JOINT STOCK COMPANY HALYK BANK GEORGIA

Financial Statements and Management Report
For the Year Ended December 31, 2024

JOINT STOCK COMPANY HALYK BANK GEORGIA

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2024

Management is responsible for the preparation of the financial statements that present fairly the financial position of Joint Stock Company Halyk Bank Georgia (the "Bank") as at December 31, 2024, the related statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, in compliance with International Financial Reporting Standards (IFRS Accounting Standards). Management is also responsible for the preparation of management report in accordance with the Law of Georgia on Accounting, Reporting and Auditing.

In preparing the financial statements and the management report, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- Making an assessment of the Bank's ability to continue as a going concern;
- Disclosing the information in the management report as required by the Law of Georgia on Accounting, Reporting and Auditing; and
- Preparation of the management report in a manner consistent with the financial statements.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS Accounting Standards;
- Maintaining statutory accounting records in compliance with legislation of Georgia;
- Taking such steps that are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The financial statements and management report for the year ended December 31, 2024 were authorised for issue on March 4, 2025 by the Management Board of the Bank.

On behalf of the Management Board:

Nikoloz Geguchadze
General Director

March 4, 2025
Tbilisi, Georgia

Ekaterina Rusitashvili
Chief Accountant

March 4, 2025
Tbilisi, Georgia

Overview

Joint Stock Company Halyk Bank Georgia (the “Bank”) is a wholly owned subsidiary of JSC Halyk Bank Kazakhstan, which has been operating on the Georgian market since 2008.

The main activities of the Bank in 2009 were creation of all necessary conditions for the sale of banking products, in particular, building of banking infrastructure, attraction of qualified personnel and formalization of the operating activities.

Since 2010, the Bank has been implementing active operations, concluding transactions for the purchase of government securities, and carrying out interbank transactions in the money market. From the first quarter of 2010, the Bank began an active lending process, which it successfully pursues to the present day.

The Bank has its own nine well-developed representative offices (branches/service point) as well as ATM’s and POS’s. Three of out of nine branches are located in the regions of the country (Batumi, Kutaisi and Poti), with the remaining six branches are located in the capital city of Georgia.

The Bank focused on the continuation of successful activities in all market segments - retail business, small and medium business, as well as corporate business. To this end, the Bank offers its customers a wide range of services - a large variety of credit products, payroll projects, various options for current accounts and time deposits, card products, remote banking services and documentary operations.

The Bank has made significant investments in the development of information technology and payment systems and continues to excel at innovative banking products of the market. The Bank has developed international correspondent relations that allow payment transactions worldwide. The Bank participates in the SWIFT system and the Real Time Gross Settlement (the RTGS) system operated by the National Bank of Georgia (the “NBG”).

In December 2024, Bank opened a corresponding account in USD with The Bank of New York Mellon in order to service of clients transfers.

The Bank constantly works on improvement of the quality of financial services and offering new, innovative products for customers. In particular, Bank will focus on developing new and improving existing retail products and their distribution channels. In addition, one of the components of quality improvement, along with the development of banking products, will be an increase in the availability of products - development of the Bank’s branches and the development of remote service channels.

The success of the Bank’s implementation of strategy requires the alignment of strategy with the Bank’s internal governance framework. The Bank has strong systems of risk management and internal controls, which allows the Bank to pursue its strategy in a way that risk appetite can be set and risks robustly identified, assessed, managed and reported effectively.

Share Capital of the Bank

On December 31, 2024, the bank's share capital consisted of 76,000 fully paid-up ordinary shares with a nominal value of GEL 1,000 each and 37,500 fully paid-up preference shares with a nominal value of GEL 1,600 each.

No shares were held in treasury. The rights and obligations attaching to the Bank's ordinary and preference shares are set out in the Charter of the Bank. There are no voting restrictions on the issued ordinary shares and each ordinary share carries one vote.
As for preferred shares at general meetings of shareholders, holders of preferred shares are not entitled to vote.

Details of the movements in share capital during the year are provided in Note 19 to the financial statements.

Financial performance review

The Bank, driven by a development-focused approach, primarily serves the SME and corporate sectors, fostering long-term partnerships and delivering high-quality financial products. Striving to become the preferred choice for retail clients, it continuously enhances financial services and introduces innovative solutions. In 2024, the Bank achieved impressive year-on-year growth of 19% in SME loan portfolios and 20% in the retail portfolio. Looking ahead, its strategic priority remains on SMEs, with a clear plan to expand the retail segment's share. As of December 31, 2024, the Bank ranks 9th in total assets, holding a 1% market share in the Georgian banking sector, according to the NBG's consolidated report on commercial banks

In December 2024, Fitch Ratings affirmed JSC Halyk Bank Georgia's (HBG) Long-Term Issuer Default Ratings (IDRs) at 'BB+'; however, similar to other Georgian banks, the 'Outlook' was downgraded to 'Negative' due to increased political risks in the country.

ROE (return on equity, calculated by dividing net income to average monthly equity) – a basic measure of profitability – stood at 8.4% as of December 31, 2024.

Other key performance indicators are as follows:

- Loan Loss Rate (LLR) (Expected Credit Loss divided by Gross amount of Loans to Customers) - 2024: 2.25%; 2023: 2.69%;
- Cost to income Ratio (Operating expenses divided by the sum of other income and interest income less provisions and recoveries): - 2024 52.86%; 2023: 48.77%
- Personnel outflow - 2024: 15.2%; 2023: 20.6%

It is worth mentioning that the LLR ratio of the Bank remains coherent to the Georgian banking sector. Non-performing loans (overdue by more than 90 days) have slightly increased from 3.89% to 4.74%.

Among other indicators, the number of depositors of the Bank (2024: 34,844; 2023: 31,264; Growth: 11%), and number of employees (2024: 322; 2023: 312; Growth: 3%) has increased.

The Bank fully complied with the requirements of the National Bank of Georgia.

In particular, as of December 31, 2024:

- CET 1 amounted to GEL 187,616 thousand versus the required GEL 148,941 thousand.
- Tier 1 capital amounted to GEL 247,616 thousand versus the required GEL 178,634 thousand.
- Total regulatory capital amounted to GEL 264,501 thousand versus the required GEL 217,952 thousand.

Other key figures are available in the notes to the financial statements.

Net income amounted to GEL 20,501, remaining stable compared to the previous year, with a slight growth of 1%.

Total assets increased by 2% year-over-year, reaching GEL 917 million as of 31 December 2024. The loan portfolio grew by 7% in 2024 compared to the end of 2023, driven by an increase in the SME and Retail portfolios.

As of the end of 2024, the total volume of customer deposits rose by 22% compared to the end of 2023, driven by a significant increase in the deposit portfolios of both legal entities and individuals.

Corporate governance and risk management

The Bank conducts its risk management activities within the framework of its unified risk management system. The involvement of all governance levels in risk management, clear segregation of authorities and effective communications between different entities facilitate clarity regarding the Bank's strategic and risk objectives, adherence to the established risk appetite and sound risk management.

The Bank's governance structure ensures adequate oversight and accountability, as well as clear segregation of duties. The Supervisory Board has overall responsibility to set the tone at the top of the Board of Directors (the "Board") and monitor compliance with the established objectives, while the Board governs and directs the Bank's daily activities.

The principal risk management bodies of the Bank are: Supervisory Board, the Board of Directors, Risk Committee, Audit Committee, Financial Risk and Portfolio Analysis department, Operations risk department, Credit risk management department, Asset and Liability Management Committee (the "ALMC"), Internal Audit Department, Treasury Department and Credit Committees:

- The Board of Directors has overall responsibility for the Bank's asset, liability and risk management activities, policies and procedures. The Board of Directors establishes the Bank's core values, sets and oversees the execution of the Bank's strategy within a framework of strong and effective risk management and internal controls. In order to effectively implement the risk management system, the Board of Directors delegates individual risk management functions to each of the various decision-making and execution bodies within the Bank.
- The Board of Directors is composed of five Directors, all of them are Executive Directors. The members of Board of Directors are selected based on decision of Supervisory Board. Each of the member has clearly defined roles within the board structure.
  The risk committee considers risk strategies, risks management policies and monitors Bank's compliance with them. It provides recommendations to Supervisory body to bring all risks in accordance with the risk appetites.
- The Audit Committee oversees and challenges in relation to its internal control and risk management systems in relation to the financial reporting process. It is responsible for implementing key accounting policies and facilitating internal and external auditor activities.

The Assets and Liabilities Management Committee (the "ALMC") provides important management information systems and oversight financial risk management process in the Bank. One of the ALMC's goals is to ensure adequate liquidity while managing the Bank's spread between the interest income and interest expense. Investments and operational risk are also major considerations. The Meeting of ALMC is held at least once a month to review monthly reports prepared by Financial Risks and Portfolio Analysis Department. In accordance with the established methodology, the ALMC occasionally reviews the policies and limits of financial risk management limits.

- There are four departments operating in different risk management areas. The Financial Risk and Portfolio Analysis department guides the risk management activities and monitors the major risk trends to ensure that the risk profile complies with the established risk appetites in the areas of financial risks and portfolio analysis. In 2021, a separate operation risk management department was established to manage operational risk issues. Besides, the Credit risk management departments are responsible for controlling credit activities and preparing conclusions on credit projects.
- The Internal Audit Department is responsible for the regular audit of the Bank's risk management, internal control and corporate governance processes, with the aim of reducing the levels of operational and other risks, auditing the Bank's internal control systems and detecting infringements or errors on the part of the Bank's departments and divisions. It examines both, the adequacy and the Bank's compliance with those procedures. The Bank's Internal Audit Department discusses the results of all assessments with management and reports its findings and recommendations to the Bank's Audit Committee. The Bank's Internal Audit Department is independent of the Bank's management board. The Head of the Bank's Internal Audit Department is appointed by the Bank's Supervisory Board and reports directly to the Bank's Audit Committee.
- Treasury department is responsible for managing the Bank's assets and liabilities and its overall financial structure and is also primarily responsible for managing funding and liquidity risks of the Bank.
- The Bank has various credit committees (together, the "Credit Committees"), each one supervising and managing the Bank's credit risks in respect of loans for retail, Small/Medium enterprise (the "SME") and corporate loans. These committees are: Large Credit Committee, Small/Medium Credit Committee and three levels of Retail Credit Committees. Each committee in Corporate and SME segments consists of at least one director and head of credit risks department or a director – supervisor of risks. Membership of credit committees in retail segment differs by the level of committee. Above permitted statements are approved by the Board of Directors, the Supervisory Board and / or the relevant Committee of the Parent bank.

Formal policies and procedures have been developed at the Bank level, with the help of the senior management, which explains the way in which risks need to be systematically identified, assessed, quantified, managed, and monitored.

The main risks inherent in the Bank's operations are credit risk, liquidity risk, market risk (including currency risk and interest rate risk) and operational risk. The following is a description of the Bank's risk management policies and procedures in respect to those risks.

Credit Risk

Managing credit risk effectively is a key priority for the Bank, ensuring a stable and well-managed loan portfolio. To achieve this, the Bank has developed a structured risk management framework that aligns its organizational setup and business processes with the principles outlined in its Credit Risk Management Policy and internal guidelines. All credit products adhere to these standards, reinforcing a consistent approach to risk assessment.
The Bank's credit risk function is divided into two specialized departments: the Retail Credit Risk Department, which oversees consumer loans, mortgages, and credit cards, and the Business Credit Risk Department, responsible for SME and corporate lending. While both departments focus on evaluating customers and measuring risk, they do so in different ways:

- The Business Credit Risk Department conducts individual assessments, carefully reviewing each client's financial position and risk profile. It also monitors the loan portfolio and ensures compliance with prudential requirements.
- The Retail Credit Risk Department takes a more standardized approach, using scoring models, automated decision-making, and machine learning to evaluate credit applications efficiently.

Beyond individual credit assessments, both departments contribute to shaping the Bank's overall credit risk strategy. They are responsible for setting the Bank's risk policy, ensuring compliance with both regulatory and internal standards, and continuously monitoring the quality of the loan portfolio. Additionally, they oversee key prudential ratios to ensure that lending practices remain within acceptable risk levels.
To maintain strong credit risk oversight, the Bank follows these key principles:

- The loan portfolio is segmented to ensure similar risk characteristics within each group.
- Lending activities are structured across corporate, SME, and retail banking, with segmentation based on credit limits, customer size, and income sources. Specialized teams ensure that risk assessment methods align with customer profiles. In corporate banking, sales and risk analysis functions are kept separate for greater objectivity.
- Credit limits are approved strictly based on a borrower's financial standing.
- All loan applications are reviewed by the Credit Risk Division, which provides recommendations to the Credit Committee to support sound lending decisions.

Through these measures, the Bank continues to strengthen its risk management approach, balancing careful lending practices with sustainable growth.

Financial risks

Financial risk management policy reflects the risk profile, scale of operations and development plans of the Bank. Financial Risk and Portfolio Analysis department is responsible to manage the financial risks using this financial (currency, interest rate, liquidity, etc.) risk management policies. The main objectives of this policy are to minimize the losses that may arise in various market conditions, also to ensure the existence of sufficient funds to keep liquidity level at the safe layer. One of the main risk management tools is the limits set by the financial counterparty (financial institutes), countries, Expected Shortfall (ES) by foreign currencies, Stop Loss, liquidity Gaps and repricing Interest rate gaps, which determines the size of risk acceptable to the Bank. Reports regarding the utilization of limits are submitted to the Assets and Liabilities Committee monthly. In case of their violation, risk reduction activities are taking place.

The Treasury is the leading department for managing the liquidity risks in short-term and the Financial Risk and Portfolio Analysis Department is performing permanent monitoring of limits and regulatory requirement and managing the medium and long-term liquidity risks.

Market risk management is regulated by the relevant policies of the Bank where special focus is on currency and interest rate risks. Market risk management policies are coherent with the policy and requirements of the Parent and regulatory body.

The Treasury is the key department for managing the early signs of currency risks, and the Financial Risk and Portfolio Analysis Department is performing permanent monitoring of risks and controls utilization of limits. The report of the Asset and Liability Management Committee is submitted on monthly basis using currency positions and limits. In case of their violation, the Committee reviews and takes into account various risk reduction approaches.

In order to manage currency risk, the following limits are defined by the end of 2024: GEL 500 thousand for ES (Expected Shortfall) limit of position in USD, GEL 150 thousand for ES limit of position in EUR, GEL 650 thousand for ES limit of total portfolio, GEL 400 000 for Stop loss limit currency risk.

Financial Risk and Portfolio Analysis Department uses sensitivity gap analysis to assess the interest rate risk. In addition, the gap analysis sets a limit in relation to the planned net interest income. This information is submitted to the ALMC on a monthly basis. The ALMC set limits at least once a year.

Operational risk

Operational risk management (ORM) is an integral part of the day-to-day operations of the Bank. Financial Risk and Portfolio Analysis Department regularly monitors operational risks in order to avoid them, or to perform activities for hedging or reducing the risk level in accordance with their recommendations. Following to the mentioned steps regular assessment and analysis of risks are performed for the products and policies, which drives possible updates and adjustments within existing recommendations or even establishing new recommendations and policies.

To manage operational risks, annual limits, acceptable for the Bank, are set once a year, in accordance with the structural units for net losses. In addition, each year, the staff rights matrices are prepared for the departments and the software rights matrices are assessed and approved by the Information Security Committee. Besides, the following tools are used to determine the effectiveness of risk control and potential problems: operating loss databases, risk assessment of new products / processes (ORAP), Risk Control Self-Assessment (RCSA), Business Continuity Plan Testing, etc.

Principal risks and uncertainties

Risk management is a critical pillar of the Bank’s strategy. To perform it effectively, it is essential to identify emerging risks and uncertainties. The principal risks that could adversely impact on the Bank’s performance, financial condition and prospects are presented below.

1. *The Bank is exposed to regulatory risk*

Financial institutions are highly regulated and face regulatory risk. The regulations and various terms of funding and other arrangements require compliance with certain capital adequacy and other ratios. The local regulator, the NBG, has introduced a capital adequacy framework, which divides the current capital requirements across Pillar 1 and Pillar 2 buffers. Additionally, the NBG can increase the prudential requirements across the whole sector as well as for specific institutions within it. Therefore, the Bank's profitability and performance may be compromised by an increased regulatory burden, including higher capital requirements.

Risk mitigation

Financial analysis department calculates the regulatory ratios. The compliance with capital adequacy ratios set by the NBG is regularly monitored with the Bank's report prepared in accordance with the NBG accounting rules by the risk management bodies. The Bank has also developed a recovery plan, which has been elaborated according to NBG regulation, that includes stress scenario of negative impact on loan portfolio quality and capital adequacy and covers detailed measures to overcome it.

The Bank's capitalisation as of December 31, 2024 stood at 19.99%, 26.38% and 28.18% against the regulatory requirement of 15.87%, 19.03% and 23.22% for CET1, Tier 1 and Total regulatory capital, respectively. The ratios are above the respective regulatory requirements.

Additionally, the Bank regularly publishes the information provided within Pillar 3 disclosure report, prepared in accordance with requirements of decree N92/04 of the governance of the NBG on "Disclosure requirements for commercial banks within Pillar 3".

1. *The Bank is exposed to concentration risk and credit risk*

Despite positive trends, the Bank still has large individual exposures to single-name borrowers whose potential default would entail increased credit losses and high impairment charges. The exposure to the ten largest borrowers stands at 18.2% of total loan portfolio. It is also subject to cyclicality of certain economic sectors. This exposes the Bank to the increased cost of credit risk and impairment charges, if a single large borrower defaults or a material concentration of smaller borrowers' default. The exposure to the 20 largest borrowers stands at 24.5% of the total loan portfolio.

Risk mitigation

The Credit Committees continuously perform the credit quality reviews in order to provide early identification of possible changes in the creditworthiness of the Bank's customers, potential losses and corrective actions needed to reduce the credit risk.

