JSC “HASH BANK”

Financial Statements and
Independent Auditor’s Report
For the year ended 31 December 2023

CONTENT

INDEPENDENT AUDITOR'S REPORT

To the shareholders and supervisory board of JSC „Hash Bank"

Opinion

We have audited the accompanying financial statements of JSC "Hash Bank", which comprise the statement of financial position as on 31 December 2023 and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter - financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as on 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard (the IFRS Standard).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter paragraph

We would like to emphasize the fact that, current year is the first auditing reporting period for the company according to ISA standards. Therefore, comparative information for the year ended 31 December 2023 is not audited. However, the requirements of ISA 510 (Procedures on opening balances) are met in the manner to ensure that opening balances are free from material misstatement. Therefore, comparative information shall be read with independent auditor's report as on 31 December 2023.

Other information

The Company's Management is responsible for the other information. The other information comprises the information included in the management report for the year ended 31 December 2023.

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.

We have performed certain procedures needed to form a conclusion on the compliance of the Company's management report with article 7 para 6 of law of Georgia on Accounting, Reporting and Auditing and report in this regard is issued through a separate letter dated 21 June, 2024.

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Opinion

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

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Company'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 company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance is responsible for supervision of preparation and presentation of financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company to cease to continue as a going concern.

RSM

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- 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 of the Company, 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.

June 21, 2024

RSM Georgia

(Reg. # SARAS-F-279563)

Engagement Partner: Ali Murtza

(Reg. # SARAS-A-577214)

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RSM Georgia

STATAMENT OF FINANCIAL POSITION AS ON 31 DECEMBER 2023

	Notes	31 December 23	31 December 22
Cash and Cash Equivalents	4	4,115,661	253,389
Trade and Other Receivables	5	1,539,463	4,678,213
Property, Plant and Equipment	6	472,000	6,568
Intangible Assets	7	873,459	-
Deferred Tax Asset	8	533,890	-
Tax Asset		-	65
Other Assets	9	49,514	210,582
Total Assets		**7,583,987**	**5,148,817**
Other Liabilities		12,882	1,300
Tax Liabilities		622	-
Total Liabilities		**13,504**	**1,300**
Paid in Capital	10	9,707,500	5,210,000
Retained Earnings		(2,137,017)	(62,483)
Total Equity		**7,570,483**	**5,147,517**
Total Liabilities and Equity		**7,583,987**	**5,148,817**

Approved for issue and signed on behalf of the Management on 21 June, 2024

Giorgi Chanadiri	General Director	_________________________
Irakli Chakhnashvili	Chief Financial Office	_________________________

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Giorgi Chanadiri General Director

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STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 Year	From 17th of August till December 2022
Interest income	11	324,303	79,733
Total interest income		**324,303**	**79,733**
General and Administrative Expenses	12	(2,916,611)	(142,181)
Gain/(Loss) from foreign currency translation	13	(16,116)	(35)
Profit/(loss) before tax		**(2,608,424)**	**(62,483)**
Current income tax	14	533,890	-
Profit/(Loss) after tax		**(2,074,534)**	**(62,483)**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**(2,074,534)**	**(62,483)**

Approved for issue and signed on behalf of the Management on 21 June, 2024

Giorgi Chanadiri	General Director	______________________
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Other comprehensive income for the year		-	-
Total comprehensive income for the year		**(2,074,534)**	**(62,483)**

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Giorgi Chanadiri General Director ____________________

Irakli Chakhnashvili Chief Financial Officer ____________________

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Paid in capital	Retained earnings	Total equity
Shareholder's contributions in capital		5,210,000	-	5,210,000
Total comprehensive income for the year		-	(62,483)	(62,483)
Balance as on 31 of December 2022	**10**	**5,210,000**	**(62,483)**	**5,147,517**
Shareholder's contributions in capital		4,497,500	-	4,497,500
Total comprehensive income for the year		-	(2,074,534)	(2,074,534)
Balance as on 31 of December 2023	**10**	**9,707,500**	**(2,137,017)**	**7,570,483**

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Paid in capital	Retained earnings	Total equity
Shareholder's contributions in capital		5,210,000	-	5,210,000
Total comprehensive income for the year		-	(62,483)	(62,483)
Balance as on 31 of December 2022	**10**	**5,210,000**	**(62,483)**	**5,147,517**
Shareholder's contributions in capital		4,497,500	-	4,497,500
Total comprehensive income for the year		-	(2,074,534)	(2,074,534)
Balance as on 31 of December 2023	**10**	**9,707,500**	**(2,137,017)**	**7,570,483**

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Giorgi Chanadiri General Director

