

JSC Credo Bank

Financial statements

*Year ended 31 December 2024
together with independent auditor's report*

Contents

Independent auditor's report

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Independent auditor's report

To the Shareholders and Supervisory Board of JSC Credo Bank

Opinion

We have audited the financial statements of JSC Credo Bank (hereinafter, the “Bank”), which comprise the statement of financial position as at 31 December 2024, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Other information included in the Bank's 2024 Management Report

Other information consists of the information included in the Bank's 2024 Management Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2024 Management Report is expected to be available to us after the date of this auditor's report.

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

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

Responsibilities of management and the Audit Committee for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

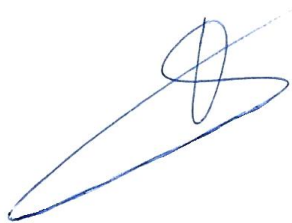
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

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

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



Dmytro Iurglevych (SARAS-A-644274)

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

14 April 2025

Tbilisi, Georgia

Statement of financial position**As at 31 December 2024***(Thousands of Georgian Lari)*

	Note	2024	2023
Assets			
Cash and cash equivalents	5	333,651	273,068
Amounts due from credit institutions	6	54,119	47,938
Derivative financial assets	7	567	1,688
Loans to customers	8	2,489,884	1,981,571
Investment securities at amortised cost	9	57,522	48,889
Current income tax asset	13	–	2,161
Right-of-use assets	12	21,160	20,060
Property and equipment	10	29,661	25,847
Intangible assets	11	29,954	24,667
Investment in associate	1	2,464	–
Other financial assets	14	22,692	23,436
Other non-financial assets	15	27,300	20,439
Total assets		3,068,974	2,469,764
Liabilities			
Derivative financial liabilities	7	1,572	–
Customer accounts	18	1,210,912	853,921
Current income tax liabilities	13	6,429	–
Lease liabilities	12	23,342	21,267
Loans from banks and other financial institutions	16, 17	1,243,268	1,104,075
Other liabilities	19	47,685	51,244
Deferred income tax liabilities	13	5,566	5,101
Subordinated debt	16, 17	152,596	127,236
Total liabilities		2,691,370	2,162,844
Equity			
Share capital	20	5,240	5,210
Additional paid-in capital		39,151	37,097
Retained earnings		333,213	264,613
Total equity		377,604	306,920
Total liabilities and equity		3,068,974	2,469,764

Signed and authorised for release on behalf of the Management Board of the Bank

Zaal Pirtskhelava

Chief Executive Officer

Erekle Zatiashvili

Chief Financial Officer

14 April 2025

The accompanying notes on pages 5 to 45 are an integral part of these financial statements.

Statement of financial position**As at 31 December 2024***(Thousands of Georgian Lari)*

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Zaal Pirskhelava

Erekle Zatiashvili

14 April 2025

Chief Executive Officer

Chief Financial Officer

The accompanying notes on pages 5 to 45 are an integral part of these financial statements.

Statement of profit and loss and other comprehensive income**For the year ended 31 December 2024**

(Thousands of Georgian Lari)

	<i>Note</i>	<i>2024</i>	<i>2023</i>
Interest income calculated using effective interest method			
Loans to customers		504,287	439,125
Cash and balances with banks		13,201	10,959
Investment securities		3,076	4,492
		520,564	454,576
Interest expense			
Loans from banks and other financial institutions		(129,047)	(133,081)
Customer accounts		(68,399)	(50,792)
Subordinated debt		(16,012)	(13,895)
Lease liabilities		(2,398)	(1,634)
		(215,856)	(199,402)
Deposit insurance fee		(2,259)	(1,306)
Net interest income		302,449	253,868
Credit loss expense on loans to customers	8	(60,231)	(57,957)
Net interest income after credit loss expense		242,218	195,911
Fee and commission income		63,608	51,524
Fee and commission expense	23	(27,180)	(22,663)
Net fee and commission income		36,428	28,861
Net losses from foreign currencies	24	(3,476)	(8,645)
Other operating income	25	1,660	636
Other operating expense	26	(3,118)	(1,695)
Net non-interest income		31,494	19,157
Personnel expenses	27	(132,687)	(116,580)
Other general administrative expenses	28	(34,308)	(30,966)
Depreciation and amortization	10, 11, 12	(20,981)	(19,040)
Expected credit losses on off-balance sheet exposures and other financial assets		(936)	–
Non-interest expenses		(188,912)	(166,586)
Share in loss of associate accounted for using the equity method	1	(485)	–
Profit before income tax expense		84,315	48,482
Income tax expense	13	(15,710)	(7,409)
Profit for the year		68,605	41,073
Other comprehensive income		–	–
Total comprehensive income for the year		68,605	41,073

The accompanying notes on pages 5 to 45 are an integral part of these financial statements.

Statement of changes in equity**For the year ended 31 December 2024***(Thousands of Georgian Lari)*

	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
1 January 2023	5,187	35,775	223,540	264,502
Profit for the year	–	–	41,073	41,073
Total comprehensive income for the year	–	–	41,073	41,073
Share capital increase (Note 20)	23	1,322	–	1,345
Dividends declared (Note 20)	–	–	–	–
31 December 2023	5,210	37,097	264,613	306,920
Profit for the year	–	–	68,605	68,605
Total comprehensive income for the year	–	–	68,605	68,605
Share capital increase (Note 20)	30	2,049	–	2,079
31 December 2024	5,240	39,146	333,218	377,604

The accompanying notes on pages 5 to 45 are an integral part of these financial statements.

Statement of cash flows**For the year ended 31 December 2024***(Thousands of Georgian Lari)*

	Note	2024	2023
Cash flows from operating activities			
Interest received		513,580	450,285
Interest paid		(213,943)	(197,223)
Fees and commissions received		65,142	50,712
Fees and commissions paid		(27,180)	(22,663)
Realised gains (losses) from dealing in foreign currencies and related derivatives		2,125	(6,384)
Other income received		1,025	747
Other expense paid		(3,276)	(1,695)
Personnel expenses paid		(128,070)	(113,268)
Other operating expenses paid		(44,377)	(28,075)
Cash flows from operating activities before changes in operating assets and liabilities		165,026	132,436
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		(5,384)	(17,019)
Loans to customers		(563,833)	(289,532)
Other assets		(816)	(7,053)
<i>Net increase/(decrease) in operating liabilities</i>			
Customer accounts		347,663	207,499
Other liabilities		(986)	4,858
Net cash flows (used in) from operating activities before income tax		(58,330)	31,189
Income tax paid		(6,655)	(6,604)
Net cash (used in) from operating activities		(64,985)	24,585
Cash flows used in investing activities			
Purchase of property, equipment and intangible assets		(22,514)	(21,221)
Acquisition of investment securities		(32,966)	-
Proceeds from redemption of investments securities		26,000	
Acquisition of associate	1	(2,949)	
Proceeds from sale of property and equipment		366	267
Net cash used in investing activities		(32,063)	(20,954)
Cash flows from financing activities			
Proceeds from borrowings and subordinated loans	17	558,107	300,099
Repayment of borrowings and subordinated loans	17	(394,377)	(295,274)
Repayment of lease liabilities	12	(6,279)	(6,311)
Net cash from (used in) financing activities		157,451	(1,486)
Net increase in cash and cash equivalents		60,403	2,145
Effect of exchange rates changes on cash and cash equivalents		180	2,149
Cash and cash equivalents, beginning	5	273,068	268,774
Cash and cash equivalents, ending	5	333,651	273,068

The accompanying notes on pages 5 to 45 are an integral part of these financial statements.

(Thousands of Georgian Lari)

1. Principal activities

Organisation and operations

JSC Credo Bank (the "Bank") a Georgian commercial bank holding a full banking license from the National Bank of Georgia (the "NBG").

The Bank supports the development of the private economy of Georgia by providing credit and related services to micro, small and medium-sized entrepreneurs, and companies. The Bank's company identification code is 205232238. The legal address of the Bank is 27, Revaz Tabukashvili Street, Tbilisi, Georgia.

Credo Bank's Mission is to support Georgia's entrepreneurs and their employees to create a better future by offering affordable financial services.

Shareholding structure of the Bank as at 31 December 2024 was as follows:

Shareholder	2024	2023
Access Credo GmbH	50.55%	–
Gojo & Company, Inc	16.79%	–
Société de Promotion et de Participation pour la Coopération Economique (Proparco)	14.78%	14.86%
Triodos SICAV II (Triodos Microfinance Fund)	8.31%	8.36%
Legal Owner Triodos Funds B.V.	8.31%	8.36%
Management Board	1.25%	0.69%
Access Microfinance Holding AG	–	50.84%
responsAbility Participations AG	–	7.89%
responsAbility SICAV (Lux) – (Micro and SME Finance Leaders)	–	1.58%
responsAbility Global Micro and SME Finance Fund	–	7.42%

Ownership, voting and dividend rights among shareholders are allocated in proportion to their ordinary shares held in the Bank.

As at 31 December 2024 the Bank's parent and ultimate controlling party with 50.55% (2023: 50.84% - Access Microfinance Holding AG, Germany) of the voting rights is limited liability company Access Credo GmbH. Access Microfinance Holding AG had undergone a reorganisation in the form of spin-off, resulting in the establishment of a new legal entity, Access Credo GmbH. The shareholding structure of Access Credo GmbH is identical to that of Access Microfinance Holding AG at the time of the reorganisation. Access Credo GmbH has been constituted as a legal successor to Access Microfinance Holding AG, and all shares of Credo Bank held by Access Microfinance Holding AG are transferred to Access Credo GmbH without alteration. The beneficial ownership remained unchanged.

On 23 December 2024 Gojo & Company, Inc became a new shareholder of the Bank.

The supreme governing body of the Bank is the General Meeting of Shareholders. The supervision of the Bank's operations is conducted by the Supervisory Board, members of which are appointed by the General Meeting of Shareholders. Daily management of the Bank is carried out by the Management Board appointed by the Supervisory Board.

Investment in associate

In 2024, the Bank acquired 36% in KEEPZ.ME LLC with the legal address: Georgia, Tbilisi, Saburtalo District, Mikheil Tamarashvili Avenue, N13t, Office Space N1, Floor 1, Block "a", a QR payment platform developer and operator for cash consideration of GEL 2,949. The Bank concluded that it exercises significant influence over the investee and accounted for it as an investment in associate using equity method. Summarized financial information of the associate is presented below:

	31 December 2024
Cash and cash equivalents	155
Goodwill	3,312
Other intangible assets	3,089
Other assets	380
Total assets	6,936
Total liabilities	92
Net assets	6,844
Bank's share in net assets	2,464

(Thousands of Georgian Lari)

1. Principal activities (continued)**Organisation and operations (continued)**

	2024
Revenues	196
Expenses	(2,091)
Loss before and after tax	(1,895)
Bank's share in loss for the period	(485)

The investee is at start-up and development stage, thus the management concluded that current period losses do not represent indications of impairment as at 31 December 2024.

Business environment

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

2. Basis of preparation**General**

These Financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. Derivative financial instruments have been measured at fair value.

The Bank's functional and presentation currency is the Georgian Lari (GEL). Financial information is presented in GEL rounded to the nearest thousands, except for per share amounts and for exchange rates to foreign currencies and unless otherwise indicated.

The Bank has prepared its financial statement on the basis that it will continue to operate as a going concern.

3. Material accounting policy information**New and amended standards**

The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following standards/interpretations relevant to the Bank's activities that became effective in 2024 had no material impact on the Bank's financial position or results of operations:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1.