The Bank also manages credit risks by setting industry-specific limits, determining the risk position of a borrower / group of borrowers, permanent monitoring of delinquent loans and formation of coherent expected credit losses to strengthen bank to face potential losses. The Bank also has a credit rating system for business loans, which reflects the level of credit risk of clients.

2. *Liquidity risk is inherent in the Bank's operations*

Liquidity risk is inherent in banking operations and can be heightened by numerous factors. These include an overreliance on, or an inability to access, a particular source of funding.

Risk mitigation

To assess liquidity risk, the Financial Risk and Portfolio Analysis Department measures and analyses the level of use of limits set by the internal policy for short-term, medium-term, and long-term gaps, in case of their violation, informs the -ALMC, which, makes a decision to ensure sufficient liquidity. Limits are determined in accordance with the periods in relation to the cumulative gap of liquidity to total assets. Besides, other liquidity indicators (LCR, NSFR, early warning, liquid assets to liabilities, loans to assets) are introduced and monitored. The Bank has developed a contingency plan to manage a liquidity crisis situation, which provides an action plan for various crises. There is also a recovery plan in place, which was elaborated according to NBG regulation, that includes liquidity stress scenario and recovery measures for situation of liquidity stress. Bank has elaborated ILAAP (Internal liquidity risk adequacy assessment) report, that describes the whole process of liquidity risk management in the Bank.

Throughout 2024, the Bank was in compliance with the risk appetite limits, including for liquidity. As of December 31, 2024, the liquidity coverage ratio stood at 243%(GEL)/144% (FXD)/153% (total) with the corresponding regulatory requirements 75% (GEL)/100% (FXD)/100% (Total), and NSFR stood at 124% with regulatory requirement 100%.

Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The management and shareholder have the intention to further develop the Bank and the Bank's management believes that the going concern assumption is appropriate for the Bank due to its sufficient capital adequacy and based on historical experience that short-term obligations will be refinanced in the normal course of business.

In 2024, the Bank continues to operate in strong compliance with fully loaded capital buffers. In 2024, the Countercyclical Capital (CCC) buffer came into effect, starting at 0.25% and gradually increasing to 1% by the 2027, in accordance with the National Bank's schedule.
The Bank is actively working to diversify its sources of financing. Overall, it has successfully implemented all regulatory and internal requirements.

The Bank is well-positioned with strong capital, funding and liquidity resources and it aims to ensure that this remains the case. The Bank also continues to work with Government of Georgia and NBG to take appropriate actions to manage this process.

The adequacy of the Bank's capital is monitored using the ratios established by the NBG in supervising the Bank. The compliance with capital adequacy ratios set by the NBG is monitored monthly with the Bank's standalone reports prepared in accordance with the NBG accounting rules.

According to the NBG regulations, commercial banks have to:

a) Hold the minimum level of Regulatory Capital according to the following schedule:

- 50,000 thousand GEL as at December 31, 2023
- 50,000 thousand GEL as at December 31, 2024

b) Maintain ratios of Common Equity Tier 1 Capital, Tier 1 Capital and Regulatory Capital to the risk-weighted assets at or above the prescribed minimum of levels throughout the reporting period.

The Bank had to maintain minimum Capital Requirements in accordance with the Regulation on capital Adequacy Requirements for Commercial Banks, compatible with framework established by Basel committee of banking supervision.
Pillar 1 minimum requirements are as follows:

- CET 1 – 4.5%
- Tier 1 Capital – 6%
- Regulatory Capital adequacy ratio - 8%

1. Pillar 1 buffers include:

- The Capital Conservation ("CC") buffer;

- The Systemic Risk ("SR") buffer applied to systematically important banks;
- The Countercyclical Capital ("CCC") buffer.

  Adjustments to the Pillar 1 buffers are at NBG's discretion.

2. Pillar 2 buffers include:

- The Currency Induced Credit Risk ("CICR") buffer that is effective from December 31, 2017 for un-hedged FX loans denominated in foreign currencies;
- The Concentration Risk ("CR") buffer that will be introduced for sectoral and single borrower exposure;
- The Net Stress ("NS") buffer that will be introduced based on stress testing results provided by the Bank;
- Net General Risk-assessment Program ("GRAPE") buffer defined by the NBG and applied based on the bank's specific risks.
- Credit Risk Adjustment ("CRA") buffer which was introduced from 2023 within regulatory transition to IFRS reporting standard. The CRA buffer was implemented as a Pillar 2 requirement and was fully set on CET 1 capital.

The summary of the Capital Adequacy ratio requirements set under the Capital Adequacy Framework effective as at December 31, 2024 and 2023 are as follows:

Capital to the Risk-Weighted Assets		**Pillar 1**			**Pillar 2**					**December 31, 2024**
Requirements		**Pillar 1 buffers**			**Pillar 2 buffers**					**Total minimum requirements**
		CC	**SR**	**CCC**	**CICR**	**CR**	**NS**	**GRAPE**	**CRA**	
Common Equity Tier 1 Capital ratio	4.50%	2.5 %	0%	0.25%	2.32%	0.68%	0%	1.90%	3.71%	15.87%
Tier 1 Capital ratio	6.00%	2.5 %	0%	0.25%	3.10%	0.91%	0%	2.55%	3.71%	19.03%
Total Regulatory Capital ratio	8.00%	2.5 %	0%	0.25%	4.14%	1.22%	0%	3.40%	3.71%	23.22%

Capital to the Risk-Weighted Assets		**Pillar 1**			**Pillar 2**					**December 31, 2023**
Requirements		**Pillar 1 buffers**			**Pillar 2 buffers**					**Total minimum requirements**
		CC	**SR**	**CCC**	**CICR**	**CR**	**NS**	**GRAPE**	**GRAPE**	
Common Equity Tier 1 Capital ratio	4.50%	2.5 %	0%	0%	2.66%	0.73%	0%	1.85%	3.28%	15.51%
Tier 1 Capital ratio	6.00%	2.5 %	0%	0%	3.56%	0.97%	0%	2.48%	3.28%	18.79%
Total Regulatory Capital ratio	8.00%	2.5 %	0%	0%	4.75%	1.30%	0%	3.30%	3.28%	23.12%

As of December 31, 2024, and 2023, the Capital Adequacy Ratios, from the Bank's reports following the NBG accounting rules and the Capital Adequacy Framework, stand as follows:

	December 31, 2024	**December 31, 2023**
Share capital	76,000	76,000
Revaluation reserve	2,038	1,841
Retained earnings for capital adequacy	117,494	97,969
Deductions from Common Equity Tier 1 Capital	(7,916)	(7,282)
Common Equity Tier 1 Capital	**187,616**	**168,527**
Additional Tier 1 Capital	60,000	30,000
Tier 1 Capital	**247,616**	**198,527**
Convertible subordinated debts	**16,885**	**21,572**
General loan loss provisions (up to 1.25 % of risk–weighted assets)	**0**	**0**
Total regulatory capital	**264,501**	**220,099**
Risk weighted assets	**938,717**	**865,590**
Common Equity Tier 1 Capital Adequacy Ratio	19.99%	19.47%
Tier 1 Capital Adequacy Ratio	26.38%	22.94%
Total regulatory capital adequacy Ratio	28.18%	25.43%

As at December 31, 2024 in the computation of total regulatory capital for capital adequacy purposes, paid preferred shares are included as additional Tier 1.

Subordinated debt is only eligible for payment in a liquidation scenario once the obligations of higher-priority creditors have been satisfied. This type of debt is categorized in the Bank's Tier 2 capital, adjusted for the relevant amortized amount.

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

Human resource management

The management of the Bank promotes high ethical standards, values, and respects human rights, encourages its employees to act with integrity and responsibility towards each other and customers, partners, and community. The Bank has implemented a set of internal policies, procedures and closely monitors their execution. As of the end of 2024 and 2023, the Bank's permanent headcount was 322 and 312, respectively.

Within our corporate culture, we are committed to fostering an inclusive and supportive workplace where all employees have equal opportunities to grow and succeed. Our team consists of 61% women and 39% men, and we take pride in promoting diversity and gender equality across all levels of the organization. We believe that a diverse workforce enhances creativity, collaboration, and innovation, which ultimately drives the success of the bank.

To strengthen collaboration and teamwork, we organize team-building activities that encourage open communication, trust, and mutual support. These activities are designed to improve interpersonal relationships and foster a cohesive, high-performing team. By creating opportunities for employees to connect and collaborate, we aim to cultivate a positive and productive work environment.
In addition to team-building initiatives, we place great importance on recognizing and celebrating our employees' contributions. On March 8, 2024, we honored our female staff, continuing our tradition of presenting gifts as a token of appreciation for their hard work and dedication. We are committed to recognizing the unique strengths and contributions of each team member, ensuring that everyone feels valued and appreciated.

Through these initiatives, we strive to create a workplace culture where every employee is motivated, empowered, and encouraged to contribute their best efforts toward the bank's continued success

Code of Ethics and Code of Conduct - regulate employee rights and responsibilities and set appropriate relationship norms and principles. The Bank's employees are expected to act honestly and fairly at all times and to comply with both the spirit and intent of all laws. All employees are responsible for ensuring that the working environment is free of any form of harassment, discrimination (including gender, age, physical disability or religious affiliations) or inappropriate behaviour.

Compliance with the Bank's Code of Ethics and Code of Conduct is monitored by the Human Resource Department. Periodic audits are also conducted by the Internal Audit Department in order to identify any breach or misconduct in relation to compliance with these policies.
The labour organisation system of the personnel is based on the labour legislation of Georgia, the Law on Commercial Banks Activities, and other regulatory acts of the National Bank of Georgia.

The main areas of Personnel Policy are as follows:

- Improvement of the organisational structure, human resource planning;
- Selection and placement of employees;
- Staff training and development;
- Management of the competence and motivation of workers, job compensation;
- Formation of corporate culture and social support of the employees.

Transparent and flexible incentive system operates in the form of monthly incentive bonuses in order to increase the efficiency of the staff in achieving common goals at the Bank. This bonus depends on the fulfilment of plans in terms of net profit. Performance-based bonuses for SME and retail front office employees were awarded monthly and back-office employees were awarded for three quarters, which was in accordance with the Bank's financial results.

Back office employees including middle management were awarded with annual bonus based on bank financial performance for the year 2023. At the year end all employees of the Bank were awarded with bonus in connection of "Independence day of Republic of Kazakhstan".

In accordance with the Bank's Internal Policy, employees will be provided with the financial assistance during pregnancy, childbirth and childcare.

Halyk Bank Georgia is committed to the continuous growth and development of our employees, ensuring they have the knowledge and skills necessary to excel in their roles. We provide a comprehensive range of training programs designed to enhance professional capabilities and support personal development. Training is offered through a variety of channels, including corporate programs, specialized courses, seminars, and distance learning, utilizing both internal expertise and external resources.

Corporate training includes mandatory semiannual sessions on Operational Risks and Information Security for all employees, as well as annual AML training for front office staff and key supporting functions. Branch employees receive targeted training in areas such as sales skills, service excellence (Service+), new products, and additional coaching for branch managers to ensure continuous improvement in customer service and management.

In addition to corporate training initiatives, the bank supports individual professional development by financing external certification programs and specialized courses. Employees are also encouraged to take advantage of distance learning opportunities through various educational platforms, promoting lifelong learning and skill enhancement. These efforts ensure that our workforce remains highly skilled, adaptable, and ready to meet the challenges of an evolving banking environment.

Corporate responsibility

Aligned with its corporate social responsibility values, Halyk Bank remains steadfast in its commitment to supporting and positively impacting various sectors that are vital to the development and well-being of society. In 2024, the bank proudly sponsored a sports program featuring the Georgian national team, underscoring its dedication to promoting national pride and encouraging physical activity as part of a healthy lifestyle. Through this sponsorship, Halyk Bank further strengthened its role in supporting Georgian sports, contributing to the country's sports culture.

Beyond sports, the bank continues to provide targeted support to socially vulnerable groups, focusing on the elderly and individuals with disabilities. Halyk Bank collaborates with various humanitarian organizations to ensure its contributions effectively reach those in greatest need.

On behalf of the Management:

Nikoloz Geguchadze
General Director

March 4, 2025
Tbilisi, Georgia

Deloitte & Touche LLC
Tax ID: 204422240
City Tower Business Center
70 Vazha-Pshavela Ave.
Tbilisi, 0186, Georgia

Tel: +995 (32) 224 45 66
Fax: +995 (32) 224 45 69
deloitte.ge

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of Joint Stock Company Halyk Bank Georgia:

Opinion

We have audited the financial statements of Joint Stock Company Halyk Bank Georgia (the "Bank"), which comprise the statement of financial position as at December 31, 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a 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 December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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 '*International Code of Ethics for Professional* Accountants (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our 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.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	**How the matter was addressed in the audit**
Collective assessment of the expected credit losses on loans to customers	
As disclosed in Note 9 to the financial statements, the gross value of loans and advances to customers ("loans") amounted to GEL 773,528 thousand including GEL 660,933 thousand subject to collective impairment assessment, which comprise 85% of total gross loans with related allowances for expected credit losses of GEL 17,393 thousand as at 31 December 2024. Depending on the significance of loans, the management determines the expected credit losses ("ECL") on a collective or individual basis. Due to the significance and subjectivity of judgements used by management of the Bank and the volume of loans assessed on a collective basis, we identified the collective assessment of expected credit losses as a key audit matter. In particular, we focused on the underlying information used in the ECL on loans assessed on a collective basis, which may include errors. The errors in the underlying information used in the ECL might affect the risk factors such as probability of default (PD), loss given default data (LGD), exposure at default (EAD), migration matrix based on statistics of defaults and loss rates.	We obtained our understanding of the processes and relevant control procedures over ECL provisioning, in particular, identification of significant increase in credit risk ("SICR" or "stage 2") and credit-impaired loans ("stage 3"), and the ECL modelling, and whether their stages are properly identified in the ECL calculation model. We also assessed Bank's impairment methodology for compliance with the requirements of IFRS 9. For loans collectively assessed for impairment, with the assistance of credit risk specialists, we assessed the integrity and mathematical accuracy of the ECL models. We challenged the reasonableness of the methodology on collective loan loss provisioning and its compliance with IFRS 9 Financial Instruments requirements. We tested, on a sample basis, the accuracy and completeness of input data in the models, including principle balances, allocation of loans by days in arrears, and checked other model's parameters, such as, restructuring events, maximum overdue days per client and collateral values.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Individual assessment of the expected credit losses on loans to customers As at 31 December 2024, the Bank's gross loans assessed for impairment on an individual basis amounted to GEL 112,568 thousand, which accounts for 14% of total gross loans. The related ECL comprised GEL 6,656 thousand. The appropriate identification of stage of impairment for individually assessed loans require considerable judgement in relation to the quantitative and qualitative information. Individual assessment of ECL for individually significant loans involves an analysis of financial performance of the borrower, overdue of interest or principal or restructuring events, including determining whether a significant increase in credit risk or credit impairing events have occurred on loans since their initial recognition. Additionally, for significant loans at stage 2 and 3 the analysis involves estimation of future cash flows under the different scenarios weighted for their probabilities. Information used for such analysis includes expected value of collateral, costs and time required to sell the collateral. Allowance for ECL is determined to be a key audit matter due to the significance of Loans and advances to customers' balances and the degree of judgement and estimation uncertainty, as discussed in Notes 6, 9 and Note 28 to the financial statements.	For individually assessed loans we analysed the appropriateness of loans' staging by selecting a sample from these loans and testing whether conditions, including existence of overdue days, restructuring and current financial performance of the borrower for classification into respective stages were met. On a sample basis, we re-performed calculations of allowances for ECL for individually significant loans in stages 2 and 3, including reviewing the bank's documented credit assessment of the borrowers, and challenging assumptions underlying the ECL calculation, including future cash flow projections and the market valuation of collateral, agreeing to available market and internal information. We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

Other Information

Management is responsible for the other information. The other information comprises the management report prepared in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, 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.

Those charged with governance are 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 scepticism 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

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

We performed procedures with respect to whether the management report is prepared in accordance with the requirements of the Law and includes the information required by the Law.

We have read the Management Report and based on the work done we have concluded that:

- The information given in the Management Report for the year ended 31 December 2024 is materially consistent with the consolidated financial statements for the year ended 31 December 2024, or with our knowledge obtained in the audit; and
- The Management Report includes the Information required by Article 7 of the Law of Georgia on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

The engagement partner on the audit resulting in this independent auditor's report is Shota Nanitashvili.

Shota Nanitashvili
on behalf of Deloitte and Touche LLC

Deloitte & Touche

Tbilisi, Georgia
March 4, 2025

JOINT STOCK COMPANY HALYK BANK GEORGIA

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024
(in thousands of Georgian Lari)

	Notes	December 31, 2024	December 31, 2023
ASSETS:			
Cash and cash equivalents	7	38,579	33,941
Mandatory cash balance with the NBG	8	63,065	63,338
Due from financial institutions		865	14,805
Loans to customers	9	756,135	704,274
Investments in equity instruments measured at fair value through other comprehensive income		54	54
Investments in debt instruments measured at amortised cost	10	12,134	17,338
Property and equipment*	11	16,539	16,277
Intangible assets		5,879	5,442
Current income tax asset		2,269	-
Other assets	12	21,132	47,860
TOTAL ASSETS		**916,651**	**903,329**
LIABILITIES:			
Due to financial institutions	13	381,298	430,768
Deposits by customers	14	234,833	193,055
Debt securities issued	15	5,050	5,062
Lease liability*	16	2,184	1,473
Provisions	21	154	354
Current Income Tax Liability		-	4,951
Deferred income Tax liabilities	25	336	330
Subordinated debt	17	28,142	26,965
Other liabilities	18	9,122	4,561
TOTAL LIABILITIES		**661,119**	**667,519**
EQUITY:			
Share capital	19	136,000	136,000
Revaluation reserve		2,038	1,841
Retained earnings		117,494	97,969
TOTAL EQUITY		**255,532**	**235,810**
TOTAL LIABILITIES AND EQUITY		**916,651**	**903,329**

* Rights-of-use assets included in property and equipment as disclosed in Note 11.

