

JSC Liberty Bank and subsidiaries

Consolidated financial statements

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

Contents

Independent auditor's report

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Independent auditor's report

To the Shareholders and Supervisory Board of the JSC Liberty Bank

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of JSC Liberty Bank and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

Allowance for Expected Credit Loss and application of IFRS 9 'Financial Instruments

Given the significance of the loans to customers to the Group's financial position, and the complexity and judgments related to the estimation of expected credit losses under IFRS 9 Financial Instruments ("IFRS 9"), we consider this area as a key audit matter.

The impairment for loan losses is calculated using a combination of a collective provisioning model and individual loan provisions based on discounted cash flow analyses and regression-based forward-looking estimates.

Both collective and individual provisioning depend on several assumptions and judgments such as:

- ▶ Accounting interpretations and modelling assumptions used to build the models for calculating the expected credit loss (ECL);
- ▶ Allocation of loans to stage 1, 2 or 3 using criteria set in accordance with IFRS 9;
- ▶ Inputs and assumptions used to estimate the impact of multiple economic scenarios;
- ▶ Estimation of probability of default (PD), loss given default (LGD) and exposure at default (EAD); and
- ▶ Measurement of individually assessed provisions, including expected future cash flows and the valuation of collateral.

As a consequence of the judgment involved in establishing the allowance, the use of different modelling techniques, assumptions and forecasts could produce significantly different estimates of the allowance for expected credit losses.

How our audit addressed the key audit matter

We obtained an understanding of the ECL process and evaluated the methodology developed by the Group.

Where changes had been made in model parameters and assumptions, we understood the reasons why changes had taken place and involved internal credit risk experts for evaluation of the changes.

We focused on analysis of the following areas during our audit:

- ▶ Evaluating credit risk models and assumptions used to estimate key provisioning parameters, and determine expected credit losses on a portfolio basis;
- ▶ Assessing management's judgement in relation to the identification of significant increases in credit risk and event of default on an individual and collective basis based on quantitative and qualitative criteria; evaluating consistency of application of the criteria selected by the management as of the reporting date; testing allocation of loans to respective impairment stages based on the criteria predefined in the Group's ECL methodology.

For a sample of individually assessed loans, we evaluated the basis on which the allowance was determined and the evidence supporting the management analysis, challenged whether the key assumptions and inputs used were appropriate in the borrower's circumstances and recalculated the impairment allowance. For a sample of credit-impaired corporate exposures, we challenged assumptions on estimated future cash flows, including value of collaterals and probabilities of expected outcomes.

Key audit matter

Allowance for Expected Credit Loss and application of IFRS 9 'Financial Instruments

Information on the impairment of loans to customers is included in Note 4, Significant accounting judgments and estimates, note 8, Loans to Customers and Note 26, Risk Management, to the consolidated financial statements.

How our audit addressed the key audit matter

To test allowance calculated on a collective basis, we evaluated underlying statistical models, key inputs and assumptions used and assessed incorporation of forward-looking information in the calculation of expected credit loss.

We assessed the disclosures in the consolidated financial statements on the impairment of loans to customers.

Other information included in Group's 2024 Management Report

Other information consists of the information included in Group's 2024 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon in our report on the audit of the consolidated financial statements.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the Audit Committee for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

Report in accordance with the requirements of Article 7, paragraph 10 of the Georgian Law on Accounting, Reporting and Auditing

In our opinion, based on the work undertaken in the course of the audit:

- ▶ The information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- ▶ The Management Report includes the information required by Article 7 of the Georgian Law on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

The partner in charge of the audit resulting in this independent auditor's report is Ana Kusrashvili.

Ana Kusrashvili (SARAS-A-169041)

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

8 May, 2025

Tbilisi, Georgia

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

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

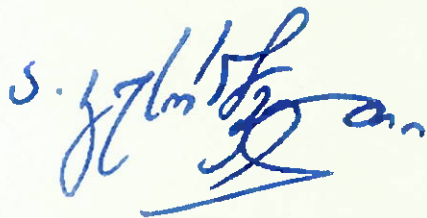
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Ana Kusrashvili (SARAS-A-169041)

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

8 May, 2025

Tbilisi, Georgia

Consolidated statement of financial position

As of 31 December 2024

(thousands of Georgian Lari)

	Notes	2024	2023
Assets			
Cash and cash equivalents	6	441,329	494,771
Amounts due from credit institutions	7	105,719	99,723
Loans to customers	8	3,547,780	2,857,976
Investment securities	9	502,315	346,704
Property and equipment	10	169,442	153,069
Intangible assets	11	71,952	61,406
Right of use assets	12	38,255	30,724
Prepayments	14	9,672	6,728
Other assets	14	30,592	44,496
Total assets		4,917,056	4,095,597
Liabilities			
Amounts due to credit institutions	16	855,979	363,574
Amounts due to customers	17	3,227,446	3,033,490
Current income tax payable		637	11,771
Deferred income tax liabilities	13	17,490	17,220
Lease liability	12	39,886	30,114
Other liabilities	14	36,382	50,103
Subordinated debt	18	129,903	93,588
Total liabilities		4,307,723	3,599,860
Equity	19		
Share capital		44,491	44,491
Additional paid-in capital		35,558	35,558
Convertible preferred shares		4,565	4,565
Retained earnings		489,911	386,890
Fair value reserve of investment securities measured at fair value through other comprehensive income		3,458	2,331
Property revaluation reserve		31,350	21,902
Total equity		609,333	495,737
Total liabilities and equity		4,917,056	4,095,597

Given the authority under Article 9.8 of the Bank's Charter, the present document is signed and authorised for release on behalf of the Management Board of the Bank by following directors:

Beka Gogichaishvili

Chief Executive Officer

Vakhtang Babunashvili

Chief Financial Officer

8 May 2025

The accompanying notes on pages 5 to 61 are an integral part of these consolidated financial statements.

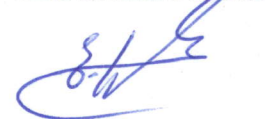
Consolidated statement of financial position**As of 31 December 2024***(thousands of Georgian Lari)*

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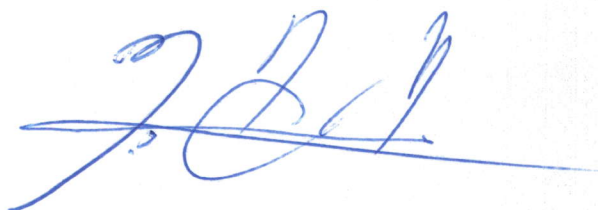
Beka Gogichaishvili

Chief Executive Officer



Vakhtang Babunashvili

Chief Financial Officer



8 May 2025



The accompanying notes on pages 5 to 61 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2024

(thousands of Georgian Lari)

	Notes	2024	2023
Interest income calculated using EIR method			
Loans to customers		555,720	478,710
Investment securities		42,134	30,453
Amounts due from credit institutions		16,950	13,509
		<u>614,804</u>	<u>522,672</u>
Interest expense			
Amounts due to customers		(224,916)	(206,762)
Amounts due to credit institutions		(44,967)	(18,869)
Lease liabilities		(1,432)	(1,352)
Subordinated debt		(9,917)	(8,066)
		<u>(281,232)</u>	<u>(235,049)</u>
Net interest income		333,572	287,623
Credit loss expense	15	(31,459)	(37,985)
Net interest income after loan impairment charge		<u>302,113</u>	<u>249,638</u>
Fee and commission income, net:	21	24,952	28,183
– fee and commission income		54,452	51,257
– fee and commission expense		(29,500)	(23,074)
Net gains/(losses) from foreign currencies:			
– Dealing and derivative revaluation	22	22,665	12,985
– Translation differences	22	(206)	713
Other income	23	16,464	16,165
Non-interest income		<u>63,875</u>	<u>58,046</u>
Personnel expenses	24	(139,421)	(117,774)
General and administrative expenses	24	(54,587)	(45,574)
Depreciation and amortization	10, 11, 12	(37,323)	(34,954)
Net gain/loss from trading operations		(174)	–
Other operating expenses	25	(11,995)	(12,149)
Other impairment and provisions charge	15	(3,476)	(1,197)
Non-interest expense		<u>(246,976)</u>	<u>(211,648)</u>
Profit before income tax expense		119,012	96,036
Income tax expense	13	(15,655)	(14,989)
Profit for the year		<u>103,357</u>	<u>81,047</u>
Other comprehensive income			
Other comprehensive income not to be reclassified subsequently to profit or loss			
Revaluation of buildings		12,358	–
Income tax effect	13	(2,472)	–
Net other comprehensive income not to be reclassified subsequently to profit or loss		<u>9,886</u>	<u>–</u>
Other comprehensive income to be reclassified subsequently to profit or loss			
Movements in fair value reserve and ECL for investment securities measured at fair value through other comprehensive income			
Net change in fair value during the year		887	574
Changes in allowance for expected credit losses		30	231
Reclassification to the income statement		210	–
Net other comprehensive income to be reclassified subsequently to profit or loss		<u>11,013</u>	<u>805</u>
Total other comprehensive income for the year, net of tax		<u>114,370</u>	<u>805</u>
Total comprehensive income for the year, net of tax		<u>114,370</u>	<u>81,852</u>
Earnings per share:	20		
Basic earnings per share (in ₾ full amount)		0.023	0.018
Diluted earnings per share (in ₾ full amount)		0.023	0.018

The accompanying notes on pages 5 to 61 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2024

(thousands of Georgian Lari)

	<i>Attributable to shareholders of the Bank</i>							<i>Total</i>
	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Treasury shares</i>	<i>Convertible preferred shares</i>	<i>Retained earnings</i>	<i>Fair value reserve for investment securities at FVOCI</i>	<i>Property revaluation reserve</i>	
31 December 2022	54,629	35,558	(10,138)	4,565	306,093	1,526	22,428	414,661
Profit for the year	–	–	–	–	81,047	–	–	81,047
Other comprehensive income	–	–	–	–	–	805	–	805
Total comprehensive income for the year	–	–	–	–	81,047	805	–	81,852
Depreciation of revaluation reserve (Note 19)	–	–	–	–	526	–	(526)	–
Cancellation of the treasury shares (Note 19)	(10,138)	–	10,138	–	–	–	–	–
Dividends paid on the convertible preferred shares (Note 19)	–	–	–	–	(776)	–	–	(776)
31 December 2023	44,491	35,558	–	4,565	386,890	2,331	21,902	495,737
Profit for the year	–	–	–	–	103,357	–	–	103,357
Other comprehensive income	–	–	–	–	–	1,127	9,886	11,013
Total comprehensive income for the year	–	–	–	–	103,357	1,127	9,886	114,370
Depreciation of revaluation reserve (Note 19)	–	–	–	–	438	–	(438)	–
Dividends paid on the convertible preferred shares (Note 19)	–	–	–	–	(774)	–	–	(774)
31 December 2024	44,491	35,558	–	4,565	489,911	3,458	31,350	609,333

The accompanying notes on pages 5 to 61 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2024

(thousands of Georgian Lari)

	<i>Notes</i>	<i>2024</i>	<i>2023</i>
Cash flows from operating activities			
Interest received		594,270	500,460
Interest paid		(279,498)	(207,124)
Fees and commissions received		54,390	51,365
Fees and commissions paid		(29,500)	(23,074)
Net realized (losses)/gains from dealing in foreign currencies		5,461	24,943
Other income received		16,012	16,137
Personnel expenses paid		(135,990)	(124,512)
Lease interest paid		(1,432)	(1,351)
General, administrative and other operating expenses paid		(65,647)	(57,723)
Cash flows from operating activities before changes in operating assets and liabilities		158,066	179,121
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(3,102)	5,777
Loans to customers		(685,442)	(445,275)
Prepayments and other assets		9,992	(1,608)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		492,533	35,540
Amounts due to customers		171,419	318,951
Other liabilities		(1,192)	(23,072)
Net cash flows from operating activities before income tax		142,274	69,434
Income tax paid		(28,991)	(11,000)
Net cash flows from operating activities		113,283	58,434
Cash flows from investing activities			
Proceeds from disposal of an investment in associate	1	922	–
Purchase of investment securities		(402,918)	(115,705)
Proceeds from redemption of investment securities		248,353	137,992
Purchase of intangibles, property and equipment		(47,492)	(22,578)
Proceeds from sale of intangibles, property and equipment		91	–
Net cash flows used in investing activities		(201,044)	(291)
Cash flows from financing activities			
Repayment of lease liabilities	12	(7,188)	(6,481)
Issuance of subordinated debt	18	37,465	–
Redemption of subordinated debt	18	(6,008)	(4,646)
Dividends paid to holders of the convertible preferred shares	19	(774)	(776)
Net cash from / (used in) financing activities		23,495	(11,903)
Effect of exchange rates changes on cash and cash equivalents		10,827	(1,793)
Effect of expected credit losses on cash and cash equivalents		(3)	–
Net (decrease) / increase in cash and cash equivalents		(53,442)	44,447
Cash and cash equivalents, beginning	6	494,771	450,324
Cash and cash equivalents, ending	6	441,329	494,771

The accompanying notes on pages 5 to 61 are an integral part of these consolidated financial statements.

(thousands of Georgian Lari)

1. Principal activities

JSC Liberty Bank (the “Bank”) is a joint stock company, formed in accordance with legislation of Georgia in 1993. The Bank operates under a general banking license No. 3500/10 issued by the National Bank of Georgia (the “NBG”), the central bank of Georgia, on 10 February 1993 (identification code: 203828304).

Georgian Financial Group B.V., a company established and organised under the laws of the Kingdom of Netherlands, is the Parent entity of the Bank and owns 95.12% of its equity interest as at 31 December 2024. With over 10% of the shares Mr. Irakli Rukhadze, Mr. Ben Marson and Mr. Igor Alexeev are the Bank’s ultimate beneficial owners. Each owns 31.38% of the shares with voting rights.

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and abroad, exchanges currencies and provides other banking services to its retail and corporate customers. Its main office is in Tbilisi, Georgia and as at 31 December 2024 it had 456 branches, service centers, distribution outlets and mobile banking units operating in Georgia (31 December 2023: 456). The Bank’s registered legal address is Liberty Tower, 74 I. Chavchavadze Avenue, 0162 Tbilisi, Georgia.

As at 31 December 2024 and 2023, direct shareholders of the Bank were as follows:

Shareholder	2024		2023	
	Ownership interest, %	Voting rights, %	Ownership interest, %	Voting rights, %
Georgian Financial Group	95.12%	98.21%	95.99%	95.99%
JSC Heritage Securities (Nominee Holder)	0.55%	0.57%	0.56%	0.56%
Other shareholders (individually holding less than 5%)	4.33%	1.22%	3.45%	3.45%
Total	100.00%	100.00%	100.00%	100.00%

The Bank is a publicly traded company and its ordinary shares are traded on the Georgian Stock Exchange.

These consolidated financial statements have not yet been approved by the shareholders of the Bank. The shareholders have the power and authority to amend the consolidated financial statements after the issuance.

The consolidated financial statements as at 31 December 2024 and 31 December 2023 include the following subsidiary and associate, which had limited operations in 2024 and 2023. The Bank and its subsidiaries collectively are referred to as a “Group”.

Name	Relationship Type	Country of incorporation	The Group ownership interest		Date of incorporation	Legal Address	Activities
			31 December 2024	31 December 2023			
Bus Stop LLC	Subsidiary	Georgia	100.00%	100.00%	27 August 2009	Georgia, Tbilisi, Vake district, Ilia Chavchavadze ave., №74	Outdoor Advertising
Public Fund	Subsidiary	Georgia	100.00%	100.00%	5 February 2007	Georgia, Tbilisi, Vake district, Ilia Chavchavadze ave., №74	Non-commercial
JSC Smartex	Associate	Georgia	–	21.47%	5 January 2009	Georgia, Tbilisi, Vake district, Ilia Chavchavadze ave., №74	Early-stage VC investments

In December 2024, the Group sold its investments in JSC Smartex, which was accounted under equity method. Proceeds from the sale amounted to ₾ 922, resulting in a loss of ₾ 92.

* The Bank’s investment in the capital of Bus Stop LLC is ₾ 3,518, which is fully impaired, while the Bank’s investment in the capital of Public Fund is ₾ 0.

(thousands of Georgian Lari)

2. Basis of preparation

General

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

The consolidated financial statements have been prepared under the historical cost convention except for the portion of the investment securities at FVOCI, derivative financial instruments, investment properties and buildings as disclosed in the accounting policies below.

These consolidated financial statements are presented in thousands of Georgian Lari ("ლ"), except per share amounts and unless otherwise indicated.

3. Summary of material accounting policies

Changes in accounting policies

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments to standards were applied for the first time in the 2024 year:

- ▶ Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7
- ▶ Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- ▶ Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1

None of these amendments will have an impact on the Group's consolidated financial statements at 31 December 2024.

Basis of consolidation

Subsidiaries, the entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- ▶ Exposure, or rights, to variable returns from its involvement with the investee;
- ▶ The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee;
- ▶ Rights arising from other contractual arrangements;
- ▶ The Group's voting rights and potential voting rights.

(thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in profit or loss, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Fair value measurement

The Group measures financial instruments carried at FVOCI and non-financial assets such as investment property, at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability; or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

(thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Fair value measurement (continued)

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

Financial assets and liabilities

Initial recognition

Date of recognition

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

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees are in scope of IFRS 9 and effectively are a form of a contingent loan commitment. Provision for Performance guarantees are measured under IFRS 9.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBG, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Amounts due from credit institutions

In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Amounts due from credit institutions are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including forwards and swaps in the foreign exchange and capital markets. Such financial instruments are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss as net gains/(losses) from financial instruments at fair value through profit or loss or net gains/(losses) from foreign currencies dealing, depending on the nature of the instrument.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions, amounts due to customers and subordinated debt. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of profit or loss.

(thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Write-offs

Financial assets are written off when the Bank has no reasonable expectation of recovering the asset in its entirety. If the amount to be written off is greater than the accumulated loss allowance, the difference will be an additional impairment loss. Any subsequent recoveries are credited to credit loss expense.

The following events represent examples of circumstances which could lead to write-off:

- ▶ For collectively assessed risk exposures (CARE) – certain time frames post-default of a financial asset (typically 36 months);
- ▶ For pensions loans - a pensioner's death, which at the same time means debt annulment (no further enforcement is pursued);
- ▶ For individually assessed risk exposures (ISRE) that are secured – decision is made individually. However main indicators include the receipt of the proceeds from the realisation of the collateral, when there is no expectation that any further amounts will be recovered by any other means, as well as expiration of certain time-frame;
- ▶ It is not legally enforceable to recover funds via sale of collateral, or from the borrower or from any third party;
- ▶ It is legally enforceable to recover funds from the borrower or any third party, but there is very low probability of happening so.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

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

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

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

According to the Group's policy, only a limited number of products are subject to restructuring. All restructured loans are classified as Stage 2 loans and Lifetime Probability of Default (PD) rates are applied for the purpose of ECL calculation. It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 2 when at least six consecutive payments are present.

(thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Leases

i. Group as a lessee

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

Lease liabilities

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

ii. Operating – Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Taxation

The current income tax expense is calculated in accordance with the regulations of Georgia. It represents the sum of the current and deferred tax expenses.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

(thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Taxation (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Georgia also has various operating taxes, which are assessed on the Group's activities. These taxes are included as a component of other operating expenses.

Property and equipment

Property and equipment, except for buildings, is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis at the following annual prescribed rates:

Land and buildings	2%–5%
Furniture and fixtures	10%–20%
Computer and office equipment	10%–25%
Motor vehicles	20%–25%
Leasehold improvements	10%–25%

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

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

Land is not amortised and carried at fair value. Leasehold improvements are amortised over the life of the related leased assets.

Assets under construction comprise costs directly related to construction of property and equipment including an appropriate allocation of directly attributable variable and fixed overheads that are incurred in construction. Depreciation of these assets, on the same basis as similar property assets, commences when the assets are put into operation.

Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in other income when the compensation becomes receivable.

(thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic lives of 1 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- ▶ The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- ▶ Its intention to complete and its ability and intention to use or sell the asset;
- ▶ How the asset will generate future economic benefits;
- ▶ The availability of resources to complete the asset;
- ▶ The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in general and administrative expenses.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Share capital

Share capital and additional paid in capital

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

Treasury shares

Where the Bank purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at the weighted average cost.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

(thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Recognition of income and expenses

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

Interest and similar revenue and expense

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

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

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest revenue" in the consolidated statement of profit or loss.

Fee and commission income

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

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

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

Fee income earned at a point in time

Fees arising from settlement, remittances, bill payments and cash operations are recognized upon completion of underlying transactions. Each operation is treated as a separate performance obligation.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the where the Group's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Foreign currency translation

The consolidated financial statements are presented in Georgian Lari, which is the Bank's and subsidiaries' functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency operations are recognised in the consolidated statement of profit or loss as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Foreign currency translation (continued)

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

The exchange rates used by the Group in the preparation of the consolidated financial statements as of 31 December 2024 and 31 December 2023 are as follows:

	2024	2023
₾ / 1 US Dollar	2.8068	2.6894
₾ / 1 Euro	2.9306	2.9753

4. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amount of income and expenses during the year ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the Group's financial condition.

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's Expected Credit Loss (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 Group's internal credit grading model, which assigns PDs to the individual grades;
- ▶ The Group'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 Life-time Expected Credit Loss (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 formulae and the choice of inputs;
- ▶ Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- ▶ Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Group regularly reviews its loan book portfolio to assess borrower's ability to pay, conducts tests for impairment and uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers. Management uses probability estimates based on historical borrower experience including default familiarities and loss given defaults. The Group uses its experienced judgment to adjust observable data for a group of homogenous loans to reflect current circumstances and forward-looking macroeconomic variables (details of ECL recognised on loans to customers as at 31 December 2024 are disclosed in Note 8).

In June 2024 the Group introduced more advanced EAD calculation methodology in its loan loss provisioning process. EAD represents the total value that a lender is exposed to in the moment of a defaults on a loan obligation. The new approach calculates EAD cashflow projection model for cashflow products using amortization schedule and historical average prepayment rates to generate EAD term structure, as for loan commitments and off-balance exposures the Group uses its own credit conversion factor (CCF) approach.

The effect of methodological changes in EAD calculation as at 31 December 2024 resulted in ₾ 6,385 decrease of credit loss expense.

(thousands of Georgian Lari)

4. Significant accounting judgments and estimates (continued)

Measurement of fair value of investment properties and buildings

Investment properties and buildings are stated at fair value. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards Committee standards.

Buildings of the Group are subject to revaluation on a regular basis. The date of latest revaluation was 31 December 2024 (Note 10).

As at 31 December 2024, fair value of investment properties were determined by independent professionally qualified appraisers. Fair value was determined by applying income approach based on discounted cash flow method, supported by the terms of any existing lease and other contracts and, when available, by external evidence such as current market rents for similar properties in a comparable location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The estimates described above are subject to change as new transaction data and market evidence become available.

Acquisition of loan portfolio from JSC Pasha Bank Georgia (hereinafter "the PBG")

In February 2024, the Group acquired retail loan portfolio and related undrawn loan commitments from a single Georgian commercial bank. The fair value of the acquired loan portfolio on the date of acquisition was ₾ 57,640 and the undrawn loan commitments on the same date represented ₾ 72,783. Since the transaction occurred on an arm's length basis and calculated ECL was not materially different, The Group measured fair value based on the net book value of the financial assets received. Acquired loan portfolio included purchase originated credit impaired (POCI) loans comprising ₾ 668. The Group paid ₾ 57,299, resulting in a premium of ₾ 341, which was realized through interest income during 2024 financial year. (Note 8).

5. Segment information

As at 31 December 2024, management evaluates the whole Group as a single operating segment, banking business. Segment performance is measured based on profit or loss as recognized in the consolidated financial statements.