Irakli Chakhnashvili Chief Financial Officer

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Year	From 17th of August till December 2022
Cash from operating activities			
Profit/(loss) before taxation:		**(2,608,424)**	**(62,483)**
Adjustments:			
Depreciation and amortization	6	86,232	81
(Gain)/ Loss from foreign currency translation	13	16,116	35
Cash flows from operating activities before changes in operating assets and liabilities		**(2,506,076)**	**(62,367)**
Decrease/(Increase) in Operating Assets:			
(Increase)/Decrease in Trade and other Receivables		3,122,904	(4,678,213)
(Increase)/Decrease in Tax Assets		687	(65)
(Increase)/Decrease in Other Assets		161,068	(210,582)
Decrease/(Increase) in Operating Liabilities:		-	
Increase/(Decrease) in Trade and other Payables		11,577	1,300
Net cash flows used in operating activities before income tax		**790,160**	**(4,949,927)**
Income tax Paid		-	-
Net cash flows used in operating activities		**790,160**	**(4,949,927)**
Cash flows from investment activities			
Payments for intangible assets	7	(873,459)	-
Payments for property, plant and equipment	6	(551,664)	(6,649)
Net cash flows received from investment activities/		**(1,425,123)**	**(6,649)**
Cash flows from financial activities			
Net change in share capital	10	4,497,500	5,210,000
Net cash flows from financial activities		**4,497,500**	**5,210,000**
Cash and cash equivalents			
FX effect on cash and cash equivalents	13	(265)	(35)
Net increase in cash and cash equivalents		**3,862,272**	**253,389**
As of 1st of January		**253,389**	**-**
As of 31 of December		**4,115,661**	**253,389**

Approved for issue and signed on behalf of the Management on 21 June, 2024

Giorgi Chanadiri	General Director	______________________
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As of 1st of January		**253,389**	**-**
As of 31 of December		**4,115,661**	**253,389**

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Giorgi Chanadiri	General Director	
Irakli Chakhnashvili	Chief Financial Officer	

1. General Information

JSC “Hash Bank” is registered legal entity with the identification number – 405555359 is operating under the laws of Georgia. (The date of incorporation is 17th of August 2022).

In 3 of November 2023, the company has received pilot bank license from NBG, which means that before complying with the certain regulations and requirements the company is restricted to operate in real environment. JSC “Hash Bank” currently is working in test mode.

The legal address of the company is Georgia, Tbilisi, Vazha Pshavela Avenue N71.

As on 31 December 2023 the company had 33 employees (2022: 33). However, the average number of employees for the reporting period is 26 (2022: 10).

As on 31 December 2023 and 2022, the owners of the shares of the company are as follows:

	Nationality	31 December 2023	31 December 2022
Volodimir Nosov	Ukrainian	50 %	50 %
Sulkhan Papashvili	Georgian	30,5 %	50 %
Lasha Papashvili	Georgian	19,5 %	-
		100%	**100 %**

2. Georgian Business Environment

The company primarily will operate within the territory of Georgia. Georgia's business landscape is marked by several structural deficiencies. It is a small, open economy country with a high level of dollarization, current account deficit, and increasing reliance on international financial resources. Consequently, the country's financial system is susceptible to global economic and financial trends. However, the management is confident that, given the current circumstances, they will implement all necessary measures to safeguard the sustainability and growth of company's operations.

3. Basis of Preparation and Review of Significant Principles and Estimations of Accounting Policy

3.1 Basis of Preparation

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (“IFRS”), being standards and interpretations issued by the International Accounting Standards Board (“IASB”), in force at 31 December 2023.

The financial statements comprise a statement of profit or loss and other statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss, as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

The company presents the profit and loss items using the classification by function of expenses. The company believes this method provides more useful information to the readers of the special purpose financial statements as it better reflects the way operations are run from a business point of view.

Measurement Basis

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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. When measuring the fair value of an asset or a liability, the company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer’s specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3.2. Application of New and Revised Standards and Pronouncements

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. The Company has not yet evaluated the impact of these new or amended accounting standards and interpretations.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Amendment to IFRS 16 – Leases on sale and leaseback

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. These new Accounting Standards and Interpretations will be applicable from the next reporting period. The anticipated effect of these new standards is not considered material for the company.

Amendment to IAS 1 – Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7 - Supplier finance

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.

Amendments to IAS 21 - Lack of Exchangeability

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The entity does not expect that any other standards issued by the IASC’s, that have not yet entered into force will have a material impact on its financial statements.