On behalf of the Management Board:

Nikoloz Geguchadze
General Director

March 4, 2025
Tbilisi, Georgia

Ekaterina Rusitashvili
Chief Accountant

March 4, 2025
Tbilisi, Georgia

The notes on pages 25-93 form an integral part of these financial statements.

JOINT STOCK COMPANY HALYK BANK GEORGIA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2024
(in thousands of Georgian Lari)

	Notes	2024	2023
Interest income calculated using the effective interest rate method	20	72,284	65,526
Other interest income	20	4,041	3,621
Interest expense	20	(33,506)	(29,289)
Other interest expense		(112)	(99)
Net interest income before impairment losses		**42,707**	**39,759**
Recovery/(Loss) of the allowance for expected credit losses on interest bearing assets	21	2,783	(404)
Net interest income		**45,490**	**39,355**
Fee and commission income	22	2,319	2,367
Fee and commission expense	22	(2,608)	(2,585)
Modification loss on loans to customers		(965)	(50)
Net gain on financial assets at fair value through profit or loss		2,287	100
Net gain on foreign exchange operations	23	3,164	6,888
Recovery of Impairment losses on non-financial assets	21	-	525
Allowance for credit losses on non-interest-bearing assets	21	(36)	(5)
Recovery/(loss) of provision for other assets/liabilities	21	200	(163)
Net non-interest income		**4,361**	**7,077**
Operating income		**49,851**	**46,432**
Other income		728	602
Operating expenses	24	(25,437)	(22,961)
Profit before income tax		**25,142**	**24,073**
Income tax expense	25	(4,641)	(3,832)
Profit for the year		**20,501**	**20,241**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property	11	276	-
Income tax related to revaluation of property		(55)	-
Other comprehensive loss, net of income tax		**221**	**-**
Total comprehensive income		**20,722**	**20,241**

On behalf of the Management Board:

Nikoloz Geguchadze
General Director

March 4, 2025
Tbilisi, Georgia

Ekaterina Rusitashvili
Chief Accountant

March 4, 2025
Tbilisi, Georgia

The notes on pages 25-93 form an integral part of these financial statements.

JOINT STOCK COMPANY HALYK BANK GEORGIA

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024
(in thousands of Georgian Lari)

	Note	Share capital	Property revaluation reserve	Retained earnings	Total equity
January 1, 2023		**76,000**	**1,864**	**77,705**	**155,569**
Preferred shares	19	60,000	-	-	**60,000**
Profit for the period		-	-	20,241	**20,241**
Release of revaluation reserve due to depreciation of previously revalued assets		-	(23)	23	-
December 31, 2023		**136,000**	**1,841**	**97,969**	**235,810**
Profit for the period		-	-	20,501	**20,501**
Dividends paid on the preferred shares		-	-	(1,000)	**(1,000)**
Release of revaluation reserve due to Depreciation of previously revalued assets		-	(24)	24	-
Other comprehensive loss, net of income tax		-	221	-	**221**
December 31, 2024		**136,000**	**2,038**	**117,494**	**255,532**

On behalf of the Management Board:

Nikoloz Geguchadze
General Director

March 4, 2025
Tbilisi, Georgia

Ekaterina Rusitashvili
Chief Accountant

March 4, 2025
Tbilisi, Georgia

The notes on pages 25-93 form an integral part of these financial statements.

JOINT STOCK COMPANY HALYK BANK GEORGIA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(in thousands of Georgian Lari)

	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received		75,649	70,025
Interest expense paid		(29,091)	(26,949)
Foreign exchange gain realized		4,417	7,047
Fee and commission income received		2,302	2,361
Fee and commission expense paid		(2,608)	(2,585)
Other income received		704	602
Operating expenses paid		(22,377)	(19,658)
Cash flows from operating activities before changes in operating assets and liabilities		**28,996**	**30,843**
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Mandatory cash balance with the NBG		963	65,126
Due from financial institutions		13,951	(13,518)
Loans to customers		(37,191)	(55,121)
Other assets		(5,386)	18,231
(Decrease)/increase in operating liabilities:			
Due to financial institutions		(12,331)	7,365
Deposits by customers		38,314	(134,277)
Other liabilities		7,517	(4,349)
Cash inflow/(outflow) from operations		**34,833**	**(85,700)**
Income taxes paid		(11,909)	(2,002)
Net cash inflow/(outflow) from operating activities		**22,924**	**(87,702)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	11	(670)	(1,548)
Proceeds from disposal of property and equipment		-	131
Purchase of intangible assets		(1,138)	(978)
Proceeds from investments in debt securities		5,000	-
Net cash inflow/(outflow) from investing activities		**3,192**	**(2,395)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of preferred shares	19	30,000	30,000
Dividends paid		(1,000)	-
Proceeds from loans from the parent*	13	248,119	355,659
Repayment of loans from the parent*	13	(311,742)	(307,957)
Proceeds from the deposits from parent*	13	56,549	124,437
Repayment of deposits from parent*	13	(42,515)	(191,672)
Proceeds from debt securities		(484)	(19,363)
Repayment of lease liabilities	15	(1,022)	(958)
Net cash outflow from financing activities		**(22,095)**	**(9,854)**
Effect of exchange rate changes on cash and cash equivalents		616	1,619
Net increase/(decrease) in cash and cash equivalents		**4,637**	**(98,332)**
Cash and cash equivalents, beginning of the year	7	**33,941**	**132,273**
Cash and cash equivalents, end of the year	7	**38,579**	**33,941**

*Included in due to financial institutions, presented in the statement of the financial position.

On behalf of the Management Board:

Nikoloz Geguchadze
General Director

March 4, 2025
Tbilisi, Georgia

Ekaterina Rusitashvili
Chief Accountant

March 4, 2025
Tbilisi, Georgia

The notes on pages 25-93 form an integral part of these financial statements.

(in thousands of Georgian Lari)

1. Organisation

Halyk Bank Georgia (the "Bank") is a joint stock company, which was incorporated in Georgia on January 29, 2008. The Bank is regulated by the National Bank of Georgia (the "NBG") and conducts its business under general license number 0110246. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies, originating loans and guarantees and deposit taking.

The registered office of the Bank is located on 74 Kostava Street, Tbilisi, Georgia. As at December 31, 2024 and 2023 the Bank had 9 and 9 branches/service points respectively, operating in Georgia.

As at December 31, 2024 and 2023 the following shareholders owned the issued shares of the Bank:

	December 31, 2024	December 31, 2023
First level shareholder:		
JSC Halyk Bank Kazakhstan	100%	100%
Total	**100%**	**100%**

Main shareholders of JSC Halyk Bank Kazakhstan is JSC Holding ALMEX and and The Bank of New York (nominee holder). JSC Halyk Bank Kazakhstan is ultimately controlled by Timur Kulibayev and Dinara Kulibayeva.

These financial statements were authorised for issue on March 4, 2025 by the Management Board.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards).

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future. In making this assumption, the management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources.

The parent, JSC Halyk Bank Kazakhstan demonstrates its commitment to continue the financing the Bank's operations. The commitment is evidenced by the provision of financing in the form of increased capital and issued loans to the Bank during 2024 as well as the receipt of comfort letter dated January 21, 2025 on which the parent expresses the readiness to support the operations for the Bank.

The Bank's management believes that based on current forecasts and measures, the Bank has enough funds to continue its activities in the foreseeable future.

These financial statements have been prepared on the historical cost basis except for certain properties that are measured at revalued amounts at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank is registered in Georgia and maintains its accounting records in accordance with Georgian laws and regulations.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 28.

Functional currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (“the functional currency”). The functional currency of the Bank is the Georgian Lari (“GEL”). The presentation currency of the financial statements of the Bank is the GEL. All values are rounded to the nearest thousand Lari, except when otherwise indicated.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

The principal accounting policies adopted are set out in Note 5.

3. Operating environment

The Bank operates in Georgia, making it susceptible to changes in the economic and business landscape, as well as challenges in the Georgian financial market, which is characteristic of an emerging market. The legal, tax, and regulatory frameworks are evolving, subject to various interpretations and frequent changes, contributing to the difficulties faced by businesses in Georgia. The financial statements reflect the management's evaluation of how the Georgian business environment impacts the Bank's operations and financial position, though the future business environment may differ.

Georgia continues to experience steady economic growth, supported by strong performance in key sectors such as agriculture, tourism, and trade. Despite ongoing political risks in the region, the country's economic fundamentals remain stable, with a positive outlook for the banking sector. The regulatory framework is sound, and the business environment continues to offer opportunities for growth and investment, ensuring a favorable operational landscape for the bank.

In addition, annual inflation by the end of 2024 was 1.9%, and it is expected to remain stable over the next few years, staying below the 3% target, which is considered the optimal inflation level for Georgia. The National Bank has reduced the monetary policy rate from 9.5% to 8%, with forecasts indicating a gradual decline to 7%. This reduction is expected to stimulate local currency lending, thereby supporting economic growth in the foreseeable future.
Overall, the Bank operates in a favorable macroeconomic environment, with reduced economic leverage allowing for healthy lending growth. Additionally, the local currency remains strong, and international reserves are at adequate levels, supporting the Bank's strong performance.

4. Application of new and revised IFRS Accounting standards

In the current year, the Bank has applied the below amendments to IFRS Accounting Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 1, 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current	The Bank has adopted the amendments to IAS 1, published in January 2020, for the first time in the current year. The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments did not have an impact on Bank's statement of financial position, which is presented in order of liquidity

Amendments to IAS 1— Non-current Liabilities with Covenants	The Bank has adopted the amendments to IAS 1, published in November 2022, for the first time in the current year. The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. The amendments did not have an impact on Bank's statement of financial position, which is presented in order of liquidity
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements	The Bank has adopted the amendments to IAS 7 and IFRS 7 titled Supplier Finance Arrangements for the first time in the current year. The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

(in thousands of Georgian Lari)

Amendments to IFRS 16 Leases—Lease Liability in a Sale and Leaseback	The Bank has adopted the amendments to IFRS 16 for the first time in the current year. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate. As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

New and revised IFRS Accounting standards in issue but not yet effective

At the date of authorization of these financial statements, the Bank has not applied the following new and revised IFRS Accounting standards that have been issued but are not yet effective:

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	Disclosure of Sustainability-related Financial Information
IFRS S2 — Climate-related Disclosures	Climate-related Disclosures
Amendments to the SASB standards	Amendments to the SASB standards to enhance their international applicability
Amendments to IAS 21	Lack of exchangeability
IFRS 18	Presentation and Disclosures in Financial Statements

The management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

5. The material accounting policy information

The material accounting policies are set out below:

Recognition of interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method by applying the effective interest rate.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets. For those financial assets, the Bank applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Bank applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

When calculating the effective interest rate, the Bank estimates the expected cash flows by considering all the contractual terms of the financial instrument excluding expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Recognition of fee and commission income

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Bank identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognises income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Bank determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable. The consideration is subsequently allocated to the identified performance obligation.

Financial instrument origination fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the financial instrument.

Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognised in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in profit or loss on expiry. Loan servicing fees are recognised as revenue as the services are provided.

Plastic cards operations fee and commission income include interchange income from credit and debit card transactions and are recognized at a point in time upon settlement by the associated network. Other card-related fees are recognized at a point in time upon completion of the transaction. Other banking fees include fees for various transactional banking activities such as bank transfers, and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided.

All other fee and commissions are recognised when services are provided.

Financial instruments

Initial recognition of financial instruments

Financial assets and financial liabilities are recognised in the Bank's financial position when the Bank becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank accounts for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss).
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Financial assets

Classification and subsequent measurement

On initial recognition, a financial asset is classified into one of the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL).

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

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

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

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

The Bank’s financial assets classified into the measurement categories are as following:

Financial assets	**Business model**	**SPPI**	**Measurement category**
Cash and cash equivalents	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Mandatory cash balance with the NBG	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Due from financial institutions	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Investments in debt instruments	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Investments in equity instruments	Other business model	Cash flows are not solely payments of principal and interest	FVOCI
Loans to customers	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Other receivables	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse features).

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with National Bank of Georgia and highly liquid financial assets with original maturities of three months or less from the date of initial recognition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Mandatory cash balance with the NBG

Mandatory cash balances with the NBG are carried at amortised cost and represent mandatory reserve deposits that are not available to finance the Bank's day to day operations. Hence they are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Due from financial institutions

Amounts due from other banks are recorded when the Bank advances money to counterparty banks with original maturity of more than three months. Amounts due from financial institutions are carried at amortised cost.

Loans to customers

Loans to customers are initially measured at fair value plus incremental transaction costs and subsequently at their amortised cost using the effective interest method.

Investments in debt instruments

Investments in debt instruments include investments in certificate of deposits issued by National Bank of Georgia. These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Investments in equity instruments

The Bank elected to present in OCI changes in the fair value of investment in equity instrument that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss.

Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Derivative financial instruments

Derivative financial instruments included in financial assets at fair value through profit or loss in the financial statements comprise foreign currency forward contracts.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. All derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.
Changes in the fair value of derivatives are recognised immediately in profit or loss.

Impairment

The Bank recognises loss allowances for expected credit losses (ECLs) on the financial assets that are not measured at FVTPL.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.
Loss allowances for other receivables are always measured at an amount equal to lifetime ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's Effective Interest Rate.

More information on measurement of ECLs is provided in Note 28 including details on how instruments are grouped when they are assessed on a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the expected credit losses (ECL) based on lifetime rather than 12-month ECL.

As a back-stop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowanceis measured as the lifetime ECL.

The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets that are subject to impairment for significant increase in credit risk.

See Note 28 for more details about significant increase in credit risk.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value.
- for loan commitments and financial guarantee contracts: at amortised cost ; and
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a ECL.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan's terms are modified in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to other terms.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, and covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Bank deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition.

For financial assets modified as part of the Bank's restructuring policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar restructuring action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset.

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains.

Sales and purchases of foreign currencies and currency conversion

Bank sells and purchases foreign currencies in the cash offices and through the bank accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by Bank, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Group rates are recognised as gains less losses from trading in foreign currencies at a point in time when a particular performance obligation is satisfied.

Financial guarantees and loan commitments

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

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15;

The Bank has issued no loan commitments that are measured at FVTPL. For other loan commitments the Bank recognises a loss allowance in accordance with IFRS 9.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity Instruments

Preferred shares

Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. Annual dividends of 8% of the nominal value is payable on the preference shares annually, subject to confirmation of the annual shareholders' meeting. Preference shares are classified as a part of equity.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

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

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

The Bank derecognises a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in profit or loss.

Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability. If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Due to financial institutions, deposits by customers and subordinated debt

Financial liabilities include due to financial institutions, deposits by customers and subordinated debt that are the Bank's sources of debt funding. Financial liabilities are initially measured at fair value, net of incremental direct transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Debt securities issued

Debt securities issued represent bonds issued by the Bank, which are accounted at amortised cost. Any difference between proceeds received, net of debt issuance costs, and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Accounting for leases by Bank as a lessee

The Bank leases offices. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

As an exception to the above, Bank accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis.

In determining the lease term, management of Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell. The Bank applies its accounting policy for non-current assets held for sale or disposal groups to repossessed collateral where the relevant conditions for such classification are met at the end of the reporting period.

Property and equipment

Buildings held for use in supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such premises is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such premises is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve for premises relating to a previous revaluation of that asset.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognised on a straight-line basis over their estimated useful lives from 2 to 15 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

(in thousands of Georgian Lari)

Current and deferred tax for the year

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of reporting period that are expected to apply to the extent of time when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

From 2023 statutory tax rate of corporate taxation changed from 15% to 20%. In addition, National Bank of Georgia adopted Transition of commercial banks' supervisory reports to International Financial Reporting Standards (IFRS).

Foreign currency translation

The functional currency of each of Bank's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and its subsidiaries, and Bank's presentation currency, is the national currency of Georgia, Georgian Lari ("GEL").
Monetary assets and liabilities are translated into each Bank's functional currency at the official exchange rate of the NBG at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into Bank's each functional currency at year-end official exchange rates of the NBG, are recognised in profit or loss for the year (as foreign exchange translation gains less losses).
Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.
Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.
Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.
Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation.

The exchange rates used by the Bank in the preparation of the financial statements as at year-end are as follows:

	December 31, 2024	**December 31, 2023**
GEL/1 US Dollar	2.8068	2.6894
GEL/1 Euro	2.9306	2.9753

6. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the management has made in the process of applying the Banks's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Loss allowances for expected credit losses

The following are key estimations that the management have used in the process of applying the Bank's accounting policies and that have the most significant effect on the loss allowances for expected credit losses:

- **Establishing forward-looking scenarios:** When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

See Note 28 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

- **Judgment of Significant increase in credit risk:** As explained in note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.
- **Estimate of Probability of default:** PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

See Note 28 for more details, including analysis of the sensitivity of the reported ECL to changes in PD and LGD.

- **Estimate of Loss Given Default:** LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

(in thousands of Georgian Lari)

7. Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash	12,217	17,334
Balances with the NBG	1,115	1,702
Correspondent accounts and time deposits with original maturities up to 90 days	25,248	14,906
Less: allowance for expected credit losses	(1)	(1)
Total cash and cash equivalents	**38,579**	**33,941**

Cash and cash equivalents are non-past due financial assets as at December 31, 2024 and 2023. The allowance for expected credit losses as at December 31, 2024 and 2023 was estimated based on counterparty ratings determined by the international rating agencies.