The Group operates in one geographical market – Georgia. Since the Group's assets are located in a single geographical area, the Group's external income, total assets and capital expenditure are allocated to a single location. The Group has not received income from any external customer which amounted more than 10% of the Group's revenue.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2024	2023
Cash on hand	316,373	311,934
Current accounts with other credit institutions	69,213	39,031
Current accounts with the NBG	5,932	14,821
Time deposits with credit institutions up to 90 days	49,815	128,986
	<u>441,333</u>	<u>494,772</u>
Less – allowance for impairment	(4)	(1)
Cash and cash equivalents	<u>441,329</u>	<u>494,771</u>

As of 31 December 2024, ₾ 4,566 (31 December 2023: ₾ 2,768) was placed on current accounts with internationally recognised OECD banks that are the counterparties of the Group in performing international settlements.

(thousands of Georgian Lari)

6. Cash and cash equivalents (continued)

Credit rating of current accounts with other credit institutions is as follows:

	2024	2023
A+	2,379	–
A	1,426	32
A–	–	2,379
BBB+	–	–
BB	61,705	32,151
BB–	440	–
B+	–	1,473
B	2,072	2,993
B–	2	3
Not rated	1,189	–
Total	69,213	39,031

Credit rating of time deposits with credit institutions up to 90 days is as follows:

	2024	2023
BB–	49,815	128,986
Total	49,815	128,986

The tables contain ratings of Fitch Ratings international agency. All balances of cash equivalents are allocated to Stage 1.

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2024	2023
Obligatory reserve with the NBG	105,124	75,027
Time deposits for more than 90 days	805	908
Guarantee deposits placed	–	23,982
	105,929	99,917
Less – allowance for impairment	(210)	(194)
Amounts due from credit institutions	105,719	99,723

Credit institutions are required to maintain an interest-earning cash deposit (obligatory reserve) with the NBG, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by the NBG regulations. The Group is required to maintain a mandatory interest earning deposit with the NBG at the level of 5% to 25% (2023: 5% to 20%) of the average of funds attracted from customers and non-resident credit institutions for the appropriate two-week period in ₾ and foreign currencies.

As at 31 December 2023, ₾ 23,982 was a guarantee deposit placed for variation and safety margins defined in the Credit Support Annex (the "CSA") to the Schedule to the ISDA Master Agreement for funding swaps. These agreements were closed in 2024.

An analysis of changes in the gross carrying value and corresponding ECL in relation to amount due from credit institutions during the year ended 31 December 2024 and 31 December 2023 is as follows:

	Gross carrying value	ECL
As at 1 January 2024	99,917	(194)
New assets originated	42,088	(2)
Assets repaid	(38,805)	75
Foreign exchange and other movements	2,729	(89)
At 31 December 2024	105,929	(210)

(thousands of Georgian Lari)

7. Amounts due from credit institutions (continued)

	<i>Gross carrying value</i>	<i>ECL</i>
As at 1 January 2023	105,521	(180)
New assets originated	32,594	(19)
Assets repaid	(38,681)	66
Foreign exchange and other movements	483	(61)
At 31 December 2023	99,917	(194)

All balances of amounts due from credit institutions are allocated to Stage 1.

8. Loans to customers

Loans to customers comprise:

	<i>2024</i>	<i>2023</i>
Commercial loans	1,481,064	1,119,050
Consumer loans	1,112,420	945,345
Micro loans	618,226	541,627
Residential mortgage loans	341,063	220,863
Gold pawn loans	135,134	165,824
Gross loans to customers at amortised cost	3,687,907	2,992,709
Less – allowance for impairment	(140,127)	(134,733)
Loans to customers at amortised cost	3,547,780	2,857,976

As of 31 December 2024, ₾ 534,387 (₾ 74,055 as of 31 December 2023) worth of customer loans were pledged as a collateral for the loan from the National Bank of Georgia (Note 16).

Acquisition of loan portfolio from the PBG

In February 2024, the Group acquired retail loan portfolio and related undrawn loan commitments from a single Georgian commercial bank. The fair value of the acquired loan portfolio on the date of acquisition was ₾ 57,640 and the undrawn loan commitments on the same date represented ₾ 72,783. The Group's assessment of the ECL of the abovementioned portfolio on the date of acquisition did not materially differ from the assessment of the seller commercial bank. Acquired loan portfolio included purchase originated credit impaired (POCI) loans comprising ₾ 668. The Group paid ₾ 57,299, resulting in a premium of ₾ 341, which was realized through interest income during 2024 financial year.

Expected credit loss of loans to customers at amortised cost

Movements of the gross loans and respective allowance for expected credit loss/impairment of loans to customers by class are provided in the tables below, within which the new financial asset originated or purchased and the assets repaid during the year include the effects from revolving loans and increase of exposure to clients, where existing loans have been repaid with new contracts issued during the year. All new financial assets are originated either in Stage 1 or POCI category.

An analysis of changes in the gross carrying value and corresponding ECL in relation to commercial loans during the year ended 31 December 2024 and 31 December 2023 is as follows:

<i>Commercial loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	1,035,507	59,118	20,598	3,827	1,119,050
New assets originated	1,357,275	–	–	–	1,357,275
Assets repaid	(1,129,268)	(32,360)	(15,823)	(1,324)	(1,178,775)
Transfers to Stage 1	42,748	(31,351)	(11,397)	–	–
Transfers to Stage 2	(155,517)	161,179	(5,662)	–	–
Transfers to Stage 3	(19,179)	(19,792)	38,971	–	–
Unwinding of discount	–	–	503	38	541
Recoveries	–	–	616	67	683
Amounts written off	–	–	(326)	–	(326)
Foreign exchange and other movements	178,292	2,096	2,033	195	182,616
At 31 December 2024	1,309,858	138,890	29,513	2,803	1,481,064

(thousands of Georgian Lari)

8. Loans to customers (continued)

Expected credit loss of loans to customers at amortised cost (continued)

<i>Commercial loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	904,063	56,151	7,053	6,257	973,524
New assets originated or purchased	883,805	–	–	–	883,805
Assets repaid	(853,034)	(22,399)	(5,315)	(2,247)	(882,995)
Transfers to Stage 1	16,994	(16,316)	(678)	–	–
Transfers to Stage 2	(45,656)	46,264	(608)	–	–
Transfers to Stage 3	(2,264)	(8,482)	10,746	–	–
Unwinding of discount	–	–	1,610	–	1,610
Recoveries	–	–	–	–	–
Amounts written off	–	–	(566)	(312)	(878)
Foreign exchange and other movements	131,599	3,900	8,356	129	143,984
At 31 December 2023	1,035,507	59,118	20,598	3,827	1,119,050
<i>Commercial loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2024	6,186	5,505	8,230	1,417	21,338
New assets originated or purchased	11,408	–	–	–	11,408
Assets repaid	(8,859)	(4,111)	(5,352)	(423)	(18,745)
Transfers to Stage 1	13,208	(1,566)	(11,642)	–	–
Transfers to Stage 2	(902)	1,362	(460)	–	–
Transfers to Stage 3	(75)	(2,567)	2,642	–	–
Unwinding of discount	–	–	503	38	541
Impact on period end ECL of exposures transferred between stages during the period	2,805	517	781	(77)	4,026
Recoveries	–	–	616	67	683
Amounts written off	–	–	(326)	–	(326)
Foreign exchange and other movements	(12,545)	7,779	15,579	(142)	10,671
At 31 December 2024	11,226	6,919	10,571	880	29,596
<i>Commercial loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2023	6,949	5,496	3,812	344	16,601
New assets originated or purchased	2,269	–	–	–	2,269
Assets repaid	(2,205)	(662)	(578)	(28)	(3,473)
Transfers to Stage 1	801	(637)	(164)	–	–
Transfers to Stage 2	(77)	139	(62)	–	–
Transfers to Stage 3	(4)	(589)	593	–	–
Unwinding of discount	–	–	1,610	–	1,610
Impact on period end ECL of exposures transferred between stages during the period	(738)	999	710	1,312	2,283
Recoveries	–	–	–	–	–
Amounts written off	–	–	(566)	(312)	(878)
Foreign exchange and other movements	(809)	759	2,875	101	2,926
At 31 December 2023	6,186	5,505	8,230	1,417	21,338

(thousands of Georgian Lari)

8. Loans to customers (continued)

Expected credit loss of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to consumer loans during the year ended 31 December 2024 and 31 December 2023 is as follows:

<i>Consumer loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	862,698	20,359	62,288	–	945,345
New assets originated	1,775,637	–	–	–	1,775,637
New assets purchased from the PBG	56,972	–	–	668	57,640
Assets repaid	(1,781,699)	(26,246)	(20,294)	(2,439)	(1,830,678)
Transfers to Stage 1	41,756	(8,238)	(33,518)	–	–
Transfers to Stage 2	(43,554)	47,652	(4,098)	–	–
Transfers to Stage 3	(52,724)	(21,442)	74,166	–	–
Unwinding of discount	–	–	2,993	388	3,381
Recoveries	–	–	3,209	1,938	5,147
Amounts written off	–	–	(29,800)	(67)	(29,867)
Foreign exchange and other movements	178,929	5,914	727	245	185,815
At 31 December 2024	1,038,015	17,999	55,673	733	1,112,420
<i>Consumer loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	730,758	22,407	60,074	–	813,239
New assets originated or purchased	1,515,799	–	–	–	1,515,799
Assets repaid	(1,526,486)	(23,236)	(22,173)	–	(1,571,895)
Transfers to Stage 1	6,752	(4,400)	(2,352)	–	–
Transfers to Stage 2	(20,312)	22,590	(2,278)	–	–
Transfers to Stage 3	(12,735)	(1,208)	13,943	–	–
Unwinding of discount	–	–	1,359	–	1,359
Recoveries	–	–	3,069	–	3,069
Amounts written off	–	–	(22,423)	–	(22,423)
Foreign exchange and other movements	168,922	4,206	33,069	–	206,197
At 31 December 2023	862,698	20,359	62,288	–	945,345
<i>Consumer loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2024	19,142	6,958	50,557	–	76,657
New assets originated	33,336	–	–	–	33,336
New assets purchased from the PBG	1,872	–	–	–	1,872
Assets repaid	(37,061)	(8,097)	(16,599)	(2,277)	(64,034)
Transfers to Stage 1	6,824	(3,642)	(3,182)	–	–
Transfers to Stage 2	(688)	3,461	(2,773)	–	–
Transfers to Stage 3	(1,482)	(7,929)	9,411	–	–
Unwinding of discount	–	–	2,993	388	3,381
Impact on period end ECL of exposure transferred between stages during the period	(2,457)	384	6,795	76	4,798
Recoveries	–	–	3,209	1,938	5,147
Amounts written off	–	–	(29,800)	(67)	(29,867)
Foreign exchange and other movements	(1,900)	15,302	24,939	117	38,458
At 31 December 2024	17,586	6,437	45,550	175	69,748

(thousands of Georgian Lari)

8. Loans to customers (continued)

Expected credit loss of loans to customers at amortised cost (continued)

<i>Consumer loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2023	18,886	8,188	42,081	–	69,155
New assets originated or purchased	15,349	–	–	–	15,349
Assets repaid	(15,897)	(2,486)	(3,946)	–	(22,329)
Transfers to Stage 1	2,929	(1,156)	(1,773)	–	–
Transfers to Stage 2	(342)	1,034	(692)	–	–
Transfers to Stage 3	(480)	(1,129)	1,609	–	–
Unwinding of discount	–	–	1,359	–	1,359
Impact on period end ECL of exposure transferred between stages during the period	(2,796)	5,119	10,077	–	12,400
Recoveries	–	–	3,069	–	3,069
Amounts written off	–	–	(22,423)	–	(22,423)
Foreign exchange and other movements	1,493	(2,612)	21,196	–	20,077
At 31 December 2023	19,142	6,958	50,557	–	76,657

An analysis of changes in the gross carrying value and corresponding ECL in relation to Micro loans during the year ended 31 December 2024 and 31 December 2023 is as follows:

<i>Micro loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	492,784	17,461	31,382	541,627
New assets originated or purchased	528,200	–	–	528,200
Assets repaid	(526,522)	(18,716)	(7,861)	(553,099)
Transfers to Stage 1	6,077	(5,895)	(182)	–
Transfers to Stage 2	(37,239)	39,385	(2,146)	–
Transfers to Stage 3	(2,645)	(17,519)	20,164	–
Unwinding of discount	–	–	1,325	1,325
Recoveries	–	–	813	813
Amounts written off	–	–	(7,153)	(7,153)
Foreign exchange and other movements	102,366	3,457	690	106,513
At 31 December 2024	563,021	18,173	37,032	618,226

<i>Micro loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	388,777	14,720	21,193	424,690
New assets originated or purchased	469,641	–	–	469,641
Assets repaid	(419,460)	(12,160)	(5,147)	(436,767)
Transfers to Stage 1	3,953	(3,953)	–	–
Transfers to Stage 2	(26,484)	26,811	(327)	–
Transfers to Stage 3	(2,064)	(10,836)	12,900	–
Unwinding of discount	–	–	779	779
Recoveries	–	–	340	340
Amounts written off	–	–	(2,362)	(2,362)
Foreign exchange and other movements	78,421	2,879	4,006	85,306
At 31 December 2023	492,784	17,461	31,382	541,627

(thousands of Georgian Lari)

8. Loans to customers (continued)

Expected credit loss of loans to customers at amortised cost (continued)

<i>Micro loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2024	6,742	6,076	21,100	33,918
New assets originated or purchased	4,970	–	–	4,970
Assets repaid	(5,322)	(6,707)	(5,425)	(17,454)
Transfers to Stage 1	2,253	(2,101)	(152)	–
Transfers to Stage 2	(437)	1,751	(1,314)	–
Transfers to Stage 3	(31)	(6,264)	6,295	–
Unwinding of discount	–	–	1,325	1,325
Impact on period end ECL of exposures transferred between stages during the period	(2,291)	274	5,028	3,011
Recoveries	–	–	813	813
Amounts written off	–	–	(7,153)	(7,153)
Foreign exchange and other movements	(1,099)	13,549	5,306	17,756
At 31 December 2024	4,785	6,578	25,823	37,186

<i>Micro loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2023	8,111	5,316	13,070	26,497
New assets originated or purchased	3,035	–	–	3,035
Assets repaid	(2,273)	(1,078)	(1,097)	(4,448)
Transfers to Stage 1	294	(294)	–	–
Transfers to Stage 2	(2,194)	2,261	(67)	–
Transfers to Stage 3	(1,248)	(4,287)	5,535	–
Unwinding of discount	–	–	779	779
Impact on period end ECL of exposures transferred between stages during the period	(290)	4,316	1,119	5,145
Recoveries	–	–	340	340
Amounts written off	–	–	(2,362)	(2,362)
Foreign exchange and other movements	1,307	(158)	3,783	4,932
At 31 December 2023	6,742	6,076	21,100	33,918

An analysis of changes in the gross carrying value and corresponding ECL in relation to residential mortgage loans during the year ended 31 December 2024 and 31 December 2023 is as follows:

<i>Residential mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	214,555	3,493	2,815	220,863
New assets originated or purchased	199,882	–	–	199,882
Assets repaid	(100,483)	(5,958)	(12,240)	(118,681)
Transfers to Stage 1	1,173	(1,112)	(61)	–
Transfers to Stage 2	(9,247)	9,247	–	–
Transfers to Stage 3	(3,194)	(4,656)	7,850	–
Unwinding of discount	–	–	96	96
Recoveries	–	–	2	2
Amounts written off	–	–	(191)	(191)
Foreign exchange and other movements	29,362	3,597	6,133	30,092
At 31 December 2024	332,048	4,611	4,404	341,063

(thousands of Georgian Lari)

8. Loans to customers (continued)

Expected credit loss of loans to customers at amortised cost (continued)

<i>Residential mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	150,189	3,718	1,122	155,029
New assets originated or purchased	114,844	–	–	114,844
Assets repaid	(67,503)	(1,316)	(822)	(69,641)
Transfers to Stage 1	770	(770)	–	–
Transfers to Stage 2	(2,737)	2,765	(28)	–
Transfers to Stage 3	(97)	(1,841)	1,938	–
Unwinding of discount	–	–	318	318
Recoveries	–	–	–	–
Amounts written off	–	–	–	–
Foreign exchange and other movements	19,089	937	287	20,313
At 31 December 2023	214,555	3,493	2,815	220,863

<i>Residential mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2024	386	446	1,188	2,020
New assets originated or purchased	321	–	–	321
Assets repaid	(194)	(401)	(3,864)	(4,459)
Transfers to Stage 1	173	(150)	(23)	–
Transfers to Stage 2	(16)	16	–	–
Transfers to Stage 3	(7)	(639)	646	–
Unwinding of discount	–	–	96	96
Impact on period end ECL of exposures transferred between stages during the period	20	(79)	445	386
Recoveries	–	–	2	2
Amounts written off	–	–	(191)	(191)
Foreign exchange and other movements	(114)	1,331	3,584	4,801
At 31 December 2024	569	524	1,883	2,976

<i>Residential mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2023	411	742	758	1,911
New assets originated or purchased	86	–	–	86
Assets repaid	(66)	(101)	(153)	(320)
Transfers to Stage 1	117	(117)	–	–
Transfers to Stage 2	(3)	20	(17)	–
Transfers to Stage 3	(2)	(75)	77	–
Unwinding of discount	–	–	318	318
Impact on period end ECL of exposures transferred between stages during the period	(116)	236	98	218
Recoveries	–	–	–	–
Amounts written off	–	–	–	–
Foreign exchange and other movements	(41)	(259)	107	(193)
At 31 December 2023	386	446	1,188	2,020

(thousands of Georgian Lari)

8. Loans to customers (continued)

Expected credit loss of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to gold pawn loans during the year ended 31 December 2024 and 31 December 2023 is as follows:

<i>Gold pawn loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	163,586	571	1,667	—	165,824
New assets originated or purchased	186,635	—	—	—	186,635
Assets repaid	(244,029)	(146)	(554)	—	(244,729)
Transfers to Stage 1	7,400	(3,408)	(3,992)	—	—
Transfers to Stage 2	(6,490)	6,633	(143)	—	—
Transfers to Stage 3	(293)	(3,303)	3,596	—	—
Unwinding of discount	—	—	15	—	15
Recoveries	—	—	—	—	—
Amounts written off	—	—	—	—	—
Foreign exchange and other movements	26,831	153	404	—	27,388
At 31 December 2024	133,641	500	993	—	135,134

<i>Gold pawn loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	171,350	1145	2,507	93	175,095
New assets originated or purchased	171,455	—	—	—	171,455
Assets repaid	(206,982)	(675)	(4,769)	(84)	(212,510)
Transfers to Stage 1	3,356	(1,679)	(1,677)	—	—
Transfers to Stage 2	(4,892)	5,003	(111)	—	—
Transfers to Stage 3	(504)	(3,661)	4,165	—	—
Unwinding of discount	—	—	239	—	239
Recoveries	—	—	—	—	—
Amounts written off	—	—	(212)	—	(212)
Foreign exchange and other movements	29,803	438	1,525	(9)	31,757
At 31 December 2023	163,586	571	1,667	—	165,824

<i>Gold pawn loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2024	633	1	166	—	800
New assets originated or purchased	4,878	—	—	—	4,878
Assets repaid	(4,304)	(78)	(354)	—	(4,736)
Transfers to Stage 1	275	(1)	(274)	—	—
Transfers to Stage 2	(1)	6	(5)	—	—
Transfers to Stage 3	(3)	(3)	6	—	—
Unwinding of discount	—	—	15	—	15
Impact on period end ECL of exposures transferred between stages during the period	(665)	(3)	160	—	(508)
Recoveries	—	—	—	—	—
Amounts written off	—	—	—	—	—
Foreign exchange and other movements	(260)	78	354	—	172
At 31 December 2024	553	—	68	—	621

(thousands of Georgian Lari)

8. Loans to customers (continued)

Expected credit loss of loans to customers at amortised cost (continued)

<i>Gold pawn loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2023	647	41	296	6	990
New assets originated or purchased	22	–	–	–	22
Assets repaid	(136)	(1)	(164)	(5)	(306)
Transfers to Stage 1	89	(14)	(75)	–	–
Transfers to Stage 2	(40)	43	(3)	–	–
Transfers to Stage 3	(7)	(77)	84	–	–
Unwinding of discount	–	–	239	–	239
Impact on period end ECL of exposures transferred between stages during the period	(63)	15	19	1	(28)
Recoveries	–	–	–	–	–
Amounts written off	–	–	(212)	–	(212)
Foreign exchange and other movements	121	(6)	(18)	(2)	95
At 31 December 2023	<u>633</u>	<u>1</u>	<u>166</u>	<u>–</u>	<u>800</u>

Collateral

In absence of collateral or other credit enhancements, ECL in respect of individually assessed non-performing loans to customers as of 31 December 2024 would have been higher by ₾ 1,102 (as of 31 December 2023: ₾ 845). In case of collectively assessed financial instruments value of collateral (if any) does not affect ECL estimation.

Written-off portfolio

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is ₾ 21,032 (2023: ₾ 9,268).

Concentration of loans to customers

As of 31 December 2024, the concentration of loans granted by the Group to ten largest third party borrowers comprised ₾ 297,031 accounting for 8.05% of the gross loan portfolio of the Group (2023: ₾ 198,147 and 6.62% respectively). An allowance of ₾ 1,539 (2023: ₾ 1,241) was established against these loans.

Loans have been extended to the following types of customers:

	<i>2024</i>	<i>2023</i>
Individuals	2,542,829	1,956,340
Private companies	1,145,078	1,036,369
Loans to customers, gross	<u>3,687,907</u>	<u>2,992,709</u>
Less – allowance for loan impairment	<u>(140,127)</u>	<u>(134,733)</u>
Loans to customers, net	<u>3,547,780</u>	<u>2,857,976</u>

(thousands of Georgian Lari)

8. Loans to customers (continued)

Concentration of loans to customers (continued)

Loans are made principally within Georgia in the following industry sectors:

	2024	2023
Individuals	2,542,829	1,956,340
Trade and service	674,423	476,243
Agricultural	134,385	244,350
Construction	124,250	97,124
Energy	56,649	83,465
Mining	43,102	40,332
Tourism and hospitality	31,871	27,522
Healthcare	25,985	28,987
Manufacturing	17,412	13,552
Non-banking credit organization	11,336	7,726
Transportation and communication	3,849	4,462
Other	21,816	12,606
Loans to customers, gross	3,687,907	2,992,709
Less – allowance for loan impairment	(140,127)	(134,733)
Loans to customers, net	3,547,780	2,857,976

9. Investment securities

Investment securities comprise:

<i>Debt securities at amortised cost</i>	2024	2023
Treasury bonds of the Ministry of Finance of Georgia	167,943	192,536
U.S Treasury bills	84,201	–
Treasury bills of the Ministry of Finance of Georgia	70,433	4,275
Corporate bonds	45,279	32,116
	367,856	228,927
Less – allowance for impairment	(811)	(482)
Debt securities at amortised cost	367,045	228,445
Debt securities at fair value through other comprehensive income	135,042	118,259
Debt securities at fair value through profit or loss	228	–
Debt securities	502,315	346,704

On 31 December 2024 the Group acquired U.S. treasury bills with nominal value of \$ 30,607 thousand (₾ 84,201), maturing on 26 June 2025.

As at 31 December 2024 ₾ 341,058 (31 December 2023: ₾ 206,610) worth of investment securities were pledged as a collateral for the loan from the National Bank of Georgia (Note 16).