3.4 Accounting Policies

Financial Instruments

Amortized cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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 (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs premiums or discounts and fees and points paid or received that are integral to the effective interest rate such as origination fees. For purchased or originated credit-impaired (POCI) financial assets- assets that are credit-impaired at initial recognition - the bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. When the bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

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

a) POCI financial assets, for which the original credit-adjusted effective interest rate is appled to the amortised cost of the financial asset.

b) Financial assets that are not ‘POCI' but have subsequently become credit-impaired (or 'stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair the financial asset or financial liability value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on inital recognition, the entity recognises the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets the difference is recognised as a gain or loss

b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(i) Classification and subsequent measurement

The Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL).
- Fair value through other comprehensive income (FVOCI), or

- Amortized cost

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) the Company's business model for managing the asset, and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL. are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. Interest income from these financial assets is included in ‘’Interest and similar income’’ using the effective interest rate method.
- Fair value through other comprehensive income (FVOCl): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI), Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment income’. Interest income from these financial assets is included in 'Interest income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within Net trading income in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income. Interest income from these financial assets is included in "Interest income using the effective interest rate method.

Business model: the business model reflects how the company manages the assets in order to generate cash flows. That is, whether the company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e g. financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at FVPL. Factors considered by the company in determining the business model for a Company of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the company assesses whether the financial instruments cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The company reclassifies debt investments when and only when its business model for assets changes the reclassification takes place from the start of the first reporting period following the change Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement of profit or loss.

Impairment

The company assesses on a forward-looking basis the expected credit loss (ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money, and
- Reasonable and supportable information that is available without undue cost or effort at the reporting. date about past events, current conditions and forecasts of future economic conditions.

Derecognition

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

Financial assets

(i) Classification and subsequent measurement

The Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL).
- Fair value through other comprehensive income (FVOCI), or
- Amortized cost

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(iii) the Company's business model for managing the asset, and
(iv) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL. are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. Interest income from these financial assets is included in ‘’Interest and similar income’’ using the effective interest rate method.

- Fair value through other comprehensive income (FVOCl): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI), Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment income’. Interest income from these financial assets is included in 'Interest income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within Net trading income in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income. Interest income from these financial assets is included in "Interest income using the effective interest rate method.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The company reclassifies debt investments when and only when its business model for assets changes the reclassification takes place from the start of the first reporting period following the change Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement of profit or loss.

Impairment

The bank assesses on a forward-looking basis the expected credit loss (ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money, and
- Reasonable and supportable information that is available without undue cost or effort at the reporting. date about past events, current conditions and forecasts of future economic conditions.

Derecognition

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

Financial Liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss this classification is applied to derivatives financial liabilities held for trading (e.g. short positions in the trading booking) and other financial labilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in fair value of the liability). This is unless suck a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not quality for derecognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Company recognizes any expense incurred on the financial liability, and
- Financial guarantee contracts and loan commitments.

Derecognition

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

The exchange between the company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 % different from the discounted present value of the remaining cash flows of the original financial lability. In addition, other qualitative factors, such as the currency that the instrument is denominated in changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Cash and cash equivalents

Cash and cash equivalents include bank balances and other short-term liquid investments, which are easily converted in exchange of cash and are subject to an insignificant risk of changes in value.

Provisions and contingencies

Provisions are recognized when the company has an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to a specific obligation. The increase in the provision due to the passage of time is recognized as interest expense. Provisions are not recognized for future operating losses. Contingent assets and contingent liabilities are not recognized.

Operations in foreign currency

The functional currency of the company is Georgian Lari (“GEL”). Transactions in foreign currencies are initially recorded in the functional currency using the official exchange rates of the National Bank of Georgia at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement are recognized in profit or loss.

	Official currency rate of the National Bank of Georgia		
	USD	**EUR**	**GBP**
Exchange rate as on 31 December 2023	2.6894	2.9753	3.4228
Exchange rate as on 31 December 2022	2.7020	2.8844	3.2581
Average rate for the year ended 31 December 2023	2.6279	2.8416	3.2706
Average rate for the year ended 31 December 2022	2.9156	3.0792	3.2610

Property, Plant and Equipment

On initial recognition, items of property and equipment are recognized at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. After initial recognition, items of property and equipment are carried at cost less any accumulated depreciation and impairment losses.

Depreciation is calculated using straight line method, over its useful economic life as follows:

Computer equipment	17-25 %
Furniture and Office Equipment	17 %
Ccommunication equipment	17 %

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Separately acquired intangible assets

On initial recognition, intangible assets acquired separately are measured at cost. The cost of a separately acquired intangible asset comprises its purchase price.

Intangible assets of company have predetermined useful life and mostly include capitalized computer software. Licenses of purchased computer software are capitalized specifically on purchased correspondent computer software and based on costs necessary for full operation.

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.

Amortization

For intangible assets with finite useful lives, amortization is calculated so as to write off the cost of the asset, less its estimated residual value, over its useful economic life, using straight line method.

