

JSC HASH BANK

Financial Statements and
Independent Auditor's Report
For the year ended 31 December 2024

CONTENT

INDEPENDENT AUDITOR'S REPORT	i
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024	1
STATEMENT OF PROFIT&LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024	2
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024.....	3
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024	4
1. General information	5
2. Georgian business environment	5
3. Basis of preparation and review of significant principles and estimations of accounting policy.....	5
3.1 Basis of preparation.....	5
3.2. Application of new and revised standards and pronouncements	6
3.3 Accounting policies	7
4. Cash and cash equivalents	12
5. Amounts due from financial institutions	13
6. Investment certificates at amortized cost	14
7. Property, Plant and Equipment	14
8. Intangible Assets.....	14
9. Taxation.....	15
10. Other assets and other liabilities.....	16
11. Paid in capital	17
12. Interest income	17
13. Administrative and other expenses.....	18
14. Contingent liabilities and commitments	18
15. Fair value of financial assets and liabilities	18
16. Financial risk management	19
17. Capital management.....	22
18. Related party disclosures	23
19. Events after the reporting period	24

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 at 31 December 2024 and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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' 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 information

The bank'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 2024, which we obtained prior to the date of this auditor's report.

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

The bank'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 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 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 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 of the bank, 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.

May 7, 2025

RSM Georgia

(Reg. # SARAS-F-279563)

Engagement Partner: Ali Murtza

(Reg. # SARAS-A-577214)

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 at 31 December 2024 and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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' 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 information

The bank'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 2024, which we obtained prior to the date of this auditor's report.

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

The bank'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 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 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 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 of the bank, 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.

May 7, 2025

RSM Georgia

(Reg. # SARAS-F-279563)

Engagement Partner: Ali Murtza

(Reg. # SARAS-A-577214)

RSM Georgia


STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Notes	31 December 24	31 December 23
Cash and cash equivalents	4	269,903	4,115,661
Amounts due from financial institutions	5	16,858,788	1,537,979
Investment certificates at amortized cost	6	6,067,389	-
Property, plant and equipment	7	1,195,042	472,000
Intangible assets	8	3,650,881	873,459
Deferred tax asset	9	947,972	533,890
Other assets	10	1,202,398	50,998
Total assets		30,192,373	7,583,987
Amounts due to customers		6,432	-
Current tax liabilities		10,987	622
Other liabilities	10	573,290	12,882
Total liabilities		590,709	13,504
Paid in capital	11	37,074,100	9,707,500
Retained earnings/(accumulated losses)		(7,472,436)	(2,137,017)
Total equity		29,601,664	7,570,483
Total liabilities and equity		30,192,373	7,583,987

Approved for issue and signed on behalf of the management on May 7, 2025

Armen Matevosyan

General Director

Irakli Chakhnashvili

Chief Financial Officer

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Notes	31 December 24	31 December 23
Cash and cash equivalents	4	269,903	4,115,661
Amounts due from financial institutions	5	16,858,788	1,537,979
Investment certificates at amortized cost	6	6,067,389	-
Property, plant and equipment	7	1,195,042	472,000
Intangible assets	8	3,650,881	873,459
Deferred tax asset	9	947,972	533,890
Other assets	10	1,202,398	50,998
Total assets		30,192,373	7,583,987
Amounts due to customers		6,432	-
Current tax liabilities		10,987	622
Other liabilities	10	573,290	12,882
Total liabilities		590,709	13,504
Paid in capital	11	37,074,100	9,707,500
Retained earnings/(accumulated losses)		(7,472,436)	(2,137,017)
Total equity		29,601,664	7,570,483
Total liabilities and equity		30,192,373	7,583,987

Approved for issue and signed on behalf of the management on May 7, 2025

Armen Matevosyan

General Director

Irakli Chakhnashvili

Chief Financial Officer

STATEMENT OF PROFIT&LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024	2023
Interest income	12	989,728	324,303
Interest expense		(66)	-
Net interest income		989,662	324,303
Fee and commission income		606	-
Fee and commission expenses		(262,198)	-
Gain/(loss) from foreign currency translation		5,078	(16,116)
Administrative and other expenses	13	(6,404,924)	(2,916,611)
(Provision)/reversal for financial assets other than loans		(66,970)	-
Other income/(expenses)		(10,756)	-
Non-interest expenses		(6,739,164)	(2,932,727)
Profit/(loss) before income tax expense		(5,749,502)	(2,608,424)
Income tax expense	9	414,083	533,890
Profit/(loss) for the year		(5,335,419)	(2,074,534)
Other comprehensive (loss)/income for the year		-	-
Total comprehensive income for the year		(5,335,419)	(2,074,534)