As at December 31, 2024 and 2023 the majority of the Bank's cash in banks is with banks rated by Fitch Ratings as BB- (long-term rating).

8. Mandatory cash balance with the National Bank of Georgia

Mandatory cash balance with the National Bank of Georgia ("NBG") represent amounts deposited with the NBG. Resident financial institutions are required to maintain an interest-earning obligatory reserve with the NBG, the amount of which depends on the level of funds attracted by the financial institutions. Mandatory balances with the NBG is interest bearing financial asset.

	December 31, 2024	December 31, 2023
Mandatory balances with the NBG	63,066	63,339
Less: allowance for expected credit losses/impairment losses	(1)	(1)
Total mandatory Balances with the NBG	**63,065**	**63,338**

Mandatory balances with the NBG are non-past due financial assets as at December 31, 2024 and 2023. The allowance for expected credit losses as at December 31, 2024 and 2023 was estimated based on counterparty ratings determined by the international rating agencies.

According to Fitch, country rating for Georgia stands at BB, while outlook downgraded from Stable to Negative due to elevated political risks.

9. Loans to customers

Loans to customers comprise:

	December 31, 2024	December 31, 2023
Loans to customers	773,528	723,753
Less: allowance for expected credit losses	(17,393)	(19,479)
Total loans to customers	**756,135**	**704,274**

(in thousands of Georgian Lari)

All loans to customers are measured at amortised cost. The loans to customers are classified by types based on a combination of factors (mainly the income source of the borrowers and the purpose of the loan). Loans taken by individual business owners for consumer purposes are presented in relevant categories according to the business activity types of the borrowers.

As at December 31, 2024 and 2023 loans to customers included accrued interest in the amount of GEL 8,550 thousand and GEL 7,816 thousand, respectively.

The table below summarizes carrying value of loans to customers analysed by sector:

	December 31, 2024	December 31, 2023
Loans to legal entities		
Trade and service	284,160	275,405
Construction	56,485	45,142
Mining and production	38,658	53,418
Agriculture	19,857	18,559
Leasing	27,746	26,696
Energy	2,490	2,798
Other sector	3,346	15,088
Total loans to legal entities	**432,742**	**437,106**
Loans to individuals		
Consumer loans	212,412	177,845
Mortgage loans	128,374	108,802
Total loans to individuals	**340,786**	**286,647**
Gross loans to customers	**773,528**	**723,753**
Less: allowance for expected credit losses	(17,393)	(19,479)
Total loans to customers	**756,135**	**704,274**

As of December 31, 2024, the bank held significant risk positions towards two groups of clients, totaling GEL 85,153 thousand. In 2023, the bank held significant risk positions towards three groups of clients, totaling GEL 103,485 thousand, each of which individually exceeded 10% of the bank’s Tier 1 capital.

The table below summarizes carrying value of loans to customers analysed by type of collateral obtained by the Bank:

	December 31, 2024	December 31, 2023
Loans collateralized by combined collateral*	457,958	427,442
Loans collateralized by pledge of real estate	246,735	232,680
Loans collateralized by guarantees	44,875	33,838
Loans collateralized by cash	7,986	12,051
Unsecured loans	15,974	17,742
Gross loans to customers	**773,528**	**723,753**
Less: allowance for expected credit losses	(17,393)	(19,479)
Total loans to customers	**756,135**	**704,274**

(in thousands of Georgian Lari)

*These loans are collateralized by combination of different kinds of collateral: real estate, vehicles, inventories, equipment, finished products and guarantees.

As at December 31, 2024 and 2023 significant amount of customers (99% of total loans to customers) is granted to companies operating in Georgia.

Analysis by credit quality of individually significant and non-significant loans to customers outstanding as at December 31, 2024 and 2023was as follows:

As at December 31, 2024	Gross loans	Allowance for ECL	Net loans	ECL to gross loans
Collectively assessed				
Not past due	620,583	(4,406)	616,177	0.71%
Overdue:	-	-	-	
up to 30 days	21,264	(649)	20,615	3.05%
31 to 60 days	3,884	(470)	3,414	12.10%
61 to 90 days	2,457	(402)	2,055	16.36%
91 to 180 days	2,155	(341)	1,814	15.82%
over 180 days	10,590	(3,287)	7,303	31.04%
Total collectively assessed loans	**660,933**	**(9,555)**	**651,378**	**1.45%**
Individually significant				
Not past due	51,814	(3,464)	48,350	6.69%
Overdue:	-	-	-	0.00%
up to 30 days	26,905	(851)	26,054	3.16%
31 to 60 days	329	-	329	0.00%
61 to 90 days	9,590	(94)	9,496	0.98%
91 to 180 days	5,752	(174)	5,578	3.03%
over 180 days	18,205	(3,255)	14,950	17.88%
Total individually assessed loans	**112,595**	**(7,838)**	**104,757**	**6.96%**
Total loans to customers	**773,528**	**(17,393)**	**756,135**	**2.25%**

As at December 31, 2023	Gross loans	Allowance for ECL	Net loans	ECL to gross loans
Collectively assessed				
Not past due	573,091	(6,457)	566,634	1.13%
Overdue:				
up to 30 days	29,279	(1,282)	27,997	4.38%
31 to 60 days	3,721	(473)	3,248	12.71%
61 to 90 days	2,298	(224)	2,074	9.75%
91 to 180 days	1,865	(378)	1,487	20.27%
over 180 days	9,590	(2,916)	6,674	30.41%
Total collectively assessed loans	**619,844**	**(11,730)**	**608,114**	**1.89%**
Individually significant				
Not past due	55,244	(2,994)	52,250	5.42%
Overdue:				
up to 30 days	14,517	(757)	13,760	5.21%
31 to 60 days	15,730	(207)	15,523	1.32%
61 to 90 days	1,786	-	1,786	0.00%
91 to 180 days	1,115	-	1,115	0.00%
over 180 days	15,517	(3,791)	11,726	24.43%
Total individually assessed loans	**103,909**	**(7,749)**	**96,160**	**7.46%**
Total loans to customers	**723,753**	**(19,479)**	**704,274**	**2.69%**

(in thousands of Georgian Lari)

During 2024 and 2023 the Bank received non-financial asset by taking possession of collateral it held as security for loans. The amount of repossessed assets received during 2024 and 2023 is 1,554 thousand and 5,518 thousand, respectively. As at December 31, 2024 and 2023 the carrying value of the asset included in other assets as repossessed assets was GEL 12,957 thousand and GEL 14,043 thousand, respectively.

Allocation of loans to customers to expected credit loss by stages as at December 31, 2024 and December 31, 2023 are as following:

	December 31, 2024			December 31, 2023		
	Gross loans	**Allowance for ECL**	**Net loans**	**Gross loans**	**Allowance for ECL**	**Net loans**
Stage 1- 12 month ECL*	641,608	(3,119)	**638,489**	597,709	(5,466)	592,243
Stage 2 - Lifetime ECL – not credit- impaired:						
Individually assessed	39,232	(1,223)	**38,009**	46,600	(990)	45,610
Collectively assessed	10,090	(986)	**9,104**	9,937	(778)	9,159
	49,322	(2,209)	**47,113**	56,537	(1,768)	**54,769**
Stage 3 - Lifetime ECL – credit-impaired:						
Individually assessed	58,698	(6,616)	**52,082**	44,526	(6,467)	38,059
Collectively assessed	23,900	(5,449)	**18,451**	24,981	(5,778)	19,203
	82,598	(12,065)	**70,533**	69,508	(12,246)	**57,262**
Total loans to customers	**773,528**	**(17,393)**	**756,135**	**723,753**	**(19,479)**	**704,274**

*Stage 1 loans also include Three individually assessed groups with total net amount GEL 14,664 thousand and four individually assessed group with total net amount GEL 12,783 thousand as at 31 December 2024 and 2023, respectively.

10. Investments in debt instruments measured at amortised cost

Investments in debt instruments measured at amortised cost comprise:

	December 31, 2024		December 31, 2023	
	Nominal annual interest rate	**Amount**	**Nominal annual interest rate**	**Amount**
T-notes	9.37%-10.5%	12,141	9.37%-11.6%	17,354
Less: allowance for expected credit losses		(7)		(16)
Total investments in debt instruments		**12,134**		**17,338**

As at December 31, 2024 and 2023 interest accrued on investments in debt instruments represents GEL 496 thousand and GEL 728 thousand, respectively.

Investments in debt instruments are non-past due financial assets as at December 31, 2024 and 2023. The allowance for expected credit losses as at December 31, 2024 and 2023 was estimated based on counterparty ratings determined by the international rating agencies.

According to Fitch, country rating for Georgia stands at BB with Negative Outlook.

According to Fitch the rating is supported by Georgia's strong governance and economic development indicators relative to the 'BB' medians, its credible macroeconomic and fiscal policy framework (notwithstanding policy changes that have raised concerns about institutional independence and effectiveness), moderate level of public debt, and sound banking sector.

(in thousands of Georgian Lari)

11. Property and equipment

Property and equipment comprise:

	Buildings and other real estate	Computers and communication equipment	Vehicles	Furniture and fixture	Other	Leasehold improvements	Right of use assets	Total
At cost / revalued amount								
January 1, 2023	**10,626**	**5,938**	**669**	**1,313**	**1,264**	**627**	**4,055**	**24,492**
Additions	-	1,445	-	90	15	-	-	**1,550**
Disposals	-	-	(127)	-	(4)	-	-	**(131)**
Write off	-	-	-	-	-	-	(567)	**(567)**
31-Dec-23	**10,626**	**7,383**	**542**	**1,403**	**1,274**	**627**	**3,488**	**25,343**
Additions	-	387		60	126	97	1,484	**2,154**
Write off	-	-	-	-	-	(221)	(1,482)	**(1,703)**
Revaluation	276	-	-	-	-	--	-	**276**
Eliminated on revaluation	(338)	-	-	-	-	-	-	**(338)**
31-Dec-24	**10,564**	**7,770**	**542**	**1,463**	**1,400**	**503**	**3,490**	**25,732**
Accumulated depreciation and impairment								
January 1, 2023	**27**	**3,115**	**368**	**1,006**	**1,025**	**411**	**1,769**	**7,721**
Charge for the year	162	677	51	95	99	139	809	**2,032**
Eliminated on disposals	-	-	(116)	-	(4)	-	(567)	**(687)**
31-Dec-23	**189**	**3,792**	**303**	**1,101**	**1,120**	**550**	**2,011**	**9,066**
Charge for the year	163	829	51	86	68	75	896	**2,168**
Eliminated on revaluation	(338)	-	-	-	-	-	-	**(338)**
Eliminated on disposals	-	-	-	-	-	(221)	(1,482)	**(1,703)**
31-Dec-24	**14**	**4,621**	**354**	**1,187**	**1,188**	**404**	**1,425**	**9,193**
Net book value								
As at December 31, 2023	**10,437**	**3,591**	**239**	**302**	**154**	**77**	**1,477**	**16,277**
As at December 31, 2024	**10,550**	**3,149**	**188**	**276**	**212**	**99**	**2,065**	**16,539**

(in thousands of Georgian Lari)

Rights-of-use assets represent the leases of items related to the building and other real estate group.

As at December 31, 2024 and 2023 the Bank did not have any pledged property and equipment.

As at December 31, 2024 and 2023 included in property and equipment were fully depreciated assets totaling GEL 4,268 thousand and GEL 3,718 thousand, respectively.

The Bank's buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The buildings were revalued to market value on December 1, 2024.

The valuation was carried out by an independent firm of valuators which holds a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. In the process of comparison, they have used three comparative analogues (registered sale and/or offer for sale), in which prices were applied adjustments based on the difference between subject assets and analogues. Most of the assets have been estimated by using the market approach/method due to the market situation, namely by existence of a sufficient number of registered sales and proposals by the date of valuation.

Details of the Bank's buildings and information about the fair value hierarchy as at December 31, 2024 were as follows:

	Valuation technique	Unobservable inputs	Fair value hierarchy	Fair value as at December 31, 2024
Buildings in following region:				
- Tbilisi - Shartava street				6,297
- Tbilisi - Kostava street	Sales			2,382
- Batumi - Gorgasali street	comparison	Price per		1,354
- Tbilisi - Gamsakhurdia street	approach	square meter	Level 3	531
Total				**10,564**

Head the Bank's buildings been measured on a historical cost basis, their carrying amount would have been GEL 8,057 thousand and GEL 8,223 thousand as at December 31, 2024 and December 31, 2023, respectively.

(in thousands of Georgian Lari)

12. Other assets

Other assets comprise:

	December 31, 2024	December 31, 2023
Other financial assets		
*Settlements on foreign exchange operations	4,464	1,785
Accounts receivable	733	532
Receivables from preferred shares	-	30,000
Receivables from debt securities issued	-	-
Less: allowance for expected credit losses	(275)	(288)
Accounts receivable, net	**4,922**	**32,029**
Financial assets at fair value through proft and loss (Note 18)	1,168	196
Total financial assets	**6,090**	**32,225**
Other non-financial assets		
Repossessed assets	12,957	14,043
Prepayments for property and equipment	72	167
Prepaid expenses	1,616	668
Tax settlements, other than income tax	115	448
Other	282	309
Total non-financial assets	**15,042**	**15,635**
Total other assets	**21,132**	**47,860**

* Represents receivables from Spot exchange deals with resident commercial banks, which are gross settled in subsequent period, more specifically in two business days.

13. Due to financial institutions

Due to financial institutions comprise:

	Currency	Maturity Year	Nominal /Weighted average effective rate 2024	December 31, 2024	Nominal /Weighted average effective rate 2023	December 31, 2023
Loans from the Parent	EUR/USD	2025-2028	5.16%	367,141	4.78%	420,889
Deposits by the Parent	USD	2025-2025	5.53%	14,153		-
Loro accounts by resident commercial banks	EUR/USD		0%	4	5.77%	9,879
Total due to financial institutions				**381,298**		**430,768**

As at December 31, 2024 and 2023 due to financial institutions included accrued interest in the amount of GEL 18,344 thousand and GEL 12,794 thousand, respectively. As at December 31, 2024 and 2023 due to financial institutions totaling GEL 381,294 thousand and GEL 420,889 thousand (100% and 97.7%), respectively, were due to 1 Bank (the Parent), which represents a significant concentration.

(in thousands of Georgian Lari)

Reconciliation of changes arising from Loans and deposits from the Parent during 2024 and 2023 are presented below:

	January 1, 2024	Receipt of principal	Repayment of principal	Interest accrual during the year	Interest paid during the year	Foreign exchange loss during the year	December 31, 2024
Loans from the Parent	420,889	248,119	(311,742)	18,184	(13,172)	4,863	367,141
Deposits by the Parent	-	56,549	(42,515)	2,199	(1,731)	(349)	14,153

	January 1, 2023	Receipt of principal	Repayment of principal	Interest accrual during the year	Interest paid during the year	Foreign exchange loss during the year	December 31, 2023
Loans from the Parent	359,319	355,659	(307,957)	14,127	(8,786)	8,527	420,889
Deposits by the Parent	68,296	124,437	(191,672)	483	(1,235)	(309)	-

14. Deposits by customers

Deposits by customers comprise:

	December 31, 2024	December 31, 2023
Term deposits	161,096	90,025
Repayable on demand	73,737	103,030
Total deposits by customers	**234,833**	**193,055**

As at December 31, 2024 and 2023 deposits by customers included accrued interest in the amount of GEL 3,078 thousand and GEL 4,170 thousand, respectively.

As at December 31, 2024 and 2023 deposits by customers totaling GEL 105,364 thousand and GEL 83,371 thousand (44.87% and 43.19% of total deposits by customers), respectively were due to 10 customers, which represents a significant concentration.

As at December 31, 2024 and 2023 deposits by customers totaling GEL 4,562 thousand GEL, respectively were held as security against guarantees issued by the Bank.
As at December 31, 2024 and 2023 deposits by customers totaling GEL 13,697 thousand GEL, respectively, were pledged as security for loans to customers.

	December 31, 2024	December 31, 2023
Analysis by industries:		
Trade and service	97,360	99,684
Individuals	89,906	65,356
State and public organisations	26,660	12,056
Transportation and communication	6,515	6,209
Construction	5,851	3,524
Energy	4	18
Other	8,537	6,208
Total deposits by customers	**234,833**	**193,055**

(in thousands of Georgian Lari)

15. Debt securities issued

	December 31, 2024	December 31, 2023
Debt securities issued	5,050	5,062
Total debt securities issued	**5,050**	**5,062**

On 25 May 2022, the three-year bonds of Halyk Bank Georgia were listed on the Astana International Exchange (AIX) for daily trading. The bonds, which have a coupon rate of 4%, were issued at a discount. From the first tranche, 92 bonds were sold in total (nominal amount USD 9,200,000). In November 2023, bondholders requested the early redemption of 73 bonds, and by the end of 2023, the bank had retained 19 bonds for investors. In May 2024, one bondholder requested the early redemption of a bond, and by the end of the 2024, Bank had remaining quantity of 18 bonds in issue held by investors.

16. Lease Liability

The Bank leases several building areas for its operating branches. The average lease term is 5 years.

Reconciliation of changes arising from lease operations are presented below:

Lease Liabilities	January 1, Recognition of lease liability	Addition during the year	Interest accrual during the year	Repayments of Lease during the year	Foreign exchange gain/loss during the year	December 31
2024	1,473	1,484	112	(1,022)	137	2,184
2023	2,252	-	99	(958)	80	1,473

Amounts related to the lease operations recognised in profit and loss are the following:

	December 31, 2024	December 31, 2023
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	896	809
Interest expense on lease liabilities	112	80
Expense related to short-term and low-value assets	111	114

Maturity analysis of lease liabilities are presented in Note 28.