The amendments to IAS 1, effective from 1 January 2024, clarify the criteria for classifying liabilities with covenants as current or non-current. The amendment requires companies to provide additional information to stakeholders. The changes introduced by the amendments require companies to consider the potential impact for their loan arrangements and the presentation of their financial statements. The information about non-current liabilities subject to financial covenants is disclosed in the note 16:

- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16.

The amendment to IFRS 16 Leases specifies requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions:

- Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7.

The amendment applies to annual reporting periods beginning on or after 1 January 2024 and can be applied earlier.

Other amendments and interpretations that apply for the first time in 2024 do not have an impact on the Bank's financial statements.

(Thousands of Georgian Lari)

3. Material accounting policy information (continued)

Investments in associates

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Bank's investment in its associate are accounted for using the equity method.

The aggregate of the Bank's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within 'Share of profit of an associate' in the statement of profit or loss and other comprehensive income.

The statement of profit or loss and other comprehensive income reflects the Bank's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Bank's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Bank recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Bank's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Bank determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Bank measures financial instruments, such as derivatives, at fair value at each balance sheet date.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(Thousands of Georgian Lari)

3. Material accounting policy information (continued)**Financial assets and liabilities*****Initial recognition******Date of recognition***

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

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- ▶ Amortised cost;
- ▶ Fair value through other comprehensive income (FVOCI);
- ▶ FVPL.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation option is applied.

All of the Bank's financial assets and liabilities are measured at amortized cost, with exception to derivatives which are measured at FVPL.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, call deposits, amounts due from the NBG, excluding mandatory reserves, unrestricted current accounts and short-term deposits held with banks, with maturities of three months or less from the origination date that are subject to insignificant risk of changes in their fair value.

Mandatory reserve deposit with the NBG

Mandatory reserve deposits with the NBG are carried at amortised cost and represent interest bearing assets. The Bank's ability to withdraw these deposits is restricted by the regulation and hence they are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Mandatory reserve is presented within amounts due from credit institutions in the statement of financial position.

Renegotiated loans

The Bank will seek to restructure loans, rather than to take possession of collateral where a client has failed to maintain the agreed repayment schedule due to objective changes in circumstances but is deemed to be able to repay the loan with a modified repayment schedule.

Modifications resulting in derecognition

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

- ▶ Change in currency of the loan;
- ▶ Change in counterparty;
- ▶ If the modification is such that the instrument would no longer meet the SPPI criterion.

(Thousands of Georgian Lari)

3. Material accounting policy information (continued)

Renegotiated loans (continued)

Modifications not resulting in derecognition

If the modification does not result in cash flows that are substantially different based on substantial modification criteria presented above, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, presented within interest revenue calculated using EIR in profit or loss, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Bank also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 until customer fully repays amount overdue.

Derecognition of financial assets and liabilities

Write-off

The Bank writes off assets deemed to be uncollectible, usually after 180 days past due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event. After write off the Bank may continue loan recovery processes with all available legal means.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms (such as where the present value of the modified cash flows discounted using the original effective interest rate differs by more than 10% from the carrying value of the original liability), or the terms of an existing liability are substantially modified (for example, by changing the currency of denomination, changing interest rate accrual basis from fixed to floating or vice versa, or by introduction of an equity conversion feature), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments

In the normal course of business, for the purposes of mitigating currency risk, the Bank enters into various derivative financial instruments including foreign currency forwards and cross currency swaps (back to back loans) in the foreign exchange and capital markets.

The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss within net gains/(losses) from foreign currencies.

Although the Bank has derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

Leases

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is normally not readily determinable.

Short-term leases and leases of low value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to certain leases of assets that are considered of low value (i.e., below GEL 15). Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(Thousands of Georgian Lari)

3. Material accounting policy information (continued)**Property and equipment**

Property and equipment is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	40
Leasehold improvements (or lease term if earlier)	5
Furniture, fixtures and equipment	2–10
IT and computer equipment	5
Motor vehicles	15

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

Intangible assets

Intangible assets include customer relations (recognised in a business combination), licenses, core banking software and other software. Licenses represent rights of usage of various software. Core banking software represents cost of accounting and loan portfolio management software. Other software includes internally developed software and other purchased software.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Internally generated intangible assets, excludes maintenance costs, which are expensed to profit or loss as incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic lives of 2 to 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Recognition of income and expenses

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

Interest and similar income and expense

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

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

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

(Thousands of Georgian Lari)

3. Material accounting policy information (continued)**Recognition of income and expenses (continued)*****Fee and commission income***

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

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

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

Fee income from providing transaction services

Fees arising from separate transactions done by customer – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligations are recognised after fulfilling the corresponding criteria.

Foreign currency translation

The financial statements are presented in Georgian Lari, which is the Bank's functional currency.

Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of profit or loss within net gains/(losses) from foreign currencies.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBG exchange rate on the date of the transaction are included in Net gains/losses from foreign currencies.

The official NBG exchange rates at 31 December 2024 and 31 December 2023 were GEL 2.8068 and GEL 2.6894 to 1 USD, GEL 2.9306 and GEL 2.9753 to 1 EUR, respectively.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are not expected to have a material impact on the Bank's financial statements. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

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

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

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

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

(Thousands of Georgian Lari)

3. Material accounting policy information (continued)

Standards issued but not yet effective (continued)

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank is currently performing an assessment of all material electronic payment systems utilised in the various jurisdictions it operates, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Bank is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

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

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

4. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgments

Leases – determining the lease term of contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. At inception of the lease, the Bank usually does not recognise lease liability for the portion of lease payments subject to termination option in periods over 3–5 years (depending on the nature of the underlying assets), which represents a significant judgment. Refer to Note 12.

(Thousands of Georgian Lari)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty

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

Impairment losses on financial assets

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

- ▶ The segmentation of financial assets when their ECL is assessed on a collective basis;
- ▶ Development of ECL models, including the various formulae and the choice of inputs;
- ▶ Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP growth and exchange rates, and the effect on PDs, EADs and LGDs;
- ▶ Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models.

As at 31 December 2024, the Bank did not introduced any changes in its process of estimation of expected credit losses.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2024	2023
Cash on hand and in ATMs	108,924	91,229
Current accounts with the NBG	95,019	99,194
Current accounts with other credit institutions	94,751	82,645
Term deposits with the NBG	35,000	–
Less: expected credit losses	(43)	–
Cash and cash equivalents	333,651	273,068

As at 31 December 2024, all cash and cash equivalents relate to stage 1 of ECL assessment. ECL for cash and cash equivalent as at 31 December 2024 amounted GEL 43 (2023: ECL as of December 2023 was not created as the reserve amount was not material). As of 31 December 2024 most of current accounts are placed with AA rated banks (as at December 2023 most current accounts were placed with BB rated banks). As at 31 December 2024, current accounts and time deposits with credit institutions denominated in USD, EUR and GEL represent 7%, 33% and 60% of total current and time deposits, respectively (31 December 2023: USD 9%, EUR 33% and GEL 58%, respectively).

Included in current account with NBG as at 31 December 2024 is GEL 31,933 (31 December 2023: GEL 35,278) mandatory reserve denominated in Georgian Lari. The Bank has access on these funds in demand, subject to compliance with the requirement to keep that amount as an average reserve balance over a specified period of time.

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2024	2023
Obligatory reserve with the NBG	54,135	47,938
Less: expected credit losses	(16)	–
Amounts due from credit institutions	54,119	47,938

The Bank is required to maintain a mandatory interest earning cash deposit with the NBG at the level of 5% to 25% (2023: 5% to 20%) of the average of funds attracted from customers and non-resident financial institutions for the appropriate two-week period in GEL and foreign currencies. The Bank earns 0% (USD) and 8.0% (GEL) on these deposits (2023: 0% (USD) and 9.5% (GEL)). Obligatory reserve with the NBG includes reserves for foreign currency denominated funds.

(Thousands of Georgian Lari)

7. Derivative financial instruments

The Bank enters into derivative financial instruments to mitigate currency risk (Note 29). The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	2024			2023		
	Notional amount	Fair values		Notional amount	Fair values	
		Asset	Liability		Asset	Liability
Foreign currency contracts						
Cross-currency swaps – domestic	267,532	567	1,572	238,025	1,688	–
Total derivative assets/liabilities		567	1,572		1,688	–

Contracts are concluded with Georgian entities.

As of 31 December 2024 and 2023 the Bank has positions in swaps. Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates on specified notional amounts.

8. Loans to customers

Loans to customers' breakdown per product general type was as follows:

	2024	2023
Agro loans	1,076,435	941,316
Urban loans	755,815	628,136
Retail	281,027	200,193
Mortgage	180,366	103,631
Tourism loans	88,069	68,115
Other	160,857	83,710
Gross loans to customers	2,542,569	2,025,101
Less: expected credit losses	(52,685)	(43,530)
Loans to customers	2,489,884	1,981,571

For the purpose of ECL assessment, the Bank's loan portfolio is divided by business and retail segments. Business lending is further divided by micro and SME subsegments, which are aggregated by borrower's income source in agro, tourism and urban businesses. Retail lending is divided by retail and mortgage loans. The Bank applied the following segmentation for assessment of ECL of loans to customers based on credit risk profile:

	2024	2023
Urban micro and retail loans	928,359	762,845
SME and Mortgage loans	951,512	660,866
Agro micro and tourism micro loans	662,698	601,390
Gross loans to customers	2,542,569	2,025,101
Less: expected credit losses	(52,685)	(43,530)
Loans to customers	2,489,884	1,981,571

The Bank provides loans in GEL, USD and EUR. 90% of the gross loan portfolio is denominated in GEL (2023: 90%).

As at 31 December 2024, mortgage loans to customers with carrying amount of GEL 14,682 (2023: GEL 9,245) were pledged as collateral under the short-term loans received from the NBG. The pledged loans to customers portfolio satisfy the NBG's minimum eligibility requirements of full collateralisation status, client's income proof from Revenue Service, Stage 1 classification and represent contractually long-term loan facilities.

