Profitability might have reached a peak with a return on RWAs of 5% and and ROE of 27% in Q3 2025 as results also reflect some one-off effects following the transition to a microbank.

Scope expects MBCs profitability to remain high as long as it supported by the good momentum of the Georgian economy (although the current political instability is likely to weigh on the outlook) and growth does not translate into higher provisioning requirements.

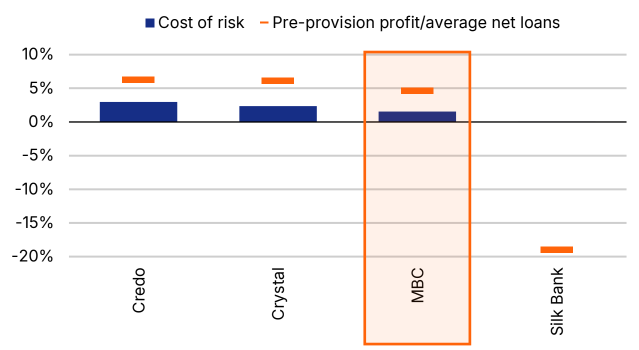
We note the mild increase in hedging costs, which were equivalent to 12% of net revenue before foreign exchange income in 9M 2025. MBC expects these costs to decrease in the medium term as the company intends to decrease the share of borrowings in foreign currency via domestic bonds and deposits.

Figure 6: Pre-provision income and provisions (GEL m)



Source: SNL, Scope Ratings

Figure 7: Peer comparison, average 3- year period



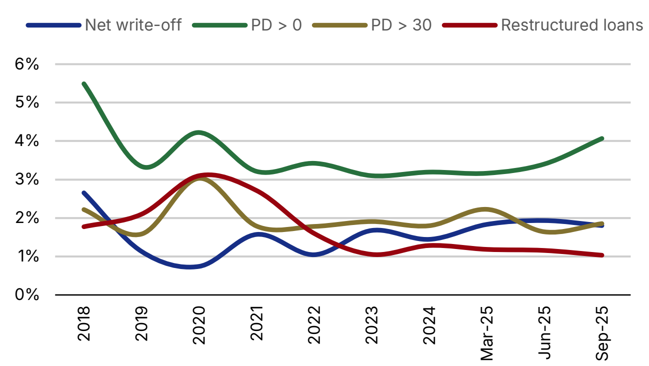
Note: Average 3-year period correspond to 2021-2024 period
Source: SNL, Scope Ratings

Cost of risk has been one of the main sources of bottom-line volatility in recent years. MBC's cost of risk has materially decreased since its peak in June 2020. The negative 2.1% as at September 2025 is not expected to persist due to one-off provision reversals and also marks the lowest levels since foundation.

MBC's asset quality metrics remain modest reflecting its business and lending focus. Asset quality remained broadly unchanged as the increase in Stage 3 ratios to approx. 5% is rather technical and also driven by a changed write-off methodology aligned with the banking sector.

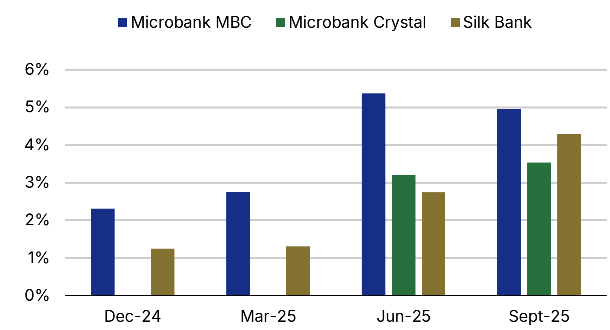
Due to the large portion of collateralised loans in the portfolio, MBC's loan losses are limited. Net write-offs represented less than 2% of gross loans in September 2025.