(thousands of Georgian Lari)

9. Investment securities (continued)

An analysis of changes in the gross carrying value in relation to investment securities at amortized cost during the year ended 31 December 2024 and 31 December 2023 is as follows:

	<i>Corporate bonds</i>	<i>Certificates of deposits of National Bank of Georgia</i>	<i>Treasury bills of the Ministry of Finance of Georgia</i>	<i>Treasury bonds of the Ministry of Finance of Georgia</i>	<i>U.S treasury bills</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	32,116	–	4,275	192,536	–	228,927
New assets originated	13,000	18,409	79,354	53,805	84,201	248,769
Assets repaid	(4,005)	(18,785)	(16,900)	(119,100)	–	(158,790)
Other movements	4,168	376	3,704	40,702	–	48,950
At 31 December 2024	45,279	–	70,433	167,943	84,201	367,856

	<i>Certificates of deposits of National Bank of Georgia</i>	<i>Certificates of deposits of National Bank of Georgia</i>	<i>Treasury bills of the Ministry of Finance of Georgia</i>	<i>Treasury bonds of the Ministry of Finance of Georgia</i>	<i>U.S treasury bills</i>	<i>Total</i>
Gross carrying value as at 1 January 2023	15,091	2,978	18,435	213,032	53,548	303,084
New assets originated	19,905	–	7,399	36,339	–	63,643
Assets repaid	(2,880)	(3,000)	(22,291)	(57,023)	(52,798)	(137,992)
Other movements	–	22	732	188	(750)	192
At 31 December 2023	32,116	–	4,275	192,536	–	228,927

All balances of investment securities are allocated to stage 1. An analysis of changes in the ECL allowances during the year ended 31 December 2024 is, as follows:

	<i>Corporate bonds</i>	<i>Certificates of deposits of National Bank of Georgia</i>	<i>Treasury bills of the Ministry of Finance of Georgia</i>	<i>Treasury bonds of the Ministry of Finance of Georgia</i>	<i>Total</i>
ECL as at 1 January 2024	(90)	–	(9)	(383)	(482)
New assets originated	(126)	(36)	(157)	(108)	(427)
Assets repaid	15	37	34	237	323
Change in ECL rate	(122)	–	–	(2)	(124)
Other movements	(16)	(1)	(7)	(77)	(101)
At 31 December 2024	(339)	–	(139)	(333)	(811)

ECL for US Treasury bills is assessed as nil.

	<i>Corporate bonds</i>	<i>Certificates of deposits of National Bank of Georgia</i>	<i>Treasury bills of the Ministry of Finance of Georgia</i>	<i>Treasury bonds of the Ministry of Finance of Georgia</i>	<i>Total</i>
ECL as at 1 January 2023	(66)	(5)	(32)	(370)	(473)
New assets originated	(45)	–	(15)	(72)	(132)
Assets repaid	9	5	39	99	152
Change in ECL rate	12	–	1	–	13
Other movements	–	–	(1)	(41)	(42)
At 31 December 2023	(90)	–	(8)	(384)	(482)

(thousands of Georgian Lari)

9. Investment securities (continued)

Debt securities at fair value through other comprehensive income

	<i>Treasury bills of the Ministry of Finance of Georgia</i>
Gross carrying value as at	
1 January 2023	66,870
New assets originated	49,065
Assets repaid	–
Other movements	1,750
Revaluation	574
At 31 December 2023	118,259
New assets originated	109,225
Assets repaid	(89,563)
Other movements	(4,006)
Revaluation	1,127
At 31 December 2024	135,042

10. Property and equipment

The movements in property and equipment were as follows:

	<i>Land and buildings</i>	<i>Furniture and fixtures</i>	<i>Computers and office equipment</i>	<i>Motor vehicles</i>	<i>Leasehold improve- ments</i>	<i>Assets under construction</i>	<i>Total</i>
Cost or revalued amount							
31 December 2023	97,710	122,445	51,930	18,892	16,391	24	307,392
Additions	4,716	9,644	2,638	2,061	2,550	272	21,881
Disposals	–	(704)	(638)	(347)	(395)	–	(2,084)
Revaluation	7,551	–	–	–	–	–	7,551
31 December 2024	109,977	131,385	53,930	20,606	18,546	296	334,740
Accumulated depreciation and impairment							
31 December 2023	1,898	86,468	38,952	16,890	10,115	–	154,323
Depreciation charge	2,002	8,315	4,079	1,123	1,338	–	16,857
Disposals	–	(609)	(633)	(347)	(393)	–	(1,982)
Revaluation	(3,900)	–	–	–	–	–	(3,900)
31 December 2024	–	94,174	42,398	17,666	11,060	–	165,298
Net book value							
31 December 2023	95,812	35,977	12,978	2,002	6,276	24	153,069
31 December 2024	109,977	37,211	11,532	2,940	7,486	296	169,442

(thousands of Georgian Lari)

10. Property and equipment (continued)

	<i>Land and buildings</i>	<i>Furniture and fixtures</i>	<i>Computers and office equipment</i>	<i>Motor vehicles</i>	<i>Leasehold improve- ments</i>	<i>Assets under construction</i>	<i>Total</i>
Cost or revalued amount							
31 December 2022	92,578	116,760	48,085	17,467	15,820	–	290,710
Additions	5,386	5,960	3,851	1,586	787	24	17,594
Disposals	(254)	(275)	(6)	(161)	(216)	–	(912)
31 December 2023	97,710	122,445	51,930	18,892	16,391	24	307,392
Accumulated depreciation and impairment							
31 December 2022	–	78,264	35,042	16,395	8,935	–	138,636
Depreciation charge	1,903	8,478	3,915	655	1,357	–	16,308
Disposals	(5)	(274)	(5)	(160)	(177)	–	(621)
31 December 2023	1,898	86,468	38,952	16,890	10,115	–	154,323
Net book value							
31 December 2022	92,578	38,496	13,043	1,072	6,885	–	152,074
31 December 2023	95,812	35,977	12,978	2,002	6,276	24	153,069

Buildings and land of the Group are subject to revaluation on a regular basis. The date of the latest revaluation was 31 December 2024. As a result of revaluation of land and buildings, the carrying value increased by ₾ 11,451. Net revaluation gain of ₾ 9,886 (revaluation gain of ₾ 12,358 less income tax expense of ₾ 2,472) was recognised in other comprehensive income and revaluation loss of ₾ 907, for previously impaired buildings, was recognized in the statement of profit or loss for 2024 within other operating expenses (Note 25).

The Group's buildings are classified to Level 3 of the fair value hierarchy. There were no transfers among the levels of the fair value hierarchy in 2024 and 2023.

If the land and buildings were measured using the cost model, the carrying amounts would be as follows:

	<i>2024</i>	<i>2023</i>
Cost	76,279	71,563
Accumulated depreciation and impairment	(18,375)	(16,849)
Net carrying amount	57,904	54,714

(thousands of Georgian Lari)

11. Intangible assets

The movements in intangible assets, which comprised computer software and licenses, were as follows:

	<i>Internally developed software</i>	<i>Computer software and licenses</i>	<i>Total</i>
Cost			
31 December 2022	28,504	98,340	126,844
Additions	12,542	2,989	15,531
31 December 2023	41,046	101,329	142,375
Additions	17,980	5,047	23,027
31 December 2024	59,026	106,376	165,402
Accumulated amortisation			
31 December 2022	4,034	65,651	69,685
Amortisation charge	2,863	8,421	11,284
31 December 2023	6,897	74,072	80,969
Amortisation charge	4,164	8,317	12,481
31 December 2024	11,061	82,389	93,450
Net book value			
31 December 2022	24,470	32,689	57,159
31 December 2023	34,149	27,257	61,406
31 December 2024	47,965	23,987	71,952

12. Leases

	<i>2024</i>	<i>2023</i>
Right-of-use-assets – building	38,255	30,724
Lease liabilities	39,886	30,114

Administrative expenses include occupancy and rent expenses on lease contracts where the recognition exemptions have been applied:

	<i>2024</i>	<i>2023</i>
Short-term leases	(1,646)	(1,016)

During the period the movements of the Group's right-of-use assets and lease liabilities are set out below:

	<i>Right-of-use assets – buildings</i>	<i>Lease liabilities</i>
As at 1 January 2024	30,724	30,114
Additions	19,328	19,326
Depreciation expense	(7,985)	–
Interest expense	–	1,432
Payments	–	(8,620)
Disposal	(7,654)	(3,748)
Depreciation of disposal	3,842	–
Foreign exchange	–	1,382
As at 31 December 2024	38,255	39,886

(thousands of Georgian Lari)

12. Leases (continued)

	<i>Right-of-use assets – buildings</i>	<i>Lease liabilities</i>
As at 1 January 2023	30,141	28,741
Additions	9,338	9,338
Depreciation expense	(7,362)	–
Interest expense	–	1,351
Payments	–	(7,832)
Disposal	(8,433)	(1,438)
Depreciation of disposal	7,040	–
Foreign exchange	–	(46)
As at 31 December 2023	30,724	30,114

13. Taxation

The corporate income tax expense comprised:

	<i>2024</i>	<i>2023</i>
Current year tax charge	17,857	17,334
Deferred tax charge – origination and reversal of temporary differences	(2,202)	(2,345)
Income tax expense	15,655	14,989
Deferred tax charge effect on OCI	2,472	–
Income tax charge on total comprehensive income	18,127	14,989

A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	<i>2024</i>	<i>2023</i>
Profit before income tax expense	119,012	96,037
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	23,802	19,207
Non-taxable income	(9,099)	(6,876)
Effect from changes in future tax rates and other movements	(108)	1,666
Non-tax deductible expenses	1,060	992
Income tax expense	15,655	14,989

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

	<i>2022</i>	<i>In the statement of of profit or loss</i>	<i>In the statement of other comprehen- sive income</i>	<i>2023</i>	<i>In the statement of of profit or loss</i>	<i>In the statement of other comprehen- sive income</i>	<i>2024</i>
Tax effect of deductible temporary differences							
Other assets	1,615	180	–	1,795	532	–	2,327
Lease liabilities	5,748	275	–	6,023	1,954	–	7,977
Other liabilities	1,894	596	–	2,490	1,215	–	3,705
Deferred tax asset	9,257	1,051	–	10,308	3,701	–	14,009
Tax effect of taxable temporary differences							
Loans to customers	(1,055)	1,047	–	(8)	95	–	87
Right of use assets	(6,028)	(117)	–	(6,145)	(1,506)	–	(7,651)
Property and equipment, and intangible assets	(21,739)	364	–	(21,375)	(88)	(2,472)	(23,935)
Deferred tax liabilities	(28,822)	1,294	–	(27,528)	(1,499)	(2,472)	(31,499)
Net deferred tax assets/ (liabilities)	(19,565)	2,345	–	(17,220)	2,202	(2,472)	(17,490)

(thousands of Georgian Lari)

14. Other assets, prepayments and other liabilities

Other assets comprise

	2024	2023
Funds in settlement	15,824	24,279
Inventories	5,461	5,168
Reposessed property	4,662	2,405
Prepaid taxes other than income tax	3,012	2,957
Investment properties	2,446	2,045
Receivables from Revenue Services for tax free services to non-resident customers	2,206	4,286
Receivables from remittances systems operators	1,768	4,339
Receivable from insurance claims	71	75
Receivable from guarantees paid	–	950
Investment in associate	–	1,054
Other	2,740	2,583
Total	38,190	50,141
Less – allowance for impairment of other assets	(7,598)	(5,645)
Other assets	30,592	44,496

Investment properties

Investment properties are stated at fair value. The fair value represents the price that would have been received if an asset was sold in an orderly transaction between market participants at the measurement date. The latest revaluation date was 31 December 2024. The valuation was performed by an accredited independent valuator with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13. Refer to Note 27 for details.

The Group's investment properties items are classified to Level 3 of the fair value hierarchy. There were no transfers among the levels of the fair value hierarchy in 2024 and 2023.

Derivative financial instruments

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

	2024				2023			
	Notional amount		Fair Value		Notional amount		Fair Value	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Foreign exchange contracts								
Forwards and swaps – domestic	77,066	(76,741)	102	(443)	5,127	(5,243)	1	–
Forwards and swaps – foreign	2,051	(2,136)	–	(6)	–	(43,303)	–	(18,545)
Total derivative assets/liabilities	79,117	(78,877)	102	(449)	5,127	(48,546)	1	(18,545)

As of 31 December 2024, the Group has positions in the derivative financial instrument currency forwards. Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

The Group's forwards are classified to Level 2 of the fair value hierarchy. There were no transfers among the levels of the fair value hierarchy in 2024 and 2023.

(thousands of Georgian Lari)

14. Other assets, prepayments and other liabilities (continued)

Prepayments comprise

	2024	2023
Prepayments for property and equipment and intangible assets	6,929	4,343
Prepaid insurance	782	775
Prepayments for software support, advertising and other services	652	701
Prepayments for professional services	561	265
Prepaid rent	66	54
Other	682	590
Total prepayments	9,672	6,728

Other liabilities comprise

	2024	2023
Bonus accrual	15,327	11,896
Payables for creditors	13,198	13,206
Taxes payable other than income tax	1,697	1,634
Sundry creditors	1,418	440
Provisions for loan commitments (Note 20)	1,331	781
Funds pending settlements	829	958
Derivative liability (see above)	449	18,545
Other	2,133	2,643
Other liabilities	36,382	50,103

15. Credit loss expense and other impairment and provisions

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2024:

31 December 2024	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	6	3	—	—	—	3
Amounts due from credit institutions	7	16	—	—	—	16
Loans to customers at amortised cost	8	(17,461)	19,738	31,377	(2,726)	30,928
Debt securities measured at amortised cost	9	329	—	—	—	329
Guarantees	20	153	—	—	—	153
Debt securities measured at fair value through OCI	9	30	—	—	—	30
Total credit loss expense		(16,930)	19,738	31,377	(2,726)	31,459
31 December 2023	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	6	(26)	—	—	—	(26)
Amounts due from credit institutions	7	14	—	—	—	14
Loans to customers at amortised cost	8	(1,748)	4,081	34,028	1,379	37,740
Debt securities measured at amortised cost	0	9	—	—	—	9
Guarantees	20	17	—	—	—	17
Debt securities measured at fair value through OCI	9	231	—	—	—	231
Total credit loss expense		(1,503)	4,081	34,028	1,379	37,985

(thousands of Georgian Lari)

15. Credit loss expense and other impairment and provisions (continued)

The movements in other impairment allowances and provisions were as follows:

	<i>Other assets</i>	<i>Provisions for losses from operating risks</i>	<i>Total</i>
31 December 2023	5,645	–	5,645
Charge	3,565	–	3,565
Reversal	(70)	–	(70)
Amount written off	(1,543)	–	(1,543)
Recovery of written off debt	19	–	19
Repayment of written off debt	(19)	–	(19)
31 December 2024	<u>7,597</u>	<u>–</u>	<u>7,597</u>
	<i>Other assets</i>	<i>Provisions for losses from operating risks</i>	<i>Total</i>
31 December 2022	4,442	12	4,454
Charge	1,259	–	1,259
Reversal	(56)	(12)	(68)
Recovery of written off debt	6	–	6
Repayment of written off debt	(6)	–	(6)
31 December 2023	<u>5,645</u>	<u>–</u>	<u>5,645</u>

The Group is exposed to the risk of loss from its operations associated with misappropriation of assets. Management has a system of controls and monitoring to detect such activities, to reduce the risk of loss. Despite such controls, losses may still occur due to circumvention of controls by means of collusion and/or other planned actions by perpetrators. For such cases, the Group holds active insurance policies. As at 31 December 2024 the Group holds insurance policies with a risk coverage of ₾ 5 million for losses from operating risks (31 December 2023: ₾ 5 million).

16. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>2024</i>	<i>2023</i>
Borrowings from the NBG	751,308	290,229
Loans from local commercial banks	45,707	–
Borrowings from international financial institutions	44,400	62,110
Time deposits of local commercial banks	7,761	5,278
Current accounts	6,803	5,957
Amounts due to credit institutions	<u>855,979</u>	<u>363,574</u>

On 19 December 2024 the Group obtained a loan from the NBG in amount of ₾ 250,000 maturing on 16 January 2025; and on 25 December 2024 the Group obtained a loan from the NBG in amount of ₾ 500,000 maturing on 3 January 2025. The loans are issued under a collateral of investment securities (₾ 341,058 ref. to Note 9) and customer loans (₾ 534,387 ref. to Note 8).

In March 2024 the Group obtained a loan from a local commercial bank in an amount of ₾ 45,000 maturing in March 2025.

In September 2020, the Group entered into a USD 15 million (4.87%) loan agreement with the U.S. International Development Finance Corporation (DFC) and a EUR 15 million (Tranche 1 – USD 4,5 million with interest rate of 1.54% and Tranche 2 – USD 10,5 million with interest rate of 1.17%) loan agreement with the European Investment Bank (EIB) maturing in 2029 and 2027, respectively. During 2021 the Bank attracted new funds amounted to EUR 2,113 million (3.8%) and EUR 2,22 million (3.87%) from the Microfinance Enhancement Facility (MEF) maturing on 31 January 2025 and from the EIB amounted to EUR 2,5 million (1.36%) maturing on 17 December 2026.

(thousands of Georgian Lari)

17. Amounts due to customers

Amounts due to customers comprise:

	2024	2023
Current accounts	1,390,875	1,290,396
Time deposits (including certificates of deposits)	1,836,571	1,743,094
Amounts due to customers	3,227,446	3,033,490
Held as security against guarantees issued (Note 20)	10,528	17,468

At 31 December 2024, amounts due to customers of ₾ 644,408 (20.0%) were due to the ten largest customers (31 December 2023: ₾ 623,483 (20.6%)).

Amounts due to customers by economic sector are as follows:

	2024	2023
Individuals	1,865,808	1,633,290
State and public sector	776,869	888,295
Non-banking financial organisations	182,500	150,192
Real estate constructions	142,220	130,274
Trade and service	92,329	68,705
Transportation and communication	27,098	7,625
Energy	15,106	31,777
Agriculture	7,783	6,482
Mining	1,318	2,088
Other	116,415	114,762
Amounts due to customers	3,227,446	3,033,490

18. Subordinated debt

Subordinated debt comprises:

	2024	2023
Subordinated loans	123,292	93,588
Subordinated bonds	5,628	—
Subordinated, perpetual, additional tier 1 capital bonds	983	—
Subordinated debt	129,903	93,588

Subordinated loans

The Group issues unsecured Subordinated Loan Contracts (the “SLCs”) to high-net-worth individuals and corporate clients. The Group does not have subordinated liabilities to entities, that exceed 10% of total subordinated debt. The primary reason for the issuance of the SLCs is to attract Tier 2 qualified capital to support the Group's capitalization.

As of 31 December 2024, the Group had ₾ 123,292 (31 December 2023: ₾ 93,588) of subordinated loans outstanding, of which the amortised value qualified for the inclusion in the Tier 2 capital under the NBS Basel III requirements, was ₾ 97,922 (31 December 2023: ₾ 61,135).

Subordinated bonds

Bonds are direct, unsecured, subordinated obligation of the Group with pari passu ranking, without having any seniority among each other. Bond interest rate is determined based on its Nominal Value and amounts to annual 11.0%. Bonds will be redeemed, including the principal and accrued but unpaid interest (if any) on 9 September 2031. These bonds are denominated in USD.

(thousands of Georgian Lari)

18. Subordinated debt (continued)

Subordinated, perpetual, additional tier 1 capital bonds

Bonds are direct, unsecured, subordinated, perpetual additional tier 1 capital obligation of the Group with pari passu ranking, without having any seniority among each other. Interest rate on bonds is determined based on the nominal value of bonds and shall amount to annual 13.50% for the first 5 years. Interest rate will be reset on 60 months anniversary of the bond issuance date and on every fifth-year anniversary thereof. Bonds are perpetual debt securities and do not have a predetermined repayment date. The bonds can be redeemed by the Bank after 5 years, from issuance date. These bonds are denominated in USD.

	<i>Subordinated loan</i>	<i>Subordinated bonds</i>	<i>Subordinated, perpetual, Additional tier 1 capital bonds</i>
Carrying amount at 31 December 2022	98,774	–	–
Proceeds from issue	–	–	–
Repayment	(4,646)	–	–
Foreign currency translation	(440)	–	–
Other	(100)	–	–
Carrying amount at 31 December 2023	93,588	–	–
Proceeds from issue	31,125	5,353	987
Repayment	(6,008)	–	–
Foreign currency translation	4,637	112	4
Other	(50)	163	(8)
Carrying amount at 31 December 2024	123,292	5,628	983

19. Equity

Share capital

During the year 2023, the Bank cancelled its own treasury shares with amount of 1,013,828,327 and shares authorized but not issued with amount of 39,379,852 under Employee Stock Ownership Plan (ESOP). As of 31 December 2024, share capital of the Bank comprised of 4,489,682,955 ordinary shares (2023: 4,489,682,955). The Bank had issued 4,489,682,955 ordinary shares (2023: 4,489,682,955) out of which 4,449,046,175 were fully paid (2023: 4,449,046,175), 40,636,780 shares are intended only for preferred shares conversion purposes (in case of such a need) and thus their transfer to a third party in any form is not allowed. Each share has nominal value of ₾ 0.01.

According to the legislation concerning the transfer of public securities from the independent Registrar to the Central Depository of Securities of Georgia, and considering that securities in the Central Depository can only be held through an account keeper, the shares of minority shareholders without account keepers were placed into the general technical account of the Central Depository, thereby restricting their ownership rights (including voting rights and dividend rights). Accordingly, as the shares in the technical account are not counted in the voting rights calculation, the voting influence of other shareholders has been proportionally increased.

The share capital of the Bank was contributed by the shareholders in ₾ and they are entitled to dividends and any capital distribution in ₾.

As of 31 December 2024, and 2023, the book value per ordinary share comprised ₾ 0.1263 and ₾ 0.1051, respectively.

Convertible preferred shares

The convertible preferred shares are perpetual and can be converted, at the holder's discretion, into ordinary shares of the Bank at the conversion price based on 1.05 times the equity book value of the Bank per ordinary share outstanding (net of any treasury shares) as of the end of the preceding calendar year.

The dividend rate on the convertible preferred shares is 17% per annum, payable annually, subject to the AGM approval in each given year. The dividends are non-cumulative.

(thousands of Georgian Lari)

19. Equity (continued)

Convertible preferred shares (continued)

The ability to pay dividends is subject to the Bank's financial condition and results of operations and compliance with the prudential capital adequacy requirements and may be restricted by the NBG.

Basic/diluted earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period (net of any treasury shares). Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding of the effect of all dilutive potential ordinary shares (but ignoring any treasury shares), which comprise convertible preferred shares.

In 2024, net income attributable to ordinary shareholders of the Bank comprised ₾ 102,583 (2023: ₾ 80,271) and the weighted average number of ordinary shares outstanding during the year was 4,449,046,175 (2023: 4,449,046,175), resulting in earnings per share of ₾ 0.023 for 2024 (2023: ₾ 0.018).

At 31 December 2024, the convertible preferred shares did not have a dilutive effect as the conversion price of ₾ 0.13 exceeded the quoted weighted average market price for the period of ₾ 0.025. At 31 December 2023, the convertible preferred shares did not have a dilutive effect as the conversion price of ₾ 0.11 exceeded the quoted weighted average market price for the period ₾ 0.025. Thus, the potential dilution did not include the potential effect from the conversion of 4,565,384 convertible preferred shares into ordinary shares as of 31 December 2024.

Dividends

The Bank did not pay dividends on its ordinary shares in 2024 or 2023. The Bank paid dividends on the convertible preferred shares in the amount of ₾ 774 in 2024 (2023: ₾ 776), ₾ 0.17 per share.

Nature and purpose of other reserves

Fair value reserve for investment securities at FVOCI

This reserve records fair value and ECL changes on investment securities.