(in thousands of Georgian Lari)

17. Subordinated debt

Subordinated debt comprises:

	Currency	Maturity date year	Nominal/Weighted average effective rate	December 31, 2024	December 31, 2023
JSC Halyk Bank Kazakhstan	USD	2028	4.5%	28,142	26,965
Total subordinated debt				**28,142**	**26,965**

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinated to the repayments of the Bank's liabilities to all other creditors.

As at December 31, 2024 and 2023 subordinated debt included accrued interest in the amount of GEL 74 and GEL 71 thousand, respectively.

Movement of subordinated debt for the year ended December 31, 2024 and 2023 was as follows:

	January 1	Interest accrual during the year	Interest paid during the year	Foreign exchange gain/(loss) during the year	December 31
2024	26,965	1,245	(1,241)	1,173	28,142
2023	27,091	1,199	(1,196)	(129)	26,965

18. Other liabilities

Other liabilities comprise:

	December 31, 2024	December 31, 2023
Other financial liabilities:		
Settlement of foreign exchange operations	4,447	-
Provision for employee benefits	3,173	2,892
Accounts payable	1,423	1,337
Total other financial liabilities	**9,043**	**4,229**
Financial liabilities at fair value through profit and loss	78	-
Total financial Liabilities	**9,121**	**4,229**
Other non-financial liabilities:		
Taxes payable, other than income tax	1	332
Total other liabilities	**9,122**	**4,561**

Financial liabilities through profit and loss represents foreign currency swap contracts. Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts.

In a foreign currency swaps, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are gross-settled.

The table below summarizes the undiscounted contractual amounts outstanding at December 31, 2024 and 2023 with remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts are recognized in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

(in thousands of Georgian Lari)

	Notional amount	
	December 31, 2024	**December 31, 2023**
Sell USD buy GEL		
Less than 3 months	2,807	24,742
	2,807	**24,742**

	Notional amount	
	December 31, 2024	**December 31, 2023**
Sell EUR buy GEL		
Less than months	14,653	-
Less than 3 months	11,722	-
Between 3 and 6 months	14,653	-
	41,048	-

19. Share capital

As at December 31, 2024 and 2023 the Bank's authorized and issued share capital consisted of 76,000 ordinary shares with par value of GEL 1,000 each. As at December 31, 2024 and 2023 the Bank's issued share capital was fully paid.

In August 2023, the bank issued 37,500 preferred shares with a nominal value of GEL 1,600 each. As at December 31, 2024 and 2023 the Bank's issued preferred shares was fully paid.

In May 2024, the bank distributed dividends on its preferred shares. The total dividend amount for 2024 was GEL 1,000.

20. Net interest income before impairment losses

	2024	**2023**
Interest revenue calculated using the effective interest rate method:		
Loans to customers	67,182	56,722
Investments in debt instruments	1,236	1,752
Cash and cash equivalents	3,593	6,464
Mandatory cash balance with the NBG	273	588
	72,284	**65,526**
Other interest income:		
Penalty income	3,450	3,254
Other	591	367
Total other income	**4,041**	**3,621**
Total interest income	**76,325**	**69,147**
Interest expense calculated using the effective interest rate method:		
Deposits by customers	(11,629)	(12,098)
Due to financial institutions	(20,383)	(14,624)
Debt securities issued	(249)	(1,368)
Subordinated debt	(1,245)	(1,199)
	(33,506)	**(29,289)**
Other interest Expense:		
Lease liability	(112)	(99)
Total interest expense	**(33,618)**	**(29,388)**
Net interest income	**42,707**	**39,759**

(in thousands of Georgian Lari)

The total interest income calculated using the EIR method for financial assets measured at amortized cost is GEL 72,283 thousand during the year 2024 (year 2023: GEL 65,526 thousand). The total interest expense calculated using the EIR method for financial liabilities measured at amortized cost is GEL 33,618 thousand during the year 2024 (year 2023: GEL 29,388 thousand).

21. Impairment losses on interest bearing and non-interest-bearing assets / Provision for other operations.

The movements in allowance for expected credit losses on interest bearing assets for the year ended December 31, 2024 and 2023 were as follows:

	Cash and cash equivalents	Mandatory cash balances with the NBG	Due from financial institutions	Loans to Customers	Investments in debt instruments	Total
January 1, 2023	**8**	**1**	**1**	**18,137**	**18**	**18,165**
Impairment losses/(recovery of impairment losses)	(7)	-	23	390	(2)	404
Interest income correction	-	-	-	952	-	952
December 31, 2023	**1**	**1**	**24**	**19,479**	**16**	**19,521**
Impairment losses/(recovery of impairment losses)	-	-	(24)	(2,751)	(9)	(2,784)
Interest income correction	-	-	-	665	-	665
December 31, 2024	**1**	**1**	**-**	**17,393**	**7**	**17,402**

The movements in allowance for expected credit losses on non-interest-bearing assets for the year ended December 31, 2024, and 2023 were as follows:

	Other financial assets
January 1, 2023	**283**
Allowance for credit losses	5
Write off	-
December 31, 2023	**288**
Allowance for credit losses	36
Write off	(48)
December 31, 2024	**276**

Provision for other operations represents the provision against loan commitments and guarantees issued. The movements in the provisions were as follows:

	Guarantees and loan commitments
January 1, 2023	**191**
Provision	163
December 31, 2023	**354**
Provision	(200)
December 31, 2024	**154**

(in thousands of Georgian Lari)

22. Fee and commission income and expense

Fee and commission income and expense comprise:

	2024	2023
Fee and commission income:		
Plastic card operations	1,433	1,555
Settlements	550	523
Cash operations	243	228
Other	93	61
Total fee and commission income	**2,319**	**2,367**
Fee and commission expense:		
Plastic card operations	(2,135)	(2,173)
Settlements	(406)	(209)
Cash operations	(24)	(36)
Other fee expense	(43)	(167)
Total fee and commission expense	**(2,608)**	**(2,585)**
Net fee and and commission expense	**(289)**	**(218)**

For the years ended December 31, 2024 and 2023 fee and commission income and expense included service fees for Plastic Cards operations.

23. Net gain on foreign exchange operations

Net gain on foreign exchange operations comprise:

	2024	2023
Dealing, net	3,024	6,946
Translation differences, net	140	(58)
Net gain/(loss) on foreign exchange operations	**3,164**	**6,888**

(in thousands of Georgian Lari)

24. Operating expenses

Operating expenses comprise:

	2024	2023
Staff costs	15,626	14,055
Depreciation and amortization	2,869	2,752
IT services	1,459	1,203
Advertising costs	1,247	918
Professional services	541	630
Taxes, other than income tax	399	380
Communications	304	234
Utilities	245	230
Card operations and settlement expenses	193	194
Insurance expense	190	120
Property and equipment maintenance	183	104
Office supplies	176	166
Representative expenses	168	399
Expenses related to short-term and low-value assets	111	114
Security expenses	82	70
Business trip expenses	59	65
Other expenses	1,585	1,327
Total operating expenses	**25,437**	**22,961**

The auditor's remuneration for the audit of the Bank's financial statements for 2024 is GEL 264 thousand (2023: GEL 236 thousand).

The following table presents average number of employees in 2024 and 2023:

	2024	2023
Top management	8	8
Middle management	35	33
Other permanent staff	279	264
Temporary staff	-	-
Total	**322**	**305**

25. Income taxes

The Bank measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of Georgia, which differs from IFRS.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2024 and 2023 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for the certain assets.

From 2023 statutory tax rate of corporate taxation changed from 15% to 20%. In addition, National Bank of Georgia adopted Transition of commercial banks' supervisory reports to International Financial Reporting Standards (IFRS).

(in thousands of Georgian Lari)

Deferred tax liabilities as at December 31, 2024 and 2023 comprise:

	Deferred tax assets/(liabilities) as at December 31, 2023	Deferred Tax expense recognized in profit and loss	Deferred tax liability increase due to change in tax legislation	Deferred tax liability increase due to change in tax Rate	Net Deferred tax assets/(liabilities) as at December 31, 2024
Other assets	172	463	-	-	635
Provisions for other operations	578	(433)	-	-	146
Lease liabilities	295	(32)	-	-	262
Other liabilities	255	182	-	-	437
Property and equipment and intangible assets	(1,630)	(186)	-	-	(1,816)
Loans to customers	-	-	-	-	-
Net deferred tax liability	**(330)**	**(6)**	**-**	**-**	**(336)**

	Net Deferred tax assets/(liabilities) as at December 31, 2022	Deferred Tax expense recognized in profit and loss	Deferred tax liability decrease due to change in tax legislation	Deferred tax liability increase due to change in tax Rate	Net Deferred tax assets/(liabilities) as at December 31, 2023
Other assets	446	(274)	-	-	172
Provisions for other operations	484	94	-	-	578
Lease liabilities	450	(155)	-	-	295
Other liabilities	133	122	-	-	255
Property and equipment and intangible assets	(1,727)	97	-	-	(1,630)
Loans to customers	(3,317)	-	3,317	-	-
Net deferred tax liability	**(3,531)**	**(116)**	**3,317**	**-**	**(330)**

The effective tax rate reconciliation is as follows for the years ended December 31, 2024 and 2023:

	2024	**2023**
Profit before income tax	**25,142**	**24,073**
Tax at the statutory tax rate (20%)	5,028	4,815
Deferred tax liability increase due to change in tax legislation	(30)	-
Utilization of prior year losses	-	-
Tax effect of permanent differences	(357)	(983)
Income tax expense	**4,641**	**3,832**
Current year tax expense	4,720	3,716
Deferred tax liability decrease due to change in tax legislation	(30)	-
Deferred tax expense recognised in the current year	(49)	116
Income tax expense	**4,641**	**3,832**

(in thousands of Georgian Lari)

26. Commitments and contingencies

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Bank's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. Provision for losses on contingent liabilities totaled GEL 154 thousand and 354 as at December 31, 2024 and 2023, respectively.

As at December 31, 2024 and 2023 contingent liabilities comprise:

	December 31, 2024	December 31, 2023
Contingent liabilities and credit commitments		
Unused credit lines	46,667	27,683
Guarantees issued and similar commitments	24,624	15,377
Total contingent liabilities and credit commitments	**71,291**	**43,060**

Extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on the borrowers' financial performance, debt service and other conditions.

Capital commitments

No material capital commitments were outstanding as at December 31, 2024 and 2023.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxation

Commercial legislation of Georgia, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Bank's business activities, was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest.

Georgian transfer pricing legislation was amended starting from January 1, 2014 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. The impact of challenge of the Bank's transfer pricing positions by the tax authorities cannot be reliably estimated.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally, such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Bank believes that it has accrued all tax amounts due and therefore no allowance has been made in the financial statements.

Last tax inspection took place in August 2018, thus the open period for tax inspection is 2022-2024.

Operating environment

Emerging markets such as Georgia are subject to different risks than more developed markets; these include economic, political and social, and 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.

For the last two years, Georgia has experienced a number of legislative changes, which have been largely related to Georgia's accession plan to the European Union. Whilst the legislative changes implemented during 2024 and 2023 paved the way, more can be expected as Georgia's action plan for achieving accession to the European Union continues to develop.

27. Fair value of financial instruments

IFRS defines fair value as 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.

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. Investments in equity instruments are measured at fair value and categorized into Level 3.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

For financial assets and liabilities that have a short-term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and current accounts without a maturity.

Cash and cash equivalents, mandatory reserves with the NBG, due from financial institutions, due to financial institutions and deposits by customers

For cash and cash equivalents, mandatory reserves with the NBG, due from financial institutions, due to financial institutions and deposits by customers fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.

Loans to customers - Loans to individual customers are made both at variable and at fixed rates. As there is no active secondary market in Georgia for such loans and advances, there is no reliable market value available for this portfolio. Fixed rate – Certain of the loans secured are at a fixed rate.

(in thousands of Georgian Lari)

Fair value has been estimated by reference to the market rates available at the balance sheet date for similar loans of maturity equal to the remaining fixed period.

Investments in debt instruments - The estimated fair value of fixed interest rate debt instruments is based on estimated future cash flows expected to be received discounted at current interest rates of new instruments with similar credit risk and remaining maturity. Discount rates depend on currency, maturity of the instrument and credit risk of the counterparty.

Subordinated debt - The fair values of subordinated debt is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions for similar instruments.

Other financial assets and liabilities - Other financial assets and liabilities are mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be a reasonable estimate of their fair value.

Debt securities issued - The fair values of debt securities was estimated as the present value of estimated future cashflows, discounted at the year-end market rates.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the statement of financial position of the Bank is presented below:

	Fair value hierarchy	December 31, 2024		December 31, 2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Loans to customers	Level 3	756,135	763,467	704,274	717,629
Investments in debt securities	Level 2	12,134	12,279	17,338	17,759
Due from financial institutions	Level 2	865	865	14,805	14,805
Due to financial institutions	Level 3	381,298	379,293	430,768	425,320
Deposits by customers	Level 3	234,833	239,187	193,055	193,056
Debt securities issued	Level 2	5,050	5,054	5,062	5,133
Subordinated debt	Level 3	28,142	28,140	26,965	26,963

Fair value of the Bank's financial assets and financial liabilities measured at fair value on a recurring basis

Derivative financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

(in thousands of Georgian Lari)

	Fair value as at					
	December 31, 2024	**December 31, 2023**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Financial assets at fair value through profit or loss	1,168	196	Level 2	Future cash flows are estimated based on sawp exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates.	N/A	N/A
Financial liability at fair value through profit or loss	78	-	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates.	N/A	N/A

The Bank uses widely recognised valuation models for determining the fair value of derivative financial instruments, like foreign exchange forward contracts and currency swaps that use only observable market data and require less management judgment and estimation.

Fair value of the Bank's Property, plant and equipment measured at fair value on a recurring basis

See Note 11 for information about the Bank's fair value hierarchy of buildings as at December 31, 2024 were as follows.

28. Risk management policies

Management of risk is fundamental to the Bank's business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk

The Bank recognises that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework with the main purpose to protect the Bank from risk and allow it to achieve its performance objectives. Through the risk management framework, the Bank manages the following risks:

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority. These processes are performed by the Bank's Management Board. The Risk Management divisions play an important role in managing and controlling the credit risk. These divisions are responsible for the credit risks identification and evaluation, implementation of the control and monitoring measures. The Risk Management divisions directly participate in the credit decision-making processes and consideration of internal rules, regulations and loan programs. Along with that, the divisions provide independent recommendations concerning credit exposure minimization measures, control and monitor credit risks, provide relevant reporting to the management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures. The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or a group of borrowers, and to industry segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (ALMC). Limits on credit risk exposure with respect to credit programs (Small and medium enterprises (SME) and retail) are approved by the Management Board. The exposure to any one borrower, covers on and off-balance sheet exposures which are reviewed by the Credit Committees and ALMC. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of guarantees issued, the Bank obtains collateral and corporate and personal guarantee.

Commitments to extend credit represent guarantees or letter of credit. The credit risk on off-balance sheet financial instruments is defined as the probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to the credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The Bank uses automated tool Risk Rate for the corporate borrowers that includes two possible approaches to internal rating models: Fundamental Analysis and Scorecard. Both approaches support sophisticated analysis of ratios and financial metrics.

The primary difference between these two approaches is the way the system calculates and scores the inputs of the model. While the methodologies of these approaches differ, they are both based on the same technology platform. Additionally, each internal rating model, no matter the approach used,

produces a borrower rating. The Internal Rating Model Author supports the creation and customization of internal rating models using both approaches.
Additionally, the Bank uses another internal scorecard system for the assessment of SME borrowers. The scorecard is based on statistical information of borrowers' financial data as well as qualitative characteristics. As a result internal scorecard system provides the borrowers' internal rating.

Upon disbursement of a loan, an exposure score is assigned based on the predetermined criteria, which is later reflected in grades.

Ratings upon disbursement of a loan is summarized in the below table:

<table>
<tr><th>Ratings</th><th>Description</th></tr>
<tr><td>1</td><td rowspan="7">High quality loan, low risk. The loan meets the highest requirements. Client's capacity for payment is very strong. The activity is practically not subjected to external negative influencing factors.
Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.</td></tr>
<tr><td>2+</td></tr>
<tr><td>2</td></tr>
<tr><td>3+</td></tr>
<tr><td>3</td></tr>
<tr><td>3+</td></tr>
<tr><td>3</td></tr>
<tr><td>3-</td><td rowspan="4">Satisfactory loan quality, low risk. The loan meets most of the requirements. Capacity for payment is strong. Weak dependence on external economic factors.
Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.</td></tr>
<tr><td>4+</td></tr>
<tr><td>4</td></tr>
<tr><td>4-</td></tr>
<tr><td>5+</td><td rowspan="3">Relatively small vulnerability in the short term, however, higher sensitivity to the effects of adverse changes in business, financial and economic spheres.
Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.</td></tr>
<tr><td>5</td></tr>
<tr><td>5-</td></tr>
<tr><td>6+</td><td rowspan="3">High vulnerability in adverse business, financial and economic conditions, although at present there is the possibility of meeting financial obligations.
Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.</td></tr>
<tr><td>6</td></tr>
<tr><td>6-</td></tr>
<tr><td>7+</td><td rowspan="3">High risk of default (high, at the moment, exposure to credit risks); financial obligations can be met in the presence of favorable business, financial and economic conditions.
Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.</td></tr>
<tr><td>7</td></tr>
<tr><td>7-</td></tr>
<tr><td>8</td><td></td></tr>
</table>

9	Very high risk of default. Customer solvency is low. Customer activity is completely dependent on external factors. Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.
10	

*loans without rating: amount below USD 100,000, cash cover loans, retail loans.

Rating changes

Changes in grades depend on a number of quantitative and qualitative indicators such as: financial covenants, quality of financial information, competitive position in the market, influence of suppliers / buyers, influence of the owner, quality of management, risk of adverse events, etc.

Credit risk measurement methodology

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

In accordance with the IFRS 9 the Bank uses a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (like Stage 3).