Figure 8:Asset quality metrics according to Georgian local GAAP (% over gross loans, 2018 – September 2025)



Source: Company data, Scope Ratings

Figure 9: NPL ratio - peer comparison



Note: Microbank Crystal received its licence in February 2025
Source: Company data, Scope Ratings

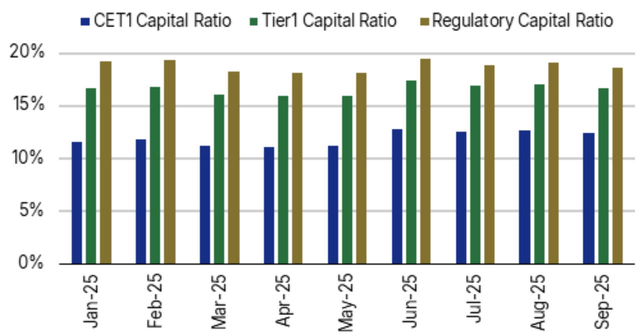
4. Financial viability management

'Adequate' financial viability management assessment

Regulatory requirements under the microbank license framework are broadly aligned with Basel III standards. They also include two specific domestic requirements under Pillar 2: a credit risk adjustment buffer and a general risk assessment programme evaluation (GRAPE) buffer.

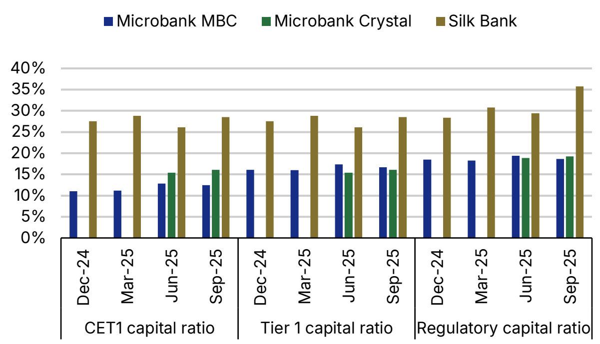
Driven by its fast growth, the group's solvency position has started to deteriorate in the past months. Its CET1 ratio stood at approx. 12.5% and MBC's buffer to CET1 ratio reduced to 150bps as of September 2025. Restoring a more sustainable buffer will hinge on earnings retention as well as a potential restructuring of the microbank's composition of its capital stock. Pending regulatory and investor approvals are not expected to be completed before the first half of 2026 at the earliest, however.

Figure 10: Capital profile (January-September 2025)



Source: Company data, Scope Ratings

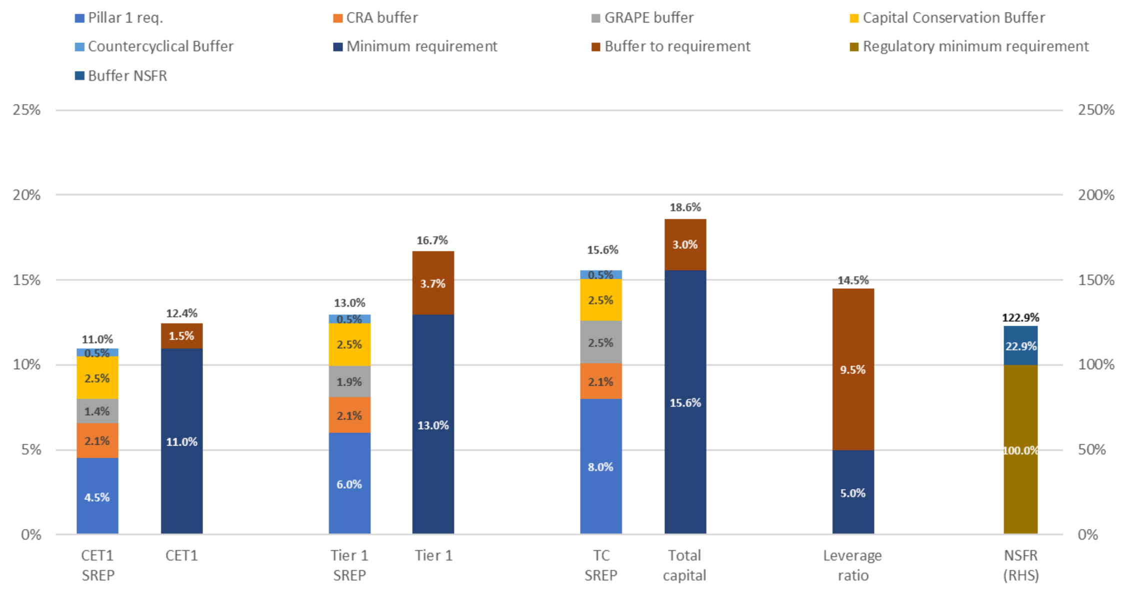
Figure 11: Capital profile – peer comparison



Note: Microbank Crystal got a microbank license in February 2025
Source: Company data, Scope Ratings

MBC's funding currently relies on funds from international financial institutions and bond issuances but also some funds from commercial banks. Funding will become more diversified as with the microbank license, deposits are expected to become a material source of funding in the medium-term. MBC has managed to diversify its funding mix, but currency mismatches remain an area of attention. Non-GEL denominated funding and resulting hedging needs add to overall funding costs.