Revaluation reserve for property and equipment

The revaluation reserve for property and equipment is used to record increases in the fair value of the buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. There was ₾ 9,886 net increase in revaluation reserve in 2024.

20. Commitments and contingencies

Operating environment

As an emerging market, Georgia does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets (including the risk that the Georgian Lari is not freely convertible outside the country, and undeveloped debt and equity markets). However, over the last few years the Georgian government has made a number of developments that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation (including new Tax Code and procedural laws). In the view of the Supervisory Board, these steps contribute to mitigate the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

(thousands of Georgian Lari)

20. Commitments and contingencies (continued)

Legal

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

Financial commitments and contingencies

The Group's commitments and contingencies comprised the following:

	2024	2023
Credit related commitments		
Guarantees	86,097	53,739
Undrawn loan commitments	326,961	175,820
	<u>413,058</u>	<u>229,559</u>
Capital expenditure commitments	2,728	881
Commitments and contingencies	<u>415,786</u>	<u>230,440</u>
Provisions for ECL for credit related commitments (Note 14)	1,331	781
Cash held as security against guarantees issued (Note 17)	10,528	17,468

As at 31 December 2024, and 2023, the Bank had Bankers Blanket Bond insurance, Directors and Officers liability insurance, and Property and Vehicle insurance coverage for the operating losses with the insurance limit of ₾ 5 million.

All commitments are allocated to stage 1 and there were no significant movements in ECL during the year.

21. Net fee and commission income

Net fee and commission income comprise:

	2024	2023
Plastic card operations	33,866	29,773
Settlements operations	11,200	10,686
Cash operations	2,988	3,756
Fee income received from bill payments	2,445	2,179
Remittances	2,047	3,719
Guarantees and letters of credit	1,581	1,007
Other	325	137
Fee and commission income	<u>54,452</u>	<u>51,257</u>
Plastic card operations	(25,047)	(19,650)
Settlements operations	(1,878)	(1,698)
Cash operations	(1,692)	(882)
Fee expense paid for bill payments	(746)	(676)
Guarantees and letters of credit	(137)	(168)
Fee and commission expense	<u>(29,500)</u>	<u>(23,074)</u>
Net fee and commission income	<u>24,952</u>	<u>28,183</u>

Revenue from contracts with customers

The Group's revenue from contracts with customers is mostly represented by fee and commission income, including income from guarantees. Revenue from contracts with customers recognized in the consolidated statement of comprehensive income for the year ended 31 December 2024 amounted to ₾ 69,452 of which ₾ 15,000 is income from social services disclosed in other income (Note 23) (2023: ₾ 66,257).

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

(thousands of Georgian Lari)

22. Net gains/(losses) from foreign currencies

	2024	2023
Dealing	21,051	18,621
Net result from foreign currency derivatives	1,614	(5,636)
Translation differences	(206)	713
	<u>22,459</u>	<u>13,698</u>

23. Other income

Other income comprises:

	2024	2023
Income for providing social services (a)	15,000	15,000
Income from rent	459	186
Gain from sale of assets	408	269
Gain from revaluation of investment properties	401	—
Income from insurance claims	143	(45)
Effect from termination of lease contracts	7	15
Other	46	740
Total other income	<u>16,464</u>	<u>16,165</u>

- (a) The Group receives income from Social Service Agency for providing banking services to the pension beneficiaries, the income considerations are received monthly 1,250 ₾. Payments are made within 15 days, according to the contract.

24. Personnel and general and administrative expenses

Personnel and general and administrative expenses comprise:

	2024	2023
Salaries	102,386	88,025
Variable monthly bonuses	24,008	20,228
Performance based discretionary bonus pool	13,027	9,521
Personnel expenses	<u>139,421</u>	<u>117,774</u>

Average number of employees for the year:

	2024	2023
Permanent employment		
Top Management	6	6
Middle Management	79	105
Other employees	4,124	4,625
Temporary employment		
Other employees	1,164	1,121
Total	<u>5,373</u>	<u>5,857</u>

(thousands of Georgian Lari)

24. Personnel and general and administrative expenses (continued)

	2024	2023
Repair and maintenance	13,272	10,682
Marketing and advertising	7,928	7,023
Communication	5,327	4,196
Legal and other professional services	5,287	3,155
Utility expense	4,388	3,794
Office supplies	3,903	3,565
Occupancy and rent	3,385	3,143
Operating taxes	2,527	2,413
Insurance	1,677	1,629
Corporate hospitality and entertainment	1,356	872
Travel expenses	1,062	1,093
Security	958	679
Audit and related service fee	535	569
Other	2,982	2,761
General and administrative expenses	54,587	45,574

Remuneration of the Bank's auditor for the years ended 31 December 2024 and 2023 comprises (net of VAT):

	2024	2023
Fees for the audit of the Bank's annual financial statements for the year ended 31 December	377	398
Total fees and expenditures	377	398

Fees and expenditures payable to other auditors and audit firms in respect of other professional services comprised ₾ 90 (2023: ₾ 100).

25. Other operating expenses

	2024	2023
Pawn shop related expenses	4,929	4,664
Plastic card production expense	1,759	1,820
Loss from revaluation of property and equipment	907	—
Social responsibility expenses	457	432
Other	3,943	5,233
Other operating expenses	11,995	12,149

26. Risk management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, market risk, operational risk and other non-financial risks. The risk management framework adopted by the Group sets the boundaries of risk bearing capacity for each risk and business line and ensures its compliance.

The responsibility of the individuals responsible for risk management is to ensure the compliance of the Group to the Risk Appetite Statement ("RAS") set by the Supervisory Board of the Bank. The compliance is ensured by continuous monitoring of the RAS parameters and proposing any changes to these parameters when circumstances change. The Enterprise Risk Management ("ERM") Division has the overall responsibility for monitoring of the RAS set by the Supervisory Board. RAS establishes escalation routes for trigger events and limits breaches in order to timely and effectively initiate and implement pre-defined mitigation actions. For the purposes of effective inclusion into daily activities of the Group, RAS parameters are detailed into more granular business unit and transactional levels. With the active involvement of Management Board risk management functions ensure proper communication and clarity at all levels regarding risk objectives, constant monitoring of risk profile against risk appetite, timely escalation of risk-related alerts and design of mitigating actions.

*(thousands of Georgian Lari)***26. Risk management (continued)****Risk management framework and structure**

The Supervisory Board of the Bank has overall responsibility for the establishment and oversight of the Group's risk management framework. The Supervisory Board has established committees, which are responsible for developing and monitoring Group risk management policies in relevant specified areas, which are communicated through RAS.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its management standards, procedures and trainings aims, has a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Audit Committee

The Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions. The Audit Committee is assisted in these functions by Internal Audit.

Internal Audit

Risk management processes throughout the Group are audited by the internal audit function, which examines, by undertaking regular and ad-hoc reviews, both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with the Management Board and reports its findings and recommendations to the Audit Committee.

Other structural units

The Supervisory Board is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks. Risk Appetite metrics are set by the Supervisory Board and monitored by the following committees and units with the active involvement of Management Board:

- ▶ Credit risk is managed by the Credit Risk Committees;
- ▶ Liquidity risk is managed by Asset–Liability Committee (“ALCO”);
- ▶ Market risk is managed by ALCO;
- ▶ Operational risk is managed by the Operational Risk Management Department with close cooperation of Management Board;
- ▶ Information security and technology risks are managed by Information Security Department.

All committees have representatives of all relevant business units and report regularly to the Management Board.

Business lines represent the primary owners of risks affecting daily activities and operations within the Group. Business processes incorporate controlling activities performed by the relevant risk unit representatives. Units with risk management functions represent the second line of defense. The following departments are responsible for day-to-management of credit, liquidity, market, operational and other financial risks:

- ▶ Enterprise Risk Management;
- ▶ Credit Underwriting;
- ▶ Credit Administration;
- ▶ Credit Controlling;
- ▶ Collections;
- ▶ Operational Risk Management;
- ▶ Information Security.

*(thousands of Georgian Lari)***26. Risk management (continued)****Risk management framework and structure (continued)**

Anti-Money Laundering (“AML”) is managed by AML Department and Compliance Risks are managed by Compliance Department. Collections function is divided into two broad sub-functions, each responsible for leading and monitoring collection process per types of outstanding receivables.

Business lines represent the primary owners of risks affecting daily activities and operations within the Group. Business processes incorporate day-to-day involvement of risk management representatives, with focus on risk identification, analysis, evaluation and treatment.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience.

Monitoring and controlling risks is primarily performed based on limits established by the RAS. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, and the head of each business division. Senior management assesses the appropriateness of the allowance for expected credit losses on a monthly basis.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Risk mitigation

The Group uses collaterals (precious metals, real estate, deposits, securities, movable property, receivables and company shares) and diversification to mitigate its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group risk management functions ensure that potential negative impact from concentration is identified in a timely manner, respective risks properly measured and evaluated, and, ultimately, responsive actions planned and realised. RAS sets overall limits on excessive credit risk, liquidity and market risk concentrations.

Credit risk

Credit risk refers to the Group's potential financial losses that can arise from a borrower or counterparty failing to fulfill their repayment obligations according to the agreed terms. These obligations are typically part of the traditional non-trading lending activities, such as loans, credit lines, guarantees, letters of credit etc. The Group is exposed to different categories of credit risks, such as:

- ▶ Default Risk – the risk that counterparty will be unable to make the required payment on debt obligations,
- ▶ Country Risk – the risk stemming from the unexpected deterioration of the creditworthiness or default of the country due to social unrest, political instability, war, or other unfavourable developments; and
- ▶ Concentration Risk – the risk of loss arising from a large position in a single asset, or group of assets. This risk arises when portfolio has less diversification in terms of sector and group of borrowers.

The Group manages credit risk through a variety of strategies and mechanisms designed to minimize the likelihood of loss.

(thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Credit Risk Management Mechanisms

Credit Assessment and Underwriting

Credit assessment and underwriting involve a thorough assessment of the borrower's creditworthiness before granting a loan. This process includes analysing financial statements, credit scores, collateral, business models, historical trends and the overall economic environment. The Group utilizes this information to assess the repayment capacity of a borrower and to establish terms that align with the perceived risk.

Risk-based Pricing

The Group employs a risk-based pricing approach, where the interest rates and loan terms are adjusted according to the borrower's assessed risk level. Higher-risk borrowers typically face higher interest rates to compensate for the increased likelihood of default.

Portfolio Monitoring

After extending credit, the Group continuously monitors the financial health of borrowers at both individual and portfolio levels. Monitoring process may include regular reviews of financial statements, analysing portfolio key risk indicators and staying informed about any changes that could affect the borrower's repayment ability. The Group sets out desired, acceptable and alarming levels of credit risk indicators that are monitored on a regular basis and mitigative measures are implemented in the event of undesirable trends among these indicators.

Portfolio Limitations and Diversification

The Group manages risk by diversifying its loan portfolios across different sectors, geographic regions within Georgia, and borrower types. This strategy helps distribute risk so that the failure of a single borrower or downturn in a specific sector does not have a disproportionate impact on the Group's financial health. Limitations are imposed on each loan category. Business lending exposures exceeding ₾ 500,000 represent individually significant financial instruments for the Group. In accordance with the lending policy, financial ratios thresholds are imposed as a guideline to assess creditworthiness of a company. All these ratios are viewed as quality control recommendations, though they may be re-evaluated or adjusted in certain cases due to company-specific factors. The applicable ratios vary depending on the economic sector, loan outstanding amount, and the expected probability of default for individual companies. For consumer lending and mortgages the Group imposes the PTI (Payment to Income) and LTV (Loan to Value) limits in compliance with the responsible lending standards of National Bank of Georgia (NBG), as outlined in the respective decree.

Collateralization

Collaterals and Guarantees are important measures of credit risk mitigation. The Group often requires collateral, which can be seized if the borrower defaults on the loan. Guarantees from third parties can also provide an additional layer of security. The Group has implemented internal collateral assessment methodology that is compliant with International Valuation Standards (IVS) as well as with the local regulatory guidelines. For various segments of business lending exposures, the Group has adopted recommended ratios of collateralization, while for consumer lending and mortgages regulatory limitations on Loan to Value ("LTV") ratios are in place.

Assessment of Credit Risk

Homogeneous Groups

All financial instruments in the Group's credit portfolio are subject to assignment to one of the predetermined Homogeneous Groups of risk exposures. There are two general sub-categories of Homogeneous Groups, credit risk parameters of which are assessed either on individual or collective basis:

- ▶ Individually Significant Risk Exposures (ISRE) – group of all financial instruments of business lending portfolio where total outstanding amount of loans, for a group of connected borrowers, exceeds ₾ 500,000. Additionally, individual assessment is conducted for Wholesale Gold Pawn portfolio exposures and any other asset that may be considered individually significant for the Group.
- ▶ Collectively Assessed Risk Exposures (CARE) or all other financial instruments, that do not fall into ISRE category. There are several CARE Homogeneous Groups formed that include Small and Micro business loans and all retail products. CARE groups are formed by considering similar inherent risk characteristics of respective credit products and availability of historical data in order to perform collective assessment employing statistical methods.

(thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Outcome of risk assessment of a financial instruments, whether individual or collective, is a combination of risk parameter values for every financial instrument, that eventually are used for quantitative evaluation of credit risk as described below.

Expected Credit Losses and Allowance for ECL

Assessment of expected credit losses (ECL) is one of the fundamental processes of Group's credit risk management framework, reflecting a Group's proactive approach to managing potential losses in its loan portfolio and ensuring its long-term viability and compliance with regulatory requirements. In accordance with the IFRS 9, the Group uses a forward-looking approach for loan loss provisioning that requires to account for expected credit losses over the life of a loan, rather than the previous "incurred loss" method. The key risk parameters of ECL estimation are Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Probability of Default

PD is a financial metric used to estimate the likelihood that a borrower will fail to repay a loan or credit obligation within a specified time frame, typically expressed as a percentage. The Group assesses PD for every financial instrument in its portfolio based on Homogeneous Groups of exposures. PD estimation for ISRE exposures is performed via application of S&P methodology and involves determination of borrower's Rating and its respective mapping to PD. The S&P models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behaviour. Individual assessment of borrowers is carried out by specialized credit risk employees of the Group as part of the underwriting process. Assessment results are used for the risk-based pricing purposes as well as for the IFRS provisioning. Default probability for CARE assets is estimated by means of sophisticated methodology based on "Months on Book – MOB" approach, developed internally. Calculated historical PD rates are adjusted by means of forward-looking macroeconomic scenarios described below.

Loss Given Default

LGD is a risk metric used in financial analysis to estimate the percentage of a loan or credit exposure that is lost when a borrower defaults, after accounting for the recoveries and other mitigating factors. LGD for CARE assets is defined statistically according to cash recovery approach after default, while in case of ISRE assets LGD rates are defined individually by means of S&P methodology.

Exposure at Default

EAD represents the total value that a lender is exposed to in the moment of a defaults on a loan obligation. The Group has developed EAD cashflow projection model for cashflow products using amortization schedule and historical average prepayment rates to generate EAD term structure. In case of loan commitments and off-balance exposures the Group uses its own credit conversion factor (CCF) approach.

(thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Staging of Financial Instruments

In the context of ECL assessment financial instruments are classified into categories, called Impairment Stages, based on the level of credit risk. This classification system is part of the IFRS 9, which dictates how financial institutions should recognize and measure credit losses. Staging is critical for determining the amount of credit loss provision that should be set aside.

- ▶ *Stage 1* – Assets in this stage are typically those with no significant changes in credit risk since initial recognition or those that maintain a low risk of default. For these assets, the Group recognizes credit loss provisions based on 12-month expected credit losses (“12mECL”).
- ▶ *Stage 2* – When a financial asset experiences a significant increase in credit risk (SICR) since initial recognition but is not yet credit-impaired, it is moved to Stage 2. In this stage, the credit loss provisioning is based on the lifetime expected credit losses (“LTECL”). This reflects the increased risk but doesn’t mean the asset is in default.
- ▶ *Stage 3* – This stage is for financial assets that are considered credit-impaired, meaning there is evidence of significant financial difficulty, default, or other indicators of impairment. For these assets, the ECL provision reflects the lifetime expected losses, recognizing the full extent of credit risk.
- ▶ *POCI* – Aside from three impairment stages described above the Group assigns status of Purchased or Originated as Credit Impaired (POCI) to specific assets, that were credit impaired at their origination.

Definition of Significant Increase in Credit Risk

A significant increase in credit risk (SICR) refers to a notable escalation in the likelihood that a borrower will default on their loan obligations, as compared to the risk of default at the time of loan origination or the last reporting date. The Group recognizes several quantitative and qualitative factors indicating SICR:

- ▶ Breach of contractual payment date by more than 30 days,
- ▶ Restructuring / renegotiation of contractual terms due to financial difficulties of a borrower;
- ▶ Breach of PTI / DSCR / LTV requirements for respective Homogeneous Group exposures,
- ▶ Individual decision by the credit risk management.

After recognizing SICR event, respective exposure is moved from Stage 1 to Stage 2 along with the other exposures of the same borrower (contamination principle). Reclassification of the exposure to Stage 1 is possible after sufficient number of successful consecutive payments are conducted and no SICR indicators are active during this rehabilitation period. If updated financial analysis of a borrower is available, showing no SICR sign since the origination, at least 3 successful consecutive payments must be conducted in order to reclassify exposure to Stage 1; If updated analysis is not available, at least 6 successful consecutive payments are required. In case of exposures with seasonal repayment schedules, successful repayment of all seasonal instalments is required for stage improvement (with or without analysis).

Definition of Default and cure

In general, default occurs when a borrower fails to meet the legal obligations of a debt agreement. This typically means that the borrower has not made the scheduled payments of interest or principal on a loan or bond within the specified time frame or has violated the terms of the loan agreement or bond indenture. The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

(thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of events that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- ▶ Internal rating of the borrower indicating default or near-default for individually significant exposures;
- ▶ The borrower requesting emergency funding from the Group;
- ▶ The death of the borrower;
- ▶ A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- ▶ A material decrease in the borrower's turnover or the loss of a major customer;
- ▶ A covenant breach not waived by the Group;
- ▶ The debtor (or any legal entity within the debtor's group) filing for bankruptcy;
- ▶ Deterioration of the regulatory, political, and technological outlook that is relevant to a particular borrower or to a group of borrowers;
- ▶ Adverse changes in the sector or industry conditions in which the borrower operates;
- ▶ Significant change in internal price indicators of similar products of the FI, such as increase of interest rate, increase of minimum collateral requirements etc.;
- ▶ Exposure(s) of other borrower(s) within group becoming or remaining credit-impaired;
- ▶ A default, initiation of bankruptcy proceedings or breach of a contract (including breach of covenants);
- ▶ Call of off-balance sheet liabilities (any type) which was not expected ahead and was not predetermined by credit project;
- ▶ Initiation of legal proceedings that may result in significant cash outflow;
- ▶ Emergence of new competitors on monopolistic and oligopolistic markets, that may result in decrease of market share or prices;
- ▶ Fraud in the borrower's business;
- ▶ Significant delay in provision of financial information by the borrower;
- ▶ Recent frequent changes in senior management of the borrower;
- ▶ Deterioration of borrowers' financial performance (taking into consideration seasonality of a business), indicated by:
 - o Deterioration of interest coverage ratio (EBIT / Interest Expenses)
 - o Deterioration of Debt / EBITDA ratio;
 - o Deterioration of Equity / Assets ratio;
 - o Significant decrease in sales;
 - o Preservation of negative operating cash flow;
 - o Loss of a major customer;
 - o Termination of an agreement with major supplier;
 - o Deterioration of liquidity and profitability of a particular borrower or a group of borrowers.

After recognizing event of Default, respective exposure is moved to Stage 3 along with the other exposures of the same borrower (contamination principle). It is the Group's policy to consider a financial instrument as 'cured' and therefore reclassified to Stage 2 when none of the default criteria have been present during conducting sufficient number (defined by methodology) of successful consecutive payments. If updated financial analysis of a borrower is available, showing no sign of credit impairment, after at least 6 consecutive payments are performed, defaulted exposure can be reclassified to Stage 1; If updated analysis is not available, after at least 6 consecutive payments defaulted exposure can be reclassified to Stage 2 and after at least 12 consecutive payments – to Stage 1. In case of exposures with seasonal repayment schedules, defaulted exposure can be reclassified to Stage 2 after repayment of all seasonal instalments. Under consecutive payment, repayment of scheduled instalment without any overdue is presumed.

(thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Forward-looking information and multiple economic scenarios

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- ▶ GDP growth;
- ▶ Unemployment rates;
- ▶ Monetary policy rate;
- ▶ Foreign exchange rates;
- ▶ CPI Inflation rate;
- ▶ Nominal Effective Exchange Rate NEER;
- ▶ Fed Funds Rates;
- ▶ Change in Real Estate Prices;
- ▶ Death Rates.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group obtains the forward-looking information published by the National Bank of Georgia. Experts of the Group's Credit Risk Department determine the weights attributable to the multiple scenarios. The tables show the values of the key forward-looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

<i>Key drivers</i>	<i>ECL scenario</i>	<i>Assigned weight, %</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>
Real GDP Growth (YoY)	Upside	20%	7.0%	6.0%	6.0%
	Baseline	40%	4.9%	5.8%	5.7%
	Downside	40%	2.0%	3.0%	5.0%
Change in Unemployment rate	Upside	20%	-0.5 pp	-0.5 pp	+0.0 pp
	Baseline	40%	+0.25 pp	-0.25 pp	-0.25 pp
	Downside	40%	+1.5 pp	+1.5 pp	-1.0 pp
Monetary Policy Rate (%)	Upside	20%	-1.0 pp	-0.5 pp	+0.0 pp
	Baseline	40%	-0.8 pp	-0.6 pp	-0.1 pp
	Downside	40%	+1.5 pp	-1.0 pp	-1.0 pp
Foreign exchange rates (GEL / USD)	Upside	20%	Appr. 2%	Appr. 3%	Unchanged
	Baseline	40%	Unchanged	Unchanged	Unchanged
	Downside	40%	Depr. 15%	Unchanged	Appr. 5%
CPI Inflation (YoY)	Upside	20%	3.0%	3.0%	3.0%
	Baseline	40%	2.9%	3.6%	2.7%
	Downside	40%	8.0%	5.0%	3.0%
Nominal Effective Exchange Rate (NEER)	Upside	20%	Appr. 1%	Appr. 2%	Unchanged
	Baseline	40%	Unchanged	Unchanged	Unchanged
	Downside	40%	Depr. 9%	Unchanged	Appr. 3%
Fed Funds Rates	Upside	20%	-1.0 pp	-0.5 pp	-0.5 pp
	Baseline	40%	-0.5 pp	-0.5 pp	-0.25 pp
	Downside	40%	+0.5 pp	-0.75 pp	-0.75 pp
Change in Real Estate Prices (GEL, YoY)	Upside	20%	7.5%	6.5%	6.0%
	Baseline	40%	6.0%	6.5%	5.5%
	Downside	40%	5.0%	6.0%	5.5%

(thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group internal credit ratings. The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position, based on categories specified in the tables.