Intangible assets with an indefinite useful life are not amortized, but subject to review for impairment.

Income Tax

Income tax is reflected in the financial statements in accordance with the legislation of Georgia adopted at the end of the reporting period, which includes current and deferred taxes, and is recognized in the profit-loss of the given year, unless it is recognized in other comprehensive income, because it is related to transactions recognized in other comprehensive income in the same or different periods.

Current tax is the amount expected to be paid to the tax authorities in respect of taxable profit for the current or prior periods. Taxable profits are based on calculations if the financial statements are authorized before the relevant tax returns are submitted. Taxes other than income tax are recorded in administrative and other operating expenses.

Deferred income tax is presented using the balance sheet liability method for tax loss carryforwards and temporary differences arising between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. In accordance with the exception on initial recognition, deferred taxes are not recognized in a transaction (that is not a combination) in respect of temporary differences arising from the initial recognition of assets and liabilities if the transaction, on initial recognition, would not affect accounting profit or taxable profit.

Share Capital

Equity instruments are contracts that confirm the right to a share in bank's assets after deducting all of its liabilities. Common stock with discretionary dividends is classified as equity.

Additional costs directly related to the issuance of new shares are reflected in equity with a negative sign, net of taxes. The positive difference between the fair value and the nominal value of the amount received in exchange for the issued share is recorded as issue proceeds

Dividend Distribution

Dividends are recognized in equity during the period when they are declared. The dividends declared after the reporting date and issuance of financials statements are disclosed in the notes to the financial statement – events after the reporting period.

Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimation uncertainty in the process of applying the Company’s accounting policies, management made estimates in determining the amounts recognized in the financial statements. The most significant use of estimates are as follows:

Allowance for expected credit losses

The measurement of expected credit losses on loans to customers under IFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining expected credit losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs. Selection of forward-looking macroeconomic scenarios (CPI index, monitory policy rate and GDP growth) and their probability weightings, to derive the economic inputs into the ECL models;

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortization charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortization charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Lease Term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing Rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

4. Cash and Cash Equivalents

	31 December 2023	31 December 2022
National currency in bank	4,127,396	252,625
Foreign currency in bank	730	764
Impairment reserve	(12,465)	-
Total Cash and Cash Equivalents	**4,115,661**	**253,389**

5. Trade and Other Receivables

	31 December 2023	31 December 2022
Receivables from financial institutions	1,500,000	4,600,000
Interest receivables from financial institutions	37,979	78,213
Receivables from employees	1,484	-
Total Trade and Other Receivables	**1,539,463**	**4,678,213**

Interest income from deposits during the reporting period amounted 324,303 GEL (2022: 79,733 GEL).

	Currency	Amount	Start Date	Maturity Date	Interest Rate
Deposit 1	GEL	250,000	8/9/2023	30/01/2024	10.5%
Deposit 2	GEL	250,000	8/9/2023	30/01/2024	11%
Deposit 3	GEL	250,000	8/9/2023	30/01/2024	11%
Deposit 4	GEL	250,000	8/9/2023	30/01/2024	11%
Deposit 5	GEL	500,000	8/12/2023	8/6/2024	11.5%

Interest rate on term deposits in GEL is 10.5-11.5% per annum and for savings account is 3% per annum.

6. Property, Plant and Equipment

	Computer Equipment	Furniture and Office Equipment	Communication Equipment	Total
Cost				
17th of August 2022	**-**	**-**	**-**	**-**
Purchase	6,649	-	-	6,649
Disposal	-	-	-	-
31 December 2022	**6,649**	**-**	**-**	**6,649**
Purchase	536,413	12,363	2,888	551,664
Disposal	-	-	-	-
31 December 2023	**543,062**	**12,363**	**2,888**	**558,313**
Depreciation				
17th of August 2022	**-**	**-**	**-**	**-**

Depreciation charge	(81)	-	-	(81)
31 December 2022	**(81)**	**-**	**-**	**(81)**
Depreciation charge	(83,758)	(1,923)	(551)	(86,232)
31 December 2023	**(83,839)**	**(1,923)**	**(551)**	**(86,313)**
Net Book Value				
17th of August 2022	**-**	**-**	**-**	**-**
31 December 2022	**6,568**	**-**	**-**	**6,568**
31 December 2023	**459,223**	**10,440**	**2,337**	**472,000**

Property, plant and equipment are not collateralized. The company does not have fully depreciated PPE.