Figure 12: Overview of distance to requirements as of Q3 2025



Source: Company data, Scope Ratings

Appendix 1. Selected financial information – JSC Microbank MBC

	2021Y	2022Y	2023Y	2024Y	9M 2025
Balance sheet summary (GEL '000)					
Assets					
Cash and cash equivalents	13,879	6,778	6,286	16,039	26,797
Loans to customers	72,817	90,241	101,144	119,464	148,322
Property and equipment	2,880	2,785	2,532	2,951	7,839
Intangible assets	327	407	370	659	638
Deferred tax assets	394	137	0	74	74
Right-of-use assets	5,328	5,511	4,733	5,102	0
Current tax assets	0	267	0	0	799
Other assets	1,545	4,109	2,019	714	2,457
Total assets	**97,170**	**110,235**	**117,084**	**145,003**	**186,926**
Liabilities					
Subordinated borrowings and other borrowed funds	70,146	84,214	90,046	113,705	142,187
Deposits	0	0	0	0	2,305
Subordinated debt	0	0	0	0	5,278
Lease liabilities	5,941	5,348	4,750	5,475	0
Current tax liability	0	0	51	0	585
Other liabilities	790	719	1,660	2,582	8,442
Total liabilities	**76,877**	**90,281**	**96,507**	**121,762**	**158,796**
Share capital	2,250	2,255	2,255	2,255	2,255
Share premium	1,117	1,136	1,136	1,136	1,136
Preference shares	7,347	7,464	6,989	6,989	6,989
Retained earnings	9,579	9,099	10,197	12,861	17,750
Accumulated deficit	0	0	0	0	0
Current year profit/loss	0	0	0	0	0
Total equity	**20,293**	**19,954**	**20,577**	**23,241**	**28,129**
Total liabilities and equity	**97,170**	**110,235**	**117,084**	**145,003**	**186,926**
Income statement summary (GEL '000)					
Interest income	20,123	22,684	25,026	30,282	27,625
Interest expense	-7,270	-8,273	-10,015	-11,286	-9,721
Net interest income	12,853	14,411	15,011	18,996	17,904
Fee and commission income	1,923	2,268	3,743	2,980	325
Net foreign exchange income/(loss)	1,356	4,821	56	-2,050	0
Net (loss)/ income from trading in foreign currency	-3,515	-8,658	-2,445	1,112	0
Other operating income	0	0	0	0	-1,624
Operating income	**12,617**	**12,842**	**16,365**	**21,038**	**16,605**
Impairment losses on debt financial assets	-458	-853	-1,546	-2,138	1,295
Personnel expenses	-5,836	-6,947	-7,201	-9,383	-7,706
General administrative expenses	-3,388	-4,034	-4,771	-5,045	-3,820
Profit before income tax	**2,935**	**1,008**	**2,847**	**4,472**	**6,375**
Income tax expense	-350	-351	-814	-942	-585
Profit for the year	**2,585**	**657**	**2,033**	**3,530**	**5,790**

Source: Company data, Scope Ratings.