(Thousands of Georgian Lari)

8. Loans to customers (continued)**Expected credit losses on loans to customers at amortised cost**

An aggregate analysis of changes in the gross carrying value and corresponding ECL for the year ended 31 December 2024 is as follows:

<i>Loans to customers</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	1,931,233	74,117	19,560	191	2,025,101
New assets originated or purchased	2,347,712	–	–	–	2,347,712
Assets repaid	(2,189,629)	(18,688)	(3,399)	(125)	(2,211,841)
Transfers to Stage 1	55,743	(49,087)	(6,656)	–	–
Transfers to Stage 2	(127,691)	151,736	(24,045)	–	–
Transfers to Stage 3	(3,280)	(83,498)	86,778	–	–
Unwind of discount	–	–	6,181	–	6,181
Amounts written off	–	–	(68,081)	(22)	(68,103)
Foreign exchange and other movements	421,648	11,813	10,037	21	443,519
At 31 December 2024	2,435,736	86,393	20,375	65	2,542,569

<i>Loans to customers</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2024	16,085	11,817	15,623	5	43,530
New assets originated or purchased	20,532	–	–	–	20,532
Assets repaid	(21,017)	(3,790)	(2,486)	(27)	(27,320)
Transfers to Stage 1 ¹	16,311	(10,795)	(5,516)	–	–
Transfers to Stage 2	(17,860)	36,805	(18,945)	–	–
Transfers to Stage 3	(3,252)	(27,223)	30,475	–	–
Impact on period end ECL of exposures transferred between stages during the period and changes in models and inputs	5,527	7,728	51,815	46	65,116
Unwind of discount	–	–	6,181	–	6,181
Amounts written off	–	–	(68,081)	(22)	(68,103)
Foreign exchange and other movements	3,535	2,414	6,798	2	12,749
At 31 December 2024	19,861	16,956	15,864	4	52,685

Segment analysis of changes in the gross carrying value and corresponding ECL for the year ended 31 December 2024 is as follows:

<i>Agro micro and tourism micro loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	563,931	30,260	7,162	37	601,390
New assets originated or purchased	629,178	–	–	–	629,178
Assets repaid	(667,425)	(5,751)	(681)	(17)	(673,874)
Transfers to Stage 1	16,494	(14,620)	(1,874)	–	–
Transfers to Stage 2	(38,207)	47,959	(9,752)	–	–
Transfers to Stage 3	(707)	(29,381)	30,088	–	–
Unwind of discount	–	–	2,420	–	2,420
Amounts written off	–	–	(24,236)	(1)	(24,237)
Foreign exchange and other movements	120,475	3,950	3,392	4	127,821
At 31 December 2024	623,739	32,417	6,519	23	662,698

¹ ECL effects from transfers between stages are presented in the amounts corresponding to ECL in the incoming stage, with corresponding ECL effect from transfer affecting profit or loss presented in "Impact on period end ECL of exposures transferred between stages during the period and changes in models and inputs"

(Thousands of Georgian Lari)

8. Loans to customers (continued)**Expected credit losses on loans to customers at amortised cost (continued)****Agro micro and tourism
micro loans**

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2024	5,032	4,874	5,956	1	15,863
New assets originated or purchased	5,644	–	–	–	5,644
Assets repaid	(5,899)	(1,130)	(488)	(9)	(7,526)
Transfers to Stage 1	4,696	(3,114)	(1,582)	–	–
Transfers to Stage 2	(6,380)	14,452	(8,072)	–	–
Transfers to Stage 3	(694)	(9,199)	9,893	–	–
Impact on period end ECL of exposures transferred between stages during the period and changes in models and inputs	2,226	100	19,097	10	21,433
Unwind of discount	–	–	2,420	–	2,420
Amounts written off	–	–	(24,236)	(1)	(24,237)
Foreign exchange and other movements	1,111	816	2,384	1	4,312
At 31 December 2024	5,736	6,799	5,372	2	17,909

SME and Mortgage loans

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2024	643,148	14,808	2,885	25	660,866
New assets originated or purchased	636,310	–	–	–	636,310
Assets repaid	(481,312)	(6,200)	(1,225)	(18)	(488,755)
Transfers to Stage 1	17,448	(16,065)	(1,383)	–	–
Transfers to Stage 2	(31,856)	35,385	(3,529)	–	–
Transfers to Stage 3	(240)	(11,509)	11,749	–	–
Unwind of discount	–	–	369	–	369
Amounts written off	–	–	(6,836)	–	(6,836)
Foreign exchange and other movements	146,929	1,891	736	2	149,558
At 31 December 2024	930,427	18,310	2,766	9	951,512

SME and Mortgage loans

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2024	1,714	1,405	1,746	–	4,865
New assets originated or purchased	1,812	–	–	–	1,812
Assets repaid	(1,820)	(1,157)	(823)	–	(3,800)
Transfers to Stage 1	4,071	(3,165)	(906)	–	–
Transfers to Stage 2	(2,049)	4,041	(1,992)	–	–
Transfers to Stage 3	(240)	(2,952)	3,192	–	–
Impact on period end ECL of exposures transferred between stages during the period and changes in models and inputs	(1,375)	3,311	6,487	–	8,423
Unwind of discount	–	–	369	–	369
Amounts written off	–	–	(6,836)	–	(6,836)
Foreign exchange and other movements	395	172	208	–	775
At 31 December 2024	2,508	1,655	1,445	–	5,608

(Thousands of Georgian Lari)

8. Loans to customers (continued)**Expected credit losses on loans to customers at amortised cost (continued)**

<i>Urban micro and retail loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	724,154	29,049	9,513	129	762,845
New assets originated or purchased	1,082,224	–	–	–	1,082,224
Assets repaid	(1,040,892)	(6,737)	(1,493)	(90)	(1,049,212)
Transfers to Stage 1	21,801	(18,402)	(3,399)	–	–
Transfers to Stage 2	(57,628)	68,392	(10,764)	–	–
Transfers to Stage 3	(2,333)	(42,608)	44,941	–	–
Unwind of discount	–	–	3,392	–	3,392
Amounts written off	–	–	(37,009)	(21)	(37,030)
Foreign exchange and other movements	154,244	5,972	5,909	15	166,140
At 31 December 2024	881,570	35,666	11,090	33	928,359

<i>Urban micro and retail loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2024	9,339	5,538	7,921	4	22,802
New assets originated or purchased	13,076	–	–	–	13,076
Assets repaid	(13,298)	(1,503)	(1,175)	(18)	(15,994)
Transfers to Stage 1	7,544	(4,516)	(3,028)	–	–
Transfers to Stage 2	(9,431)	18,312	(8,881)	–	–
Transfers to Stage 3	(2,318)	(15,072)	17,390	–	–
Impact on period end ECL of exposures transferred between stages during the period and changes in models and inputs	4,676	4,317	26,231	36	35,260
Unwind of discount	–	–	3,392	–	3,392
Amounts written off	–	–	(37,009)	(21)	(37,030)
Foreign exchange and other movements	2,029	1,426	4,206	1	7,662
At 31 December 2024	11,617	8,502	9,047	2	29,168

An aggregate analysis of changes in the gross carrying value and corresponding ECL for the year ended 31 December 2023 s as follows:

<i>Loans to customers</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	1,696,778	78,264	16,914	603	1,792,559
New assets originated or purchased	1,790,049	–	–	–	1,790,049
Assets repaid	(1,798,275)	(21,526)	(1,926)	(398)	(1,822,125)
Transfers to Stage 1	59,207	(53,115)	(6,092)	–	–
Transfers to Stage 2	(112,543)	127,877	(15,334)	–	–
Transfers to Stage 3	(2,695)	(76,010)	78,705	–	–
Amounts written off	–	–	(71,111)	(25)	(71,136)
Foreign exchange and other movements	298,712	18,627	18,404	11	335,754
At 31 December 2023	1,931,233	74,117	19,560	191	2,025,101

(Thousands of Georgian Lari)

8. Loans to customers (continued)**Expected credit losses on loans to customers at amortised cost (continued)**

<i>Loans to customers</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2023	16,275	13,752	11,780	38	41,845
New assets originated or purchased	16,378	–	–	–	16,378
Assets repaid	(19,120)	(3,809)	(842)	(19)	(23,790)
Transfers to Stage 1 ²	12,513	(9,494)	(3,019)	–	–
Transfers to Stage 2	(17,474)	21,129	(3,655)	–	–
Transfers to Stage 3	(2,804)	(24,166)	26,970	–	–
Impact on period end ECL of exposures transferred between stages during the period and changes in models and inputs	7,650	11,180	40,321	11	59,162
Amounts written off	–	–	(71,111)	(25)	(71,136)
Foreign exchange and other movements	2,667	3,225	15,179	–	21,071
At 31 December 2023	16,085	11,817	15,623	5	43,530

Segment analysis of changes in the gross carrying value and corresponding ECL for the year ended 31 December 2023 is as follows:

**Agro micro and tourism
micro loans**

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	555,907	31,952	6,937	186	594,982
New assets originated or purchased	521,611	–	–	–	521,611
Assets repaid	(611,305)	(7,420)	(804)	(122)	(619,651)
Transfers to Stage 1	21,400	(19,760)	(1,640)	–	–
Transfers to Stage 2	(38,609)	45,775	(7,166)	–	–
Transfers to Stage 3	(657)	(28,938)	29,595	–	–
Amounts written off	–	–	(26,683)	(19)	(26,702)
Foreign exchange and other movements	115,584	8,651	6,923	(8)	131,150
At 31 December 2023	563,931	30,260	7,162	37	601,390

**Agro Micro and tourism
micro loans**

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2023	5,483	5,612	4,756	24	15,875
New assets originated or purchased	4,712	–	–	–	4,712
Assets repaid	(5,893)	(1,290)	(363)	(12)	(7,558)
Transfers to Stage 1	3,867	(3,247)	(620)	–	–
Transfers to Stage 2	(6,552)	8,278	(1,726)	–	–
Transfers to Stage 3	(556)	(8,632)	9,188	–	–
Impact on period end ECL of exposures transferred between stages during the period and changes in models and inputs	2,939	2,751	15,636	9	21,335
Amounts written off	–	–	(26,683)	(19)	(26,702)
Foreign exchange and other movements	1,032	1,402	5,768	(1)	8,201
At 31 December 2023	5,032	4,874	5,956	1	15,863

² ECL effects from transfers between stages are presented in the amounts corresponding to ECL in the incoming stage, with corresponding ECL effect from transfer affecting profit or loss presented in "Impact on period end ECL of exposures transferred between stages during the period and changes in models and inputs"

(Thousands of Georgian Lari)

8. Loans to customers (continued)**Expected credit losses on loans to customers at amortised cost (continued)**

<i>SME and Mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	483,144	16,364	611	165	500,284
New assets originated or purchased	421,730	–	–	–	421,730
Assets repaid	(321,512)	(6,737)	(215)	(138)	(328,602)
Transfers to Stage 1	14,078	(12,250)	(1,828)	–	–
Transfers to Stage 2	(23,484)	24,094	(610)	–	–
Transfers to Stage 3	(657)	(7,531)	8,188	–	–
Amounts written off	–	–	(3,928)	–	(3,928)
Foreign exchange and other movements	69,849	868	667	(2)	71,382
At 31 December 2023	643,148	14,808	2,885	25	660,866
<i>SME and Mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2023	1,616	2,015	237	2	3,870
New assets originated or purchased	1,336	–	–	–	1,336
Assets repaid	(1,426)	(1,335)	(88)	(3)	(2,852)
Transfers to Stage 1	2,571	(1,946)	(625)	–	–
Transfers to Stage 2	(1,571)	1,562	9	–	–
Transfers to Stage 3	(582)	(2,128)	2,710	–	–
Impact on period end ECL of exposures transferred between stages during the period and changes in models and inputs	(416)	3,154	3,028	1	5,767
Amounts written off	–	–	(3,928)	–	(3,928)
Foreign exchange and other movements	186	83	403	–	672
At 31 December 2023	1,714	1,405	1,746	–	4,865
<i>Urban micro and retail loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	657,727	29,948	9,366	252	697,293
New assets originated or purchased	846,708	–	–	–	846,708
Assets repaid	(865,458)	(7,369)	(907)	(138)	(873,872)
Transfers to Stage 1	23,729	(21,105)	(2,624)	–	–
Transfers to Stage 2	(50,450)	58,008	(7,558)	–	–
Transfers to Stage 3	(1,381)	(39,541)	40,922	–	–
Amounts written off	–	–	(40,500)	(6)	(40,506)
Foreign exchange and other movements	113,279	9,108	10,814	21	133,222
At 31 December 2023	724,154	29,049	9,513	129	762,845

(Thousands of Georgian Lari)

8. Loans to customers (continued)**Expected credit losses on loans to customers at amortised cost (continued)**

<i>Urban micro and retail loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2023	9,176	6,125	6,787	12	22,100
New assets originated or purchased	10,330	–	–	–	10,330
Assets repaid	(11,801)	(1,184)	(391)	(4)	(13,380)
Transfers to Stage 1	6,075	(4,301)	(1,774)	–	–
Transfers to Stage 2	(9,351)	11,289	(1,938)	–	–
Transfers to Stage 3	(1,666)	(13,406)	15,072	–	–
Impact on period end ECL of exposures transferred between stages during the period and changes in models and inputs	5,127	5,275	21,657	1	32,060
Amounts written off	–	–	(40,500)	(6)	(40,506)
Foreign exchange and other movements	1,449	1,740	9,008	1	12,198
At 31 December 2023	9,339	5,538	7,921	4	22,802

The movements in the above tables do not include recoveries of assets written-off that reduce credit loss expense in profit or loss. Reconciliation of credit loss expense on loans to customers for the years 2024 and 2023 is as follows:

	<i>ECL charge, gross of recovery</i>	<i>Recovery</i>	<i>Credit loss expense in profit or loss</i>
2024			
Urban micro and retail loans	40,004	(5,895)	34,109
Micro agro and tourism micro loans	23,863	(3,863)	20,000
SME and Mortgage loans	7,210	(1,088)	6,122
	71,077	(10,846)	60,231
2023			
Urban micro and retail loans	41,208	(8,463)	32,745
Micro agro and tourism micro loans	26,690	(5,581)	21,109
SME and Mortgage loans	4,923	(820)	4,103
	72,821	(14,864)	57,957

After writing off of loans to customer, which usually occurs after the exposure becomes past due for 180 days, the Bank continues loan recovery processes with all available legal means. The recovery of the written-off loans is an ongoing process, the Bank tries to recover the total amounts written-off without exclusion and does not have a time restriction. The Bank continues its effort under the various recovery mechanism available, including suit in civil court, through negotiated settlement and compromise with guarantor or loan owner, and as a final resort through sale of the asset.