7. Intangible Assets

The company has decided to develop by its own specific software modules, therefore intangible assets consist of capitalized expenses for the development of internet banking and mobile application. The expenses include salary reimbursement to the individuals who are designed specifically for the projects. The total budget for mobile application and internet bank system is planned to be 2,600,000 and 2,400,000 GEL, respectively, which mainly includes capitalization of human resource expenses. The company expects to launch the product by the end of 2024 reporting period. The useful life of mobile application is determined to be 10 years, with using straight line amortization method.

8. Deferred Tax Asset

	31 December 2023
Deferred tax asset	542,315
Deferred tax liability	(8,425)
Total Deferred Tax Asset	**533,890**

Temporary differences between the carrying amounts of assets and liabilities for financial accounting purposes and the amounts used for tax purposes give rise to a net deferred tax asset/liability. As of December 31, 2023, the company's deferred tax asset/liability mainly arises from the difference in the financial and tax bases of fixed assets and due to the loss for the reporting period, which in total amounts to 533,890 GEL.

On December 27, 2022, the Law of Georgia on Amendments to the Tax Code of Georgia (TCG) was published, which is effective from January 1, 2023. The mentioned changes have the following impact on the bank: before the mentioned changes, the tax legislation of Georgia determined that banking institutions, credit unions, microfinance organizations and lending entities would be taxed under the new (Estonian) profit tax regime from January 1, 2023.

The change determined that the time schedule will no longer be established and in the future these entities will be taxed again according to the old regime, namely according to the difference between the total income and the amounts of deductions provided by the TCG (Article 97, Section 12).

Also, a new section 4 was added to Article 98 of the Civil Code, which determines the rate of profit tax, according to which the taxable profit of a banking institution, credit union, microfinance organization, lending entity will be taxed at 20 percent . Although taxation will be carried out on the so-called profits basis, according to the old regime, the income and expenses determined by the Tax Code of Georgia for the financial sector were changed, in particular Article 141 of the Tax Code, which defines the income recognition based on accrual accounting, a new part 5 was added, which determined that from January 1, 2023, the banking institutions , credit unions and microfinance organizations must recognize interest accrued on loans as revenue in accordance with International Financial Reporting Standards (IFRS). As for the deduction of reserves on the loans issued, according to the revised Article 109 of the Tax Code of Georgia, from January 1, 2023, the aforementioned entities will deduct reserves for possible loan losses from the joint income according to the International Financial Reporting Standards (IFRS), instead of the rules established by the National Bank of Georgia.

9. Other Assets

	31 December 2023	31 December 2022
Advances paid for banking license	37,170	200,000
Other advances paid	12,344	10,582
Total Other Assets	**49,514**	**210,582**

10. Paid in Capital

Share capital consists of common and preferred class shares. One (1) common share provides one (1) voting rights, and preferred shares - no voting right. The company has authorized share capital of 210,000 units with the nominal value of 16,634,100 GEL, from which 9,707,500 GEL has been paid by shareholders as on 31 December 2023. (2022: 5,210,00) The share structure and share ownership are presented in the table below:

As of 31 December, 2023	Common Shares	Preferred Shares	Paid Capital	Nominal Value	Total	Equity Share
Volodimir Nosov	103,950	-	60,659	80	4,852,700	50.00%
Sulkhan Papashvili	63,409	-	50,178	80	4,014,200	30.50%
Lasha Papashvili	40,541	-	10,481	80	838,500	19.50%
Nana Keburia	-	2,100	2,100	1	2,100	100%
Total	**207,900**	**2,100**	**123,418**	**241**	**9,707,500**	

As of 31 December, 2022	Common Shares	Preferred Shares	Paid Capital	Nominal Value	Total	Equity Share
Volodimir Nosov	103,950	-	100,152	26	2,603,950	50.00%
Sulkhan Papashvili	103,950	-	100,152	26	2,603,950	50.00%
Nana Keburia	-	2,100	2,100	1	2,100	100%
Total	**207,900**	**2,100**	**202,404**	**53**	**5,210,000**	

11. Interest Income

	2023	From 17th of August till December 2022
Interest income		
Interest Income from deposits at bank	324,303	79,733
Net interest income	**324,303**	**79,733**

12. General and Administrative Expenses

	2023	From 17th of August till December 2022
Employee salary and other benefits	2,045,992	59,292
Rent expense	200,140	18,000
Licence fee	200,000	-
Consultation and service expense	128,770	58,431
Deposit insurance expense	100,000	-
Depreciation and amortization	86,232	81
Communication and utility expenses	34,549	4,768
Office expense	30,651	640
Business trip expense	29,459	-
Impairment expense	12,465	-
Advertisement expense	3,273	-

Tax expense	2,426	11
Representative expense	1,524	-
Other expense	41,130	958
Total General and Administrative Expenses	**2,916,611**	**142,181**

Licence fee is the set at GEL 200 000 (In accordance with the Law of Georgia on License and Permission Fees), which is the one-time payment to apply for digital bank status.