Approved for issue and signed on behalf of the management on May 7, 2025

Armen Matevosyan

General Director

Irakli Chakhnashvili

Chief Financial Officer

STATEMENT OF PROFIT&LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024	2023
Interest income	12	989,728	324,303
Interest expense		(66)	-
Net interest income		989,662	324,303
Fee and commission income		606	-
Fee and commission expenses		(262,198)	-
Gain/(loss) from foreign currency translation		5,078	(16,116)
Administrative and other expenses	13	(6,404,924)	(2,916,611)
(Provision)/reversal for financial assets other than loans		(66,970)	-
Other income/(expenses)		(10,756)	-
Non-interest expenses		(6,739,164)	(2,932,727)
Profit/(loss) before income tax expense		(5,749,502)	(2,608,424)
Income tax expense	9	414,083	533,890
Profit/(loss) for the year		(5,335,419)	(2,074,534)
Other comprehensive (loss)/income for the year		-	-
Total comprehensive income for the year		(5,335,419)	(2,074,534)

Approved for issue and signed on behalf of the management on May 7, 2025

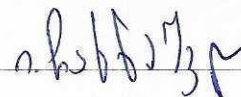
Armen Matevosyan

General Director



Irakli Chakhnashvili

Chief Financial Officer



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Paid in capital	Retained earnings	Total equity
31 December 2022	11	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)
31 December 2023	11	9,707,500	(2,137,017)	7,570,483
Shareholder's contributions in capital		27,366,600	-	27,366,600
Total comprehensive income for the year		-	(5,335,419)	(5,335,419)
31 December 2024	11	37,074,100	(7,472,436)	29,601,664

Approved for issue and signed on behalf of the management on May 7, 2025

Armen Matevosyan

General Director

Irakli Chakhnashvili

Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Paid in capital	Retained earnings	Total equity
31 December 2022	11	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)
31 December 2023	11	9,707,500	(2,137,017)	7,570,483
Shareholder's contributions in capital		27,366,600	-	27,366,600
Total comprehensive income for the year		-	(5,335,419)	(5,335,419)
31 December 2024	11	37,074,100	(7,472,436)	29,601,664

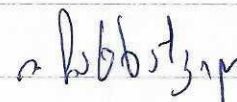
Approved for issue and signed on behalf of the management on May 7, 2025

Armen Matevosyan

General Director

Irakli Chakhnashvili

Chief Financial Officer

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024	2023
Cash from operating activities			
Profit/(loss) before taxation:		(5,749,502)	(2,608,424)
Adjustments:			
Impairment of financial assets		77,828	-
Depreciation and amortization	7	236,472	86,232
Profit from the sale of fixed assets		577	-
Gain/(Loss) from foreign currency revaluation		(5,078)	16,116
From operating activities before changes in operating assets and liabilities		(5,439,703)	(2,506,076)
Decrease/(Increase) in operating assets:			
(Increase)/Decrease in tax assets		10,366	687
(Increase)/Decrease in other assets	10	(1,152,884)	159,584
Decrease/(Increase) in operating liabilities:			
Increase/(Decrease) in amounts due to customers		6,432	-
Increase/(Decrease) in other liabilities	10	560 408	(4,264)
Net cash flows (used in) from operating activities before income tax		(6,015,381)	(2,350,069)
Income tax Paid		-	-
Net cash flows (used in) from operating activities		(6,015,381)	(2,350,069)
Cash flows (used in) from investment activities			
Purchase of intangible assets	8	(450,313)	-
Capital expenditures on intangible assets	8	(2,350,760)	(873,459)
Purchase of property, plant and equipment	7	(936,440)	(551,664)
Increase in amounts due from financial institutions	8	(15,375,843)	3,140,229
Increase in investment certificates at amortized cost	6	(6,088,699)	-
Net cash flows (used in) from investment activities		(25,202,055)	1,715,106
Cash flows used in financial activities			
Net change in share capital	11	27,366,600	4,497,500
Net cash flows used in financial activities		27,366,600	4,497,500
Cash and cash equivalents			
Effect of exchange rates changes on cash and cash equivalents		5,078	(265)
Net (decrease) increase in cash and cash equivalents		(3,845,758)	3,862,272
Cash and cash equivalents, beginning of the year		4,115,661	253,389
Cash and cash equivalents, end of the year		269,903	4,115,661