<i>As at 31 December 2024</i>	<i>Note</i>		<i>High grade</i>	<i>Standard grade</i>	<i>Sub- standard grade</i>	<i>Impaired</i>	<i>Total</i>
Cash and cash equivalents, except for cash on hand	6	Stage 1	124,956	–	–	–	124,956
Amounts due from credit institutions	7	Stage 1	105,719	–	–	–	105,719
Loans to customers at amortised cost	8		3,428,358	67,290	22,441	29,691	3,547,780
Micro loans		Stage 1	555,467	2,769	–	–	558,236
		Stage 2	8,093	1,138	2,364	–	11,595
		Stage 3	–	743	372	10,094	11,209
		POCI	–	–	–	–	–
Consumer loans		Stage 1	1,004,877	15,552	–	–	1,020,429
		Stage 2	6,913	2,363	2,286	–	11,562
		Stage 3	–	1,565	215	8,343	10,123
		POCI	–	–	–	558	558
Residential mortgage loans		Stage 1	329,960	1,519	–	–	331,479
		Stage 2	3,258	638	191	–	4,087
		Stage 3	–	958	508	1,055	2,521
		POCI	–	–	–	–	–
		Stage 1	131,888	1,200	–	–	133,088
Gold Pawn loans		Stage 2	26	24	450	–	500
		Stage 3	–	79	20	826	925
		POCI	–	–	–	–	–
Commercial loans		Stage 1	1,296,721	1,911	–	–	1,298,632
		Stage 2	91,155	25,117	15,699	–	131,971
		Stage 3	–	11,714	336	6,892	18,942
		POCI	–	–	–	1,923	1,923
Debt investment securities	0	Stage 1	502,315	–	–	–	502,315
Undrawn loan commitments	20	Stage 1	326,961	–	–	–	326,961
Financial guarantees	20	Stage 1	86,097	–	–	–	86,097
Total			<u>4,574,406</u>	<u>67,290</u>	<u>22,441</u>	<u>29,691</u>	<u>4,693,828</u>

(thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

<i>As of 31 December 2023</i>	<i>Note</i>		<i>High grade</i>	<i>Standard grade</i>	<i>Sub- standard grade</i>	<i>Impaired</i>	<i>Total</i>
Cash and cash equivalents, except for cash on hand	6	Stage 1	182,837	–	–	–	182,837
Amounts due from credit institutions	7	Stage 1	99,723	–	–	–	99,723
Loans to customers at amortised cost	8		2,783,061	32,885	13,917	28,113	2,857,976
Micro loans		Stage 1	483,328	2,448	266	–	486,042
		Stage 2	8,146	1,056	2,183	–	11,385
		Stage 3	–	669	392	9,221	10,282
		POCI	–	–	–	–	–
Consumer loans		Stage 1	832,426	10,966	164	–	843,556
		Stage 2	8,572	2,362	2,467	–	13,401
		Stage 3	–	1,470	386	9,875	11,731
		POCI	–	–	–	–	–
Residential mortgage loans		Stage 1	212,665	1,504	–	–	214,169
		Stage 2	2,614	333	100	–	3,047
		Stage 3	–	453	667	507	1,627
		POCI	–	–	–	–	–
Gold Pawn loans		Stage 1	161,768	1,139	46	–	162,953
		Stage 2	63	15	492	–	570
		Stage 3	–	179	39	1,283	1,501
		POCI	–	–	–	–	–
Commercial loans		Stage 1	1,024,715	4,491	115	–	1,029,321
		Stage 2	48,764	2,429	2,420	–	53,613
		Stage 3	–	3,371	4,180	4,817	12,368
		POCI	–	–	–	2,410	2,410
Debt investment securities	0	Stage 1	346,704	–	–	–	346,704
Undrawn loan commitments	20	Stage 1	175,820	–	–	–	175,820
Financial guarantees	20	Stage 1	53,739	–	–	–	53,739
Total			3,641,884	32,885	13,917	28,113	3,716,799

The credit risk assessment policy for financial assets has been determined by the Group for balance sheet exposures as follows:

- ▶ A financial asset that is not past due at the reporting date is assessed as a financial asset with high grade;
- ▶ A financial asset that is less than 30 days past due at the reporting date is assessed as a financial asset with standard grade;
- ▶ A financial asset that is past due more than 30 days and less than 90 days past the reporting date is assessed as a financial asset with sub-standard grade;
- ▶ Grading for Undrawn loan commitments for clients, who have loans or any other balance sheet exposures are in line with balance sheet grade. For other undrawn loan commitments, conditional undrawn loan commitments are considered to be High grade. Unconditional undrawn loan commitments are graded in line with clients' credibility monitored by the Group's experts;
- ▶ Financial guarantees are considered High grade if the client performs under contractual conditions. If the client mostly performs well under the contract, it is classified as standard grade, while poor performance is considered sub-standard and breach of contract impaired.

(thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

The geographical concentration of the Group's assets and liabilities are set out below:

	2024				2023			
	Georgia	OECD	Other foreign countries	Total	Georgia	OECD	Other foreign countries	Total
Assets								
Cash and cash equivalents	435,906	4,566	857	441,329	491,729	2,768	274	494,771
Amounts due from credit institutions	105,719	–	–	105,719	99,723	–	–	99,723
Loans to customers	3,547,780	–	–	3,547,780	2,857,976	–	–	2,857,976
Investment securities	502,315	–	–	502,315	346,704	–	–	346,704
Other assets	316,705	2,677	531	319,913	289,747	4,508	2,168	296,423
	<u>4,908,425</u>	<u>7,243</u>	<u>1,388</u>	<u>4,917,056</u>	<u>4,085,879</u>	<u>7,276</u>	<u>2,442</u>	<u>4,095,597</u>
Liabilities								
Amounts due to credit institutions	808,913	44,400	2,666	855,979	298,152	62,110	3,312	363,574
Amounts due to customers	2,904,843	74,705	247,898	3,227,446	2,748,892	99,680	184,918	3,033,490
Subordinated debt	83,743	26,015	20,145	129,903	66,504	18,473	8,611	93,588
Lease liability	39,886	–	–	39,886	30,114	–	–	30,114
Other liabilities	53,768	695	46	54,509	78,518	539	37	79,094
	<u>3,891,153</u>	<u>145,815</u>	<u>270,755</u>	<u>4,307,723</u>	<u>3,222,180</u>	<u>180,802</u>	<u>196,878</u>	<u>3,599,860</u>
Net assets / (liabilities)	<u>1,017,272</u>	<u>(138,572)</u>	<u>(269,367)</u>	<u>609,333</u>	<u>863,699</u>	<u>(173,526)</u>	<u>(194,436)</u>	<u>495,737</u>

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

The Group monitors actual and expected loan prepayments or potential late repayment requests and takes necessary actions to prevent or minimize potential loss by taking best possible actions. The group proactively conducts negotiations to new potential borrowers to compensate the interest income shortage due to early repayment. Any extra liquidity is invested in interest earning assets based on the internal liquidity management practices.

The effect on profit before tax for one year and on equity, assuming 10% of repayable financial instruments were to prepay at the beginning of the year, with all other variables held constant, is as follows:

	Effect on net interest income	Effect on equity
2024	(33,357)	(30,211)
2023	(28,762)	(24,964)

(thousands of Georgian Lari)

26. Risk management (continued)

Liquidity risk and funding management

Liquidity risk management and supervision

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Other objectives include securing a balanced financing mix for the Group's activities, compliance with standards set by the NBG, managing crisis situations and controlling the cost of funding.

The main liquidity risk mitigation techniques are building liquidity reserves, diversifying funding sources and extending financing maturities. However, significant liquidity in excess of statutory requirements due to unexpected net cash inflows should be avoided and the Management Board should examine options to reduce liquidity to an appropriate level.

The Treasury Department and ERM and budgeting division is responsible for the management of the liquidity and funding risk within targets, boundaries and limits being set out in the RAS. The Treasury Department and ERM and budgeting division manages the liquidity risk on a centralised level and reports to the Management Board at least weekly. Key decisions on liquidity risk management and monitoring are taken by the ALCO. Input for analysis for ALCO purposes is presented by Treasury Department and ERM and budgeting division. ERM and budgeting division performs additional monthly stress-tests on liquidity position of the Bank and reports the results to the ALCO.

The Bank maintains a Recovery Plan which includes pressure on liquidity triggers and recovery plan strategy. Since the precise nature of any stress event cannot be known in advance, the plans are designed to be flexible to the nature and severity of the stress event and provide a menu of options that could be used as appropriate at the time. The liquidity triggers are monitored by Treasury Department and ERM and budgeting division on a daily basis. Any potential trigger event is escalated to the Management Board level and should be discussed at the ALCO meeting. Recovery Plan contains step-by-step actions, to generate additional liquidity in order to facilitate recovery in a severe stress, and is executed by the Head of Treasury Department under the supervision of ALCO and Management Board.

The Group uses stress testing and scenario analysis to evaluate the impact of a sudden and severe stress events on its liquidity position. The scenarios cover the Group-specific and market related risk events.

Statutory requirement

The liquidity coverage ratio (LCR) is calculated following Basel III framework. The NBG requires all banks to maintain the LCR of 75.0% in ₾, and LCR of 100.0% in foreign currency and total LCR of 100% on a daily basis.

The Bank's total LCR calculated in accordance with NBG Basel III requirements were as follows:

	2024	2023
LCR in local currency	92.6%	104.7%
LCR in foreign currency	115.8%	138.2%
Total LCR	105.0%	118.0%

The Bank holds a comfortable buffer on top of Net Stable Funding Ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions.

The Bank's NSFR was as follows:

	2024	2023
NSFR	126.5%	125.0%

Analysis by remaining contractual maturities

The tables below summarise the maturity profile of the Group's financial liabilities as of 31 December 2024 and as of 31 December 2023 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

(thousands of Georgian Lari)

26. Risk management (continued)

Liquidity risk and funding management (continued)

<i>As of 31 December 2024</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Non-derivative financial liabilities					
Amounts due to credit institutions	820,625	9,850	28,118	–	858,593
Amounts due to customers	2,203,847	850,539	278,462	23	3,332,871
Lease liability	2,235	6,655	23,754	12,255	44,899
Subordinated debt	6,389	20,535	64,128	87,522	178,574
Total undiscounted financial liabilities	<u>3,033,096</u>	<u>887,579</u>	<u>394,462</u>	<u>99,800</u>	<u>4,414,937</u>
Derivative financial instruments – gross settled					
Positive fair value of derivatives (Inflow)	(20,514)	–	–	–	(20,514)
Outflow	20,624	–	–	–	20,624
Derivative financial instruments – gross settled					
Negative fair value of derivatives (Inflow)	(57,873)	(731)	–	–	(58,604)
Outflow	57,538	714	–	–	58,252
<i>As of 31 December 2023</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Non-derivative financial liabilities					
Amounts due to credit institutions	306,894	14,143	44,168	2,460	367,665
Amounts due to customers	1,955,324	918,765	265,589	49	3,139,727
Lease liability	1,987	5,729	20,435	4,554	32,705
Subordinated debt	3,408	9,637	82,244	29,609	124,898
Total undiscounted financial liabilities	<u>2,267,613</u>	<u>948,274</u>	<u>412,436</u>	<u>36,672</u>	<u>3,664,995</u>
Derivative financial instruments – gross settled					
Positive fair value of derivatives (Inflow)	(3,696)	–	–	–	(3,696)
Outflow	3,812	–	–	–	3,812
Derivative financial instruments – gross settled					
Negative fair value of derivatives (Inflow)	(22,095)	(41,508)	–	–	(63,603)
Outflow	14,905	29,829	–	–	44,734

The table below shows the contractual expiry by maturity of the Group's financial commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
2024	413,685	3,153	558	36	417,432
2023	229,789	1,295	305	36	231,425

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

(thousands of Georgian Lari)

26. Risk management (continued)

Liquidity risk and funding management (continued)

Maturity analysis of assets and liabilities

Treasury Department manages the maturity analysis of assets and liabilities. Modelling of assets and liabilities is necessary where contractual maturity does not adequately reflect the liquidity risk position. The most significant example in this context for the Group would be current and savings accounts from retail, corporate and municipal and other state entities. Although, contractually, current accounts are repayable on demand and savings accounts at short notice, the Bank's broad base of customers – numerically and by depositor type – helps protect against unexpected fluctuations in balances. Such accounts form a stable funding base for the Group's operations and liquidity needs. Table below shows the maturity analysis of the Group's financial assets and liabilities according to when they are expected to be recovered or settled.

	2024			2023		
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
Cash and cash equivalents	441,329	–	441,329	494,771	–	494,771
Amounts due from credit institutions	105,719	–	105,719	99,723	–	99,723
Loans to customers	1,407,831	2,139,949	3,547,780	1,188,623	1,669,353	2,857,976
Investment securities	312,561	189,754	502,315	157,543	189,161	346,704
Total	2,267,440	2,329,703	4,597,143	1,940,660	1,858,514	3,799,174
Amounts due to credit institutions	829,463	26,516	855,979	319,576	43,998	363,574
Amounts due to customers, of which:	1,840,857	1,386,589	3,227,446	1,655,201	1,378,289	3,033,490
Current accounts	250,155	1,140,720	1,390,875	149,676	1,140,720	1,290,396
Time deposits (including certificates of deposit)	1,590,702	245,869	1,836,571	1,505,525	237,569	1,743,094
Lease liability	1,163	38,723	39,886	348	29,766	30,114
Subordinated debt	759	129,144	129,903	381	93,207	93,588
Total	2,672,242	1,580,972	4,253,214	1,975,506	1,545,260	3,520,766
Net	(404,802)	748,731	343,929	(34,846)	313,254	278,408

The maturity of the assets is based on their carrying amounts and upon earliest legally exercisable maturity as of 31 December of the year concerned. The maturity of liabilities is based on the earliest contractual maturity or first call, except for the current accounts. The portion of current accounts is presented in more than one-year maturity range due to their stability. Time deposits (including certificates of deposit) diversification by number and type of depositors and the past experience of the Group indicate that such accounts and deposits provide a long term and stable source of funding, and as a result they are allocated per expected time of the funds outflow in the gap analysis table on the basis of the statistical data accumulated by the Group during the previous periods and assumptions made regarding the "permanent" part of current account balances.

As at 31 December 2024, total amounts due to customers amounted to ₾ 3,227,446 (as at 31 December 2023: ₾ 3,033,490), of which current accounts comprised ₾ 1,390,875 (as at 31 December 2023: ₾ 1,290,396). The Bank conducts the analysis of the stability of the current account balances for the period of the preceding two years on a daily basis. These balances have not fallen below ₾ 1,140,720 (2023: ₾ 1,140,720) for the respective periods of the preceding 24 months. As such, it is reasonable to present these funds in amounts due to customers in more than one-year maturity range in the above schedule. If the contractual maturities of amounts due to customers were considered, the cumulative liquidity gap within one year as of 31 December 2024 would have been negative ₾ 1,545,522 (31 December 2023: negative ₾ 1,175,566).

As at 31 December 2024 the Group had borrowings from the NBG at amount of ₾ 751,308, which was due for settlement within one year, however if there is necessity for liquidity purposes, the Group will be able to extend the loan. Besides the Group had liquid collateral to additionally draw down ₾ 22,478 (2023: ₾ 104,209) from the NBG at immediate notice.

Market risk

Market risk is the risk that affect the overall performance of the financial market. The main types of market risks include interest rates risk, currency risk and their levels of volatility. Market risk arises mainly from trading activities. The Group is not exposed to market risk related to trading activities, since the Bank, in line with its risk appetite, is not engaged in trading activities. The market risk related to the banking activities encompasses the risk of loss on equity holdings, and the interest rate and foreign exchange risk stemming from banking intermediation activities. The Bank is exposed to interest rate and foreign exchange risks in its banking books.

(thousands of Georgian Lari)

26. Risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of non-trading financial assets held at 31 December 2024.

<i>Currency</i>	<i>2024</i>		
	<i>Increase in basis points</i>	<i>Sensitivity of net interest income</i>	<i>Sensitivity of other comprehensive income</i>
GEL	100	3,965	(3,248)
USD	100	1,936	–
EUR	100	550	–

<i>Currency</i>	<i>2024</i>		
	<i>Decrease in basis points</i>	<i>Sensitivity of net interest income</i>	<i>Sensitivity of other comprehensive income</i>
GEL	100	(3,885)	3,384
USD	100	(1,936)	–
EUR	100	(550)	–

<i>Currency</i>	<i>2023</i>		
	<i>Increase in basis points</i>	<i>Sensitivity of net interest income</i>	<i>Sensitivity of other comprehensive income</i>
GEL	100	5,809	(2,814)
USD	100	2,633	–
EUR	100	1,319	–

<i>Currency</i>	<i>2023</i>		
	<i>Decrease in basis points</i>	<i>Sensitivity of net interest income</i>	<i>Sensitivity of other comprehensive income</i>
GEL	100	(5,809)	2,925
USD	100	(2,633)	–
EUR	100	(1,319)	–

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The NBG requires the Bank to monitor both balance-sheet and total aggregate (including off-balance sheet) open currency positions and to maintain the later one within 20.0% of the Bank's total regulatory capital. As at 31 December 2024, the Bank maintained an aggregate open currency position of 0.9% of regulatory capital (31 December 2023: 2.9%).

(thousands of Georgian Lari)

26. Risk management (continued)

Market risk (continued)

The Bank has approved Foreign Currency Risk Management Policy, which is intended to establish parameters for the Bank for the management of foreign currency exposures.

The process of foreign currency risk management includes, but is not limited to:

- ▶ Selection of adequate methodology for foreign currency risk identification and quantitative measurement;
- ▶ Daily monitoring of the open foreign currency position;
- ▶ Minimising currency risk through compliance with established limits;
- ▶ Revealing existing and anticipated negative tendencies of increased currency risk followed by the analysis of its causes and implications;
- ▶ Making recommendations on the currency risk management strategy;
- ▶ Determining the types and limits on instruments used in the foreign currency risk operations.

RAS sets limits on the level of exposure by currency as well as on aggregate exposure positions which are more conservative than those set by the NBG. The Bank's compliance with such limits is monitored daily by Treasury and ERM Division.

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the ₾, with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

<i>Currency</i>	<i>Appreciation/ (depreciation) of the exchange rate of ₾ against the respective currency in % 2024</i>	<i>Effect on profit before tax 2024</i>	<i>Appreciation/ (depreciation) of the exchange rate of ₾ against the respective currency in % 2023</i>	<i>Effect on profit before tax 2023</i>
US Dollar	10.00%	418	10.00%	(982)
EUR	10.00%	146	10.00%	(271)

Operational risk

Operational risk is defined as the risk of a financial loss resulting from the inadequacy or failure of internal processes, systems or people, or from external events, whether deliberate, accidental or natural occurrences. External events include, but are not limited to fraud, floods, fire, earthquakes and terrorist or hacker attacks. Credit or market events such as default or fluctuations in value do not fall in the scope of operational risk. Compliance risk is included under operational risk. Compliance risk is the potential that the Bank may incur regulatory sanctions, financial loss and/or reputational damage arising from its failure to comply with applicable laws, rules and regulations. The operational risk does not cover the reputational and strategic risk.

The overall objective of the operational risk management is to identify risks arising from inadequate or failed internal processes, people and systems or from external events and mitigate them where feasible and to the extent economically reasonable.

The Bank has established the Operational Risk Management (ORM) framework and takes all possible steps to understand exposure of the business to the variety of operational risks arising from inadequate or failed internal processes, people and systems or from external events. The aim of the ORM framework is to enable the Bank to collect, assess, manage, and report operational risk efficiently and effectively.

The responsibilities of the Operational Risk Management Department, Department of Physical Security, Soft Collection Department, Legal Department, Internal Audit and Business Owners within ORM framework are defined in the Operational Risk Management Policy.

*(thousands of Georgian Lari)***26. Risk management (continued)****Operational risk (continued)**

In general, the Bank has no appetite towards the operational risks and aims to reduce the losses resulting from risk events to the point where the Bank is not materially impacted by them. The Bank has low appetite towards operational risks related to fraud, information security (including IT) and compliance breaches, therefore the Bank makes all efforts to eliminate these types of risks, majority of cases are directed to law enforcement bodies.

The Risk Event Database (RED) is developed and maintained to ensure that all incidents, losses and near misses are evidenced and treated appropriately. It provides the Bank with a technical tool to systematically collect realised. This information is used to refine the identification of risks and the appropriate approaches to managing them. The collection of the data and a corresponding analysis is carried out by the Operational Risk Management Department in a centralized manner. Operational risk events from the RED database with material impacts, direct and indirect losses are reported to the Management Board.

Compliance with Group standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of respective business lines, with summaries submitted to the Audit Committee and Supervisory Board.

The key mitigation controls the Bank deploys stem from its Operational Risk Profile (ORP) and the RAS of the Supervisory Board. The Bank actively uses corporate insurance to mitigate its operational risks.

27. Fair value disclosures**Fair value measurement procedures**

External Appraisers are involved for valuation of significant assets, such as properties. Involvement of external Appraisers is decided upon annually by the management after discussion with and approval by the Bank's audit committee. The selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The management decides, after discussions with the Group's external Appraisers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the Group's external Valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the management and the Group's external Valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(thousands of Georgian Lari)

27. Fair value disclosures (continued)

Fair value hierarchy (continued)

At 31 December 2024	Fair value measurement using			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets measured at fair value				
Foreign exchange forwards and swaps	–	102	–	102
Investment properties	–	–	2,206	2,206
Property and equipment – buildings	–	–	109,977	109,977
Investment securities	–	135,042	–	135,042
	–	135,144	112,183	247,327
Assets for which fair values are disclosed				
Amounts due from credit institutions	–	105,719	–	105,719
Loans to customers	–	–	3,326,652	3,326,652
Investment securities	–	369,780	–	369,780
	–	475,499	3,326,652	3,802,151
Liabilities measured at fair value				
Foreign exchange forwards and swaps	–	(449)	–	(449)
	–	18,545	–	18,545
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	–	855,178	–	855,178
Amounts due to customers	–	3,249,655	–	3,249,655
Lease liability	–	40,248	–	40,248
Subordinated debt	–	127,426	–	127,426
	–	4,272,506	–	4,272,506
At 31 December 2023	Fair value measurement using			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets measured at fair value				
Foreign exchange forwards and swaps	–	1	–	1
Investment properties	–	–	2,045	2,045
Property and equipment – buildings	–	–	95,812	95,812
Investment securities	–	118,259	–	118,259
	–	118,260	97,857	216,117
Assets for which fair values are disclosed				
Amounts due from credit institutions	–	99,723	–	99,723
Loans to customers	–	–	2,545,530	2,545,530
Investment securities	–	233,219	–	233,219
	–	332,942	2,545,530	2,878,472
Liabilities measured at fair value				
Foreign exchange forwards and swaps	–	18,545	–	18,545
	–	18,545	–	18,545
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	–	362,056	–	362,056
Amounts due to customers	–	3,046,280	–	3,046,280
Lease liability	–	28,405	–	28,405
Subordinated debt	–	94,429	–	94,429
	–	3,531,170	–	3,531,170

(thousands of Georgian Lari)

27. Fair value disclosures (continued)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated statement of financial position and their fair value is materially different from their carrying amount. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>Carrying value 2024</i>	<i>Fair value 2024</i>	<i>Unrecognised gain/(loss) 2024</i>	<i>Carrying value 2023</i>	<i>Fair value 2023</i>	<i>Unrecognised gain/(loss) 2023</i>
Financial assets and liabilities						
Loans to customers	3,547,780	3,326,652	(221,128)	2,857,976	2,545,530	(312,446)
Amounts due from credit institutions	105,719	105,719	–	99,723	99,723	–
Investment securities	502,315	504,822	2,507	346,704	351,478	4,774
Amounts due to credit institutions	855,979	855,178	801	363,574	362,056	1,518
Amounts due to customers	3,227,446	3,249,655	(22,209)	3,033,490	3,046,280	(12,790)
Lease liability	39,886	40,248	(362)	30,114	28,405	1,709
Subordinated debt	129,903	127,426	2,477	93,588	94,429	(841)
Total unrecognised change in unrealised fair value			<u>(237,913)</u>			<u>(318,076)</u>

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the consolidated financial statements and those items that are not measured at fair value in the consolidated statement of financial position but whose fair value are disclosed.