Deposit insurance expense is the payment to LEPL Georgian Deposit Insurance Agency for the insurance of deposits in the event of the commencement of liquidation in any of the commercial banks and microbanks (according to the Laws of Georgia on ,,Activities of Commercial Bank" and ,,Activities of Microbank"), the Deposit Insurance Agency will ensure the reimbursement of deposits, up to the set limit, to depositors within 20 calendar days.

13. Gain/(Loss) from foreign currency translation

	Cash and Cash Equivalents	Trade and Other Receivables	Trade and Other Payables	Total
Gain from foreign currency revaluation	149	13	54	216
(Loss) from foreign currency revaluation	(414)	(18)	(15,900)	(16,332)
Gain/(Loss) from foreign currency revaluation 2023	**(265)**	**(5)**	**(15,846)**	**(16,116)**

	Cash and Cash Equivalents	Trade and Other Receivables	Trade and Other Payables	Total
Gain from foreign currency revaluation	-	-	-	-
(Loss) from foreign currency revaluation	(35)	-	-	(35)
Gain/(Loss) from foreign currency revaluation 2022	**(35)**	**-**	**-**	**(35)**

14. Current Income Tax

Income tax reconciliation	**2023**
Loss for 2023	2,649,094
Loss for 2022	62,483
Total Loss	**2,711,577**
Income tax 20%	542,315
Adjustments:	
Permanent difference	-
Temporary difference	(8,425)
Income tax (expense)/benefit for the year	**533,890**
Effective tax rate	**20%**

The company has recognized deferred tax asset of 2022 reporting period in current year, due to the reason that difference was immaterial in prior year.

15. Contingent Liabilities and Commitments

Requirements of the National Bank - On November 3, 2023, the National Bank of Georgia issued a trial banking license to JSC “Hash Bank”. During pilot license, NBG restricted company from conducting banking activities in a real environment and defined the requirements that bank must meet step by step. As of December 31, 2023, the company has not fully met these requirements and is still operating in a test mode. The National Bank of Georgia is authorized to revoke the banking activity license of JSC “Hash Bank" in case of non-fulfillment of the above-mentioned requirements.

Litigation– in 2023 Bank has no litigation. Management is consulting with internal and external professionals and believes that no material loss will occur in connection with legal matters, therefore no provision has been made for litigation.

Taxes - Georgian tax legislation may be subject to various interpretations and changes. In addition, management's tax interpretations may differ from tax authorities' interpretations. The bank's operations may be appealed by the tax authorities and the bank may be charged additional taxes, surcharges, and interest. The management of the bank believes that all taxes have been paid, and therefore, no charges have been presented in the financial statements. Tax authorities can review bank operations for 3 years.

Operating Environment - Positioning in the Georgian market creates additional economic, political, social, legal and legislative risks compared to a more developed market. Laws and regulations, tax and regulatory frameworks influence the rapid development of business in Georgia. The future economic course of Georgia is influenced by the fiscal and monetary policies adopted by the government, along with the legislative, regulatory and political environment.

Management reporting - according to the Law on Accounting, Reporting and Auditing (Clause 7), the bank has an obligation to prepare and submit to the state regulatory body a management report, together with an independent auditor's report, no later than October 1 of the year following the reporting period. As of the date of publication of these financial statements, the Bank has not fulfilled the said obligation.

As on 31 December 2023 and 2022 the company does not have contingent liabilities and commitments other than mentioned above.

16. Fair Value of Financial Assets and Liabilities

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities. The bank has determined the fair values of financial assets and liabilities using valuation techniques. The objective of the valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The net book value of financial assets and liabilities does not differ significantly from their fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, companied into Levels 1 to 3 based on the degree to which the fair value is observable:

	2023			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD			
	1 level	**2 level**	**3 level**	**Total**
Financial assets				
Cash and cash equivalents	4,115,661	-	-	**4,115,661**
Trade and Other Receivables	1,537,979	-	1,484	**1,539,463**
Total Financial Assets	**5,653,640**	**-**	**1,484**	**5,655,124**
Financial Liabilities				
Trade and Other Payables	-	-	12,882	**12,882**
Tax Liabilities			622	**622**
Total Financial Liabilities	**-**	**-**	**13,504**	**13,504**

	2022			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD			
	1 level	**2 level**	**3 level**	**Total**
Financial assets				
Cash and cash equivalents	253,389	-	-	**253,389**
Trade and Other Receivables	4,678,213	-	-	**4,678,213**

Total Financial Assets	**4,931,602**	**-**	**-**	**4,931,602**
Financial Liabilities				
Trade and Other Payables	-	-	1,300	1,300
Total Financial Liabilities	**-**	**-**	**1,300**	**1,300**

17. Financial Risk Management

In performing its operating, investing and financing activities, the company is exposed to the following financial risks:

- **Credit risk**: the possibility that a debtor will not meet obligations in a timely manner and therefore will cause a loss to the company.
- **Liquidity risk**: the risk that the company may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.
- **Market risk**: the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically, the company is exposed to following market risk components:
  - Interest rate risk
  - Currency risk

The risk management system introduced by the bank sets the acceptable level of each type of risk for each direction of activity and ensures its protection.