Approved for issue and signed on behalf of the management on May 7, 2025

Armen Matevosyan

General Director

Irakli Chakhnashvili

Chief Financial Officer

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024	2023
Cash from operating activities			
Profit/(loss) before taxation:		(5,749,502)	(2,608,424)
Adjustments:			
Impairment of financial assets		77,828	-
Depreciation and amortization	7	236,472	86,232
Profit from the sale of fixed assets		577	-
Gain/(Loss) from foreign currency revaluation		(5,078)	16,116
From operating activities before changes in operating assets and liabilities		(5,439,703)	(2,506,076)
Decrease/(Increase) in operating assets:			
(Increase)/Decrease in tax assets		10,366	687
(Increase)/Decrease in other assets	10	(1,152,884)	159,584
Decrease/(Increase) in operating liabilities:			
Increase/(Decrease) in amounts due to customers		6,432	-
Increase/(Decrease) in other liabilities	10	560,408	(4,264)
Net cash flows (used in) from operating activities before income tax		(6,015,381)	(2,350,069)
Income tax Paid		-	-
Net cash flows (used in) from operating activities		(6,015,381)	(2,350,069)
Cash flows (used in) from investment activities			
Purchase of intangible assets	8	(450,313)	-
Capital expenditures on intangible assets	8	(2,350,760)	(873,459)
Purchase of property, plant and equipment	7	(936,440)	(551,664)
Increase in amounts due from financial institutions	8	(15,375,843)	3,140,229
Increase in investment certificates at amortized cost	6	(6,088,699)	-
Net cash flows (used in) from investment activities		(25,202,055)	1,715,106
Cash flows used in financial activities			
Net change in share capital	11	27,366,600	4,497,500
Net cash flows used in financial activities		27,366,600	4,497,500
Cash and cash equivalents			
Effect of exchange rates changes on cash and cash equivalents		5,078	(265)
Net (decrease) increase in cash and cash equivalents		(3,845,758)	3,862,272
Cash and cash equivalents, beginning of the year		4,115,661	253,389
Cash and cash equivalents, end of the year		269,903	4,115,661

Approved for issue and signed on behalf of the management on May 7, 2025

Armen Matevosyan

General Director

Irakli Chakhnashvili

Chief Financial Officer

1. General information

JSC Hash Bank (the '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).

On November 3, 2023 the National Bank of Georgia granted a banking license to Hash Bank JSC, based on the principles of digital bank licensing. In accordance with the decision of NBG on September 20, 2024, under the conditions determined by the written instructions of the National Bank of Georgia, the digital bank has the right to carry out banking activities and/or services related to them under the first paragraph of Article 20 of the Law of Georgia "On commercial bank activities" in a real environment.

According to letter dated on 21 March of 2025, the bank is in phase 3 of licensing process.

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

As at 31 December 2024 the bank had 92 employees (2023: 33). However, the average number of employees for the reporting period is 71 (2023: 26).

As at 31 December 2024 and 2023, the shareholders of the bank are as follows: Volodymyr Nosov, Sulokhan Papashvili and Lasha Papashvili. For detailed information refer to the note 11.

2. Georgian business environment

The bank 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 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 bank'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 2024.

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 recognized in the statement of profit or loss. Other comprehensive income is recognized in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognized 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 recognized in other comprehensive income in the current or previous periods. Transactions with the owners of the bank in their capacity as owners are recognized in the statement of changes in equity.

The bank presents the profit and loss items using the classification by function of expenses. The bank 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 bank 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 bank using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. 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 categorized 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 (i.e. as prices) or indirectly (i.e. 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 bank 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 bank 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.

The following new and amended standards, issued by the International Accounting Standards Board (IASB), are effective for annual periods beginning on or after January 1, 2024, and have been applied in preparing these financial statements:

1. **Amendments to IAS 1: Classification of liabilities as current or non-current**
 - *Effective Date:* January 1, 2024
 - *Summary:* These amendments clarify the criteria for classifying liabilities as current or non-current, focusing on the rights that exist at the end of the reporting period.
2. **Amendments to IFRS 16: Lease liability in a sale and leaseback**
 - *Effective Date:* January 1, 2024
 - *Summary:* The amendments specify the measurement of the lease liability and the recognition of any gain or loss in a sale and leaseback transaction.
3. **Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction**
 - *Effective Date:* January 1, 2024
 - *Summary:* These amendments narrow the scope of the recognition exemption in IAS 12, requiring entities to recognize deferred tax on certain transactions that give rise to equal amounts of taxable and deductible temporary differences.