Modified and restructured loans

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

The table below includes Stage 2 and 3 assets that were modified during the period. There was no material modification loss suffered by the Bank in their respect.

	2024	2023
Loans modified during the period		
Restructured loans as at 31 December	77,648	69,394
Loans modified since initial recognition		
Gross carrying amount at 31 December of loans for which loss allowance has changed to 12-month measurement (Stage 1) during the period (cured loans)	22,823	32,247

(Thousands of Georgian Lari)

8. Loans to customers (continued)**Collateral and other credit enhancements**

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

The loans with a value at origination of over USD 15 are collateralised. The main types of collateral are land and other real estate, vehicles.

As at 31 December 2024 and 2023 collateral does not have any material impact on ECL on Stage 3 loans (collectively assessed). The Bank does not incorporate the collateral in its LGD parameter calculations, including hard collaterals - deposits and high liquid residential real estate.

Note 15 includes information about repossessed collateral.

Industry and geographical analysis of the loan portfolio

Loans to customers were issued to customers located within Georgia who operate in the following economic sectors:

	2024	2023
Agriculture	912,582	783,283
Service	604,745	453,720
Trade	478,061	379,051
Consumer	129,972	92,548
Manufacturing	96,380	76,099
Transportation	6,132	4,758
Other	314,697	235,642
	2,542,569	2,025,101
Less: expected credit losses	(52,685)	(43,530)
Net loans to customers	2,489,884	1,981,571

9. Investment securities at amortised cost

	2024	2023
Treasury bills of the Ministry of Finance (BB rated)	57,621	22,753
Corporate bonds of foreign issuers (AAA rated)	–	26,136
Less: expected credit losses	(99)	–
Debt securities at amortised cost	57,522	48,889

All balances of investment securities are held at amortised cost and are allocated to Stage 1. ECL for investment securities as at 31 December 2024 amounted GEL 99 (2023: ECL as of December 2023 was not created as the reserve amount was not material).

As at 31 December 2024, Treasury bills of the Ministry of Finance with carrying value of GEL 57,327 (2023: GEL 45,882 including Corporate bonds) were pledged as collateral under short-term loans received from the NBG. The pledged treasury bills consist of 1-year contractual maturity discounted bonds and 7.5 year contractual maturity interest bonds.

(Thousands of Georgian Lari)

10. Property and equipment

The movements in property and equipment were as follows in 2024:

	<i>Land and buildings (including leasehold improvement)</i>	<i>Furniture, fixtures and equipment</i>	<i>Motor vehicles</i>	<i>IT and computer equipment</i>	<i>Total</i>
Cost					
31 December 2023	7,847	21,306	4,214	20,300	53,667
Additions	3,028	3,175	92	3,948	10,243
Disposals	–	(1,080)	(1,440)	(1,565)	(4,085)
31 December 2024	10,875	23,401	2,866	22,683	59,825
Accumulated depreciation					
31 December 2023	(3,159)	(11,695)	(2,422)	(10,544)	(27,820)
Depreciation charge	(1,295)	(2,408)	(193)	(2,159)	(6,055)
Disposals	–	1,006	1,220	1,485	3,711
31 December 2024	(4,454)	(13,097)	(1,395)	(11,218)	(30,164)
Net book value as at 31 December 2023	4,688	9,611	1,792	9,756	25,847
Net book value as at 31 December 2024	6,421	10,304	1,471	11,465	29,661

The movements in property and equipment were as follows in 2023:

	<i>Land and buildings (including leasehold improvement)</i>	<i>Furniture, fixtures and equipment</i>	<i>Motor vehicles</i>	<i>IT and computer equipment</i>	<i>Total</i>
Cost					
31 December 2022	5,524	18,195	4,097	17,341	45,157
Additions	2,323	4,056	450	3,608	10,437
Disposals	–	(945)	(333)	(649)	(1,927)
31 December 2023	7,847	21,306	4,214	20,300	53,667
Accumulated depreciation					
31 December 2022	(2,310)	(10,551)	(2,527)	(9,317)	(24,705)
Depreciation charge	(849)	(2,056)	(190)	(1,845)	(4,940)
Disposals	–	912	295	618	1,825
31 December 2023	(3,159)	(11,695)	(2,422)	(10,544)	(27,820)
Net book value as at 31 December 2022	3,214	7,644	1,570	8,024	20,452
Net book value as at 31 December 2023	4,688	9,611	1,792	9,756	25,847

The gross amount of fully depreciated property and equipment that is still in use in 2024 was GEL 15,101 (2023: GEL 16,952).

(Thousands of Georgian Lari)

11. Intangible assets

The movements in intangible assets were as follows in 2024:

	<i>Licenses, rights, patents</i>	<i>Core banking software</i>	<i>Other software</i>	<i>Customer relations</i>	<i>Total</i>
Cost					
31 December 2023	15,323	17,541	6,735	10,094	49,693
Additions	4,100	8,544	–	–	12,644
31 December 2024	19,423	26,085	6,735	10,094	62,337
Accumulated amortization					
31 December 2023	(7,801)	(5,635)	(2,635)	(8,955)	(25,026)
Amortization charge	(2,828)	(2,645)	(746)	(1,138)	(7,357)
31 December 2024	(10,629)	(8,280)	(3,381)	(10,093)	(32,383)
Net book value as at					
31 December 2023	7,522	11,906	4,100	1,139	24,667
31 December 2024	8,794	17,805	3,354	1	29,954

The movements in intangible assets were as follows in 2023:

	<i>Licenses, rights, patents</i>	<i>Core banking software</i>	<i>Other software</i>	<i>Customer relations</i>	<i>Total</i>
Cost					
31 December 2022	10,861	11,279	6,573	10,094	38,807
Additions	4,462	6,262	162	–	10,886
31 December 2023	15,323	17,541	6,735	10,094	49,693
Accumulated amortization					
31 December 2022	(5,536)	(4,086)	(1,870)	(6,234)	(17,726)
Amortization charge	(2,265)	(1,549)	(765)	(2,721)	(7,300)
31 December 2023	(7,801)	(5,635)	(2,635)	(8,955)	(25,026)
Net book value as at					
31 December 2022	5,325	7,193	4,703	3,860	21,081
31 December 2023	7,522	11,906	4,100	1,139	24,667

12. Leases

The movements in right-of-use assets for leases of offices and other real estate were as follows:

	2024	2023
Historical cost		
1 January	27,501	25,084
Additions	8,668	12,390
Disposals and write-offs	(4,344)	(9,973)
31 December	31,825	27,501
Accumulated depreciation		
1 January	(7,441)	(8,883)
Depreciation charge	(7,569)	(6,800)
Disposals and write-offs	4,345	8,242
31 December	(10,665)	(7,441)
Net book value		
1 January	20,060	16,201
31 December	21,160	20,060

(Thousands of Georgian Lari)

12. Leases (continued)

The movement in lease liabilities was as follows:

	2024	2023
As at 1 January	21,267	16,968
Additions	8,668	12,390
Interest expense	2,398	1,634
Payments	(8,677)	(7,945)
Terminations	(73)	(1,867)
Foreign exchange effect	(241)	87
As at 31 December	23,342	21,267

The Bank recognized rent expense from short-term leases of GEL 439 in 2024 (2023: GEL 762). Total cash outflows for leases amounted to GEL 9,061 (2023: GEL 8,573). The Bank had non-cash additions to right-of-use assets and lease liabilities of GEL 8,668 in 2024 (2023: GEL 12,390). Lease payments subject to termination options expected to be exercised and in respect of which no lease liability was recognised amounted to GEL 23,543 as at 31 December 2024 (2023: GEL 20,194).

13. Taxation

The corporate income tax expense comprises:

	2024	2023
Current year tax charge	15,245	6,095
Deferred taxation charge due to origination and reversal of temporary differences	465	1,314
Total income tax expense	15,710	7,409

The income tax rate applicable to the Bank's income is 20% (2023: 20%). The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax benefit expense on statutory rates with actual is as follows:

	2024	2023
Profit before tax	84,315	48,482
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	16,863	9,696
Non-deductible expenses	569	902
Tax exempt income and change in tax base	(1,722)	(1,399)
Effects from changes in tax legislation	-	(1,790)
Income tax expense	15,710	7,409

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liability as of 31 December 2024 and 2023.

(Thousands of Georgian Lari)

13. Taxation (continued)**Deferred tax asset and liability (continued)**

Deferred tax assets and liabilities as of 31 December 2024 and 2023 and their movements for the respective years comprise:

	31 December 2022	Recognised in profit or loss	31 December 2023	Recognised in profit or loss	31 December 2024
Tax effect of deductible temporary differences					
Loan portfolio, except for expected credit losses	3,759	(3,551)	208	(208)	–
Salaries payable and other liabilities	585	914	1,499	919	2,418
Lease liabilities	2,525	1,349	3,874	609	4,483
Other assets	–	–	–	472	472
Deferred tax assets	6,869	(1,288)	5,581	1,792	7,373
Tax effect of taxable temporary differences					
Expected credit losses	(2,650)	2,650	–	–	–
Property and equipment and intangible assets	(4,109)	(1,452)	(5,561)	(1,515)	(7,076)
Loans and borrowings	(1,372)	125	(1,247)	(430)	(1,677)
Right-of-use assets	(2,525)	(1,349)	(3,874)	(312)	(4,186)
Deferred tax liabilities	(10,656)	(26)	(10,682)	(2,257)	(12,939)
Net deferred tax liability	(3,787)	(1,314)	(5,101)	(465)	(5,566)

14. Other financial assets

Other financial assets comprise:

	2024	2023
Other financial assets		
Local funds in settlement	16,494	12,213
Court costs claim	8,164	6,000
International money settlements	2,276	7,971
Accrued commission income	1,272	1,288
Receivables from employees	201	164
Less: provision of other financial assets	(5,715)	(4,200)
Total other financial assets	22,692	23,436

The Bank recognised GEL 1,515 charge on allowance for impairment of other financial assets (2023: GEL 1,364), that were presented in other operating expenses.