The Supervisory Board is ultimately responsible for risk identification and control; However, there are separate independent bodies responsible for risk management and monitoring.

The board of directors has overall responsibility for overseeing the risk management framework, overseeing key risk management and reviewing its risk management policies and procedures, as well as approving materially large assignments.

The following table summarises the carrying amount of financial assets and financial liabilities recorded by category:

	31 December 2023	31 December 2022
Financial assets		
Cash and cash equivalents	4,115,661	253,389
Trade and Other Receivables	1,539,463	4,678,213
Total Financial Assets	**5,655,124**	**4,931,602**
Financial Liabilities		
Trade and Other Payables	12,882	1,300
Tax Liabilities	622	-
Total Financial Liabilities	**13,504**	**1,300**

Credit Risk

The company 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. 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 company uses a “three-stage” model for impairment based on changes in credit quality since initial recognition summarized 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 company.
- 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, it is then moved to “stage 3”.

- Financial instrument in stage 1 have the ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within next 12 months. Instruments in stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis.

The following table represents the bank’s policy in respect to the impairment of financial instruments.

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-moth expected credit loss	Liftime expected credit losses	Liftime expected credit losses

As on 31 December 2023 and 2022 the company has not recorded expected credit loss in the financial statements, because in the opinion of the management, the company’s financial assets – cash and cash equivalents and trade and other receivables represent neither impaired not overdue assets and expected credit loss is close to the 0.

Liquidity Risk – Maturity Analyses of Financial Assets and Liabilities

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations arising from its financial obligations. It refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The company manages liquidity risk on the basis of expected maturity dates.

Mandatory requirements regarding liquidity

The Liquidity Coverage Ratio Regulation (#70/04 Regulation) was approved and published by the NBG on 15 May 2017 and came into effect on 1 September 2017. The liquidity coverage ratio is calculated according to Basel III principles, although higher ratios are also allowed. NBG obligates all banks to maintain daily liquidity coverage ratio of at least 75.0% in GEL, 100.0% in foreign currency and minimum 100.0% liquidity coverage ratio in total. The liquidity coverage ratio (LCR) refers to the proportion of highly liquid assets held by financial institutions, to ensure their ongoing ability to meet short-term obligations. The liquidity coverage ratio (LCR) is a requirement under Basel III whereby banks are required to hold an amount of high-quality liquid assets that’s enough to fund cash outflows for 30 days.

As of 31 December 2023, the bank meets the above requirements.

The following table provides an analysis of the remaining contractual maturities of the company’s financial assets and liabilities as at 31 December 2023:

	< 1 Year	From 1 to 3	From 3 to 5	> 5 year	Total
Financial Assets					
Cash and cash equivalents	4,115,661	-	-	-	4,115,661
Trade and Other Receivables	1,539,463	-	-	-	1,539,463
Total Financial Assets	**5,655,124**	**-**	**-**	**-**	**5,655,124**
Financial Liabilities					
Trade and Other Payables	12,882	-	-	-	12,882
Tax Liabilities	622	-	-	-	622
Total Financial Liabilities	**13,504**	**-**	**-**	**-**	**13,504**
Liquidity GAP	**5,641,620**	**-**	**-**	**-**	**5,641,620**
Accumulated Liquidity GAP	**5,641,620**	**5,641,620**	**5,641,620**	**5,641,620**	

The following table provides an analysis of the remaining contractual maturities of the company's financial assets and liabilities as at 31 December 2022:

	< 1 Year	From 1 to 3	From 3 to 5	> 5 year	Total
Financial Assets					
Cash and cash equivalents	253,389	-	-	-	253,389
Trade and Other Receivables	4,678,213	-	-	-	4,678,213
Total Financial Assets	**4,931,602**	**-**	**-**	**-**	**4,931,602**
Financial Liabilities					
Trade and Other Payables	1,300	-	-	-	1,300
Total Financial Liabilities	**1,300**	**-**	**-**	**-**	**1,300**
Liquidity GAP	**4,930,302**	**-**	**-**	**-**	**4,930,302**
Accumulated Liquidity GAP	**4,930,302**	**4,930,302**	**4,930,302**	**4,930,302**	

Interest Rate Risk

The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

The company monitors interest rates for its financial instruments. The table below summarizes interest rates based on reports reviewed by key management personnel:

Interest rate on term deposits in GEL is 10.5-11.5% per annum and for savings account is 3% per annum.