Standards and amendments issued but not yet effective

The following new standards and amendments have been issued by the IASB but are not yet effective for the annual period ending December 31, 2024. The bank has not early adopted these standards and is currently assessing their potential impact on future financial statements:

1. **IFRS 18: Presentation and disclosure in financial statements**
 - *Effective Date:* January 1, 2027
 - *Summary:* IFRS 18 introduces new categories and subtotals in the statement of profit or loss and requires disclosure of management-defined performance measures.
2. **Amendments to IAS 21: Lack of exchangeability**
 - *Effective Date:* January 1, 2025
 - *Summary:* These amendments specify how an entity should assess whether a currency is exchangeable and the accounting requirements if it is not.

3. Amendments to IFRS 9 and IFRS 7: Contracts referencing nature-dependent electricity

- *Effective Date:* January 1, 2026
- *Summary:* The amendments clarify the application of the 'own-use' requirements and permit hedge accounting for certain contracts.

3.3 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 applied 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 bank commits to purchase or sell the asset.

At initial recognition, the bank 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 initial 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 bank 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 bank's business model for managing the asset, and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the bank 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 (FVOCI):** 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 bank manages the assets in order to generate cash flows. That is, whether the bank'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 bank in determining the business model for a bank 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 bank assesses whether the financial instruments cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the bank 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 bank 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 bank 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 bank transfers substantially all the risks and rewards of ownership, or (ii) the bank neither transfers nor retains substantially all the risks and rewards of ownership and the bank 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 liabilities 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 such 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 qualify for derecognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the bank 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 bank 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 liability. 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 bank has an obligation at the reporting date as a result of a past event; it is probable that the bank 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 bank 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 National Bank of Georgia exchange rates		
	USD	EUR	GBP
31 December 2024	2.8068	2.9306	3.5349
31 December 2023	2.6894	2.9753	3.4228
Average rate - 31 December 2024	2.7208	2.9440	3.4800
Average rate - 31 December 2023	2.6279	2.8416	3.2706

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	25 %
Furniture and office equipment	17 %
Communication 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 bank 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 derecognized 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 recognized in profit or loss when the asset is derecognized.

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 bank'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 bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The bank'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, monetary 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 bank 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 bank'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 bank 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 bank 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 2024	31 December 2023
Current accounts with commercial banks	257,107	4,128,126
Current accounts with NBG	13,453	-
Cash and cash equivalents, gross	270,560	4,128,126
Less – expected credit loss	(657)	(12,465)
Cash and cash equivalents, net	269,903	4,115,661

As at 31 December 2024, the Bank earned up to 6.50% interest per annum on current account with commercial banks, which amounted GEL 55,453 (2023: 43,018).

Expected credit loss (ECL) policy – for receivables from financial institutions and cash and cash equivalents

The Bank applies the expected credit loss (ECL) model in accordance with IFRS 9 for the assessment of impairment on placements with financial institutions. The ECL is calculated based on the credit risk of the financial institutions, taking into account both quantitative and qualitative information, including forward-looking macroeconomic factors.

For the purposes of determining the probability of default (PD), the Bank uses external credit ratings issued by internationally recognized rating agencies such as Fitch Ratings, Moody's Investors Service, and Standard & Poor's. Based on these ratings, financial institutions are categorized from 'AAA' to 'B'. The PDs associated with each rating level are defined by the Bank and are subject to at least annual review by the Bank's Risk Management Department and Risk Committee.

The ECL assessment is performed considering the remaining contractual maturity of the exposure, grouped into the following maturity buckets:

- Current to less than 1 month
- 1 month to 1 year
- More than 1 year

On placements with financial institutions rated 'C' or below, or those for which no external credit rating is available, are subject to an individual assessment. Under this approach, the Bank evaluates the creditworthiness of the counterparty on a case-by-case basis, considering internally available information and other relevant factors.