Court cost claims represent mostly claims towards the borrowers in respect of litigation costs incurred by the Bank associated with debt collection.

15. Other non-financial assets

Other non-financial assets comprise:

	2024	2023
Other non-financial assets		
Reposessed property	20,591	13,793
Prepayments and advances	5,553	4,319
Inventory	2,048	1,529
Prepaid taxes other than income tax	589	798
Less: provision for reposessed property	(1,481)	–
Total non-financial assets	27,300	20,439

(Thousands of Georgian Lari)

15. Other non-financial assets (continued)

The Bank holds repossessed property which represent land and other real estate taken into Bank's ownership as a settlement of non-performing loans. The Bank intends to sell those assets in normal course of business. The Bank does not consider the repossessed assets for the investment purposes.

In 2024, the Bank repossessed properties of GEL 7,865 (mostly represented by real estate) in non-cash settlement of loans issued (2023: GEL 8,229). In 2024, the Bank disposed of repossessed collateral with carrying value of GEL 1,254 (2023: GEL 740) with GEL 128 gain (loss) at disposal (2023: GEL 102) presented in Other operating income. The Bank engages external appraiser to assess the fair values of the repossessed properties on a regular basis to identify the need of write-downs. In 2024, the Bank recognized GEL 1,481 provision charge in respect of repossessed properties, presented in Other operating expenses in profit or loss.

16. Loans from banks and other financial institutions and subordinated loans

Loans from banks and other financial institutions (measured at amortised cost) consisted of the following:

	2024	2023
Loans with floating interest rate	889,644	647,384
Loans with fixed interest rate	353,624	456,691
Loans from banks and other financial institutions	1,243,268	1,104,075

As at 31 December 2024 loans from banks and other financial institutions mature from January 2025 to December 2031 (2023: from January 2024 to December 2030), and are denominated in GEL, USD and EUR.

As at 31 December 2024 and 2023, the Bank was in compliance with all externally imposed financial covenants under loans from banks and other financial institutions and subordinated loans.

As at 31 December 2024, the Bank has GEL 1,071 loans from banks and other financial institutions and subordinated loans with remaining contractual maturity of more than 12 months that are subject to wide range of financial covenants, such as credit quality limits, capital adequacy ratio, liquidity ratios etc. These covenants are tested regularly (such as quarterly, semi-annually or annually). As at 31 December 2024, the management assessed the risk of breaching the covenants within next 12 months as remote.

Subordinated loans were obtained from the IFIs and consisted of the following:

	Currency	Interest rate	Maturity	2024	2023
Loan 1	GEL	3M CD +9.02%	December 2025	3,379	5,046
Loan 2	GEL	3M CD + 7.72%	April 2026	6,186	6,197
Loan 3	GEL	3M CD +7.55%	June 2026	4,020	4,017
Loan 4	GEL	13.55%	September 2026	3,355	3,351
Loan 5	GEL	13.55%	September 2026	3,355	3,351
Loan 6	GEL	16.5%	April 2027	6,931	6,921
Loan 7	GEL	16.5%	April 2027	6,931	6,921
Loan 8	GEL	3M TIBR + 7.8%	March 2028	11,668	11,654
Loan 9	GEL	15%	June 2028	3,871	3,869
Loan 10	GEL	15%	June 2028	3,871	3,869
Loan 11	GEL	14.75%	July 2028	3,754	3,751
Loan 12	GEL	14.75%	July 2028	3,754	3,751
Loan 13	USD	6M SOFR + 6.88%	December 2028	13,101	12,356
Loan 14	EUR	5.00%	June 2029	8,769	8,893
Loan 15	USD	9.00%	April 2030	14,518	13,892
Loan 16	USD	9.5%	June 2030	8,375	8,015
Loan 17	EUR	8.95%	November 2030	21,098	21,382
Loan 18	EUR	EURIBOR 6M + 6.75%	December 2031	14,542	–
Loan 19	USD	SOFR CME 6M + 6%	December 2031	11,118	–
Subordinated loans				152,596	127,236

Circumstances that require early repayment of subordinated debt include, in respect of all subordinated debt agreements, default on payments due, covenant breaches, cross-default, and insolvency.

Loans 4, 5, 6, 7, 9, 10, 11 and 12 were obtained from a non-controlling shareholder of the Bank (Note 31).

(Thousands of Georgian Lari)

17. Changes in liabilities arising from financing activities

	<i>Loans from banks and other financial institutions</i>	<i>Subordinated loans</i>	<i>Total liabilities from financing activities</i>
Carrying amount at 31 December 2022	1,133,002	83,844	1,216,846
Proceeds from disbursement	257,997	42,102	300,099
Redemption	(295,274)	–	(295,274)
Foreign currency translation	6,691	1,053	7,744
Other	1,659	237	1,896
Carrying amount at 31 December 2023	1,104,075	127,236	1,231,311
Proceeds from disbursement	532,154	25,953	558,107
Redemption	(392,583)	(1,794)	(394,377)
Foreign currency translation	(2,222)	1,142	(1,080)
Other	1,844	59	1,903
Carrying amount at 31 December 2024	1,243,268	152,596	1,395,864

The "Other" line includes the effect of accrued but not yet paid interest on other borrowed funds and subordinated loans and modification gains or losses. The Bank classifies interest paid as cash flows from operating activities.

Changes in lease liabilities are provided in Note 12.

18. Customer accounts

The amounts due to customers include the following:

	2024	2023
Time deposits	819,059	526,025
Current accounts	327,307	274,348
Savings accounts	64,531	53,478
Accounts in course of settlement	15	70
	1,210,912	853,921

19. Other liabilities

	2024	2023
Salaries accrued	23,159	18,542
Payables for goods and services	11,774	11,983
Funds in settlement	4,196	7,261
Accrued expenses	2,892	2,553
Liabilities for service packages	2,135	1,384
Payables to retail partners for consumer lending	896	8,260
Expected credit losses on financial guarantees and loan commitments	778	–
Taxes other than income tax payable	582	483
Grant liabilities	100	381
Other liabilities	1,173	397
	47,685	51,244

(Thousands of Georgian Lari)

20. Equity

The share capital of the Bank was contributed by the shareholders in GEL and the shares entitle to dividends and any capital distribution in GEL.

As of 31 December 2024, the Bank had authorised, issued and fully paid 523,996 (2023: 521,023) common shares with nominal value of GEL 10.00. Each share entitles one vote to the shareholder.

	Number of shares		Nominal amount	
	Preferred	Ordinary	Preferred	Ordinary
31 December 2022	–	518,682	–	5,187
Increase in share capital	–	2,341	–	23
31 December 2023	–	521,023	–	5,210
Increase in share capital	–	2,973	–	30
31 December 2024	–	523,996	–	5,240

In 2024, the Bank satisfied its share-based payment liability to its key management personnel in amount of GEL 2,078 (2023: GEL 1,345) by transferring 2,973 shares (2023: 2,341 shares) of the Bank with aggregate par value of GEL 30 (2023: GEL 23), previously held in treasury.

As at 31 December 2024, 1,499 (2023: 4,472) shares are held in treasury for the purpose of share-based awards satisfaction.

Dividends

In certain circumstances dividend distributions might be subject to the approval by the regulator.

No dividend distribution was declared in 2023 and 2024.

21. Commitments and contingencies

Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments and other loan commitments – comprising mostly with Agro, tourism and urban SME loan's undrawn tranches.

The Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved credit card limits and loan commitments. These credit cards have fixed limits and generally are extended for a period of up to eight months.

The Bank applies the same credit risk management policies and procedures when granting credit commitments as it does for granting loans to customers. Customers with loans in arrears more than four days cannot draw any portion of their limits.

The respective undrawn balances are as follow:

	2024	2023
Undrawn instalment limits	103,836	–
Undrawn limit on credit cards	47,128	29,968
Other loan commitments	25,273	25,802
Guarantees	2,352	429
	178,589	56,199

In 2024, the Bank recognized GEL 778 expected credit losses in relation to undrawn balances and financial guarantees (2023: nil), mostly attributable to stage 1.

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded. The Bank has unconditional right to cancel unused card and instalment limit balances.

The Instalment Limits product was introduced to the market in the 4th quarter of 2024. The approval of the limit goes through standard credit approval procedure. In case of approval, 2 types of schedules are generated for the client: short-term (12 month) and extended 48-month schedules. If the client fails to make recommended payment through 12 month schedule, the terms are automatically extended to 48-month schedule. The Bank currently generates statistics for the assessment of conversion factor of the undrawn balances for incorporation in the Bank's credit loss model.

(Thousands of Georgian Lari)

21. Commitments and contingencies (continued)

Operating environment

Georgia like all emerging markets is subject to different risks: economic, political, social, legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to evolve rapidly with tax and regulatory frameworks subject to varying interpretations. The future direction of Georgia's economy is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

War between Russia and Ukraine continued through 2024, bringing political and economic uncertainty to the whole region and Georgia as both Ukraine and Russia are important trade partners of the country. It was expected that the war could have a significant negative impact on the Georgian economy. However, the Georgian economy demonstrated robust performance in both 2024 and 2023 and expected adverse impact from Russia's war in Ukraine did not materialise. War-related immigration, a surge in financial inflows and a rebound in investments strengthened the Georgian economy. Despite the geopolitical uncertainties in the region, the Georgian economy showed its resilience towards the existing challenges. Real GDP growth, as per preliminary "Geostat" information, reached 9.4% in 2024 (2023: 7.8%). Due to effective fiscal and monetary measures, inflation was contained below the 3% target, reaching 1.9% in 2024, from the previous year's 0.4%. During the year currency volatility was observed, but eventually the FX rate stabilized. On a year-on-year basis, comparing 2024-end and 2023-end, the GEL depreciated by 4.4% against the USD, to 2.8068 from 2.6894, while against the EUR the GEL appreciated by 1.5% to 2.9306 from 2.9753.

With the reduction in the inflation rate and the positive economic outlook for 2024, the NBG started reducing the refinancing rate, decreasing it from 9.5% at 2023-end to 8.0% as at 31 December 2024.

Further economic recovery is expected in 2025, which was reflected in NBG's macroeconomic forecasts and scenarios. Management of the bank has accumulated sufficient capital and liquidity buffers and plans to follow the economic growth trend and approved strategic plans, by further expansion in the target market.

Legal

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

Taxation

Tax legislation in Georgia is subject to varying interpretations and changes can occur frequently. These circumstances may create tax risks in Georgia that are more significant than in other developed economies. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements, and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant. In 2023, the Bank was assessed by the Revenue Service for the fiscal period of 2020 – 2022. The Bank updated its respective tax returns, minimising the risk of further tax-related assessments for respective periods.

In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

As at 31 December 2024 management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax positions will be sustained.

Insurance

The Bank has BBB insurance with cyber fraud coverage, cash insurance and full insurance coverage of its premises and equipment. The Bank also has insurance for third party liability, directors' and officers' liability.

(Thousands of Georgian Lari)

22. Fee and commission income

Fee and commission income comprises:

	2024	2023
Fees from credit related activities	28,918	27,050
Fees from settlement and cash operations	17,431	10,752
Fees from client accounts	7,018	6,054
Income from service packages	6,160	4,060
Fees from money transfers	2,527	1,158
Other	1,554	2,450
	63,608	51,524

The Bank's revenue from contracts with customers is mostly represented by fee and commission income.