Assets and liabilities for which fair value approximates carrying value

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

Derivatives

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

Investment Securities

Investment securities valued using a valuation technique with market observable inputs consist of unquoted debt securities. The applied valuation technique includes present value calculations using Government Securities Interdealer Index (GSI Index) as an input.

Financial assets and financial liabilities carried at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date, as such they fall under Level 2 fair value hierarchy. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to the NBG and credit institutions and other financial assets and liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

(thousands of Georgian Lari)

27. Fair value disclosures (continued)

Valuation techniques and assumptions (continued)

Movements in Level 3 assets and liabilities at fair value

The following tables show a reconciliation of the opening and closing amount of investment properties in Level 3 assets and liabilities which are recorded at fair value. For the reconciliation of property and equipment – buildings refer to Note 10:

	<i>At 1 January 2024</i>	<i>Sale of investment property</i>	<i>Total gain recorded in profit or loss</i>	<i>At 31 December 2024</i>
Assets				
Investment properties	2,045	–	401	2,446
	<u>2,045</u>	<u>–</u>	<u>401</u>	<u>2,446</u>
	<i>At 1 January 2023</i>	<i>Sale of investment property</i>	<i>Total gain recorded in profit or loss</i>	<i>At 31 December 2023</i>
Assets				
Investment properties	2,008	–	37	2,045
	<u>2,008</u>	<u>–</u>	<u>37</u>	<u>2,045</u>

The following table shows the quantitative information about significant unobservable inputs used in the fair value and income approach measurements categorised within Level 3 of the fair value hierarchy:

<i>As at 31 December 2024</i>	<i>Carrying amount</i>	<i>Valuation techniques</i>	<i>Unobservable input</i>	<i>Range per square meter</i>
Buildings – head office	63,153	Income Capitalization Approach (DCF)	10% increase/decrease of rent price 10% increase/decrease of discount rate Price volatility adjustment:	(10.22%) up to 9.78% (4.00%) up to 3.56%
Buildings	5,134	Market approach	10% increase/decrease of market prices	(10.93%) up to 10.99%
Buildings	41,681	Income Approach	10% increase/decrease of rent price 10% increase/decrease of discount rate	(11.02%) up to 8.10% (9.72%) up to 9.68%
Investment properties – office building	2,358	Income Approach	10% increase/decrease of rent price 10% increase/decrease of discount rate Price volatility adjustment:	(10.00%) up to 10.00% (8.21%) up to 9.76%
Investment properties – residential house	88	Market approach	10% increase/decrease of market prices	(9.36%) up to 9.36%
<i>As at 31 December 2023</i>	<i>Carrying amount</i>	<i>Valuation techniques</i>	<i>Unobservable input</i>	<i>Range per square meter</i>
Buildings – head office	53,450	Income Capitalization Approach (DCF)	10% increase/decrease of rent price 10% increase/decrease of discount rate Price volatility adjustment:	(10.10%) up to 9.60% (4.04%) up to 4.04%
Buildings	6,793	Market approach	10% increase/decrease of market prices	(10.06%) up to 9.95%
Buildings	35,569	Income Approach	10% increase/decrease of rent price	(9.66%) up to 10.32%
Investment properties – office building	1,975	Income Approach	10% increase/decrease of rent price Price volatility adjustment:	(9.99%) up to 9.99%
Investment properties – residential house	70	Market approach	10% increase/decrease of market prices	(9.38%) up to 9.38%

(thousands of Georgian Lari)

28. Related party disclosures

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

The outstanding balances at the period end of and related income and expense arising from related party transactions are as follows:

	2024			2023		
	Shareholders	Entities under common control	Key management personnel	Shareholders	Entities under common control	Key management personnel
Loans outstanding at 1 January, gross	8,053	19,765	504	8,083	396	762
Loans issued during the year	358	35,056	1,871	47	19,468	1,206
Loan repayments during the year	(7)	(600)	(643)	(77)	(99)	(1,464)
Loans outstanding at 31 December, gross	8,404	54,221	1,732	8,053	19,765	504
Less: allowance for impairment at 31 December	(512)	(217)	(6)	(463)	(660)	(2)
Loans outstanding at 31 December, net	7,892	54,004	1,726	7,590	19,105	502
Unused credit lines	–	31,801	15	–	–	7
Interest income on loans	659	2,935	47	636	794	29
Deposits* at 1 January	–	10,771	732	–	11,818	568
Deposits received during the year	–	1,544	1,173	–	3	292
Deposits repaid during the year	–	(8,220)	(736)	–	(1,000)	(128)
Other movements**	–	256	–	–	(50)	–
Deposits at 31 December	–	4,351	1,169	–	10,771	732
Current accounts at 31 December	57	6,051	160	249	3,894	169
Interest expense on deposits and current accounts	1	394	43	–	575	21
Fee and commission income	42	36	2	42	43	2

* Deposits include Time Deposits and CDs as well as Savings Account.

** Net gains/(losses) from foreign currencies.

Entities under common control comprises of organisations in which shareholders of the Group exercise control which represent related parties to the Group.

The number of key management personnel during the year ended 31 December 2024 were 6 (2023: 6) and their compensation comprised the following:

	2024	2023
Salaries, bonuses and other short-term benefits	2,419	2,006
Total key personnel compensation	2,419	2,006

(thousands of Georgian Lari)

29. Capital management

The Bank's capital management objectives consist of ensuring its solvency at all times, complying with the supervisory and internal capital requirements, and maintaining a prudent capital cushion in order to protect the Bank from known (and, to some extent, the unknown) risks.

The Bank's management of its total capital is based on the Internal Capital Adequacy Assessment Process (ICAAP), which represents its main capital management tool. Besides, as an additional capital management tool, the Bank maintains Recovery Plan which includes regulatory capital alert thresholds and recovery strategies.

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

NBG Basel III Capital adequacy ratio

Starting from 30 June 2014, the Bank has to comply with minimum capital adequacy ratios stipulated by "Regulation on Capital Adequacy Requirements for Commercial Banks" approved under Decree # 100/04 (the "Pillar 1 Regulation") of the President of the NBG dated 23 October 2013.

On 18 December 2017, the NBG published and approved amendments in capital adequacy regulation (Decree N100/04), according to which the minimum capital requirement ratios have been revised, incorporating Pillar I model and setting Capital Conservation, Systemic Risk and Countercyclical buffers (Pillar I Buffers).

As of 31 December 2024, Pillar 1 minimum capital requirements on Common Equity Tier 1 Capital (CET I), Tier I Capital (Tier I) and Total Capital ratios were set at 4.50%, 6.00% and 8.00% respectively, in addition to which the Bank had to maintain Combined buffers and Pillar II requirements.

As of 31 December 2024, Systemic Risk buffer was 0.5%. Besides, Capital Conservation buffer for 31 December 2024 was 2.5%. Countercyclical buffer is set at 0.25% and will increase annually by 0.25% and will amount 1% for March 2027. Any adjustment of Pillar I and Combined buffers is at the NBG's discretion.

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

According to the "Additional Capital Buffer Requirements for Commercial Banks" within Pillar II (Decree N176/04) rule, Georgian banking sector is transmitted to the International Financial Reporting Standards (IFRS) from 1 January 2023. According to the stated principle of the NBG, while transitioning to IFRS, other things being equal, a neutral approach to the cost of regulatory capital must be maintained on constant level and the capital adequacy framework is amended for this purpose. Credit Risk Adjustment (CRA) buffer is added to the Regulation on Determining Capital Buffers for Commercial Banks within Pillar II. The purpose of establishing CRA buffer is to reduce the credit risk caused by insufficient expected credit losses set up for assets and to determine an adequate capital buffer.

As at 31 December 2024, based on Basel III requirements, the Bank was required to maintain a minimum Total Capital adequacy ratio of 16.17% of the risk-weighted exposures (RWE), minimum Tier 1 Capital adequacy ratio of 13.16% of the RWE and Common Equity Tier 1 Capital adequacy ratio of 10.89% of the RWE computed based on the Bank's stand-alone financial statements prepared in accordance with the NBG requirements. While, as at 31 December 2024, actual Total Capital adequacy ratio, Tier 1 Capital adequacy ratio and Common Equity Tier 1 Capital adequacy ratios were 16.71%, 13.97% and 13.84%, respectively.

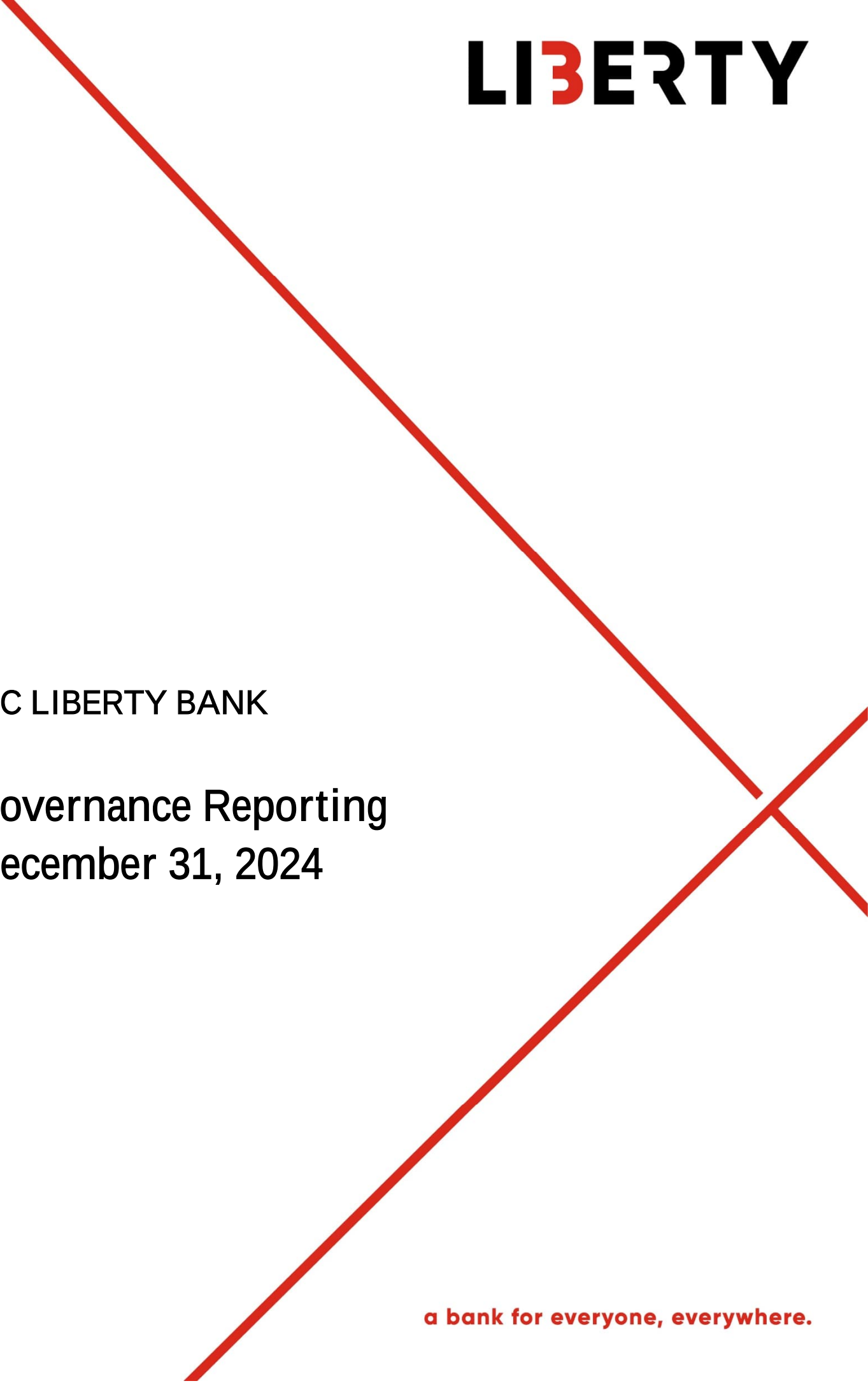
(thousands of Georgian Lari)

29. Capital management (continued)

NBG Basel III Capital adequacy ratio (continued)

The Bank's capital adequacy ratios calculated in accordance with NBG Basel II/III requirements were as follows:

	<i>2024</i>	<i>2023</i>
Common Equity Tier 1 capital	494,557	401,372
Additional Tier 1 capital	4,565	4,565
Tier 1 capital	499,122	405,937
Tier 2 capital	97,922	61,135
Total regulatory capital	597,044	467,072
Risk-weighted exposures	3,572,886	3,043,201
Common Equity Tier 1 capital ratio	13.84%	13.19%
Tier 1 capital ratio	13.97%	13.34%
Total regulatory capital ratio	16.71%	15.35%



LIBERTY

JSC LIBERTY BANK

Governance Reporting December 31, 2024

a bank for everyone, everywhere.

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1 Introduction

1.1 Objective of Governance Report

The purpose of this document is to introduce and provide stakeholders with information regarding the activities, development and condition of JSC Liberty Bank ("Bank"), as required by the Law of Georgia "On Accounting, Reporting and Auditing". The governance reporting includes a review of the activities of the bank, a corporate governance reporting, and non-financial statements. The governance report can be found on the website of the Service of Accounting, Reporting and Audit Supervision: saras.gov.ge.

1.2 Verification

The information presented in the governance reporting was reviewed and approved by the Management Board and Supervisory Board of JSC Liberty Bank. The auditor's opinion on the compliance of the management reporting with regulatory acts and its consistency with the financial statements for the same reporting period is provided in individual financial statements.

1.3 Basis for preparation

The report has been prepared according to the Article 7 of the Law of Georgia on Accounting, Reporting and Auditing. All quantitative indicators presented in this document have been recorded following the International Financial Accounting Standards ("IFRS") at a consolidated level, unless otherwise stated.

2 Activity overview

2.1 Overview of the Key Performance Indicators of the Bank

As of December 31, 2024, the profit of the bank amounted to 103.36 million GEL. The volume of net loans issued to customers increased by 24.14%, to 3,547.78 million GEL. Total assets increased by 20.06%, and total capital - by 22.91%.

Key financial information

Million GEL, unless otherwise specified	31 December 2024	31 December 2023
Net interest income	333.57	287.62
Gross operating income ⁽¹⁾	397.45	345.67
Annual profit	103.36	81.05
Return on average total equity	18.71%	17.81%
Return on average total equity (adjusted) ⁽²⁾	19.65%	18.72%
Return on average total assets	2.29%	2.10%
	31 December 2024	31 December 2023
Total assets	4,917.06	4,095.60
Loans issued to customers	3,547.78	2,857.98
Total liabilities	4,307.73	3,599.86
Total capital	609.34	495.74

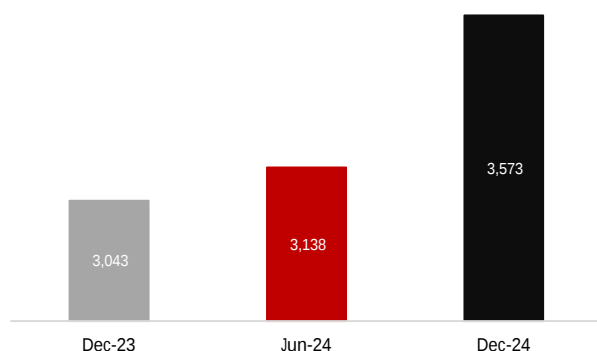
(1) Gross operating income does not include loan impairment provision expense.

(2) Liberty Bank accounts for PPE under IAS 16 revaluation cost model, which results in recognition of revaluation reserve in equity and revaluation gains in other comprehensive income, such effect amounted to 31.3 million GEL as of 31 DEC 2024, since Georgian banks hold PPE under IAS 16 cost model, ratio to be comparable with competitors, adjusted figure is presented.

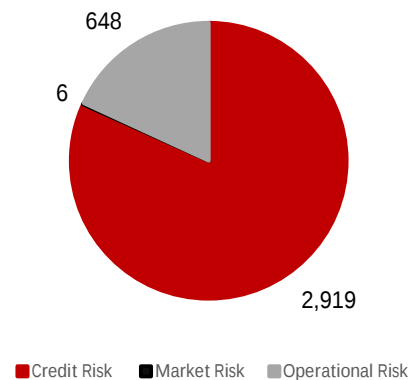
2.1 Overview of the Key Performance Indicators of the Bank (continued)

As of DEC 2024, Common Equity Tier 1 (CET1) is 494.6 million GEL, having increased by 93 million GEL in the last 1 year due to the accumulation of profit. Additional Equity Tier 1 capital remains unchanged at 4.6 million GEL as of DEC 2024, while Tier 2 capital is 98 mln and has increased by 37 million GEL.

RWE In Million GEL



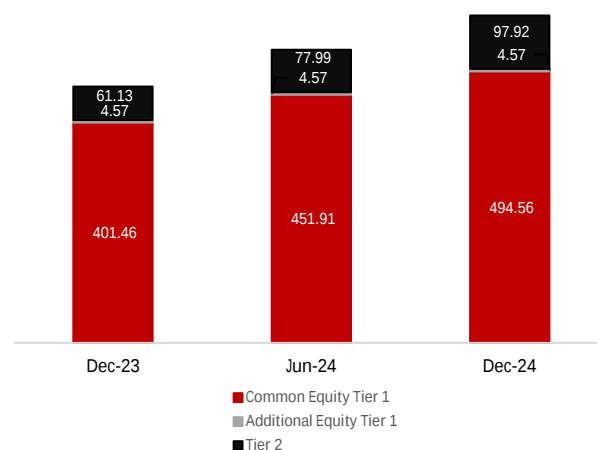
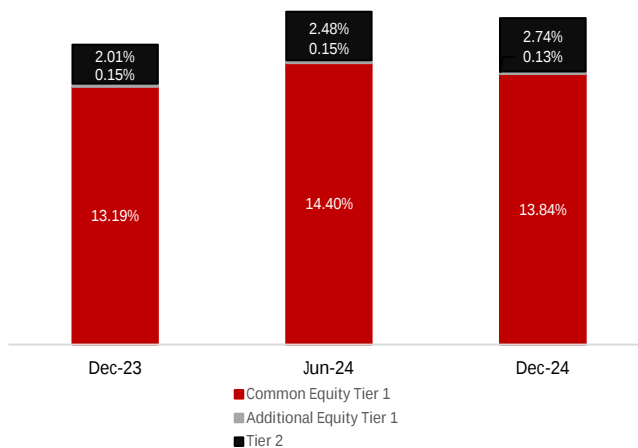
RWE by risk category in million GEL



Risk Weighted Exposure (RWE) as of DEC 2024 amounted to 3,573 million GEL, having increased by 529 million GEL over the past year, of which credit risk-weighted exposure increased by 441 million GEL, operational risk-weighted exposure - by 96 million GEL, and market risk-weighted exposure decreased by 8million GEL.

Regulatory capital in million GEL

Regulatory capital ratios



Note: The data provided above is recorded following IFRS accounting standards.

2.1 Overview of Key Performance Indicators of the Bank (continued)

Starting in January 2024, Liberty Bank restored the conservation buffer to 2%, and in June - to 2.5%. In March of the same year, the countercyclical buffer was increased from 0% to 0.25%. From 2024 DEC System buffer has been reduced to 0.5%.

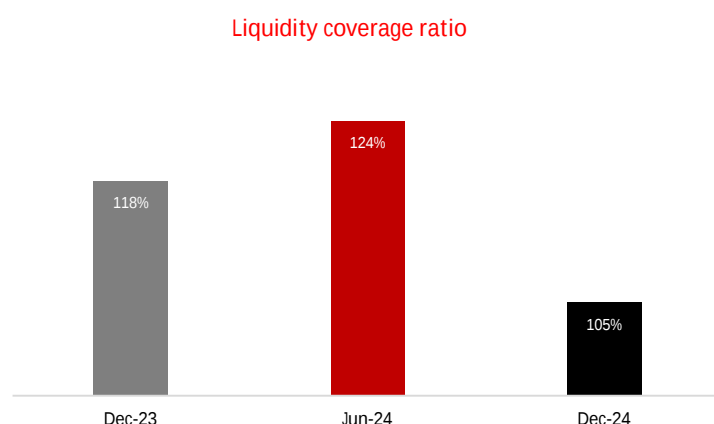
Ratings of JSC Liberty Bank

Fitch Ratings		Rating	Perspective	Date
Issuer default rating	Long-term	B+	Stable	10-Apr-25
	Short-term	B	-	
Support rating		WD	-	
Support rating level		WD	-	

Moody's		Rating	Perspective	Date
Bank rating (foreign)	Long-term	Ba3	Negative	26-March-25
Counterparty risk rating (foreign)	Long-term	Ba2	-	

Fitch's stable outlook on Liberty Bank through December 2024 reflects is driven by its consistent independent profile. The stable outlook reflects that FITCH does not expect to downgrade Liberty Bank's rating given the bank's low credit rating.

In 2024, the Bank continues to effectively utilize liquid assets and finance loans with liquid funds. The liquidity position is in line with the supervisory requirements of the National Bank of Georgia. As of December 2024, the liquidity coverage ratio was 105%.

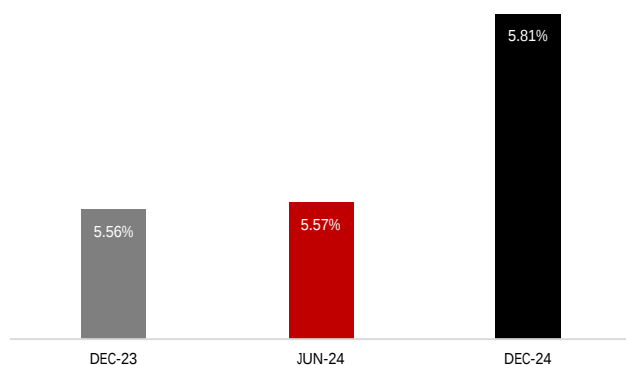


Note: The data provided above is recorded following IFRS accounting standards.

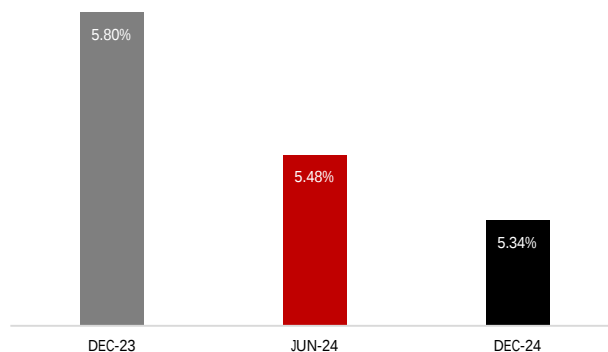
2.1.1 Competitive position of the bank in the market

The market share of total assets of the bank was 5.13% as of December 2024. The market share of total loans of the bank has increased by 0.25% since December last year, while the market share of net loans has increased by 0.27%. The market share of deposits placed by customers has decreased from 5.8% to 5.34%.