The company has deposits in local commercial banks, the balance of which as on 31 December 2023 is 1,500,000 GEL (2022: - 4,600,000 GEL). Interest rates on deposits is fixed during the maturity of deposit agreement.

Interest Rate risk for company is not significant.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when revenue or expense is denominated in a different currency from the company's functional currency) and the company's financial liabilities denominated in foreign currencies.
Financial assets and liabilities by currency

Financial assets as on 31 December 2023 are analysed by currency as follows:

	Cash and cash equivalents	Trade and Other Receivables	Total
GEL	4,114,931	1,539,463	5,654,394
USD	730	-	730
Total	**4,115,661**	**1,539,463**	**5,655,124**

Financial assets as on 31 December 2022 are analysed by currency as follows:

	Cash and cash equivalents	Trade and Other Receivables	Total
GEL	252,625	4,678,213	4,930,838
USD	764	-	764
Total	**253,389**	**4,678,213**	**4,931,602**

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	31 December 2023
	Impact on profit or (loss)
USD Increase by 10%	73
USD Decrease by 10%	(73)

	31 December 2022
	Impact on profit or (loss)
USD Increase by 10%	76
USD Decrease by 10%	(76)

Other than changes in foreign exchange rates no factor is influencing company’s capital. The calculations are done only for the balances in foreign currency, which are different from company’s functional currency. The company does not have significant foreign currency risk.

18. Capital Management

The goal of company in respect to capital management is to ensure shareholders with sufficient financial resources and to meet the legal requirements.

The capital requirements for the Georgian banking sector are based on the Basel III standard, Regulation 575/2013 of 26 June 2013 and Directive 2013/36/EU of the European Parliament and of the Council (CRR-CRD package).

The minimum capital requirements are defined in the Regulations on Capital Adequacy Requirements for Commercial Banks, which says that, under Pillar 1, the minimum requirements are defined as follows:

- CET1 Capital Ratio 4.5%;
- Tier1 Capital Ratio (CET 1 + AT1) 6%;
- Regulatory Capital Ratio (CET 1 +AT1+ Tier 2) 8%.

In addition to the Pillar 1 minimum capital requirements determined by the “Regulation on Capital Adequacy Requirements for Banks”, banks shall also observe additional capital buffer requirements for those risks that are not covered under Pillar I, including market and credit risks those are not covered under Pillar I, as well as concentration risk, interest rate, liquidity, strategic and reputational risks, etc. As a response to the risks identified through the supervisory review and evaluation, the National Bank of Georgia sets the additional capital requirements, which is determined under the “Rule on Additional Capital Buffer Requirements for Commercial Banks” within Pillar 2.

Additionally, commercial banks are required to have a combined capital buffer consisting of a capital conservation buffer (up to 2.5%), a countercyclical buffer (within 0-2.5%), and a systemic buffer.

Capital adequacy ratios are calculated monthly in accordance with the Basel III capital adequacy framework of the National Bank.

As of December 31, 2023, the Bank maintained capital adequacy requirements set by the NBG. Details are presented in the table:

	Capital ratios	**Capital requirements**
Common Equity Tier 1 ratio (CET 1)	22.69 %	7.4 %
Tier 1 ratio (Tier 1)	22.70 %	8.9 %
Total supervisory capital	22.70 %	10.9 %

As of 31 December 2023, the company is in compliance with the requirements set by NBG.

19. Related Party Transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).
(a) A person or a close member of that person’s family is related to a reporting entity if that person:
(i) has control or joint control of the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
(b) An entity is related to a reporting entity if any of the following conditions applies:
(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The following table illustrates the transactions with the related parties during the period as of 31 December 2023 and 31 December 2022:

	2023	**2022**
AMOUNT OF TRANSACTIONS		
Rent Expense	200,140	18,000
Communication and Utility Expenses	12,315	4,768

OUTSTANDING BALANCES	**2023**	**2022**
Advances Paid	11,967	-
Other liabilities	3,637	1,060

Below table illustrates key management compensations during 2023 and 2022 reporting periods:

	2023	**2022**
Key Management Compensations		
Salaries and Bonuses	1,377,696	32,300

20. Events After the Reporting Period

After the end of the reporting period, before the issuance of financial statements, the shareholders have paid in the charter capital of bank monetary contribution in the amount of 6,926,600 GEL.

No other significant events that would need to be disclosed in the financial statements of the bank have taken place.