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

	2024	2023
Deferred commission income (presented within other liabilities)	2,792	1,384
Accrued income receivable (presented within other financial assets)	1,272	1,288

Fees for services where performance obligation is satisfied at one point in time are usually collected before, or right after, completion of underlying transaction. Fees for services where performance obligations are satisfied over time are collected on a regular (usually, monthly) basis.

23. Fee and commission expense

Fee and commission expense comprises:

	2024	2023
Fees from settlement and cash operations	17,257	14,234
Fees from credit related activities	9,796	8,313
Other	127	116
	27,180	22,663

24. Net losses from foreign currencies

Net losses from foreign currencies comprises:

	2024	2023
Translation differences	(2,909)	(2,938)
Dealing	7,633	6,210
Net result from foreign currency derivatives	(8,200)	(11,917)
	(3,476)	(8,645)

Net result from foreign currency derivatives includes GEL 12,822 interest expense element related to swaps represented by amortisation of forward points (difference between the contractual forward and spot rates) (2023: GEL 15,321).

Net gain from foreign currencies exchange without swap and forwards interest expense elements for 2024 was GEL 9,346 (2023: GEL 6,676).

(Thousands of Georgian Lari)

25. Other operating income

Other operating income comprises:

	2024	2023
Income from grants	516	136
Gain from sale of repossessed property	366	267
Other	778	233
	1,660	636

The Bank receives grants from various organization to fund certain operating costs. Grants received are originally recognized within liabilities and recycled to other income when respective expenses that the grant aimed to compensate are incurred.

26. Other operating expenses

Other operating expenses:

	2024	2023
Court expenses	1,515	1,364
Provisioning of repossessed property (Note 15)	1,481	–
Other operating expense	122	331
	3,118	1,695

Court expenses represent mostly litigation costs associated with debt collection.

27. Personnel expenses

Personnel expenses comprise:

	2024	2023
Salary expenses	118,505	103,577
Other personnel expenses	14,182	13,003
	132,687	116,580

Other personnel expenses are represented by salaries of village councils, health and pension insurance and other employee benefits.

The average number of Bank's full-time employees during 2024 and 2023 was:

Category	2024	2023
Directors	6	6
Management	175	164
Professional staff	3,654	3,495
Total	3,835	3,665

In addition to the employee figures stated above, on average 1,997 employees were employed under temporary service contracts in 2024 (2023: 2,140).

(Thousands of Georgian Lari)

28. Other general administrative expenses

	2024	2023
Transport and travel expenses	5,337	5,070
Software expenses	4,478	4,014
Legal and advisory expenses	3,377	3,373
Communication expenses	3,365	2,912
Marketing, advertising and entertainment	3,120	2,640
Supplies and other consumables	2,823	2,858
Rent and utilities	2,396	2,597
Operating taxes	2,076	1,696
Repair and maintenance	2,030	1,819
Outsource service expense	1,223	918
Training	1,121	712
Insurance expenses	990	709
Security service expenses	473	356
Other	1,499	1,292
	34,308	30,966

Auditor's remuneration

Legal and advisory expenses include auditor's remuneration. Remuneration of the Bank's auditor for the years ended 31 December 2024 and 2023 comprises:

	2024	2023
Fees for the audit of the Bank's annual financial statements for the year ended 31 December	266	229
Expenditures for other professional services	36	22
	302	251

Fees and expenditures to other auditors and audit firms in respect of other professional services comprised GEL 199 (2023: GEL 266).

29. Risk management

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The main risks the Bank is exposed to include: credit risk, financial risk and operating risks.

Risk Management is organised on the basis of three-lines of defence, comprising:

- ▶ First line: Control and management of origination of risk, with responsibility for each risk assigned to specific structural units involved in the origination of the respective risk;
- ▶ Second line: Compliance and Risk Management oversight by centralised units including credit risk management, operational risk management, financial risk management, internal control function, information security, AML and compliance;
- ▶ Third line: Audit of Controls and Risk Management done by Internal Audit and supported by External Audits.

General Assembly of Shareholders

The General Assembly of Shareholders has responsibility for the oversight of the risk appetite of the institution, by defining the mission, strategy, objectives, business activities and priorities of the Bank.

Supervisory Board and Management Board

The Supervisory Board together with its committees has overall responsibility for the oversight of the risk management framework and setting the risk appetite, overseeing the management of key risks and reviewing its risk management policies and procedures.

Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Management Board reports directly to the Supervisory Board.

(Thousands of Georgian Lari)

29. Risk management (continued)

Risk Management Committee (RMC)

RMC is a -committee of the SB and the body responsible for overseeing the Risk profile of the bank. The RMC assists the SB in fulfilling oversight responsibilities, which monitors Bank's risk profile, approves minimum control requirement for principal risks, including evaluation, monitoring and limits for the risks; debates and agrees actions on the risk profile and risk strategy across the Bank, evaluates effectiveness of the Bank's internal control and risk management systems, reviews risk analysis results and stress tests conducted by credit risk management unit and elaborates corresponding recommendations.

Asset Liability Committee (ALCO)

ALCO has the overall responsibility for the development of the finance risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions. ALCO, which includes members of the senior management, is responsible for making primary risk decisions, as well for the establishment of risk policies and limits. The policies developed by ALCO are approved by the Supervisory Board.

ALCO meetings are held on a regular basis. At ALCO meetings, exposures to financial risks are discussed and risk mitigation decisions are made. In addition, any potential exposure to financial risks related to any new product are analyzed and appropriate decisions are made on measurement, limitation and management of such risks.

Risk Management Function

- ▶ **The Credit Risk Department** is responsible for maintaining the loan portfolio quality standards of the bank's credit activities and conducting independent loan reviews and approvals. It ensures a critical evaluation of loan applications and is responsible for identifying and analyzing credit risks. Additionally, the department monitors the loan portfolio structure for concentration risks, analyses it, and recommends limits to the Risk Committee to mitigate risks and ensure diversification.
- ▶ **Financial and Market Risk Group** is responsible for ongoing analysis and regular assessment of risks, reporting on financial and nonfinancial risks and their comparison with strategic objectives and risk profile and recommending to ALCO adjustments of limits to mitigate risk. It covers market risk, liquidity risk, portfolio risk and capital planning.
- ▶ **The Operational Risk and AML Department** is responsible for defining and monitoring the operational risk appetite and key risk indicators (KRIs), classifying operational risk types, identifying and mapping business process risks, and developing operational risk assessment tools and methods. It also oversees reporting and recommends measures to mitigate risks. Additionally, the department establishes minimum requirements to mitigate potential AML compliance risks, as well as regulatory and reputational risks associated with violations of AML/CTF laws, sanctions, and regulations, including the risk of conducting business with restricted or high-risk parties.
- ▶ **Compliance Function Unit** is responsible for: NBG regulations, tax and legal compliance functions. Compliance functions ensure effective and routine monitoring of compliance with laws, regulations, codes and policies to which the Bank is subject to.
- ▶ **Internal Control Department** is responsible for ensuring the Policy and Procedures discipline through systemic and regular methodologies, control presence across the Branches and the HQ, through scheduled missions, risk-based sampling and unexpected supervision of controls through continuous analytical procedures based on Data Science and Smart Dashboard Controls; Fraud Management – monitoring, detection and investigation through dedicated analytical procedures.
- ▶ **Information Security Department** is responsible for protecting sensitive financial data, customer information, and banking systems from cyber threats, fraud, and unauthorized access. It ensures development of security policies to ensure compliance with regulations, the implementation of cybersecurity measures such as firewalls, encryption, and multi-factor authentication, monitoring and detecting threats through continuous security assessments and incident response, managing access controls to prevent unauthorized access to banking systems, educating employees and customers on security best practices to prevent phishing and fraud.

Internal audit

Risk management processes throughout the Bank are audited by the internal audit function that examines both the adequacy of the procedures and Bank's compliance with the procedures. Internal Audit reports directly its findings and recommendations to the Audit Committee. The work of Internal Audit is supported by engaging external consultants for auditing of specific processes and controls, where highly specialised skills may be required, such as in IT, payment and settlement channels and Information Security.

(Thousands of Georgian Lari)

29. Risk management (continued)

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting financial, business and reputational eligibility criteria and conducting due diligence on its customers, clients and counterparties; by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations; and by monitoring exposures in relation to such limits.

Credit risk is monitored by credit and risk departments. There are several levels of approval based on loan amount and total exposure to client.

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives, is best represented by their carrying amounts. Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure, but not the maximum risk exposure that could arise in the future as a result of changes in values. For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

Decision on loan issuance is approved either by automated credit scoring or by the Bank's credit committee of appropriate level, depending on the amount and product of the loan and total exposure to the client. The Bank has several levels of credit committees, starting from the credit committee of a service centre and up to the Head Office credit committee.

In the case of loans disbursed through internet and mobile banking channels, where applicable, accuracy and correctness of client related information is collected and verified by the credit back-office unit. The loan is then assessed by the automated credit scoring system and either approved, rejected, or sent for further manual review by Credit Committee, where applicable according to the credit decision-making matrix.

Accuracy and correctness of information presented to the Credit Committee is the responsibility of the credit officer, who fills in the initial application after the due scrutiny of the applicant's business and its credit risks through the use of scoring models and application data verification procedures). The Credit Committee assesses the application against the established criteria (applicant's credit history, financial condition, competitive ability, etc.).

Assessment of the applicant's creditworthiness through monitoring of its business, and in case of online loans, verification of client information by credit back office helps to minimise the potential financial losses. Monitoring is performed by respective credit staff who report the results to the management. Internal Control, as a part of the second line of defence function, additionally verifies the correctness of the issued loans and gives recommendations to the management.

Credit risk is also managed and mitigated, in part, by obtaining collateral and personal guarantees.

Impairment assessment

The Bank calculates ECL. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

(Thousands of Georgian Lari)

29. Risk management (continued)**Credit risk (continued)**

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

Stage 1:	When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 includes loans overdue from 0 to 30 days arrears. It also includes facilities where the credit risk has improved to the level approximate to that at origination and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 includes loans overdue from 31 to 90 days arrears, and restructured loans overdue less than 90 days arrears (R1). Stage 2 loans also include facilities, where the credit risk has improved so that the loan is no longer credit-impaired and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired. Stage 3 includes loans overdue more than 90 days arrears and restructured loans overdue more than 90 days arrears (R2). The Bank records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. In addition Bank considers following factors which indicate default:

- ▶ Bankruptcy proceedings of the borrower have been initiated;
- ▶ The Bank has initiated court procedures against the borrower;
- ▶ Breach of covenants or conditions, unless the Bank has decided to waive or modify the covenant or condition;
- ▶ Specific information on the client's business or changes in the client's market environment that has or is expected to have a significant negative impact on the future cash flow.

The Bank considers amounts due from banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

PD estimation process

PD estimates are estimates at a certain date, which are calculated based on statistical data. For the purposes of PD calculations, loan portfolio is divided (by each separate product segment) in delinquency buckets, as follows:

- ▶ Stage 1 – not overdue loans;
- ▶ Stage 1 – loans overdue 1 to 30 days;
- ▶ Stage 2 – loans overdue 31 to 60 days;
- ▶ Stage 2 – loans overdue 61 to 90 days;
- ▶ Stage 2 – restructured loans overdue less than 90 days (R1);
- ▶ Stage 3 – loans overdue more than 90 days; defaulted loans;
- ▶ Stage 3 – restructured loans overdue more than 90 days (R2).