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Due from financial institutions;
- Loans and advances to customers;
- Investment in debt securities;
- Other receivables;

- Loan commitments issued; and
- Financial guarantee contracts issued.
- Interbank deposits and corresponding accounts.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

For undrawn loan commitments and financial guarantee contracts, ECL is measured based on Credit Conversion Factor of 30.1% for undrawn loan commitments and 100% for financial guarantees as at December 31, 2024. That is comparable to 36.1% for undrawn loan commitments and 100% for financial guarantees as at December 31, 2023.

Due from financial institutions, interbank deposits and corresponding accounts, investment in debt securities are subject to impairment based on 12-months ECL. The estimates of probability default and loss given default for clients are derived from credit rating information supplied by international rating agencies.

Allowance for expected credit losses on other receivables is estimated based on ECL rates of collective approach of impairment.

Loans to customers

To assess credit risk of exposures to the borrowers the Bank has developed methodology in accordance with IFRS 9.

The Bank measures expected credit losses on an individual basis, or on a collective basis for portfolios of loans, that share similar credit risk characteristics.

Individually significant exposures are considered borrowers/group of related borrowers which exposure exceeds 1% of Tier 1 capital. Besides, they should have the signs of significant increase in credit risk. To determine whether exposure has indicators of significant increase in credit risk or impairment loss event has been incurred, information about the borrowers' liquidity, solvency and business and financial risk exposures, overdue, restructuring, credit ratings and the fair value of collaterals are analysed.

ECLs on individually significant exposures with the signs of significant increase in credit risk are measured on an individual basis, however for defaulted borrower or group of borrowers the exposure threshold for individual assessment is 0.5% of Tier 1 capital. ECLs on individually significant exposures without signs of significant increase in credit risk are measured on a collective basis or on a individual basis.

Measurement of ECL on an individual basis

For individually assessed loans, ECLs are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the bank expects to receive arising from the weighting of multiple future economic scenarios, discounted using effective interest rate. Besides, the realization of assets held as collateral against the loans are taking into account. The Bank generally assesses liquidation value of the collaterals considering 2.5 years as a time to collect period and application of 10% expenses for asset liquidation. Liquidation value used in calculation is at least 20% less than market value of collateral. The general approach is overridden individually if other circumstances demonstrate that generic time to collect period and valuation haircut is not reasonable.

Measurement of ECL on a collective basis

The key inputs into the measurement of ECL are the term structure of the following variables:

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

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Collective assessment is performed on a borrower level rather than contract level.

Segmentation

Collectively assessed loans are grouped together according to their credit risk characteristics. Such characteristics are:

- Segment
- Sector
- Collateralization
- Currency

Portfolio subject to collective assessment of ECL is divided into by sectors: Trade, construction and real estate management, other business sectors, by product: Collateralized Retail and Non-collateralised Retail and by currency too (GEL and Foreign currency, exceptions are construction and real estate management, also Non-collateralised Retail, that were not segmented by currency). In total 8 segments.

Each segment was further pooled into 5 groups sharing similar credit risk features, such as overdue days and restructuring and, in some terms, credit rating, Debt service coverage ratio (DSCR) and Payment to Income (PTI) ratio and etc.

Due to the above segmentation rules, collectively assessed portfolio is grouped into 40 similar credit risk characteristics pools.

Definition of default

Critical to the determination is the definition of default. The definition of default is incorporated in measuring the amount of ECL. The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank
- The borrower is unlikely to pay its credit obligations to the Bank in full, its debts was written-off or sold with significant discount or borrower is considered as “problematic” or the borrower is under litigation process to be recognised as bankrupt.
- Active credit rating is 8, 9 or 10;
- For corporate and medium and small business DSCR < 1 and for retail segment PTI>70% if borrower’s income equal or exceeds 1500 GEL per month or PTI>55% if borrower’s income is less than 1500 GEL per month;
- Restructuring of credit obligations by decision of different credit committees might be considered as an event of default or in some circumstances as a sign of significantly increased credit risk depending on credit quality of credit obligation.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. The information assessed depends on the materiality of exposure too. Qualitative indicators, such as the grades by internal credit rating model, external information about possible deterioration of financial situation of borrower are significant inputs in the analysis and are also used for identification of loans for individual assessment of ECL if the borrower’s exposure is above materially significant threshold. Credit rating 8,9 or 10 or assigning the status of “problematic” to the borrower are also considered as Default.

Significant increase in credit risk

The Bank monitors financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, Bank considers both quantitative and qualitative information that is reasonable and supportable. Significant deterioration of credit rating of borrower leading to increase the PD by more than 10 p. p. with active internal rating 6- or worse or material decrease the price of collateral could be considered as the qualitative signs of significant increase in credit risks and are used for identification of loans for individual assessment of ECL if the borrowers exposure is above materially significant threshold.

When an asset becomes more than 30 days past due or restructured due to financial problems, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

To determine the PD rates for each group, the Bank utilizes migration matrices methodology, which employs statistical analyses of historical data and experience of delinquency and default to reliably estimate the amount of the loans that will eventually be defaulted as a result of the events occurring before the balance sheet date. Observation period for homogenous group was taken as 3 year from November 2021 to November 2024. During the observation period, the one-month migration matrices were generated and summed.

Migrations matrices are used to calculate 12-months probability of default (PD) for each group of collective assessment. Based on that, is calculated marginal PDs by future years until the maturity of portfolio is expired. For calculations of PDs, default was determined as 90 days overdue, restructuring in stage 3 and loans with the status "problematic".
To estimate Point in Time PDs the Bank incorporates of forward-looking information under different macro scenarios.

As at December 31, 2024, 10% increase/ (decrease) in average PD per each pool results in ECL increase/(decrease) by 7.3%/-7.6% that represents GEL 691/(717) thousand.

LGD model

Another component of impairment model is LGD (loss given default), that is an estimate of the loss arising on default. To measure it, outstanding exposures by segments is reduced by deposits pledged and the discounted liquidation value of real estate pledged using 2.5 years of time to collect period, 10% percent realization expenses and minimum 20% valuation haircut to market value of collateral. LGDs are calculated by segments rather than on client level.

As at December 31, 2024, 10% increase/ (decrease) in valuation haircut results in ECL increase/(decrease) by 2.2%/-2.2% that represents GEL 212/(207) thousand.
As at December 31, 2024, 10% increase/ (decrease) in time to collect period results in ECL increase/(decrease) by 5.15%/-5% that represents GEL 490/ (477) thousand.

EAD model

EAD represents the expected exposure in the event of default. The Bank derives the EAD from the current exposure to the counterparty, adjusted by the potential changes in case of moving in stage 3 (Default), that is 1.007 for stage 1 loans and 1.010 for stage 2 loans.

Incorporation of forward-looking information

The Bank uses forward-looking information in its measurement of ECL. The information used includes economic data and economic indicators prognoses published by monetary authorities. Three economic scenarios (baseline, pessimistic, optimistic) are used to adjust marginal probabilities of default. Weighting of these 3 different scenarios forms the basis of a weighted average probabilities of default that are used in calculations of ECL. 12-month ECL (stage 1 loans) is measured only with the twelve month PD. Lifetime ECL (stages 2 and 3 loans) is measured with all annual marginal PDs until the maturity of loan expires.

Macroeconomic indicators prognoses with different scenarios and their weights are published by National Bank of Georgia for IFRS 9 purposes. The base case scenario is the single most-likely outcome and its weighting in calculations is 50%. The weighting of pessimistic and optimistic scenarios are 25% for each.

(in thousands of Georgian Lari)

Using a statistical analysis of historical data, have estimated relationships between macro-economic variables and probabilities of default. Two macroeconomic indicators (GEL/USD exchange rate and real estate prices) are included in future economic scenarios for individual assessed loans. For collectively assessed portfolio the Bank estimated the impact of a series of key macro variables (GDP real growth rate, annual inflation rate, monetary police rate, GEL/USD exchange rate, NEER, Real estate prices, FED and ECB policy rates, unemployment rate, Georgia's sovereign risk premium) on probabilities of default and final ECL. Most of them with some exceptions like sovereign risk premiums correlated with the PDs of retail segment, real estate prices and monetary policy rates correlated with the PDs of construction and real estate management segment do not show statistically proved relation with probabilities of default.

The key macroeconomic indicators included in the economic scenarios used at 31 December 2024 for the years 2025 to 2027, for Georgia, are published by NBG. These indicators have a significant impact on ECL.

Predicted relationship between the economic indicators and default and loss rates on loan portfolios have been tested based on analyzing historical data over the past 8 years.

The Bank has performed sensitivity analysis on how ECL on the loan portfolios will change if the key assumptions used to calculate ECL change. The table below outlines the total ECL of collective assessment, if each of the key assumptions used change by 10%. The changes are applied in isolation for illustrative purposes and are applied to each probability weighted scenarios used to develop the estimate of expected credit losses.

	Change	Average PD	Average LGD	Impact on ECL (th. GEL)
	10%	7.9%	19.5%	90
country risk premium	-10%	7.7%	19.5%	(90)
	10%	7.8%	19.5%	15
monetary policy rates	-10%	7.8%	19.5%	(15)
	10%	7.8%	18.1%	(680)
Real Estate Prices	-10%	7.8%	26.6%	3,500

Calculation of ECL

When the marginal PDs and LGDs are determined for each group/segment, final calculations of loan loss allowance is made. It depends on risk characteristics of groups: 12 months ECL is calculated for Stage 1 groups (overdue less than 31 days) and lifetime ECLs for stage 2 or 3 groups (overdue more than 30 days or restructured loans by credit committees or other qualitative indicators). The results of LLP calculation on loan portfolio allows to derive the impairment rates for each of 40 group of collective assessment. These rates are used for formation of loan loss allowance until next recalculation of whole model. Recalculation of impairment model was done in December 2024 based on last available information.

Credit quality of loans to customers

The following tables provide information on the credit quality of loans to customers as at December 31, 2024 according to the internal credit risk grades:

(in thousands of Georgian Lari)

		12 month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	Total Lifetime ECL	Net exposure	ECL Rate
Corporate loans							.
5	4,734	(14)	-	-	(14)	4,720	0.30%
5-	42,761	(266)	-	-	(266)	42,495	0.62%
6+	89,130	(277)	-	-	(277)	88,853	0.31%
6	35,718	(27)	(507)	(71)	(605)	35,113	1.69%
6-	22,067	(21)	-	(247)	(268)	21,799	1.21%
7+	10,820	-	-	(654)	(654)	10,166	6.04%
7	3,554	-	-	-	-	3,554	0.00%
8	1,950	-	-	-	-	1,950	0.00%
10	6,092	-	-	(890)	(890)	5,202	14.61%
Not rated	3	1	-	-	1	4	33.33%
Total corporate loans	**216,829**	**(604)**	**(507)**	**(1,862)**	**(2,973)**	**213,856**	**1.37%**
5	3,513	(15)	-	-	(15)	3,498	0.43%
5-	7,232	(21)	(31)	-	(52)	7,180	0.72%
6+	37,513	(153)	(34)	-	(187)	37,326	0.50%
6	148,710	(536)	(39)	(494)	(1,069)	147,641	0.72%
6-	88,049	(394)	(716)	-	(1,110)	86,939	1.26%
7+	14,234	(10)	(147)	(1,070)	(1,227)	13,007	8.62%
7	1,960	-	(67)	-	(67)	1,893	3.42%
7-	4,559	(3)	(18)	-	(21)	4,538	0.46%
8	6,291	-	-	(515)	(515)	5,776	8.19%
9	1,364	-	(25)	(177)	(202)	1,162	14.81%
10	15,281	-	(3)	(2,853)	(2,856)	12,425	18.69%
Not rated	34,952	(148)	(94)	(399)	(641)	34,311	1.83%
Total SME loans	**363,658**	**(1,280)**	**(1,174)**	**(5,508)**	**(7,962)**	**355,696**	**2.19%**
Retail loans							
Not rated	193,041	(1,234)	(527)	(4,697)	(6,458)	186,583	**3.35%**
Total retail loans	**556,699**	**(2,514)**	**(1,701)**	**(10,205)**	**(14,420)**	**542,279**	**2.59%**
Total loans to customers	**773,528**	**(3,118)**	**(2,208)**	**(12,067)**	**(17,393)**	**756,135**	**2.25%**

(in thousands of Georgian Lari)

The following tables provide information on the credit quality of loans to customers as at December 31, 2023 according to the internal credit risk grades:

	Gross loans	Stage 1 12 month ECL	Stage 2 Lifetime ECL - not credit-impaired	Stage3 Lifetime ECL - credit-impaired	Total ECL	Net loans	ECL allowance to gross loans%
Corporate loans							
5	4,894	(50)	-	-	(50)	4,844	1.0%
5-	44,262	(523)	-	-	(523)	43,739	1.2%
6+	105,550	(614)	(548)	-	(1,162)	104,388	1.1%
6	23,350	(26)	-	(875)	(901)	22,449	3.9%
6-	23,520	(13)	(207)	-	(220)	23,300	0.9%
7+	3,967	-	-	-	-	3,967	0.0%
10	11,945	-	-	(1,688)	(1,688)	10,257	14.1%
Not rated	39,608	(99)	-	-	(99)	39,509	0.2%
Total corporate loans	**257,096**	**(1,325)**	**(755)**	**(2,563)**	**(4,643)**	**252,453**	**1.8%**
5	951	(2)	-	-	(2)	949	0.2%
5-	1,841	(10)	-	-	(10)	1,831	0.5%
6+	17,832	(114)	(5)	-	(119)	17,713	0.7%
6	118,872	(863)	(127)	-	(990)	117,882	0.8%
6-	105,565	(1,260)	(142)	(242)	(1,644)	103,921	1.6%
7+	9,037	(1)	(6)	(1,375)	(1,382)	7,655	15.3%
7	848	(1)	-	(173)	(174)	674	20.5%
7-	451	-	-	(70)	(70)	381	15.5%
8	5,888	-	-	(381)	(381)	5,507	6.5%
9	603	-	-	(162)	(162)	441	26.9%
10	8,965	-	-	(1,977)	(1,977)	6,988	22.1%
Not rated	35,208	(738)	(50)	(583)	(1,370)	33,837	3.9%
Total SME loans	**306,061**	**(2,989)**	**(330)**	**(4,963)**	**(8,281)**	**297,779**	**2.7%**
Retail loans							
Not rated	160,596	(1,153)	(683)	(4,719)	(6,555)	154,042	4.1%
Total retail loans	**160,596**	**(1,153)**	**(683)**	**(4,719)**	**(6,555)**	**154,042**	**4.1%**
Total loans to customers	**723,753**	**(5,467)**	**(1,768)**	**(12,245)**	**(19,479)**	**704,274**	**2.7%**

According to the rating methodology of the Bank, corporate and SME loans above include loans to individual entrepreneurs as well as legal entities. The Bank does not apply internal credit risks to retail loans that includes loans to individuals. Some of the loans to SMEs are the loans to the individual entrepreneurs.

Renegotiated loans to customers

Loans to customers are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Bank offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

(in thousands of Georgian Lari)

The table below shows the carrying amount of renegotiated financial assets:

Financial asset class	December 31, 2024	December 31, 2023
Loans to customers	75,378	67,505
Less: allowance for expected credit losses	(6,997)	(7,611)

With respect to undrawn loan commitments the Bank is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Stage movements in loans to customers

Movements in the gross carrying value and expected credit loss of the loans to customers for the year ended December 31, 2024 was as following:

	2024			
	Stage 1	Stage 2	Stage 3	
	12 month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL – credit-impaired	Total
Gross carrying amount as at January 1, 2024	**597,710**	**56,536**	**69,508**	**723,753**
Changes in the gross carrying amount:				
New loans originated	399,511	-	-	399,511
–Transfer from stage 2 to stage 1	9,176	(9,176)	-	-
–Transfer from stage 1 to stage 2	(11,323)	11,323	-	-
–Transfer from stage 2 to stage 3	-	(21,050)	21,050	-
–Transfer from stage 3 to stage 2	-	7,508	(7,508)	-
Loans repaid	(354,805)	3,685	(1,346)	(352,466)
Changes due to modifications that did not result in derecognition	(980)	41	98	(842)
Foreign exchange differences	2,319	457	795	3,571
Gross carrying amount as at December 31, 2024	**641,608**	**49,323**	**82,598**	**773,528**

	2024			
	Stage 1	Stage 2	Stage 3	
	12 month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL – credit-impaired	Total
Loss allowance as at 1 January 2024	**5,467**	**1,767**	**12,246**	**19,479**
Changes in the loss allowance:				
New loans originated	5,333			5,333
–Transfer from stage 2 to stage 1	252	(252)	-	-
–Transfer from stage 1 to stage 2	(402)	402	-	-
–Transfer from stage 2 to stage 3	-	(1,208)	1,208	-
–Transfer from stage 3 to stage 2		655	(655)	-
Increases due to change in credit risk	-	221	577	797
Changes due to modifications that did not result in derecognition	-	(114)	(488)	(602)
Loans repaid	(2,121)	(288)	(1,708)	(4,117)
Changes in risk parameters	(5,415)	1,021	203	(4,191)
Interest income correction	-	-	611	611
Foreign exchange differences	5	6	73	83
Loss allowance as at December 31, 2024	**3,119**	**2,208**	**12,066**	**17,393**

(in thousands of Georgian Lari)

Loans to legal entities, Gross	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL – credit-impaired	**Total**
Gross carrying amount as at January 1, 2024	**353,888**	**45,482**	**37,737**	**437,106**
Changes in the gross carrying amount:				-
New loans originated	245,076	-	-	245,076
–Transfer from stage 2 to stage 1	7,231	(7,231)		-
–Transfer from stage 1 to stage 2	(3,726)	3,726		-
–Transfer from stage 2 to stage 3		(13,470)	13,470	-
–Transfer from stage 3 to stage 2		4,620	(4,620)	-
Loans repaid	(247,426)	(3,913)	772	(250,567)
Changes due to modifications that did not result in derecognition	(404)	59	2	(342)
Foreign exchange differences	513	398	558	1,469
Gross carrying amount as at December 31, 2024	**355,152**	**29,672**	**47,919**	**432,742**