Appendix 2. Selected financial information – JSC Microbank MBC

Earnings and profitability	2020	2021	2022	2023	2024
Yield on gross loans (%)	23.1%	26.8%	24.3%	23.7%	24.3%
Cost of funding (%)	11.5%	10.4%	9.8%	11.1%	9.9%
Net interest income/ operating income (%)	101.9%	101.9%	112.2%	91.7%	90.3%
Net fees & commissions/ operating income (%)	17.5%	15.2%	17.7%	22.9%	14.2%
FX income / operating income (%)	-40.2%	10.7%	37.5%	0.3%	-9.7%
Trading income / operating income (%)	20.8%	-27.9%	-67.4%	-14.9%	5.3%
Cost/ income ratio (%)	74.6%	73.1%	85.5%	73.2%	68.6%
Impairment on financial assets / pre-impairment income (%)	31.4%	13.5%	45.8%	35.2%	32.3%
Loan loss provisions / average gross loans (%)	2.7%	3.1%	3.8%	4.5%	4.3%
Return on average assets (%)	2.0%	2.9%	0.6%	1.8%	2.7%
Return on average equity (%)	8.7%	13.7%	3.3%	10.0%	16.1%
NBG covenants	**2020**	**2021**	**2022**	**2023**	**2024**
Capital adequacy ratio (%)	29.5%	24.3%	22.8%	21.8%	Not applicable
Liquidity ratio (%)	22.5%	62.2%	24.5%	22.6%	Not applicable
Pledged assets to equity ratio (%)	175.7%	106.0%	66.4%	70.8%	41.5%
Asset mix, quality and growth	**2020**	**2021**	**2022**	**2023**	**2024**
Net loans/ assets (%)	85.5%	74.9%	81.9%	86.4%	82.4%
Past due > 30 / tangible equity & reserves (%)	29.4%	28.0%	40.2%	50.9%	44.1%
Past due > 30 / total gross loans (%)	3.0%	1.8%	1.8%	1.9%	1.8%
Loan loss allowance for stage 2 & 3 loans / Past due > 30	35.1%	40.3%	39.9%	47.2%	49.7%
Net loan growth (%)	14.8%	8.9%	23.9%	12.1%	18.1%

Source: Company data, Scope Ratings
Note: JSC Microbank MBC used to be a microfinance organization until December 2024 where it became a microbank. Hence 2024Y capital and liquidity ratios appear as not applicable. MBC's CET1 ratio and Tier 1 capital ratio amounted to 16.6% in 2024, above the minimum requirements of 9.41% for CET1 capital and 11.38% for Tier 1 capital. MBC's total regulatory ratio amounted to 19% in 2024 above its minimum requirement of 14.01%

Note: Ratio calculation

a) Yield on gross loans (%) = interest income/total gross loans to customers

b) Cost of funding (%) = interest expense/total borrowings

c) Capital adequacy ratio (%) = (total equity - asset revaluation reserve - intangible assets - investments in subsidiaries) / (total assets - asset revaluation reserve - intangible assets - investments in subsidiaries)

d) Liquidity ratio (%) = cash and cash equivalents/ (total liabilities - debts maturing after six months)

e) Return on average assets (%) = net income/average assets

f) Return on average equity (%) = net income/average equity

g) Profit margin (%) = net income/gross financial margin

h) Leverage (%) = debt/equity

i) Stage 3 ratio (%) = Stage 3 loans (or past due over 90 days)/total gross loans

Earnings and profitability	Q1 2025	Q2 2025	Q3 2025
Cost/ income ratio (%)	72.9%	68.3%	69.4%
Return on assets (%)	1.8%	6.4%	4.1%
Return on equity (%)	12.1%	37.6%	27.4%
Capital and liquidity	**Q1 2025**	**Q2 2025**	**Q3 2025**
CET1 ratio	10.4%	12.8%	12.5%
Tier 1 ratio	15.3%	17.4%	16.7%
Regulatory ratio	17.5%	19.4%	18.6%
CET1 capital total requirement	9.6%	11.1%	11.0%
Tier1 capital total requirement	11.6%	13.1%	13.0%
Regulatory capital total requirement	14.2%	15.7%	15.6%
Leverage ratio	14.6%	16.5%	14.6%
Leverage ratio requirement	5.0%	5.0%	5.0%
LCR (NBG minimum requirement: 100%)	566.3%	664.6%	8155.5%
NSFR (NBG minimum requirement: 100%)	103.6%	112.0%	122.9%
Asset mix, quality and growth	**Q1 2025**	**Q2 2025**	**Q3 2025**
Net loans/ assets (%)	85.9%	89.0%	79.3%
Stage 3 ratio	2.8%	5.4%	5.0%
Stage 3 coverage ratio	50.0%	19.0%	18.8%
Net loan growth	24.7%	36.5%	32.8%

Source: Company data, Scope Ratings

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Applied methodologies

Financial Institutions Rating Methodology, September 2025

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