No ECL is recognized for cash balances held with the National Bank of Georgia, as the probability of default is assessed to be zero. Bellow table summarizes maturity buckets and reserve rates used in calculation of ECL:

Fitch Rating	< than 1 month	Between 1 month and 1 year	> than 1 year
AAA - A	0.005%	0.05%	0.20%
BBB	0.15%	0.20%	0.25%
BB	0.22%	0.27%	0.30%
B	0.28%	0.35%	0.60%

5. Amounts due from financial institutions

	31 December 2024	31 December 2023
Time deposits up-to 90 days	16,300,000	1,500,000
Interest receivables	282,874	37,979
Restricted deposits	332,378	-
Obligatory reserves with central bank	54	-
Amounts due from financial institutions, gross	16,915,306	1,537,979
Less –expected credit loss	(56,518)	-
Amounts due from financial institutions, net	16,858,788	1,537,979

Interest income earned from deposits during the reporting period is amounted to GEL 934,275 (2023: GEL 281,285).

Obligatory reserves with central banks represent amounts deposited with the National Bank of Georgia (NBG). Credit institutions are required to maintain cash deposits (obligatory reserve) with the NBG, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw these deposits is restricted by regulation.

Restricted deposits represent the restricted cash held at Georgian commercial bank to secure obligations against Visa and Mastercard.

As at 31 December 2024, time deposits up-to 90 days were placed on current and time deposit accounts with Georgian commercial banks with the interest earned up to 12.00%.

6. Investment certificates at amortized cost

	31 December 2024	31 December 2023
Certificates of deposits of banks	6,000,116	-
Interest receivable from certificates of deposit	88,583	-
Investment certificates at amortized cost, gross	6,088,699	-
Less – expected credit loss	(21,310)	-
Investment certificates at amortized cost, net	6,067,389	-

Certificates of deposits of banks as at 31 December 2024 comprised GEL-denominated certificate of deposits issued by one Georgian commercial bank of GEL 6,000,116 with 3-month maturity with the interest up to 11.50%. Interest income from certificates of deposits during 2024 reporting period amounted to 80,801 GEL.

7. Property, plant and equipment

	Computer Equipment	Furniture and fixtures	Other Equipment	Total
Cost				
31 December 2022	6,649	-	-	6,649
Additions	536,413	12,363	2,888	551,664
31 December 2023	543,062	12,363	2,888	558,313
Additions	840,299	61,516	34,625	936,440
Disposals	(906)	-	-	(906)
31 December 2024	1,382,455	73,879	37,513	1,493,847
Accumulated depreciation				
31 December 2022	(81)	-	-	(81)
Depreciation charge	(83,758)	(1,923)	(551)	(86,232)
31 December 2023	(83,839)	(1,923)	(551)	(86,313)
Depreciation charge	(203,626)	(7,789)	(1,406)	(212,821)
Depreciation of assets disposed off	329	-	-	329
31 December 2024	(287,136)	(9,712)	(1,957)	(298,805)
Net book value				
31 December 2022	6,568	-	-	6,568
31 December 2023	459,223	10,440	2,337	472,000
31 December 2024	1,095,319	64,167	35,556	1,195,042

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

8. Intangible assets

	Capital Expenditures	Software	Mobile Application	Integration System	Total
Cost					
31 December 2022	-	-	-	-	-
Capitalization	873,459	-	-	-	873,459
31 December 2023	873,459	-	-	-	873,459
Capitalization	2,350,760	-	-	-	2,350,760
Additions	-	450,313	-	-	450,313
Transfers	(2,534,018)	-	1,468,329	1,065,689	-
31 December 2024	690,201	450,313	1,468,329	1,065,689	3,674,532
Accumulated Depreciation					
31 December 2022	-	-	-	-	-
Depreciation charge	-	-	-	-	-
31 December 2023	-	-	-	-	-

JSC Hash Bank
Financial Statements
For the year ended 31 December 2024
Georgian Lari

Depreciation charge	-	(23,651)	-	-	(23,651)
31 December 2024	-	(23,651)	-	-	(23,651)
Net Book Value					
31 December 2022	-	-	-	-	-
31 December 2023	873,459	-	-	-	873,459
31 December 2024	690,201	426,662	1,468,329	1,065,689	3,650,881

The bank decided to develop certain IT modules with its own resources, therefore, capital expenditures represent the costs incurred for the development of internet banking system, which mainly consists of labor remuneration to the individuals who are designed specifically for the projects. The total budget for internet bank system is planned to be 2,400,000 GEL. The bank expects to launch the product by the end of 2025 reporting period.

The software represents the purchased program, where bank performs accounting of financial operations, the useful life of which is 10 years.

Integration system represents software created by bank with its own resources, which consists of labor remuneration, the useful life of which is 10 years.