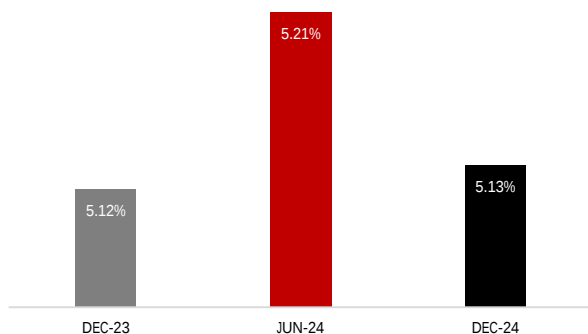
MARKET SHARE OF TOTAL LOANS



MARKET SHARE OF DEPOSITS PLACED BY CUSTOMER



MARKET SHARE OF TOTAL ASSETS



Source: National Bank of Georgia

2.1.2 Group structure

The Bank is the parent company of the entities specified in the table below, which are consolidated in the financial statements inspected by an audit (per IFRS). For regulatory and other significant purposes, the aforementioned entities are not consolidated and the Bank is required to comply with all regulatory requirements independently. As of December 31 2024 Bank ownership share looks like following:

Ownership share of the bank

Name	Registration country	31-Dec-24	31-Dec-23	Registration date	Activity
Bus Stop LLC ⁽¹⁾	Georgia	100.00%	100.00%	27-August-09	Outdoor advertising
Public Foundation ⁽¹⁾	Georgia	100.00%	100.00%	5-February-07	Non-profit

2.2 Development plans and business model

In 2021–2022, the bank's new strategy in the direction of universal banking services was revised and approved. The bank has been actively following this strategy for several years now, which has been reflected in both the diversification of its portfolio and its profitability and risk profile. This strategy focuses to strengthen the Management Board, reinforce the universal banking business model and move closer to the digitalization of the products and processes, all resulting into improving the access to finance in the regions of Georgia across all customer segments.

The Bank has the broadest physical distribution network in Georgia, which includes full-service branches, service centres, smaller-scale sales objects, as well as the outlets located at various third-party businesses.

From 2022, the Bank was devoted to a new vision and mission:

- **Vision:** Our vision is to improve the life of every individual, family and business in Georgia.
- **Mission:** We care with big heart about individuals, their families and businesses. We will be accessible everywhere, where our customers are and will provide customized and quick service.

2024 and future plans:

- To advance in the MSME sector and strengthen market share positions;
- To Strengthen positions in the direction of retail banking products;
- Gradually develop the corporate segment in line with the bank's risk appetite.
- The Bank aims to maintain its position as the third largest bank by assets in Georgia and at the same time a high level of larization in terms of both assets and liabilities.

Universal Banking

Liberty Bank will maintain its universal banking model with strong emphasis on Retail and MSME banking. The Corporate and Private banking businesses will remain a strong support in terms of building the universal bank.

While focusing on delivering strong performance as a universal bank, Liberty Bank will also concentrate on developing innovative products, simplifying the processes and increasing its digitization level, as well as acquiring new customers, including those that are largely unbanked.

Digital Banking

The Bank intends to continue improving its digital banking capabilities and create excellent digital user experience through its mobile and internet banking platforms.

The Bank also aims to simplify and accelerate its on-boarding process for new customers.

The innovative products will also be elaborated for the elderly and socially vulnerable segment, along with offering broader financial education opportunities.

Funding

Liberty Bank intends to further optimize its funding structure and take the opportunities to reduce its cost of funds. In this regard, the Bank intends to continue cooperation and dialogue with International Development Financial Institutions.

2.2 Development plans and business model (continued)

Corporate & Social Responsibility

The bank is actively promoting environmentally beneficial, as well as educational and health care CSR projects addressing the needs of the elderly and the most vulnerable part of society, as well as employee health care.

- “Green Boxes” for used paper;
- Free financial and computer science education for 60+;
- Internal Fund for employees “With Heart, for one another” created during the pandemic to help their family members in case of deterioration of health conditions.

Table 2.3.1 Key strategic indicators of the bank

Profitability	31 December 2024	31 December 2023
Return on assets, (annualized), %	2.29%	2.10%
Return on capital, (annualized), %	18.71%	17.81%
Return on average total equity (adjusted)	19.65%	18.72%

Thousand GEL	31 December 2024	31 December 2023
Total loans	3,547.78	2,857.98

2.3 Information about the activities of the branches

The bank represents one of the largest branchholder networks in Georgia. The bank is represented throughout Georgia by 456 branches, which serve more than 1.6 million customers monthly. As of December 31, 2024, the branches and service centers of the bank are distributed as follows:

- Branches and service centers – 149
- Specialized Outlets – 153
- LX Mobile Branches – 103
- Express Branches-49
- Studio-2

Branches and service centers are located in every city, town, and district center of Georgia. Specialized service centers serve the population of Georgia at strategic locations such as: border checkpoints, MIA service agencies, justice houses, revenue services, state service development agencies, and other strategic locations.

The bank is represented by sales points in all settlements and villages, where the population has the opportunity to receive full banking services. A mobile branch is a mobile bank (a car equipped with relevant equipment), through which the bank provides full banking services to the population of Georgia in any place, including the mountainous regions.

2.4 Research overview

As of December 31, 2024, the Bank has conducted the following studies:

- NPS, SCAT, CES - Customer Satisfaction and Loyalty Survey. The main goal of the survey was to assess the satisfaction, loyalty of Liberty customers and assessment of simplicity of service provided. The survey is conducted monthly.
- Employer Net Promoter Score (ENPS) is conducted, the main goal of which is to identify the level of employee loyalty and existing problems and strengths. The survey is conducted by the bank together with the HR department.

2.5 Overview of credit, market, liquidity and other risks

Risk is inherent in banking activities, however, risk management is carried out through a continuous process of identification, assessment and monitoring, using risk limits and other control mechanisms. The risk management process is critical to the continued profitability of the bank, and each individual in the bank is accountable for the responsibilities they have undertaken towards risk positions. The Bank is exposed to credit risk, liquidity risk, market risk, operational risk and other non-financial risks. The risk management framework adopted by the Bank sets the limits of acceptable risk exposures for each risk and business line and ensures compliance with them.

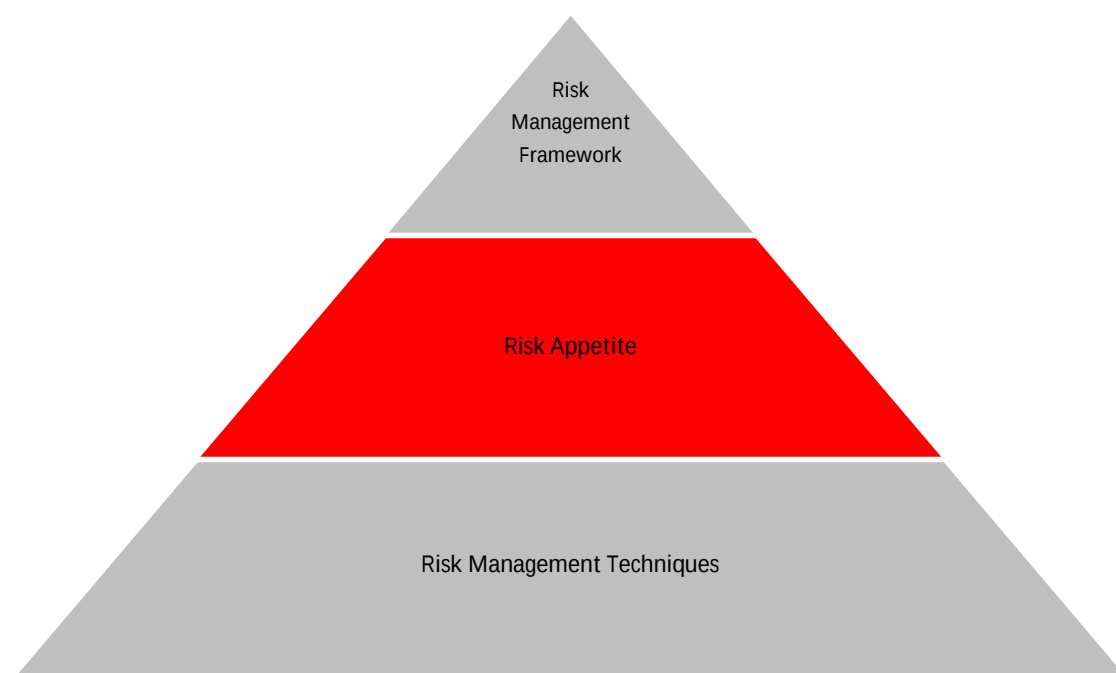
2.5.1 Risk management mechanisms

The Supervisory Board of the Bank has overall responsibility for establishing and overseeing the risk management framework of the Bank.

The risk management policy of the Bank provides for the identification and analysis of the Bank's risks, the definition of appropriate risk limits and control mechanisms, and the monitoring of risks and compliance with limits. The risk management policy and systems are regularly reviewed to reflect changes in market conditions, products and services offered. The bank, through management standards, procedures and training, has a disciplined and constructive control mechanisms in place where all employees are aware of their roles and responsibilities.

2.5.1 Risk management mechanisms (continued)

The responsibility of those responsible for risk management includes ensuring the compliance of the Bank with the RAS determined by the Supervisory Board of the Bank. Compliance is ensured through continuous monitoring of RAS parameters. With the active involvement of the Board of Directors, the risk management functions ensure appropriate communication and transparency at all levels, regarding risk targets, continuous monitoring of the risk profile against the risk tolerance, timely escalation of risk alerts and planning of mitigation measures.



The risk management framework of the bank includes the following four components:

1. **Risk management principles** provide for the quantitative basis of the risk management structure, namely:
 - Promoting an effective risk management culture;
 - Risk accountability across business lines;
 - Independent central oversight of risks;
 - Avoiding and/or mitigating excessive concentrations;
 - Ensuring that risks are clearly identified, assessed and managed.
2. **The strategic principles** provide qualitative indicators that will guide the bank in achieving its regulatory financial objectives and measure the degree of alignment between new initiatives and the risk tolerance of the bank. The strategic principles include the following:
 - Focus on the diversity, quality and stability of income;
 - Focus on core business by effectively leveraging the competitive advantages of the bank;
 - Make disciplined and selective strategic investments.

2.5.1 Risk management mechanisms (continued)

3. **The supervisory financial objectives** are focused on the long-term sustainability of shareholder value and the franchising of the operations of the Bank. These objectives are focused on the internal generation of capital based on sustainable profit growth, which facilitates the access of the Bank to capital on appropriate commercial terms, and on maintaining adequate capital in relation to the risk profile of the bank.
4. **Risk appetite assessments** consider objective indicators that measure risk and formulate the acceptable level of risk. Such indicators provide a link between actual risk-taking operations and risk management principles, strategic principles and supervisory financial requirements. These indicators include capital and income ratios, market and liquidity risk limits, and credit and operational risk objectives and limits.

The Supervisory Board is solely responsible for identifying and controlling risks; however, there are separate independent bodies responsible for risk management and monitoring. The main risks of the Bank are managed by the following committees and units, with the active involvement of the Board of Directors:

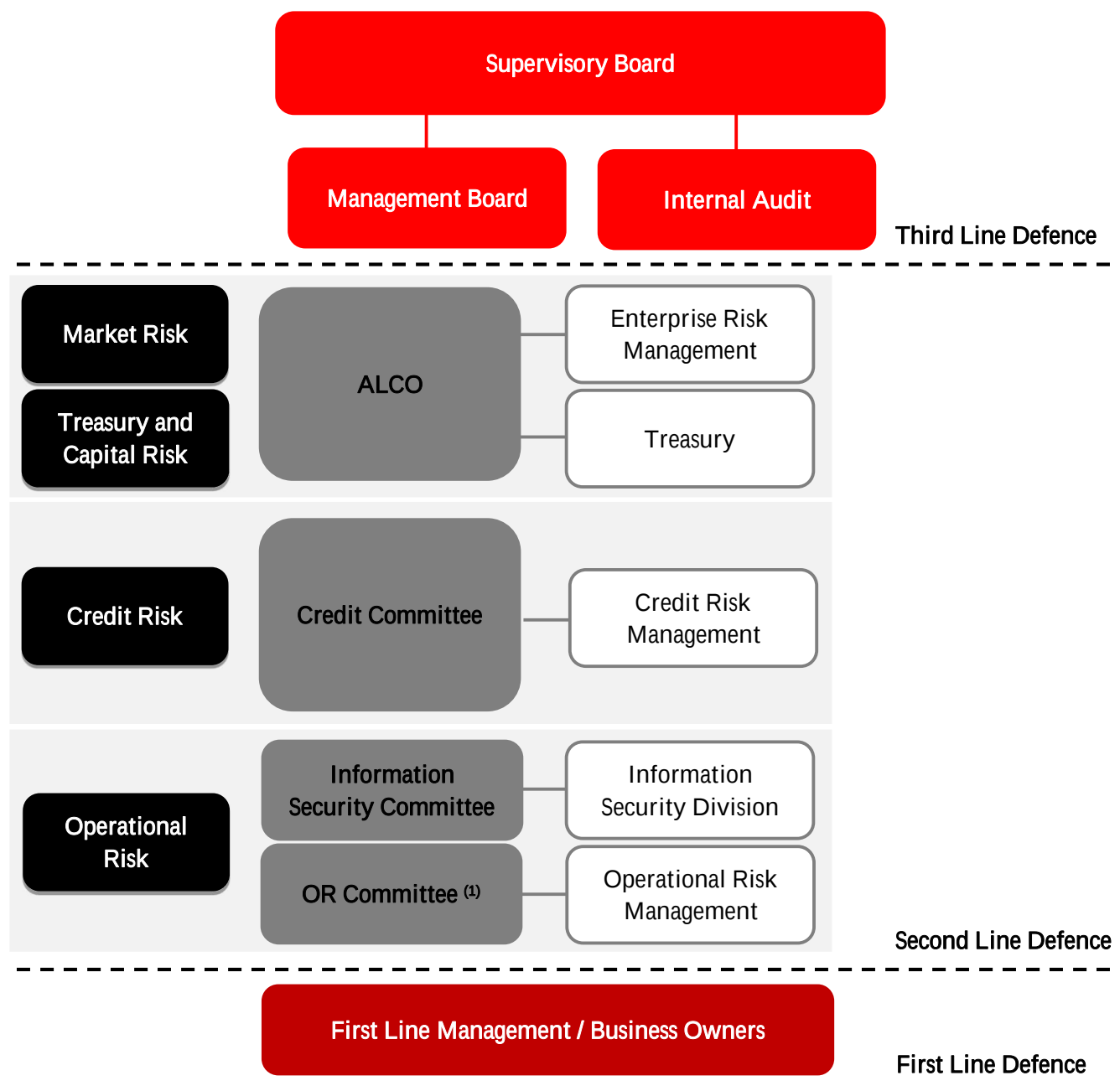
- Credit risk is managed by the Credit Risk Committee
- Liquidity risk is managed by the Assets and Liabilities Committee ("ALCO")
- Market risk is managed by the Assets and Liabilities Committee
- Operational risk is managed by the Operational Risk Management Committee
- Information security and technology risks are managed by the Information Security Committee

Business lines are primary units responsible for the risks that affect daily activities and operations. Business processes include the control of activities performed by representatives of the relevant risk unit. Units with risk management functions, which are independent of the main activities, are involved in risk management and internal control. They represent the second line of control and protection, the first line of protection being provided by the units with business functions. The following departments/units are responsible for the day-to-day management of credit, liquidity, market, operational and other financial and non-financial risks:

- Organizational risk management (ERM);
- Treasury;
- Credit risk management;
- Credit administration;
- Operational risk management (ORM);
- Information security;
- Security;
- Combating money laundering;
- Compliance with legislation.

2.5.1 Risk management mechanisms (continued)

The table below presents the three defense lines of risk management:



2.5.1.1 Credit Risk Committee

The Credit Risk Committee has overall responsibility for managing credit risks across all business activities at the organization level. The Committee plays a key role in identifying potentially significant credit risks in the portfolio of the Bank and has the final decision-making authority to approve or reject proposed credit risk-related transactions. The Credit Risk Committee has developed credit risk assessment policies and procedures that are consistent with the current risk profile and future growth plans of the Bank. Credit risk departments and units provide information to the Credit Risk Committee. In order to ensure a substantial credit risk environment,

comprehensive control and monitoring systems have been implemented, where the functions and responsibilities of staff involved in credit risk management are clearly defined.

The main responsibilities of the Credit Risk Committee are:

- Review and approve the risk management structure and policy;
- Approve credit risks within established limits;
- Manage and supervise on- and off-balance sheet credit and concentration risks;
- Set credit limits by client category and type of transaction;
- Predict potential losses related to credit risk;
- Maintain proper credit administration, assessment and monitoring processes across all business lines.

2.5.1.2 Assets and Liabilities Management Committee

The main functions of the Assets and Liabilities Management Committee are to manage capital, liquidity, interest rate and funding risks. The Committee is chaired by the General Director. The Organizational Risk Management and Budgeting Department provides relevant analytical data for effective decision-making. The Assets and Liabilities Management Committee meets monthly or at any time deemed necessary.

The main objectives of the Assets and Liabilities Management Committee are:

Capital risk	• Capital adequacy management and capital forecast analysis according to the NBS; • Economic capital management and analysis of main changes; • Monitoring of early warning indicators and quarterly capital stress testing;
Liquidity risk	• Developing a funding plan to avoid excess liquidity, considering the investment capabilities of the Bank; • Monitoring an early warning indicators in conjunction with monthly liquidity stress tests and taking appropriate action based on the results; • Managing liquidity risk mitigation tools and the maturity profile of assets and liabilities;
Market risk	• Managing the interest rate and interest rate maturity position • Managing FX position
Pricing	• Setting a minimum interest rate for loans and guarantees; • Controlling the effective interest rate on loans issued in relation to pricing;

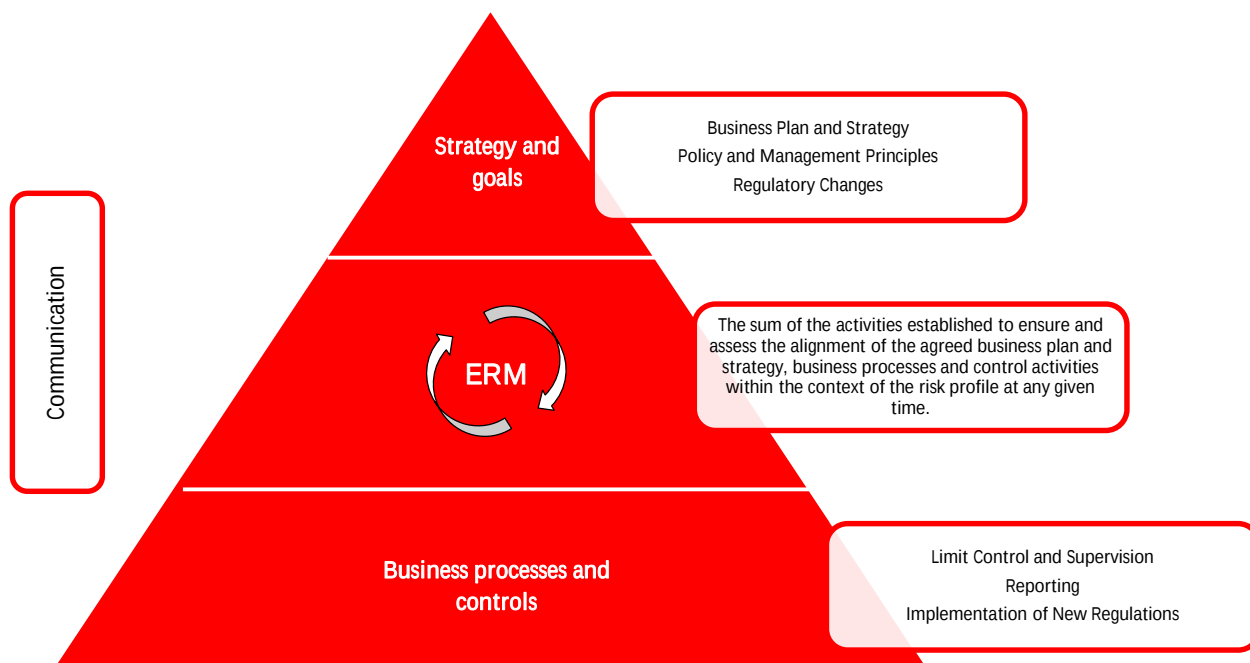
2.5.1.2 Assets and Liabilities Management Committee (continued)

Additionally, the Committee sets limits for interbank counterparty risk. In fulfilling its main responsibilities, the Committee ensures the development and implementation of appropriate asset and liability management policies. This policy is the main guideline for the full monitoring and performance of in-depth analysis of the balance sheet of the Bank and its indicators.

2.5.1.3 Organizational Risk Management

The objective of the Organizational Risk Management and Budgeting department is to maintain an acceptable level of risk for the best balance of threats and opportunities – according to the risk tolerance and the business strategy of the Board and Executive Directors. The Organizational Risk Management and Budgeting Department, along with the development of the organization, is interested in ensuring the achievement of set goals and the appropriate management of the assets of the organization, including the prevention of losses due to adverse events.

Link between the Governance and Organizational Risk Management and Budgeting Unit



The Organizational Risk Management and Budgeting Department supports the management of risk-related activities, such as risk collection and analysis, risk reporting, and covers issues not covered by a specific risk type. The main functions of the department include:

- Responsibility for the capital adequacy internal assessment process and recovery plan documentation;
- Assist the Board of Directors and the Supervisory Board in coordinating the RAS review process and monitoring, controlling and reporting on RAS compliance;
- Conducting various types of stress tests at the organizational level;
- Daily communication with the Treasury Department and provision of additional information to ALCO;
- Supervisory risk management and reporting.

2.5.2 Document on the acceptable level of risk

2.5.2.1 Tolerable risk level

The Supervisory Board of the Bank is responsible for establishing the risk management structure and determining the risk appetite of the Bank. The risk appetite of the Bank is defined in the Risk Appetite Statement ("RAS"). The risk appetite is defined as the types and levels of risk that the Bank is prepared to accept on behalf of its shareholders and depositors in its strategic, tactical and transactional business operations. The risk tolerance is expressed as a set of specific, quantitative limits on various risky activities that a bank should not cross. The RAS also defines various limits to prevent concentration risks on counterparties.

Risk appetite represents the overall ability of the Bank to accept potential losses. A risk profile is a brief reflection of a risk portfolio of the bank at a specific time (past, present or future).

Tolerable risk level is not the ability of the bank to accept risk (and should be less than it), it may also differ from the risk profile of the bank. The risk profile should generally be lower than the risk tolerance. The risk profile may be higher than the risk tolerance in exceptional circumstances (for example, due to a significant change in the risk tolerance and external stimuli of the bank) for limited and short periods of time.

The tolerable risk level document describes the approaches of the bank to the following risks:

- Credit risk
- Treasury and equity risk
- Market risk
- Operational risk
- Other significant risks

The risk tolerance measures of the bank are defined to provide guidelines and safeguards for achieving and improving the strategic objectives of the Bank:

- Ensuring capital adequacy at all times;
- Ensuring appropriate liquidity and funding risk management, which includes: maintaining LCR and liquidity ratios above the regulatory minimum requirements; limits on single client exposures; concentration limits; passing stress tests (baseline, soft and severe cases) and achieving and maintaining an appropriately diversified funding structure;
- Preliminary assessment of the specified risk tolerance level should be submitted to the Supervisory Board for significant new projects/investments, new products, and entry into new market segments or business lines;
- Maintaining the consistency of sustainable economic benefits with the commitments undertaken.

The Board of Directors reviews and approves the risk tolerance of the Bank annually, or more frequently in the event of unexpected changes, to ensure that it is consistent with the strategy of the Bank, business and regulatory environment, and stakeholder requirements.

Documents related to the risk tolerance level of the bank are regularly presented to the Board of Directors and the Risks Committee of the Supervisory Board.

In the event that the risk profile of the bank exceeds the risk tolerance level set by the Supervisory Board, there should be a specific package of measures, along with the instructions of the Board of Directors, which includes the implementation of these measures in order to bring the risk profile of the bank in line with the risk tolerance level within a specified period of time.

The Board of Directors and heads of all departments are responsible for implementing and adhering to the document on risk tolerance level.