(Thousands of Georgian Lari)

29. Risk management (continued)**Credit risk (continued)**

If a counterparty or exposure migrates between Stages, then this will lead to a change in the estimate of the associated PD. PDs are calculated based on five-year average and then PD migration percentage matrixes are averaged for analysis period.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Bank has identified and documented the key drivers of credit risk and credit losses for the portfolio using an analysis of historical data and has assessed the impact of macroeconomic variables on probability of default rate. The following macroeconomic variables were involved in the analysis:

- ▶ Real growth rate of GDP of Georgia;
- ▶ Inflation rate;
- ▶ Exchange rates.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past five-years. Macroeconomic factors regularly published by the NBG are applied. Based on this analysis, the Bank has identified portfolio default correlation with real growth rate of GDP of Georgia.

Key drivers	2025	2026	2027
GDP growth, %			
Upside (25% weight)	7.0%	6.0%	6.0%
Base case (50% weight)	4.9%	5.8%	5.7%
Downside (25% weight)	2.0%	3.0%	5.0%

Exposure at default

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

Loss given default

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

The Bank segments loans to customers into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, maturity terms) as well as borrower characteristics.

Loss given default is calculated based on historical defaults and respective recoveries during five years. Historical recovery percentages are discounted cash flow basis using the effective interest rate as the discounting factor.

Significant increase in credit risk

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

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information. If contractual payments are more than 30 days past due, Bank considers the credit risk is deemed to have increased significantly since initial recognition.

(Thousands of Georgian Lari)

29. Risk management (continued)**Credit risk (continued)**

The Bank may also identify significant increase in credit risk following loan modification. Modifications caused by borrower's financial difficulties and credibility result in significant increase in credit risk. Other modifications performed for commercial reasons (including also partial prepayments or payment date reallocation) do not normally result in significant increase in credit risk.

Credit quality of loans to customers

The following table provide information on the credit quality of loans to customers as at 31 December 2024:

<i>Loans to customers</i>	<i>Total gross carrying value 31 December 2024</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>
Not overdue	2,429,326	2,424,771	3,791	724	40
1 to 30 days overdue	12,070	10,965	1,037	68	–
31 to 60 days overdue	6,093	–	5,943	150	–
61 to 90 days overdue	4,993	–	4,165	828	–
Restructured loans overdue less than 90 days (R1)	73,907	–	71,457	2,427	23
Loans overdue more than 90 days; defaulted loans	12,439	–	–	12,437	2
Restructured loans overdue more than 90 days (R2)	3,741	–	–	3,741	–
Total loans to customers	2,542,569	2,435,736	86,393	20,375	65

The Bank determined that significant increase in credit risk occurred for such loans and recognised expected credit losses on a life-time basis in their respect.

The following table provide information on the credit quality of loans to customers as at 31 December 2023:

<i>Loans to customers</i>	<i>Total gross carrying value 31 December 2023</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>
Not overdue	1,932,525	1,924,945	5,768	1,643	169
1 to 30 days overdue	6,950	6,288	566	93	3
31 to 60 days overdue	5,016	–	4,773	243	–
61 to 90 days overdue	2,764	–	2,455	309	–
Restructured loans overdue less than 90 days (R1)	64,744	–	60,555	4,170	19
Loans overdue more than 90 days; defaulted loans	8,452	–	–	8,452	–
Restructured loans overdue more than 90 days (R2)	4,650	–	–	4,650	–
Total loans to customers	2,025,101	1,931,233	74,117	19,560	191

Financial risk

Bank is exposed to different types of financial risks: liquidity risk and market risk, including foreign currency risk and interest rate risk.

These risks are controlled and managed on an ongoing basis.

Financial risks are measured and controlled by the Financial and Market Risk Group, which reports to the main risk decision making body – ALCO.

(Thousands of Georgian Lari)

29. Risk management (continued)**Liquidity risk**

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, in addition to customer deposits and funds, these include long-term funds from international financial institutions (IFIs) and loans with local banks, to provide funds timely upon request. Overdrafts from local banks are also available in case of emergency liquidity needs.

Liquidity management is a key part of asset and liability management. Future expected cash inflows and outflows are monitored continuously. A short-term liquidity plan is developed at the beginning of every month. The plan includes weekly liquidity planning for the following month and detailed planning for the next two months, along with projections for the following twelve months that are updated on a monthly basis.

Funding decisions are made on regular ALCO meetings that are held at least monthly or more frequently if required.

Liquidity position and liquidity coverage ratio required by regulator, is assessed and monitored on a daily basis, by Financial and Market Risk Group.

In addition, the Bank's Treasury department monitors liquidity position on a daily basis and ensures that appropriate liquidity positions are maintained in accordance with the internal limits that are set based on historical data and consider relevant internal and external factors, such as funding cost and disbursement seasonality. By doing so, Treasury may reallocate funds to branches and for various operational needs.

To avoid holding excessive cash, the management establishes maximum cash levels. The amounts above the limit are placed with top rated local and international banks. Exposure limits for all banks are defined and proposed by Management Board and approved by Supervisory Board.

The liquidity position is assessed and managed by the Bank, based on certain liquidity ratios established by the NBG. Under these requirements Banks must hold liquid assets that can be used to meet their liquidity needs for upcoming 30-calendar days. As at 31 December 2024 and 2023 the Bank's liquidity ratios were as follows:

	2024	2023
LK "Liquidity Coverage Ratio" in FC (hold high-quality liquid assets / Total net cash outflow)	157%	190%
LK "Liquidity Coverage Ratio" in NC (hold high-quality liquid assets / Total net cash outflow)	120%	142%
Total LK "Liquidity Coverage Ratio" (hold high-quality liquid assets / Total net cash outflow)	138%	166%

The Bank is obliged to keep LCR at least equal to 100%, 75% and 100% in foreign currency ("FC"), national currency ("NC") and in total, respectively.

The Bank is also subject to the minimum requirement for Net Stable Financing Ratio (NSFR) introduced by the NBG for commercial banks in Georgia, which should be at least 100%. As of 31 December 2024, the Bank's NSFR was 123% (2023: 117%).

(Thousands of Georgian Lari)

29. Risk management (continued)**Liquidity risk (continued)**

The table below summarises the maturity profile of the Bank's financial assets and liabilities as of 31 December 2024 based on contractual undiscounted inflows and obligations:

	On demand and less than 1 month	More than 1 month and less than 1 year	More than 1 year and less than 5 years	More than 5 years	Total gross inflow/ outflow
Cash and cash equivalents	333,651	–	–	–	333,651
Amounts due from credit institutions	–	54,119	–	–	54,119
Gross-settled derivatives financial instruments	267,532	–	–	–	267,532
Loans to customers	129,710	1,171,839	1,694,241	456,847	3,452,637
Investment securities	952	39,425	22,752	–	63,129
Other financial assets	16,935	3,641	1,814	302	22,692
Total financial assets	748,780	1,269,024	1,718,807	457,149	4,193,760
Loans from banks and other financial institutions	81,448	458,661	927,807	6,690	1,474,606
Gross-settled derivative financial instruments	269,556	–	–	–	269,556
Customer accounts	532,536	524,453	213,977	528	1,271,494
Other Liabilities	35,704	7,990	–	–	43,694
Lease liabilities	820	9,541	19,049	–	29,410
Subordinated debt	1,625	27,082	133,960	57,114	219,781
Total financial liabilities	921,689	1,027,727	1,294,793	64,332	3,308,541
Financial irrevocable commitments and contingencies	27,625	–	–	–	27,625
Maturity gap	(200,534)	241,297	424,014	392,817	857,594
Reclassification of stable part of current and savings accounts	(250,729)	38,830	211,899	–	–
Maturity gap considering stable funding	50,195	202,467	212,115	392,817	857,594

As at December 2024 and 2023, the Bank had a negative maturity gap, which is related to current and savings accounts concentration in the "On demand and less then 1 month" bucket based on their contractual repayment terms. The actual behavior of these sources is different, and the Bank uses maturity gap adjusted for stable funding for liquidity risk management purposes. Despite substantial portion of current and savings accounts being contractually on demand, diversification of these deposits by number and type of depositors, and the historical experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank. The Bank's maturity gap, considering stable funding includes estimated, rather than contractual, maturities for its current and savings accounts. Stable funding estimate as at 31 December 2024 and 2023 is based on the outflow rate assumptions (developed using significant management's judgment) for various categories of customer categories based on deposit currency, concentration (share of the category in total deposit portfolio), customer type and other relevant factors.

(Thousands of Georgian Lari)

29. Risk management (continued)**Liquidity risk (continued)**

The table below summarises the maturity profile of the Bank's financial assets and liabilities as of 31 December 2023 based on contractual undiscounted obligations:

	<i>On demand and less than 1 month</i>	<i>More than 1 month and less than 1 year</i>	<i>More than 1 year and less than 5 years</i>	<i>More than 5 years</i>	<i>Total gross inflow/ outflow</i>
Cash and cash equivalents	273,068	–	–	–	273,068
Amounts due from credit institutions	–	47,938	–	–	47,938
Gross-settled derivatives financial instruments	238,025	–	–	–	238,025
Loans to customers	112,680	1,012,773	1,238,923	323,003	2,687,379
Investment securities	89	30,429	25,343	–	55,861
Other financial assets	18,708	3,082	1,411	235	23,436
Total financial assets	642,570	1,094,222	1,265,677	323,238	3,325,707
Loans from banks and other financial institutions	59,300	527,873	705,174	3,539	1,295,886
Gross-settled derivative financial instruments	236,920	–	–	–	236,920
Customer accounts	382,515	416,638	83,075	441	882,669
Other Liabilities	39,062	9,536	–	–	48,598
Lease liabilities	717	7,690	17,904	–	26,311
Subordinated debt	1,624	15,023	122,766	52,773	192,186
Total financial liabilities	720,138	976,760	928,919	56,753	2,682,570
Financial irrevocable commitments and contingencies	26,231	–	–	–	26,231
Maturity gap	(103,799)	117,462	336,758	266,485	616,906
Reclassification of stable part of current and savings accounts	(208,557)	32,299	176,258	–	–
Maturity gap considering stable funding	104,758	85,163	160,500	266,485	616,906

Currency risk

Foreign currency asset and liability matching is the key tool in monitoring the net open foreign currency (FX) position of the Bank. The table below quantifies the net open FX position for the Bank as the difference between foreign currency assets and liabilities, less the effect of foreign currency derivatives held for risk management purposes. A gap in any currency other than the local currency represents potential risk. Negative FX gap represents risk to appreciation of the foreign currency, while positive gap represents risk towards depreciation of the foreign currency. The Management Board sets limits on the FX positions within the limits established by the NBG and the Supervisory Board.