By the end of 2024 reporting period, the bank has finished development of mobile application, which entered into exploitation at the year end, the useful life of which is 10 years.

All intangible assets are amortized using straight line method.

9. Taxation

	31 December 2024	31 December 2023
Deferred tax asset	1,057,943	542,315
Deferred tax liability	(109,971)	(8,425)
Deferred tax asset	947,972	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 at December 31, 2024, the bank'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 GEL 947,972 (2023: GEL 533,890).

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.

As of 31 December 2024, according to management's assumptions, the bank has recognized the amount of deferred tax asset which can be used to adjust against income tax from future generated profits. Deferred tax reconciliation is presented in below tables:

JSC Hash Bank
Financial Statements
For the year ended 31 December 2024
Georgian Lari

Deferred tax components	Temporary differences	2024 DTA/(DTL)	Temporary differences	2023 DTA/(DTL)
Property, plant and equipment	(172,811)	(34,562)	(42,127)	(8,425)
Cash and cash equivalents	(246,766)	(49,353)	12,465	2,493
Intangible assets	(130,282)	(26,056)	170,000	34,000
Unused tax losses and other balances	8,278,612	1,655,722	2,529,110	505,822
Total	7,728,754	1,545,751	2,669,448	533,890
Usable deferred tax asset	-	947,972	-	533,890
Non-useable deferred tax asset	-	597,778	-	-

Movement in deferred tax:

	31 December 2024	31 December 2023
Opening balance	533,890	-
New defer tax arise during the year	1,011,861	533,890
Closing balance	1,545,751	533,890
Usable deferred tax asset	947,972	533,890
Non-useable deferred tax asset	597,778	-

Reconciliation of effective tax rate:

Description	31 December 2024	31 December 2023
Accounting profit before tax	5,749,502	2,608,424
Tax at applicable tax rate (20%)	1,149,900	521,685
Effect of temporary differences	(138,039)	28,068
Effect of permanent differences	-	(15,863)
Unrecognized deferred tax assets	(597,778)	-
Income tax expense	414,083	533,890

10. Other assets and other liabilities

Other assets comprise of:

	31 December 2024	31 December 2023
Prepayments for services	535,380	-
Prepayments for 1-year licence	300,229	37,170
Advances for the purchase of PPE	196,361	-
Other receivables	170,428	13,828
Other assets	1,202,398	50,998

As at 31 December 2024, prepayments for services include banking-related operations and marketing services GEL 342,152 and GEL 116,305, respectively. As at 31 December 2024 and 2023, 1-year license prepayments include advances paid for software support services.

Other liabilities comprise:

	31 December 2024	31 December 2023
Short-term employee benefits	304 938	-
Other payables	268 352	12,882
Other liabilities	573,290	12,882

As at 31 December 2024, other payables include transit accounts and payable on intangible assets GEL 200,967 and GEL 24,800 respectively.

11. Paid in capital

The Company's share capital consists of two classes of shares: common shares and preferred shares.

- Common shares represent ownership in the Company and entitle holders to voting rights, with each share carrying one (1) vote.
- Preferred shares, on the other hand, do not carry voting rights but provide other preferential rights such as priority in dividends or liquidation proceeds, subject to the terms set by the Company.

As at 31 December 2024, the nominal value of each common share is GEL 245, and the nominal value of each preferred share is GEL 1. The Company's authorized share capital comprises 210,000 shares with a total nominal value of GEL 50,937,600. Out of this, GEL 37,074,100 has been paid up by shareholders, representing the amount of capital actually contributed by the shareholders as at year-end (2023: GEL 9,707,500).

According to NBG requirements, letter dated on 21 of March 2025, the bank is obliged to increase share capital up to GEL 50 million within 8 months after entering to stage 4.

At the end of 31 December 2024 and as of the date of issuance of the financial statements the bank is in stage 3.