Loans to legal entities ECL	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL – credit-impaired	**Total**
Loss allowance as at 1 January 2024	**3,726**	**912**	**6,144**	**10,782**
Changes in the loss allowance:				
New loans originated	2,592			2,592
–Transfer from stage 2 to stage 1	16	(16)	-	-
–Transfer from stage 1 to stage 2	(329)	329	-	-
–Transfer from stage 2 to stage 3	-	(826)	826	-
–Transfer from stage 3 to stage 2		173	(173)	-
Increases due to change in credit risk	-	53	116	168
Changes due to modifications that did not result in derecognition	-	(13)	(124)	(137)
Loans repaid	(1,656)	(19)	(962)	(2,636)
Changes in risk parameters	(2,964)	673	(154)	(2,445)
Interest income correction	-	-	240	240
Foreign exchange differences	0	6	60	66
Loss allowance as at December 31, 2024	**1,385**	**1,273**	**5,973**	**8,631**

Consumer loans, Gross	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL – credit-impaired	**Total**
Gross carrying amount as at January 1, 2024	**152,981**	**6,802**	**18,062**	**177,845**
Changes in the gross carrying amount:				-
New loans originated	105,011	-	-	105,011
–Transfer from stage 2 to stage 1	1,125	(1,125)	-	-
–Transfer from stage 1 to stage 2	(3,987)	3,987	-	-
–Transfer from stage 2 to stage 3	-	(4,272)	4,272	-
–Transfer from stage 3 to stage 2	-	1,386	(1,386)	-
Loans repaid	(78,817)	8,225	(569)	(71,162)
Changes due to modifications that did not result in derecognition	(375)	(9)	65	(319)
Foreign exchange differences	848	9	180	1,038
Gross carrying amount as at December 31, 2024	**176,786**	**15,003**	**20,623**	**212,412**

(in thousands of Georgian Lari)

Consumer loans, ECL	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL – credit-impaired	**Total**
Loss allowance as at 1 January 2024	**1,075**	**484**	**4,348**	**5,907**
Changes in the loss allowance:				
New loans originated	2,090	-	-	2,090
–Transfer from stage 2 to stage 1	166	(166)	-	-
–Transfer from stage 1 to stage 2	(44)	44	-	-
–Transfer from stage 2 to stage 3	-	(241)	241	-
–Transfer from stage 3 to stage 2		278	(278)	-
Increases due to change in credit risk	-	126	377	502
Changes due to modifications that did not result in derecognition	-	(77)	(214)	(292)
Loans repaid	(327)	(107)	(487)	(920)
Changes in risk parameters	(1,812)	315	280	(1,216)
Interest income correction	-	-	283	283
Foreign exchange differences	2	-	7	8
Loss allowance as at December 31, 2024	**1,150**	**656**	**4,557**	**6,362**

Mortgage loans, Gross	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL – credit-impaired	**Total**
Gross carrying amount as at January 1, 2024	**90,840**	**4,252**	**13,710**	**108,802**
Changes in the gross carrying amount:				-
New loans originated	49,425	-	-	49,425
–Transfer from stage 2 to stage 1	820	(820)	-	-
–Transfer from stage 1 to stage 2	(3,610)	3,610	-	-
–Transfer from stage 2 to stage 3		(3,309)	3,309	-
–Transfer from stage 3 to stage 2		1,501	(1,501)	-
-Loans repaid	(28,562)	(627)	(1,548)	(30,737)
Changes due to modifications that did not result in derecognition	(202)	(10)	31	(180)
Foreign exchange differences	957	51	56	1,064
Gross carrying amount as at December 31, 2024	**109,669**	**4,648**	**14,056**	**128,374**

Mortgage loans, ECL	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL – credit-impaired	**Total**
Loss allowance as at 1 January ,2024	**666**	**371**	**1,754**	**2,791**
Changes in the loss allowance:				
New loans originated	650			650
–Transfer from stage 2 to stage 1	71	(71)	-	-
–Transfer from stage 1 to stage 2	(29)	29	-	-
–Transfer from stage 2 to stage 3	-	(141)	141	-
–Transfer from stage 3 to stage 2		204	(204)	-
Increases due to change in credit risk	-	43	84	127
Changes due to modifications that did not result in derecognition	-	(24)	(150)	(174)
Loans repaid	(138)	(163)	(259)	(561)
Changes in risk parameters	(639)	33	76	(529)
Interest income correction	-	-	88	88
Foreign exchange differences	3	(0)	7	9
Loss allowance as at December 31, 2024	**584**	**280**	**1,536**	**2,400**

(in thousands of Georgian Lari)

Movements in the gross carrying value and expected credit loss of the loans to customers for the year ended December 31, 2023 was as following:

	2023			
	Stage 1 12 month ECL	**Stage 2** Lifetime ECL - not credit-impaired	**Stage 3** Lifetime ECL – credit-impaired	**Total**
Gross carrying amount as at January 1, 2023	**509,170**	**69,425**	**81,933**	**660,528**
Changes in the gross carrying amount:				
New loans originated	335,381	-	-	335,381
–Transfer from stage 2 to stage 1	24,022	(24,022)	-	-
–Transfer from stage 1 to stage 2	(28,915)	28,915	-	-
–Transfer from stage 2 to stage 3	-	(14,688)	14,688	-
–Transfer from stage 3 to stage 2	-	13,085	(13,085)	-
Loans repaid	(245,266)	(16,555)	(14,367)	(276,188)
Changes due to modifications that did not result in derecognition	(164)	(16)	131	(50)
Foreign exchange differences	3,482	392	208	4,082
Gross carrying amount as at December 31, 2023	**597,709**	**56,536**	**69,508**	**723,753**

	2023			
	Stage 1 12 month ECL	**Stage 2** Lifetime ECL - not credit-impaired	**Stage 3** Lifetime ECL – credit-impaired	**Total**
Loss allowance as at 1 January 2023	**3,525**	**3,315**	**11,297**	**18,137**
Changes in the loss allowance:				
New loans originated	5,884	-	-	5,884
–Transfer from stage 2 to stage 1	1,188	(1,188)	-	-
–Transfer from stage 1 to stage 2	(265)	265	-	-
–Transfer from stage 2 to stage 3	-	(870)	870	-
–Transfer from stage 3 to stage 2		870	(870)	-
Increases due to change in credit risk	-	310	817	1,127
Changes due to modifications that did not result in derecognition	-	(503)	(710)	(1,213)
Loans repaid	(1,180)	(1,042)	(2,790)	(5,012)
Changes in risk parameters	(3,692)	607	2,677	(408)
Interest income correction	-	-	950	950
Foreign exchange differences	6	3	5	14
Loss allowance as at December 31, 2023	**5,466**	**1,767**	**12,246**	**19,479**

(in thousands of Georgian Lari)

Loans to legal entities, Gross	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL – credit-impaired	**Total**
Gross carrying amount as at January 1, 2023	**295,990**	**59,459**	**49,075**	**404,524**
Changes in the gross carrying amount:				-
New loans originated	219,822	-	-	219,822
–Transfer from stage 2 to stage 1	15,683	(15,683)	-	-
–Transfer from stage 1 to stage 2	(17,635)	17,635	-	-
–Transfer from stage 2 to stage 3	-	(6,085)	6,085	-
–Transfer from stage 3 to stage 2	-	6,918	(6,918)	-
Loans repaid	(162,129)	(17,065)	(10,590)	(189,784)
Changes due to modifications that did not result in derecognition	(100)	(24)	105	(19)
Foreign exchange differences	2,257	327	(21)	2,563
Gross carrying amount as at December 31, 2023	**353,888**	**45,482**	**37,736**	**437,106**

Loans to legal entities ECL	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL – credit-impaired	**Total**
Loss allowance as at 1 January 2023	**1,912**	**2,550**	**5,718**	**10,180**
Changes in the loss allowance:				
New loans originated	3,390	-	-	3,390
–Transfer from stage 2 to stage 1	562	(562)	-	-
–Transfer from stage 1 to stage 2	(129)	129	-	-
–Transfer from stage 2 to stage 3	-	(578)	578	-
–Transfer from stage 3 to stage 2	-	283	(283)	-
Increases due to change in credit risk	-	8	49	57
Changes due to modifications that did not result in derecognition	-	(235)	(278)	(513)
Loans repaid	(802)	(882)	(1,251)	(2,935)
Changes in risk parameters	(1,212)	197	1,229	214
Interest income correction	-	-	388	388
Foreign exchange differences	5	2	(6)	1
Loss allowance as at December 31, 2023	**3,726**	**912**	**6,144**	**10,782**

Consumer loans, Gross	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL – credit-impaired	**Total**
Gross carrying amount as at January 1, 2023	**123,749**	**3,916**	**17,896**	**145,561**
Changes in the gross carrying amount:				-
New loans originated	83,500	-	-	83,500
–Transfer from stage 2 to stage 1	5,061	(5,061)	-	-
–Transfer from stage 1 to stage 2	(4,618)	4,618	-	-
–Transfer from stage 2 to stage 3	-	(2,916)	2,916	-
–Transfer from stage 3 to stage 2	-	3,815	(3,815)	-
Loans repaid	(55,396)	2,382	827	(52,187)
Changes due to modifications that did not result in derecognition	(107)	-	20	(87)
Foreign exchange differences	792	48	218	1,058
Gross carrying amount as at December 31, 2023	**152,981**	**6,802**	**18,062**	**177,845**

(in thousands of Georgian Lari)

Consumer loans, ECL	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL – credit-impaired	**Total**
Loss allowance as at 1 January 2023	**1,118**	**417**	**3,539**	**5,074**
Changes in the loss allowance:				
New loans originated	1,907	-	-	1,907
–Transfer from stage 2 to stage 1	437	(437)	-	-
–Transfer from stage 1 to stage 2	(80)	80	-	-
–Transfer from stage 2 to stage 3	-	(167)	167	-
–Transfer from stage 3 to stage 2	-	387	(387)	-
Increases due to change in credit risk	-	140	404	544
Changes due to modifications that did not result in derecognition	-	(154)	(335)	(488)
Loans repaid	(294)	(109)	(741)	(1,144)
Changes in risk parameters	(2,014)	326	1,481	(207)
Interest income correction	-	-	349	349
Foreign exchange differences	1	-	7	8
Loss allowance as at December 31, 2023	**1,075**	**484**	**4,484**	**6,043**

Mortgage loans, Gross	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL – credit- impaired	**Total**
Gross carrying amount as at January 1, 2023	**89,431**	**6,050**	**14,962**	**110,443**
Changes in the gross carrying amount:				-
New loans originated	32,059	-		32,059
–Transfer from stage 2 to stage 1	3,278	(3,278)	-	-
–Transfer from stage 1 to stage 2	(6,662)	6,662	-	-
–Transfer from stage 2 to stage 3	-	(5,687)	5,687	-
–Transfer from stage 3 to stage 2	-	2,352	(2,352)	
-Loans repaid	(27,741)	(1,872)	(4,604)	(34,217)
Changes due to modifications that did not result in derecognition	42	8	6	56
Foreign exchange differences	433	17	11	461
Gross carrying amount as at December 31, 2023	**90,840**	**4,252**	**13,710**	**108,802**

Mortgage loans, ECL	**Stage 1**	**Stage 2**	**Stage 3**	
	12 month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL – credit-impaired	**Total**
Loss allowance as at 1 January	**-**	**348**	**2,040**	**2,883**
Changes in the loss allowance:				
New loans originated	587	-	-	587
–Transfer from stage 2 to stage 1	189	(189)	-	-
–Transfer from stage 1 to stage 2	(56)	56	-	-
–Transfer from stage 2 to stage 3	-	(125)	125	-
–Transfer from stage 3 to stage 2	-	200	(200)	
Increases due to change in credit risk	-	163	365	528
Changes due to modifications that did not result in derecognition	-	(115)	(97)	(212)
Loans repaid	(84)	(53)	(798)	(935)
Changes in risk parameters	(466)	84	(33)	(415)
Interest income correction	-	-	213	213
Foreign exchange differences	1	1	3	5
Loss allowance as at December 31, 2023	**666**	**370**	**1,618**	**2,654**

(in thousands of Georgian Lari)

Maximum exposure of credit risk

The Bank's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral and any expected credit loss. The Bank's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments. Net exposure is total exposure to credit risk net of expected credit loss.

December 31, 2024	**Maximum Exposure**	**Net exposure**
Cash and cash equivalents excluding cash on hand	26,363	26,362
Mandatory cash balance with the NBG	63,066	63,065
Due from financial institutions	865	865
Loans to customers	773,528	756,135
Investments in equity instruments	54	54
Investments in debt instruments	12,141	12,134
Other financial assets	6,365	6,090
Guarantees and letter of credits	24,694	24,582
	26,363	26,362

December 31, 2023	**Maximum Exposure**	**Net exposure**
Cash and cash equivalents excluding cash on hand	33,942	33,941
Mandatory cash balance with the NBG	63,339	63,338
Due from financial institutions	14,829	14,805
Loans to customers	723,753	704,274
Investments in equity instruments	54	54
Investments in debt instruments	17,354	17,338
Other financial assets	32,513	32,225
Guarantees and letter of credits	15,653	15,377

Off-balance sheet risk

The Bank applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Geographical concentration

The Assets and Liabilities Management Committee ("ALMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank's activity. The Bank's financial assets and financial liabilities as at December 31, 2024 and 2023 were concentrated in Georgia.

(in thousands of Georgian Lari)

The geographical concentration of financial assets and financial liabilities is set out below:

	Georgia	Other non-OECD countries	OECD countries	December 31, 2024 Total
FINANCIAL ASSETS				
Cash and cash equivalents	30,857	1,376	6,346	38,579
Mandatory cash balance with the NBG	63,065	-	-	63,065
Due from financial institutions	31	834	-	865
Loans to customers	749,554	5,997	584	756,135
Investments in equity instruments	54	-	-	54
Investments in debt instruments	12,134	-	-	12,134
Other financial assets	6,090	-	-	6,090
TOTAL FINANCIAL ASSETS	**861,785**	**8,207**	**6,930**	**876,922**
FINANCIAL LIABILITIES				
Due to financial institutions	4	381,294	-	381,298
Deposits by customers	215,573	16,495	2,765	234,833
Debt securities issued	-	5,050	-	5,050
Lease Liability	2,184	-	-	2,184
Subordinated debt	-	28,142	-	28,142
Other financial liabilities	9,120	-	-	9,120
TOTAL FINANCIAL LIABILITIES	**226,881**	**430,981**	**2,765**	**660,627**
NET POSITION ON FINANCIAL INSTRUMENTS	**634,904**	**(422,774)**	**4,165**	**216,295**

	Georgia	Other non-OECD countries	OECD countries	December 31, 2023 Total
FINANCIAL ASSETS				
Cash and cash equivalents	31,627	974	1,340	33,941
Mandatory cash balance with the NBG	63,338	-	-	63,338
Due from financial institutions	14,046	759	-	14,805
Loans to customers	698,852	4,703	719	704,274
Investments in equity instruments	54	-	-	54
Investments in debt instruments	17,338	-	-	17,338
Other financial assets	2,225	30,000	-	32,225
TOTAL FINANCIAL ASSETS	**827,480**	**36,436**	**2,059**	**865,975**
FINANCIAL LIABILITIES				
Due to financial institutions	9,879	420,889	-	430,768
Deposits by customers	176,588	14,826	1,641	193,055
Debt securities issued		5,062	-	5,062
Lease Liability	1,473	-	-	1,473
Subordinated debt	-	26,965	-	26,965
Other financial liabilities	4,229	-	-	4,229
TOTAL FINANCIAL LIABILITIES	**192,169**	**467,742**	**1,641**	**661,552**
NET POSITION ON FINANCIAL INSTRUMENTS	**635,311**	**(431,306)**	**418**	**204,423**

(in thousands of Georgian Lari)

Credit quality by class of financial assets

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, SP and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Bank as at December 31, 2024 and 2023:

December 31, 2024	AAA	AA	A	BBB	<BBB	Not rated	Total
Cash and cash equivalents	-	418	959	6,346	30,856	-	38,579
Mandatory cash balance with the NBG	-	-	-	-	63,065	-	63,065
Due from financial institutions	-	835	-	-	30	-	865
Loans to customers	-	-	-	-	27,602	728,533	756,135
Investments in equity instruments	-	-	-	-	-	54	54
Investments in debt instruments	-	-	-	-	12,134	-	12,134
Other financial assets	-	-	-	-	5,780	310	6,090

December 31, 2023	AAA	AA	A	BBB	<BBB	Not rated	Total
Cash and cash equivalents	-	-	974	1,329	31,627	11	33,941
Mandatory cash balance with the NBG	-	-	-	-	63,338	-	63,338
Due from financial institutions	-	759	-	-	14,046	-	14,805
Loans to customers	-	-	-	-	26,651	677,623	704,274
Investments in equity instruments	-	-	-	-	-	54	54
Investments in debt instruments	-	-	-	-	17,338	-	17,338
Other financial assets	-	-	-	30,000	1,817	408	32,225

Financial assets other than loans to customers are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's.

The banking industry is generally exposed to credit risk through its loans to customers and inter-bank deposits. With regard to the loans to customers this risk exposure is concentrated within Georgia. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

The credit rating of Georgia according to the international rating agencies corresponded to BB.