The following table shows the foreign currency exposure structure of monetary assets and liabilities:

	2024			2023		
	USD	EUR	Other FC	USD	EUR	Other FC
Cash and cash equivalents	54,624	84,443	787	47,991	70,974	598
Amounts due from credit institutions	27,246	26,873	–	21,998	25,940	–
Loans to customers	176,655	85,942	–	111,249	96,184	–
Other monetary assets	1,647	1,634	–	4,409	2,244	13
Total assets	260,172	198,892	787	185,647	195,342	611
Loans and borrowings	(73,367)	(247,732)	–	(57,987)	(264,867)	–
Customer accounts	(292,699)	(102,303)	(651)	(212,100)	(60,260)	(547)
Lease liabilities	(5,778)	–	–	(7,130)	–	–
Other monetary liabilities	(2,572)	(1,874)	–	(4,334)	(2,529)	(5)
Total liabilities	(374,416)	(351,909)	(651)	(281,551)	(327,656)	(552)
The effect of derivatives held for risk management	113,675	153,857	–	93,379	133,293	–
Net position after derivatives held for risk management purposes	(569)	840	136	(2,525)	979	59

(Thousands of Georgian Lari)

29. Risk management (continued)**Currency risk (continued)***Exchange rate sensitivity analysis*

A weakening of the GEL, as indicated below, against the foreign currency at 31 December 2024 and 2023 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2024	2023
20% appreciation of foreign currency against GEL	81	(297)
20% depreciation of foreign currency against GEL	(81)	297

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows. Bank's loans to clients are issued mostly at fixed rates, loans that are disbursed at floating rate are linked to NBG's refinancing rate and TIBR3M. Part of the Bank's borrowings are at floating rates, linked to TIBR and SOFR rate. Loan rates can be changed upon renewal of the loans. Therefore, Bank aims to obtain preferably fixed rate debt funding to reduce the risk of re-pricing from the funding side. The management controls the maturity gap between interest bearing assets and liabilities, as well as monitors the margin between actual interest rate on the loan portfolio and weighted cost of funding. Bank continuously works to set interest rates in a competitive environment and negotiates funding terms with the investors.

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

Currency	Sensitivity of net interest income 2024	Sensitivity of net interest income 2023
GEL (+1%/ -1%)	6,425 / (6,425)	5,866 / (5,866)
USD (+1/-1%)	148 / (148)	123 / (123)

The table reflects asset and liabilities that are exposed to interest rate risk as of 31 December 2024, allocated based on the earliest of their contractual repayment or repricing date:

	Demand and less than 1 month	More than 1 month and less than 1 year	More than 1 year and less than 5 years	More than 5 years	Carrying amount
Cash and cash equivalents	333,651	–	–	–	333,651
Amounts due from credit institutions	–	54,119	–	–	54,119
Loans and advances to customers	197,766	1,466,622	690,444	135,052	2,489,884
Investment securities	799	37,777	18,946	–	57,522
Total interest-bearing assets	532,216	1,558,518	709,390	135,052	2,935,176
Loans from banks and other financial institutions, including subordinated debt	224,566	1,041,060	106,705	23,533	1,395,864
Customer accounts	551,013	492,538	166,929	432	1,210,912
Lease liabilities	584	6,518	16,240	–	23,342
Total interest-bearing liabilities	776,163	1,540,116	289,874	23,965	2,630,118
Interest rate maturity gap	(243,947)	18,402	419,516	111,087	305,058

(Thousands of Georgian Lari)

29. Risk management (continued)**Interest rate risk (continued)**

The table reflects asset and liabilities that are exposed to interest rate risk as of 31 December 2023:

	<i>Demand and less than 1 month</i>	<i>More than 1 month and less than 1 year</i>	<i>More than 1 year and less than 5 years</i>	<i>More than 5 years</i>	<i>Carrying amount</i>
Cash and cash equivalents	273,068	–	–	–	273,068
Amounts due from credit institutions	–	47,938	–	–	47,938
Loans and advances to customers	200,367	1,320,274	377,304	83,626	1,981,571
Investment securities	955	28,988	18,946	–	48,889
Total interest-bearing assets	474,390	1,397,200	396,250	83,626	2,351,466
Loans from banks and other financial institutions, including subordinated debt	204,924	553,123	422,324	50,940	1,231,311
Customer accounts	392,102	386,833	74,632	354	853,921
Lease liabilities	504	5,680	15,083	–	21,267
Total interest-bearing liabilities	597,530	945,636	512,039	51,294	2,106,499
Interest rate maturity gap	(123,140)	451,564	(115,789)	32,332	244,967

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss net of taxes to changes in interest rates (repricing risk) based on a simplified scenario of a 100-basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2024 and 2023 is as follows:

	<i>2024</i>	<i>2023</i>
	<i>Profit (loss)</i>	<i>Profit (loss)</i>
100 bp parallel fall	3,558	(3,284)
100 bp parallel rise	(3,558)	3,284

Operating risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Controls are in place to ensure segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Anti-money laundering (AML) compliance is controlled by a dedicated AML unit.

Tax compliance is monitored by the tax compliance unit.

The Bank has an Operating Risk Committee, which meets at least quarterly and reports to the Supervisory Board. The Operational Risk Unit reports to the Operational Risk Committee and covers operational risk appetite and KRIs (Key Risk Indicators), the classification of operational risk types, business process identification and mapping, operational risk assessment tools and methods, and bank-wide operational risk monitoring, reporting and mitigation.

30. Fair value measurements**Fair value measurement procedures**

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

The Bank's financial department determines the policies and procedures for fair value measurement for Bank's assets including derivatives. The estimated fair values of all financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

As at 31 December 2024 and 2023, the Bank does not have any financial instruments measured at fair value, for which fair value is based on valuation techniques involving the use of significant non-observable inputs.

(Thousands of Georgian Lari)

30. Fair value measurements (continued)**Fair value hierarchy**

The tables below analyses financial instruments value at 31 December 2024 and 31 December 2023, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	<u>Fair value measurement using</u>			
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Carrying amount
At 31 December 2024				
Assets and financial liabilities measured at fair value				
Derivative financial assets				
Foreign exchange swaps	567		567	567
Derivative financial liabilities				
Foreign exchange swaps	1,572		1,572	1,572
Assets for which fair values are disclosed				
Amounts due from credit institutions	54,119		54,119	54,119
Loans to customers		2,467,064	2,467,064	2,489,884
Investment securities	57,522		57,522	57,522
Liabilities for which fair values are disclosed				
Loans from banks and other financial institutions, including subordinated debt	1,389,570		1,389,570	1,395,864
Customer accounts	1,214,668		1,214,668	1,210,912
Lease liabilities	23,342		23,342	23,342
	<u>Fair value measurement using</u>			
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Carrying amount
At 31 December 2023				
Assets and financial liabilities measured at fair value				
Derivative financial assets				
Foreign exchange swaps	1,688	–	1,688	1,688
Assets for which fair values are disclosed				
Amounts due from credit institutions	47,938	–	47,938	47,938
Loans to customers	–	1,971,140	1,971,140	1,981,571
Investment securities	48,889	–	48,889	48,889
Liabilities for which fair values are disclosed				
Loans from banks and other financial institutions, including subordinated debt	1,224,624	–	1,224,624	1,231,311
Customer accounts	828,802	–	828,802	853,921
Lease liabilities	21,267	–	21,267	21,267

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values of financial instruments.

Assets and liabilities for which fair value approximates carrying value

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

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Fixed rate financial instruments

The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

(Thousands of Georgian Lari)

31. Related party disclosures

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

	2024		2023	
	Transaction value	Balance	Transaction value	Balance
Statement of financial position				
Assets				
Loans to customers	-	156	-	195
Liabilities				
Loans from banks and other financial institutions except subordinated	-	81,466	-	125,110
Subordinated debt	-	35,821	-	35,920
Customer accounts	-	3,775	-	3,263
Current accounts and deposits with associate	-	101	-	-
Profit or loss				
Loans to customers – Interest Income	16	-	1	-
Loans from banks and other financial institutions except subordinated – interest expense	11,714	-	12,968	-
Subordinated debt – interest expense	5,367	-	5,367	-
Customer account–interest expense	80	-	70	-
Other general and administrative expense	959	-	1,044	-

Loans from banks and other financial institutions, subordinated debt and their related interest expense represent transactions with shareholders with significant influence over the Bank. In addition, other general and administrative expenses represent consultation service fees provided by the controlling shareholder. As at 31 December 2024 loans received from related parties mature from April 2025 to July 2028, are denominated in EUR and GEL and carry interest rates from 3.90% to 16.50%. Customer accounts and loans are attributed to the members of key management personnel and Supervisory Board Members.

As at 31 December 2023 loans received from related parties mature from June 2024 to July 2028, are denominated in EUR and GEL and carry interest rates from 3.90% to 16.50%.

Transactions with key management personnel

Total remuneration included in employee compensation for the year ended 31 December and represented by short-term benefits and share-based payment expenses:

	2024	2023
Members of the Management Board	8,738	7,646

In 2024 the Bank granted cash-settled share-based awards to the members of the Management Board. Share-based payment expense for 2024 was GEL 3,067 (2023: GEL 2,216) and associated liability as at 31 December 2024 amounted to GEL 1,747 (2023: GEL 1,345).

32. Capital adequacy

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

As at 31 December 2024 and 2023, the Bank complied with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

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

(Thousands of Georgian Lari)

32. Capital adequacy (continued)

NBG Capital adequacy ratio

Regulatory capital consists of Tier 1 capital, which comprises common shares, reserve fund and retained earnings including current year profit or loss less amount of property revaluation reserve transferred to authorised capital, and intangible assets. Certain adjustments are made to IFRS amounts to comply with the NBG regulatory requirements. The other component of regulatory capital is Tier 2 capital, which includes subordinated long-term debt.

NBG Basel II/III Capital adequacy ratio

On 18 December 2017, the NBG published and approved amendments in capital adequacy regulation (Decree No. 100/04), according to which the minimum capital requirement ratios have been revised to incorporate Pillar I model and set Capital Conservation, Systemic Risk and Countercyclical buffers (Pillar I Buffers).

As at 31 December 2017 Common Equity Tier 1 Capital (CET I), Tier I Capital (Tier I) and Total Capital ratios were set at 4.50%, 6.00% and 8.00% respectively, in addition to which the Bank had to maintain Pillar I Buffers and Pillar II requirements.

Capital Conservation and Countercyclical buffers are set at 2.50% and 0.00%, respectively. Any adjustment of Pillar I Buffers is at NBG's discretion.

On 18 December 2017, the NBG also published and approved Pillar II Requirements in addition to Pillar I Buffers. Pillar II Requirements include the following capital buffers: Unhedged Currency Induced Credit Risk (CICR), Net GRAPE, Credit Portfolio Concentration Risk and Net Stress Test buffers.

From 1 January 2023, the Georgian banking sector has transitioned to International Financial Reporting Standards (IFRS) for regulatory reporting purposes. The capital adequacy framework has been amended to include credit risk adjustment (CRA) buffer and a procedure for its calculation were added to the Regulation on Determining Capital Buffers for Commercial Banks within Pillar 2. The purpose of establishing a credit risk adjustment buffer is to reduce the credit risk caused by insufficient expected credit losses set up for assets, and to determine an adequate capital buffer.

As of 31 December 2024, under total Basel II/III requirements, the Bank was required to maintain a minimum regulatory capital ratio, Common Equity Tier 1 capital adequacy ratio and Tier 1 capital adequacy ratio of 15.59%, 10.71% and 12.81%, respectively (2023: 15.30%, 10.43%, 12.52%).

The Bank was in compliance with these capital adequacy ratios as of 31 December 2024 and 2023. The Bank's capital adequacy ratios on this basis were as follows:

	2024	2023
Common Equity Tier 1 capital	347,648	282,252
Additional Tier 1 capital	–	–
Tier 1 capital	347,648	282,252
Tier 2 capital	100,977	94,581
Total regulatory capital	448,625	376,833
Risk weighted assets	2,616,820	2,144,984
Common Equity Tier 1 capital ratio	13.29%	13.16%
Total Tier 1 capital adequacy ratio	13.29%	13.16%
Regulatory capital ratio	17.14%	17.57%

33. Events after reporting period

In March 2025, the Bank increased its shareholding in associate KEEPZ.ME LLC from 36% to 49%. On 31st March, Gojo & Company, Inc signed a share purchase agreement with Triodos Investment Management to acquire an additional 16.6% stake in JSC Credo Bank, bringing its ownership to 33.4%.