The share structure and share ownership are presented in the table below:

As at 31 December, 2024	Authoriz ed share capital	Preferre d shares	Paid capital	Nominal value	Total	Shareholding on the basis of authorized share capital	Shareholding on the basis of paid capital
Volodymyr Nosov	103,950	-	64,310	245	15,756,000	50.00%	42.50%
Sulkhan Papashvili	63,409	-	53,868	245	13,197,660	30.50%	35.60%
Lasha Papashvili	40,541	-	33,136	245	8,118,340	19.50%	21.90%
Nana Keburia	-	2,100	2,100	1	2,100	100%	100%
Total	207,900	2,100	153,414		37,074,100		

As at 31 December, 2023	Authoriz ed share capital	Preferre d shares	Paid capital	Nominal value	Total	Shareholding on the basis of totals share capital	Shareholding on the basis of paid capital
Volodymyr Nosov	103,950	-	60,659	80	4,852,700	50.00%	50.00%
Sulkhan Papashvili	63,409	-	50,178	80	4,014,200	30.50%	41.00%
Lasha Papashvili	40,541	-	10,481	80	838,500	19.50%	9.00%
Nana Keburia	-	2,100	2,100	1	2,100	100%	100%
Total	207,900	2,100	123,418		9,707,500		

12. Interest income

	2024	2023
Interest income		
From amounts due from financial institutions	989,728	324,303
Interest income	989,728	324,303

Interest income breakdown:

	2024	2023
From term deposits	356,584	281,285
From short-term overnight deposit	123,021	-
From certificate of deposits	454,670	-

JSC Hash Bank
Financial Statements
For the year ended 31 December 2024
Georgian Lari

From current accounts	55,453	43,018
Interest income	989,728	324,303

13. Administrative and other expenses

	2024	2023
Employee salary and other benefits	4,737,321	2,045,992
Rent expenses	444,799	200,140
Licence fee	298 880	237,170
Professional consulting services	247,773	128,770
Depreciation and amortization	236,473	86,232
Marketing and advertisement	163,515	3,273
Communication and utility	123,079	34,549
Office supplies	39,538	30,651
Business trip	9,992	29,459
Operating taxes	8,338	2,426
Representative expenses	6,074	1,524
Deposit insurance	5	100,000
Other	89,137	3,960
Administrative and other expenses	6,404,924	2,904,146

The fee for the audit of financial statements for the year ended 31 December 2024 according to the agreement amounts GEL 28,000 including VAT, from which 14,000 was paid in advance (50% of the agreement amount by October, 2024).

14. Contingent liabilities and commitments

Requirements of the National Bank of Georgia - In accordance with the decision of NBG on September 20, 2024, under the conditions determined by the written instructions of the National Bank of Georgia, the digital bank has the right to carry out banking activities and/or services related to them under the first paragraph of Article 20 of the Law of Georgia "On commercial bank activities" in a real environment.

As of reporting period the bank is in stage 3 and is obliged to fill share capital up to 50 million GEL.

JSC Hash Bank has been working in test mode for 22 months and 17 days after receiving the banking activity license (03.11.2023) and the implementation of banking activities in the real environment was limited.

Litigation– In 2024 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.

As at 31 December 2024 and 2023 the bank does not have contingent liabilities and commitments other than mentioned above.

15. 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:

2024				
Fair value measurement at end of the reporting period				
	1 level	2 level	3 level	Total
Financial assets				
Cash and cash equivalents	269,903	-	-	269,903
Investment certificates at amortized cost	-	6,067,389	-	6,067,389
Amounts due from financial institutions	-	16,858,788	-	16,858,788
Total financial assets	269,903	22,926,177	-	23,196,080
Financial liabilities				
Other liabilities	-	-	573,290	573,290
Amounts due to customers	-	-	6,432	6,432
Current tax liabilities	-	-	10,987	10,987
Total financial liabilities	-	-	590,709	590,709

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
Amounts due from financial institutions	-	1,537,979	-	1,537,979
Total financial assets	4,115,661	1,537,979	-	5,653,640
Financial liabilities				
Other liabilities	-	-	12,882	12,882
Current tax liabilities	-	-	622	622
Total financial liabilities	-	-	13,504	13,504

16. Financial risk management

In performing its operating, investing and financing activities, the bank 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 bank.
- **Liquidity risk:** the risk that the bank 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 bank 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 2024	31 December 2023
Financial assets		
Cash and cash equivalents	269,903	4,115,661
Investment certificates at amortized cost	6,067,389	-
Amounts due from financial institutions	16,858,788	1,537,979
Total financial assets	23,196,080	5,653,640
Financial liabilities		
Other liabilities	573,290	12,882
Amounts due to customers	6,432	-
Current tax liabilities	10,987	622
Total financial liabilities	590,709	13,504

Credit risk

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. 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 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 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, 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) 12-month expected credit loss	(Significant increase in credit Risk since initial recognition)	(Credit-impaired assets)

Based on the Fitch rating, the bank determines the PD (probability of default) indicator for financial institutions in the AAA – B range, for current (less than 1 month), 1 month to 1 year and more than 1-year placements.