The Bank enters into numerous transactions where the counterparties are not rated by international rating agencies. The Bank has developed internal models, which allow it to determine the rating of counterparties. A methodology to determine credit ratings of borrowers has been developed in the Bank to assess borrowers based on transparency of financial information, availability of audited financial statements, quality of management, competitive ability, share on market, related parties etc.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Assets and Liabilities Management Committee (“ALMC”) controls these types of risks by means of maturity analysis, determining the Bank’s strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.
In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients’ and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Bank sets limits for the ratio of cumulative GAP (difference between assets and liability) to total assets in order to control liquidity risk. In case of violation of the limits ALMC makes decision on corrective measures.

Further is analysis of liquidity and interest rate risks:

(a) term to maturity of financial liabilities, calculated for non-discounted cash flows on financial liabilities (main debt and interests) on the earliest date, when the Bank will be liable to redeem the liability, and
(b) estimated term till maturity of financial assets, calculated for non-discounted cash flows on financial assets (including interests), which will be received on these assets based on contractual terms of maturity, except the cases when the Bank expects that cash flows will be received in the different time.

(in thousands of Georgian Lari)

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the contractual maturities of financial assets and liabilities.

FINANCIAL ASSETS	Weighted average EIR	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity Undefined	December 31, 2024 Total
Cash and cash equivalents	2.7%	18,108	-	-	-	-	-	18,108
Deposits by banks	0.0013%	-	-	-	834	-	-	834
Mandatory cash balance with the NBG	3.41%	63,065	-	-	-	-	-	63,065
Investments held to maturity	10.45%	244	6,209	-	5,681	-	-	12,134
Loans to customers	9.58%	42,539	16,944	146,395	268,596	281,660	-	756,134
Total interest-bearing financial assets		**123,956**	**23,153**	**146,395**	**275,111**	**281,660**	**-**	**850,275**
Cash and cash equivalents		20,471	-	-	-	-	-	20,471
Deposits by banks		-	-	-	31	-	-	31
Investments available-for-sale		-	-	-	-	-	54	54
Other financial assets		5,444	230	416	-	-	-	6,090
Total non-interest-bearing financial assets		**25,915**	**230**	**416**	**31**	**-**	**54**	**26,646**
TOTAL FINANCIAL ASSETS		**149,871**	**23,383**	**146,811**	**275,142**	**281,660**	**54**	**876,921**
FINANCIAL LIABILITIES								
Deposits by banks	5.18%	4	14,152	-	367,142	-	-	381,298
Deposits by customers	4.46%	39,701	29,653	50,311	63,635	1,425	-	184,725
Own debt securities	4%	-	-	5,050	-	-	-	5,050
Lease liabilities	6.23%	69	124	514	1,477	-	-	2,184
Subordinated debt	4.50%	74	-	-	28,068	-	-	28,142
Total interest-bearing financial liabilities		**39,848**	**43,929**	**55,875**	**460,322**	**1,425**	**-**	**601,399**
Deposits by customers		43,466	1	4,257	1,121	1,263	-	50,108
Other financial liabilities		9,042	78	-	-	-	-	9,120
Total non-interest-bearing financial liabilities		**52,508**	**79**	**4,257**	**1,121**	**1,263**	**-**	**59,228**
TOTAL FINANCIAL LIABILITIES		**92,356**	**44,008**	**60,132**	**461,443**	**2,688**	**-**	**660,627**
Interest sensitivity gap		84,108	(20,776)	90,520	(185,211)	280,235	-	
Cumulative interest sensitivity gap		**84,108**	**63,332**	**153,852**	**(31,359)**	**248,876**	**248,876**	
Liquidity gap		57,515	(20,625)	86,679	(186,301)	278,972	54	
Cumulative liquidity gap		**57,515**	**36,890**	**123,569**	**(62,732)**	**216,240**	**216,294**	

(in thousands of Georgian Lari)

FINANCIAL ASSETS	**Weighted average EIR**	**Up to 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Maturity Undefined**	**December 31, 2023 Total**
Cash and cash equivalents	4.6%	14,185	-	-	-	-	-	14,185
Deposits by banks	4.06%	-	14,046	-	-	759	-	14,805
Mandatory cash balance with the NBG		63,338	-	-	-	-	-	63,338
Investments held to maturity	10.45%	245	5,481	-	11,612	-	-	17,338
Loans to customers	9.47%	51,424	14,572	121,792	258,253	258,233	-	704,274
Total interest-bearing financial assets		**129,192**	**34,099**	**121,792**	**269,865**	**258,992**	**-**	**813,940**
Cash and cash equivalents		19,756	-	-	-	-	-	19,756
Investments available-for-sale		-	-	-	-	-	54	54
Other financial assets		2,225	30,000	-	-	-	-	32,225
Total non-interest-bearing financial assets		**21,981**	**30,000**	**-**	**-**	**-**	**54**	**52,035**
TOTAL FINANCIAL ASSETS		**151,173**	**64,099**	**121,792**	**269,865**	**258,992**	**54**	**865,975**
FINANCIAL LIABILITIES								
Deposits by banks	4.81%	9,880	-	123,455	297,433	-	-	430,768
Deposits by customers	5.54%	58,043	20,318	35,435	25,972	2,416	-	142,184
Own debt securities	4%	-	-	20	5,042	-	-	5,062
Lease liabilities	5.58%	59	119	438	857	-	-	1,473
Subordinated debt	4.50%	-	-	-	-	26,965	-	26,965
		-						
Total interest-bearing financial liabilities		**67,982**	**20,437**	**159,348**	**329,304**	**29,381**	**-**	**606,452**
Deposits by customers		50,871	-	-	-	-	-	50,871
Other financial liabilities		4,229	-	-	-	-	-	4,229
Total non-interest-bearing financial liabilities		**55,100**	**-**	**-**	**-**	**-**	**-**	**55,100**
TOTAL FINANCIAL LIABILITIES		**123,082**	**20,437**	**159,348**	**329,304**	**29,381**	**-**	**661,552**
Interest sensitivity gap		61,210	13,662	(37,556)	(59,439)	229,611	-	
Cumulative interest sensitivity gap		61,210	74,872	37,316	(22,123)	207,488	207,488	
Liquidity gap		28,091	43,662	(37,556)	(59,439)	229,611	54	
Cumulative liquidity gap		**28,091**	**71,753**	**34,197**	**(25,242)**	**204,369**	**204,423**	

Demand deposits from customers are included up to 1 month maturity gap in the table above. Based on the Bank's historical performance the customers on average are maintaining half of them in the Bank throughout the year.

The following tables detail the Bank's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Bank can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Bank may be required to pay.

(in thousands of Georgian Lari)

Demand deposits by customers are included in the up to 1 month liquidity category, as contractually any amount at reporting date can be withdrawn upon the customer's demand. The main deposit holders of the Bank are borrowers which under the loan agreements are required to have an operational accounts and maintain certain turnover ratios through the Bank.

	Weighted average effective interest rate	**Up to 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**December 31, 2024 Total**
Fixed interest rate instruments							
Deposits by banks	5.18%	4	14,241	-	406,390	-	420,635
Deposits by customers	4.46%	43,820	30,925	55,395	71,248	3,151	204,539
Own debt securities	4%	-	-	5,153	-	-	5,153
Lease liabilities	6.23%	79	141	582	1,582	-	2,384
Subordinated debt	4.50%	108	204	104	30,120	-	30,536
Total fixed interest bearing financial liabilities		**44,011**	**45,511**	**61,234**	**509,340**	**3,151**	**663,247**
Non-interest bearing instruments							
Deposits by customers		43,466	1	4,257	1,121	1,263	50,108
Other financial liabilities		9,042	78	-	-	-	9,120
Total non-interest bearing financial liabilities including guarantees and credit line commitments		52,508	79	4,257	1,121	1,263	59,228
Total financial liabilities		**96,519**	**45,590**	**65,491**	**510,461**	**4,414**	**722,475**

	Weighted average effective interest rate	**Up to 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**December 31, 2023 Total**
Fixed interest rate instruments							
Deposits by banks	4.81%	9,911	-	126,274	336,325	-	472,510
Deposits by customers	5.54%	108,528	20,924	36,753	29,333	4,209	199,747
Own debt securities	4%	-	-	204	5,212	-	5,416
Lease liabilities	5.58%	66	131	480	918	-	1,595
Subordinated debt	4.50%	33	199	912	31,280	-	32,424
Total fixed interest bearing financial liabilities		**118,538**	**21,254**	**164,623**	**403,068**	**4,209**	**711,692**
Non-interest bearing instruments							
Deposits by customers		50,871	-	-	-	-	50,871
Other financial liabilities		4,229	-	-	-	-	4,229
Total non-interest bearing financial liabilities including guarantees and credit line commitments		55,100	-	-	-	-	55,100
Total financial liabilities		**173,638**	**21,254**	**164,623**	**403,068**	**4,209**	**766,792**

the table above, the terms to maturity correspond to the contractual terms. However, individuals are entitled to terminate the deposit agreement ahead of schedule according to effective laws.

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

Market risk

Market risk is the risk that the Bank's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk, currency risk, credit spreads, etc. There have been no changes as to the way the Bank measures risk or to the risk it is exposed or the manner in which these risks are managed and measured.

The ALMC also manages interest rate and market risks by matching the Bank's interest rate position, which provides the Bank with a positive interest rate margin. The Bank's management conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

Interest rate sensitivity

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Bank's management conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in fair value interest rates and its influence on the Bank's profitability.

Main tool for management on interest rate risk in the bank is establishment and monitoring of limits on interest rate GAP. According to market risk management policy of the Bank limit on interest rate GAP is established taking into consideration that loss caused by changes on interest rates by 2%, should not exceed 12% of net interest income stated in the budget of the year.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

(in thousands of Georgian Lari)

Impact on profit before tax based on asset values as at December 31, 2024 and 2023:

	As at December 31, 2024		**As at December 31, 2023**	
	Interest rate +2%	**Interest rate -2%**	**Interest rate +2%**	**Interest rate -2%**
Non-derivative financial assets:				
Cash and cash equivalents	362	(362)	284	(284)
Deposits by banks	17	(17)	296	(296)
Mandatory cash balance with the NBG	1,261	(1,261)	1,267	(1,267)
Loans to customers	15,123	(15,123)	14,085	(14,085)
Investments in debt securities	243	(243)	347	(347)
Non-derivative financial liabilities:				
Due to financial institutions			(8,615)	8,615
Deposits by customers	(7,626)	7,626	(2,844)	2,844
Debt securities issued	(3,695)	3,695	(101)	101
Lease liability	(101)	101	(29)	29
Subordinated debt	(44)	44	(539)	539
Net impact on profit before tax	**4,977**	**(4,977)**	**4,151**	**(4,151)**

	As at December 31, 2024		**As at December 31, 2023**	
	Interest rate +2%	**Interest rate -2%**	**Interest rate +2%**	**Interest rate -2%**
Non-derivative financial assets:				
Cash and cash equivalents	290	(290)	227	(227)
Mandatory cash balance with the NBG	14	(14)	237	(237)
Loans to customers	1,009	(1,009)	1,014	(1,014)
Investments in debt securities	12,098	(12,098)	11,268	(11,268)
	194	(194)		
Non-derivative financial liabilities:				
Due to financial institutions	(6,101)	6,101	(6,892)	6,892
Deposits by customers	(2,956)	2,956	(2,275)	2,275
Debt securities issued	(81)	81	(81)	81
Lease liability	(35)	35	(23)	23
Subordinated debt	(450)	450	(431)	431
Net impact on equity	**3,982**	**(3,982)**	**3,321**	**(3,321)**

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by management of the open currency position, which gives the Bank an opportunity to minimize losses from national currency fluctuations towards its foreign currency. The Treasury Department performs daily monitoring of the Bank's open currency position with the aim to match the requirements of the NBG.

The Bank's open positions by the major currencies in which it holds the assets and liabilities are presented below:

(in thousands of Georgian Lari)

	GEL	USD USD 1 =2.8068	EUR EUR 1 =2.9306	Other	December 31, 2024 Total
Financial assets					
Cash and cash equivalents	7,289	19,206	9,619	2,465	38,579
Mandatory cash balance with the NBG	-	55,059	8,006	-	63,065
Due from banks	-	865	-	-	865
Loans to customers	264,094	316,253	175,788	-	756,135
Investments available-for-sale	54	-	-	-	54
Investments held to maturity	12,134	-	-	-	12,134
Other financial assets	2,417	54	3,619	-	6,090
Total financial assets	**285,988**	**391,437**	**197,032**	**2,465**	**876,922**
Financial liabilities					
Due to Banks	-	242,115	139,183	-	381,298
Customer accounts	106,140	109,279	17,040	2,374	234,833
Own debt securities	-	5,050	-	-	5,050
Subordinated debt	-	28,142	-	-	28,142
Lease liabilities	8	2,176	-	-	2,184
Other financial liabilities	3,844	5,119	63	94	9,120
Total financial liabilities	**109,992**	**391,881**	**156,286**	**2,468**	**660,627**
OPEN BALANCE SHEET POSITION	**175,996**	**(444)**	**40,746**	**(3)**	

	GEL	USD USD 1 =2.6894	EUR EUR 1 =2.9753	Other	December 31, 2023 Total
Financial assets					
Cash and cash equivalents	10,791	16,495	6,409	246	33,941
Mandatory cash balance with the NBG	-	30,517	32,821	-	63,338
Due from banks	14,046	759	-	-	14,805
Loans to customers	184,596	300,648	219,030	-	704,274
Investments available-for-sale	54	-	-	-	54
Investments held to maturity	17,338	-	-	-	17,338
Other financial assets	30,420	17	1,788	-	32,225
Total financial assets	**257,245**	**348,436**	**260,048**	**246**	**865,975**
Financial liabilities					
Due to Banks	-	184,937	245,831	-	430,768
Customer accounts	76,744	101,522	14,451	338	193,055
Own debt sequrities		5,062			5,062
Subordinated debt	-	26,965	-	-	26,965
Lease liabilities	103	1,370	-	-	1,473
Other financial liabilities	3,862	211	73	83	4,229
Total financial liabilities	**80,709**	**320,067**	**260,355**	**421**	**661,552**
OPEN BALANCE SHEET POSITION	**176,536**	**28,369**	**(307)**	**(175)**	

Currency risk sensitivity

The following table details the Bank's sensitivity to a 25% increase and decrease in the USD against the GEL. 25% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 25% change in foreign currency rates.

(in thousands of Georgian Lari)

Impact on net profit and equity based on asset values as at December 31, 2024 and 2023:

	As at December 31, 2024		As at December 31, 2023	
	GEL/USD 25%	**GEL/USD (25%)**	**GEL/USD 25%**	**GEL/USD (25%)**
Impact on profit or loss	(111)	111	7,092	(7,092)
Impact on equity	(89)	89	5,674	(5,674)

	As at December 31, 2024		As at December 31, 2023	
	GEL/EUR 25%	**GEL/EUR (25%)**	**GEL/EUR 25%**	**GEL/EUR (25%)**
Impact on profit or loss	10 187	(10 187)	(77)	77
Impact on equity	8 149	(8 149)	(61)	61

Limitations of sensitivity analysis. The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to price risks of its products which are subject to general and specific market fluctuations. However, the bank does not own portfolio of securities traded in the market.

(in thousands of Georgian Lari)

Operational 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. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

29. Transactions with related parties

Details of transactions between the Bank and it's related parties are disclosed below:

	December 31, 2024		December 31, 2023	
	Related party balances	**Total category as per the financial statements caption**	**Related party balances**	**Total category as per the financial statements caption**
Cash and cash equivalents	6,346	38,579	1,728	33,941
- the parent	6,346	-	1,728	-
-other related parties	-	-	-	-
Gross loans to customers	674	756,135	686	704,274
- key management personnel of the Bank	206	-	266	-
-other related parties	468	-	420	-
	-	-	-	-
Allowance for expected credit losses/impairment losses on loans to customers	(4)	(17,393)	(7)	(18,137)
- key management personnel of the Bank	(2)	-	(2)	-
- other related parties	(3)	-	(5)	-
Other assets			30,000	47,860
- the parent			30,000	-
			-	-
Due to financial institutions	381,295	381,298	420,889	430,768
- the parent	381,295	-	420,889	-
	-	-	-	-
Deposits by customers	1,292	234,833	1,693	193,055
- key management personnel of the Bank	131	-	264	-
- other related parties	1,161	-	1,429	-
	-	-	-	-
Subordinated debt	28,142	28,142	26,965	26,965
- the parent	28,142	-	26,965	

(in thousands of Georgian Lari)

The remuneration of directors and other members of key management were as follows:

	2024		2023	
	Related party transactions	**Total category as per the financial statements caption**	**Related party transactions**	**Total category as per the financial statements caption**
Key management personnel compensation:				
- short-term employee benefits	1,615	15,626	1,371	14,055
Total	1,615	15,626	1,371	14,055

Included in the statement of profit or loss and other comprehensive income for the year ended December 31, 2024 and 2023 are the following amounts which were recognised in transactions with related parties:

	2024		2023	
	Related party transactions	**Total category as per the financial statements caption**	**Related party transactions**	**Total category as per the financial statements caption**
Interest income calculated using the effective interest rate	68	76,324	63	69,147
- key management personnel	20	-	26	-
of the entity or its parent	-			
-Other related parties	48	-	37	-
Interest expense	(21,293)	(33,618)	(15,836)	(29,388)
-parent	(21,250)	-	(15,808)	-
- key management personnel	(1)	-	(1)	-
of the Bank	-	-		
- other related parties	(42)	-	(27)	-
Fee and commission expense	(33)	(1,175)	(666)	(2,585)
-parent	(33)	-	(66)	
Net (loss)/gain on foreign exchange operations	(90)	3,164	(369)	6,888
-parent	(90)	-	(369)	-
Operating expenses	(1,661)	(25,437)	(1,371)	(22,961)
-key management personnel **of the entity or its parent**	(1,661)	-	(1,371)	-

30. Subsequent events

Subsequent to the year end, no events were occurred that requires disclosure in the financial statements or adjustments to the reported figures.