Liquidity Risk – Maturity analyses of financial assets and liabilities

Liquidity risk is the risk that the bank 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 bank 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

JSC Hash Bank
Financial Statements
For the year ended 31 December 2024
Georgian Lari

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 at 31 December 2024, the bank meets the above requirements.

The following table provides an analysis of the remaining contractual maturities of the bank's financial assets and liabilities as at 31 December 2024:

	< 1 Year	From 1 to 3	From 3 to 5	> 5 year	Total
Financial assets					
Cash and cash equivalents	269,903	-	-	-	269,903
Investment certificates at amortized cost	6,067,389	-	-	-	6,067,389
Amounts due from financial institutions	16,858,788	-	-	-	16,858,788
Total	23,196,080	-	-	-	23,196,080
Financial liabilities					
Other liabilities	573,290	-	-	-	573,290
Amounts due to customers	6,432	-	-	-	6,432
Current tax liabilities	10,987	-	-	-	10,988
Total	590,709	-	-	-	590,710
Net	22,605,371	-	-	-	22,605,371
Accumulated gap	22,605,371	22,605,371	22,605,371	22,605,371	

The following table provides an analysis of the remaining contractual maturities of the bank'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
Amounts due from financial institutions	1,537,979	-	-	-	1,537,979
Total	5,653,640	-	-	-	5,653,640
Financial liabilities					
Other liabilities	12,882	-	-	-	12,882
Current tax liabilities	622				622
Total	13,504	-	-	-	13,504
Net	5,640,136	-	-	-	5,640,136
Accumulated gap	5,640,136	5,640,136	5,640,136	5,640,136	

Interest rate risk

The bank 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 bank monitors interest rates for its financial instruments. The bank does not have financial liabilities which are interest bearing, however in respect to financial assets, the bank has deposits, which are interest bearing and interest rates are fixed, therefore interest rate risk for the bank 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 bank's exposure to the risk of changes in foreign exchange rates relates primarily to the bank's operating activities (when revenue or expense is denominated in a different currency from the bank's functional currency) and the bank's financial liabilities denominated in foreign currencies.

Financial assets As at 31 December 2024 are analysed by currency as follows:

	Cash and cash equivalents	Investment certificates at amortized cost	Amounts due from financial institutions	Total
GEL	167,241	6,067,389	16,535,529	22,770,159
EUR	25,325	-	17,598	42,924
USD	77,336	-	305,661	382,997
Total	269,903	6,067,389	16,858,788	23,196,080

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

	Cash and cash equivalents	Amounts due from financial institutions	Total
GEL	4,114,931	1,537,979	5,652,910
USD	730	-	730
Total	4,115,661	1,537,979	5,653,640

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 2024	
	Impact on profit or (loss)
USD increase by 10%	38,300
USD decrease by 10%	(38,300)
EUR increase by 10%	4,292
EUR decrease by 10%	(4,292)
31 December 2023	
	Impact on profit or (loss)
USD increase by 10%	73
USD decrease by 10%	(73)

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

17. Capital management

The goal of bank 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 at December 31, 2024, the Bank maintained capital adequacy requirements set by the NBG. Details are presented in the table:

	Hash Bank’s actual ratios	Hash Bank’s requirements
Common Equity Tier 1 ratio (CET 1)	75,01%	9,55%
Tier 1 ratio (Tier 1)	75,03%	11,05%
Total supervisory capital	75,03%	13,06%

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

	Hash Bank’s actual ratios	Hash Bank’s requirements
Common Equity Tier 1 ratio (CET 1)	22,69%	7,37%
Tier 1 ratio (Tier 1)	22,70%	8,87%
Total supervisory capital	22,70%	10,87%

As at 31 December 2024 and 2023, the bank is in compliance with the requirements set by NBG.

18. Related party disclosures

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 volumes of related party transactions, outstanding balances at the year-end, and related expenses for the year are as follows:

Amount of transactions	2024	2023
Rent expense	444,799	200,140
Communication and utility	40,285	12,315
Outstanding balances	2024	2023
Advances paid	41,391	11,967
Other liabilities	3,522	3,637

Compensation of key management comprised the following:

Key management compensation	2024	2023
Salaries and bonuses	1,515,256	1,377,696

The remuneration of supervisory board during 2024 reporting period amounts GEL 135,510.

19. 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 6,202,750 GEL

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