2.5.2.2 Monitoring, reporting and review

The Supervisory Board has ultimate responsibility for managing the overall risk profile of the bank. The Credit Risk Committee, ALCO, Information Security and Operational Risk Management departments and the Organizational Risk and Budgeting Department are responsible for monitoring risks and ensuring compliance with the risk tolerance level. The Organizational Risk and Budgeting Department has overall responsibility for continuously monitoring RAS parameters and limits and reporting on RAS performance to the Supervisory Board on a quarterly basis.

The RAS is reviewed at least annually, or when there are significant changes in the operating environment of the bank, in the case of which the review process is carried out by the Supervisory Board. The Board of Directors may indicate to the Supervisory Board that the RAS requires review, but the Supervisory Board decides when to initiate this process.

The review is coordinated by the Organizational Risk Management and Budgeting Department. Proposed changes to the RAS are confirmed by the Board of Directors and approved by the Supervisory Board.

2.5.3 Risk types

Bank is exposed to various risks in the course of its activities, the most significant of which are set out below. Regulations cover credit risk, market risk, operational risk, and treasury and capital risk. Following the internal capital adequacy assessment process, the Bank calculates the economic capital required to cover all material risks, except liquidity risk.

2.5.3.1 Credit Risk

Credit risk is the risk caused by a counterparty failing to meet its obligations under the terms agreed upon. Typically, these obligations are part of a traditional non-trading credit activities of the bank, specifically loans.

The bank has different categories of credit risk:

- Default risk - is the risk that a counterparty will be unable to repay a loan liability.
- Country risk - the risk of creditworthiness of a country, deteriorating unexpectedly or defaulting, caused by social unrest, political instability, war, or other adverse events in the country.
- Concentration risk - the risk of losing a large position in a single asset or group of assets. This risk arises when the portfolio is poorly diversified in terms of sector and borrower group.

An important part of credit risk management is the approach to estimating and recognizing expected credit losses in the Bank. This approach is based on the requirements of the International Financial Accounting Standard - IFRS 9 and the regulatory document of the National Bank of Georgia "Rules for Determining Risk Categories and Expected Credit Losses for Financial Instruments". Liberty Bank estimates expected credit losses in two directions: in terms of individually significant risk positions and collectively assessed (homogeneous groups) risk positions, for which the Bank has developed two methodologies for the impairment of relevant risk positions.

2.5.3.1 Credit Risk (continued)

Individually significant risk exposure (ISRE) and collectively assessed risk exposure (CARE) issued by the Liberty Bank, impairment methodologies based on IFRS-9 are used for both the internal and regulatory reporting purposes of the Bank. This approach fully replaced the previously applicable "Rules for the Classification of Assets and the Creation and Use of Provisions for Possible Losses by Commercial Banks" in the second half of 2023.

The formation of loan impairment provisions under IFRS 9 is based on the ECL (Expected Credit Losses) accounting model, rather than the incurred loss accounting model. The revised IFRS 9 provisioning framework includes the following key principles:

- Categorizing the financial instruments of the bank by credit risk according to stages of impairment, including:
 - Stage 1 credit risk category includes standard credit instruments that are not impaired or for which the credit risk has not increased significantly since initial recognition.
 - Stage 2 credit risk category includes credit instruments for which the credit risk has increased significantly since initial recognition.
 - Stage 3 credit risk category includes fully impaired (defaulted) credit instruments.
- For collectively assessed risk positions, DSCR & PTI & LTV ratios are used as triggers for significant increase in credit risk and/or default in the context of homogeneous groups. This is a fundamental change and even without the new requirements of the NBG, it was necessary to implement it. Since the existing qualitative parameters of migrations between impairment stages needed to be updated and improved in response to the risks corresponding to the new business model/products of the bank.
- The contamination principle applies in the context of clients, per which a significant increase/impairment of the credit risk of one of the borrower's financial instruments leads to a significant increase/impairment of the credit risk of other financial instruments of the same borrower, regardless of whether these instruments are in the same homogeneous group or in different ones.
- Reclassification of risk exposure categories (improvement of categories) is based on the financial analysis of borrowers as well as 3, 6, 12 consecutive demonstration payment histories.
- Special reclassification and provisioning approaches are in place for modified financial instruments (MFIs), repeated restructurings, and refinanced loans.
- To assess the expected credit losses of collectively assessed risk positions, the CCF (Credit Conversion Factor) concept is applied to the off-balance sheet liabilities of the bank, which is based on the practice adopted by the Basel Committee on Banking Supervision. Accordingly, the bank will use credit conversion factors for short-term and long-term risk positions in the context of Stage 1, Stage 2, Stage 3 categories.
- The Bank uses an individual assessment approach for business loans of $\geq$ GEL 500,000 and for all gold wholesale pawnshop (GWP) exposures, where unified approaches to ECL assessment have been implemented, which considers the assessment of companies using S&P GMI's PD&LGD scores and the assessment of expected credit losses.

2.5.3.1 Credit Risk (continued)

The key risk parameters required to estimate expected credit losses are determined within the context of homogeneous groups using specially developed methodologies, including:

- The probability of default (PD) is determined using the so-called Months on Book approach for collectively assessed risk exposures (CARE). For individually significant risk exposures (ISRE), the S&P Generic Corporate Scorecard is used for this purpose.
- To determine the loss given default (LGD), in the case of CARE, Recovery Rate approach based on the periods in default is used (AGE), while in the case of ISRE - the S&P Corporate & Leverage Finance LGD Scorecard is used.
- To estimate the exposure at default (EAD), the bank has implemented a sophisticated model that consists of three main determinants:
 - o TTD (Time to default) - The determinant determines the risk position in a specific homogeneous group, on average, during the next 12 months after the reporting month, risk position defaults in which months. This indicator is recalculated once a year, at the beginning of the year, namely in January. TTD - is a time indicator and is measured in months.
 - o FPAG (Future Payments According to the Graphics) - The amount of payments provided for in the loan schedule.
 - o Prepayment Rate – The prepayment rate is a percentage of the risk exposure that shows the real potential for additional debt reduction by a borrower in a specific homogeneous group, in addition to the payments provided for in the risk exposure schedule. The prepayment rate shows what amount the client was supposed to pay according to the schedule and what he actually paid to the bank. If the amount actually paid exceeds the amount provided for in the schedule, then the difference between them is considered prepayment, otherwise prepayment = 0. This rate is a percentage.

The process of calculating credit risk parameters and estimating expected credit losses is carried out automatically at the technical level, with minimal manual intervention, which significantly reduces the inferred risk of the operational risks of the bank and is one of its powerful mitigants. The automated process includes the calculation of MOB, AGE, PD, LGD, EAD, STAGE parameters in the context of various methodologies. The automated calculation process allows the bank to technically simplify the process of disbanding homogeneous groups and forming new groups, which creates opportunities for the formation of homogeneous groups corresponding to new challenges arising from the new business model of the bank.

2.5.3.2 Market Risk

Market risk is the risk that affects the performance of financial markets. The main types of market risk include interest rate and exchange rate risk and their level of volatility. Market risk arises primarily from trading activities. It includes the risk of loss associated with the revaluation of shares, as well as losses caused by changes in interest rates and exchange rates, which are affected by market volatility.

2.5.3.3 Operational risk

Operational risk is the risk of incurring losses that may arise from failed internal processes, human actions, system failures or deficiencies and/or external factors (including, but not limited to, internal and external fraud, flood, fire, earthquake, terrorist or cyber-attacks). Operational risk includes legal risks, but excludes strategic and reputational risks.

Classification of operational risks:

- Business process-related risk - refers to the risk of process failure caused by its improper definition and/or connection to other processes, or by inadequate documentation and/or control of the process;
- Information technology-related risk - includes both the disruption and their overall failure of individual systems during the implementation of banking activities.
- Persons-related risk - refers to the risk of management error, organizational structure failure, or human resource failure, e.g. violation of established policies and procedures. These risks may be increased or exacerbated by ineffective training, inadequate control mechanisms, staff shortages, or other factors;
- Fraud-related risk - any unlawful action committed against the bank by bank employees, clients or third parties, with the aim of causing damage to the bank and/or obtaining financial benefits (internal and external fraudulent actions);
- External risks - include events that are not related to the core business of the bank, but can affect its operations (floods, fires, earthquakes, terrorist attacks, states of emergency/war, etc.).
- Artificial intelligence-related risk - risk related to computer programs and artificial intelligence modules (including, but not limited to, machine learning, computer biometrics, predictive modules).

2.5.3.4 Treasury and capital risks

Treasury and capital risk includes liquidity and capital risk. Liquidity risk is the financial risk that arises from the potential inability of the Bank to pay its obligations on time, or from incurring excessive costs in meeting these obligations. The Bank divides liquidity risk into two types:

Market Liquidity - Market liquidity risk is the risk that a bank will not be able to buy or sell an asset without materially changing prices and incurring large transaction costs.

Funding Liquidity - Funding liquidity risk arises when a bank is unable to pay its obligations when they fall due, or when a bank is unable to satisfy customers who wish to withdraw their deposits.

Capital risk arises from the inadequacy of capital to support risk positions resulting from normal business activities, unmet dividend demands, increased funding costs due to investors' risk tolerance or credit rating deterioration, and failure to meet regulatory capital requirements in a normal operating environment.

2.5.3.5 Macroeconomic risk

The macroeconomic situation affects profitability, portfolio quality, and growth rate of the bank. The main factors that directly affect the Georgian banking sector are:

- GDP growth rate
- Unemployment rate
- Exchange rate
- Inflation
- Real interest rate
- Business and consumer expectations
- Fiscal and current account imbalances
- Political cycle

At the same time, Georgian economy is dependent on the economic and political situation of neighboring countries. These factors can affect exports, tourism, remittances, and foreign direct investments.

2.5.4 Recovery plan

The bank establishes a Recovery Plan, which provides for possible recovery paths in the event that the bank finds itself in a problematic situation. The Recovery Plan is an additional risk management tool and its purpose is to shorten the recovery period and minimize losses in the event of a crisis. Based on the overall risk profile of the bank and the risks specific to the bank, the plan provides for specific triggering factors, under which the Board of Directors should activate the Recovery Plan.

The recovery plan describes and identifies events that could trigger the recovery plan. In order to consider the critical volumes that trigger the recovery plan, a baseline forecast (as provided in the budget) scenario analysis was conducted. Since the exact nature of the event that will cause stress on the bank is not known in advance, the plan should be flexible in response to the severity of stress events and include a list of possible solutions that can be used as needed. The plan describes the relevant mitigating factors/actions and the effects of their use on existing stresses.

The recovery plan indicators are monitored monthly by the Organizational Risk Management and Budgeting Department. Any potential triggering events are reported to the Board of Directors and discussed at a meeting. If activated, the recovery plan strategy will be implemented under the supervision of the Board of Directors.

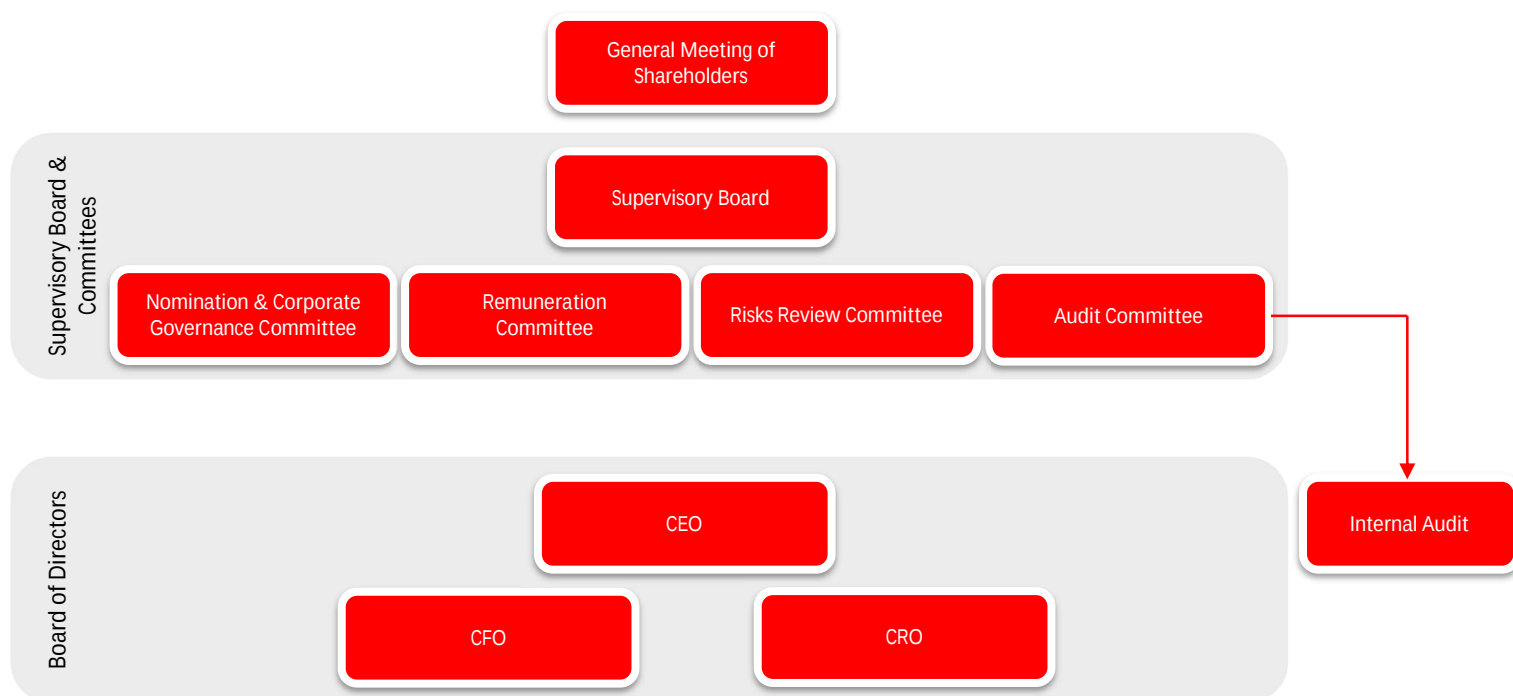
3 Corporate Governance Reporting

The Corporate Governance Framework outlines the corporate governance structure, principles, policies and practices of the Liberty Bank that enable the bank to meet the expectations of the National Bank of Georgia and the Georgian Stock Exchange.

To protect the interests of shareholders and other stakeholders, corporate governance system of the Liberty Bank is subject to ongoing review, evaluation and improvement. The Supervisory Board actively implements governance policies and practices designed to align the interests of the Supervisory Board and the Board of Directors with the interests of shareholders and other stakeholders and to promote the highest standards of ethical conduct and risk management at all levels of the organization.

Common shares of Liberty Bank are listed on the Georgian Stock Exchange.

The corporate governance framework of the bank is fully compliant with local and international standards. The established policies and procedures applied by the Supervisory Board and Board of Directors are described in other sections of the Pillar 3 Report. The fundamental relations between the Supervisory Board, its committees, management, shareholders and other stakeholders are based on the governance structure of the bank, which is presented below. They establish the ethical values of the Bank's governance, strategic and corporate objectives and define the plans for achieving and monitoring these objectives. The diagram below shows the overall organizational structure of the Bank as of December 31, 2024:



3.1 Annual General Meeting of Shareholders

Annual General Meeting - "AGM" is a mandatory annual meeting of the shareholders of the bank. At the Annual General Meeting of Shareholders, the Supervisory Board/Directorate presents an annual report, which includes information to shareholders about the performance and strategy of the company. Shareholders with voting rights make decisions on issues such as the election of members of the Supervisory Board, determination of their remuneration, payment of dividends, selection of an external auditor, change of the Bank's authorized and/or subscribed capital and other issues specified by applicable law and/or the Charter of the Bank.

3.1.1 Invitation to the Annual General Meeting

According to the Charter of the Bank, the Annual General Meeting shall be convened by the Supervisory Board within two months of the completion of the external audit of the accounts of the Bank and in any case within six months of the end of the previous financial year. Matters not discussed by the Annual General Meeting and falling within the scope of the Annual General Meeting's responsibilities shall be considered and resolved at Extraordinary General Meetings (EGMs). The number of Extraordinary General Meetings during the year is not limited and may vary from year to year. An EGM may be convened at the written request of the Supervisory Board, the Board of Directors or a shareholder holding at least 5% of the shares. Shareholders who are not present at the Annual General Meeting may grant a proxy to a third party who may vote on their behalf.

The General Meeting of Shareholders is chaired by the Chairman of the Supervisory Board or, in his/her absence, any member of the Supervisory Board. In the absence of the members of the Supervisory Board, the meeting is chaired by the General Director.

All shareholders registered on the record date of the AGM and/or EGM are entitled to attend the meeting and vote (if applicable). Shareholders who are not present at the Annual General Meeting are entitled to vote by proxy.

3.1.2 Functions of the Annual General Meeting

According to the legislation of Georgia and the Charter of the Bank, at the annual general meeting, shareholders can make decisions on the following issues:

Corporate Management

- Adoption, approval and amendment of the Charter.
- Consolidation, merger, dissolution, liquidation, reorganization and/or transformation of the Bank.
- Election and dismissal of members of the Supervisory Board.
- Increase or decrease of the authorized and paid-up capital of the Bank.
- Issuance of new shares within the authorized capital.
- Redemption of own shares by the Bank

Rights of Approval

- Approval or rejection of the reports of the Supervisory Board and the Board of Directors.
- Approval of the annual report and statements.
- Selection, appointment and dismissal of the independent auditor.
- Approval of the proposal of the Supervisory Board and/or the Board of Directors on the distribution of profits or adoption of a decision on the distribution of profits in the event that the aforementioned bodies do not submit a joint proposal.

Rights of control

- Decisionmaking by the bank regarding the acquisition, alienation, transfer, exchange (or related transactions) or encumbrance of property, rights, assets, the value of which exceeds 20% of the bank's equity.

3.1.3 Shareholders' Meetings and Decisions Held in 2024

On June 4, 2024, the Annual General Meeting of Shareholders was convened on the basis of the minutes of the meeting of the Board of Directors. The decision to convene the general meeting and the agenda of the general meeting following the procedure provided for by the Law of Georgia on Entrepreneurs was published on the electronic portal of the registration authority, on the Bank's authorised web-page. The decision was made on the issues falling within the competence of the General Meeting, including:

- Approval of the 2023 audited consolidated financial statements of the Bank;
- Issuance of dividends on preferred shares issued by the Bank;
- Re-election of members of the Supervisory Board of the Bank;
- Determining the maximum annual variable pay ratio for members of the Board of Directors of the Bank;

3.1.4 Communication and media announcements

The time, place and agenda of holding both the Annual General Meeting and the Extraordinary General Meeting shall be published on the website of the authorised user of the Unified Electronic Portal Bank of the National Agency of Public Registry, at least 21 days before the date of the meeting. According to the requirements of the legislation, the results of voting on the issues discussed at the general meeting shall also be published on the Bank's website.

3.2 Supervisory Board

- The responsibilities of the Supervisory Board are:
- Promoting the highest standards of corporate governance in the bank;
- Following the interests of shareholders, to support the development of the bank and to create and ensure sustainable values;
- Supporting the long-term growth of the bank by the management bodies and maintaining an effective internal control system;
- Approval of the Bank's annual budget and development strategy.

3.2.1 Composition of the Supervisory Board

According to the Charter, the Supervisory Board shall consist of at least three members. According to the regulation adopted by the NBG, which came into force from June 1, 2018, a member of the Supervisory Board shall not be part of the Directorate and shall not carry out executive functions.

From its own composition, the Supervisory Board shall elect a chairperson who shall convene meetings of the Supervisory Board, determine the agenda and sign the minutes of the relevant meeting, together with the secretary of the meeting. A meeting of the supervisory board may be held by telephone or video conference.

31-Decemner-2024	Supervisory board members
Chairman (Independent Member)	Murtaz Kikoria
Board Member	Irakli Otar Rukhadze
Independent Board Member	Magda Magradze
Deputy Chairperson, Senior Independent Member of the Council	Mamuka Tsereteli
Independent Board Member	Bruno Juan Balvanera

3.2.2 Education and experience of the Supervisory Board

The members of the Supervisory Board have a wide range of knowledge and experience in financial analysis, capital markets, financial reporting, information technology, strategic planning, risk management, returns, supervisory requirements, corporate governance and management and, at the same time, have the skills necessary to promote diversity of views. They have relevant knowledge of local, regional, global, economic and market trends and legal and supervisory environments. The diversity of their experience and skills plays an important role in reducing risks in favor of the interests of the bank and its shareholders.

Irakli Otar Rukhadze



Skills and experience:

Irakli Otar Rukhadze was elected as the Chairman of the Supervisory Board of JSC Liberty Bank in October 2017 and held this position until 2021. Since 2011 he has been a partner at Hunnewell Partners (UK) LLP in London. Irakli was the CEO and partner of Salford Capital Partners LP Salford Georgia in Tbilisi. As CEO, Irakli Rukhadze led Salford's Georgian operations and at the same time was responsible for specific directions (telecommunication, real estate) outside the country. He has successfully implemented many well-known business transactions in Georgia. Under his supervision and leadership, Georgia's economy attracted about \$150 million. In 2001-2003 he was the founder and partner of Argo Ventures LLC in Boston, Massachusetts. The company is focused on consulting with private companies – including consultations on unsecured capital issues. Among the clients was Global Realty Outsourcing – a successful company in the field of US real estate analysis, whose investor list is currently enrolled by Citigroup and First Union Securities. In addition to this, Irakli was

the founder and CEO of Caucasus Advisors LLC in Boston, Massachusetts, and his responsibilities included the management of a multi-million-dollar investment fund to invest in companies in the Caucasus region. He also held the position of Engagement Manager at McKinsey & Company Inc. in Boston, Massachusetts and Düsseldorf, Germany, where he led consultations and was involved in problem solving for the improvement of the activities of the client's company. From December 30, 2021, following the best principles of corporate governance, Irakli Rukhadze resigned from the position of Chairman of the Supervisory Board and continues his work with the mandate of a member of the Supervisory Board, and an independent member, Murtaz Kikoria, was elected as the head of the Board.

Education:

Irakli Otar Rukhadze graduated with a Master's Degree in Business Administration from Tuck School of Business at Dartmouth College; He is also a graduate of Tbilisi State University with a Master's degree in Mathematics and Economics.

3.2.2 Education and experience of the Supervisory Board (Continued)

Murtaz Kikoria



Skills and experience:

Murtaz Kikoria was elected as an independent member of the Supervisory Board of JSC Liberty Bank in June 2019. In July 2019, he was elected Chairman of the Risk Committee of the Supervisory Board, and since 2021 he successfully holds the position of Chairman of the Supervisory Board, Murtaz has extensive experience with the banking and financial sector. He held the positions of Director General in the leading companies/groups of the sector, in particular, in 2015-2016 at JSC Bank of Georgia and in 2012-2014 - "Georgian Healthcare Group". He also has many years of experience as Chief Financial Officer at JSC Bank of Georgia and a Senior Banker at the European Bank for Reconstruction and Development (EBRD). Consequently, his knowledge and experience in finance, capital markets and the market in general is very important and valuable for the bank. Murtazi's outstanding experience in the banking and financial field is further deepened by his management, control and supervision skills that he acquired in the early 2000s while working as Head of the

Banking Supervision and Regulation Division at the National Bank of Georgia. After that, he successfully continued working as the Vice President of the National Bank of Georgia in 2016-2018. From December 30, 2021, Murtaz Kikoria has taken the position of Chairman of the Supervisory Board.

Education:

Murtaz graduated from the Faculty of Economics (Finance and Credits) of Tbilisi State University. His academic knowledge is also rich in many important local and international conferences, trainings and seminars on banking operations, financial markets, funding, negotiations and leadership, anti-money laundering and other relevant issues related to the banking sector.

Magda Maghradze



Skills and experience:

Magda Maghradze joined Liberty Bank JSC in August 2019. In October 2019, she was elected chairman of the Remuneration Committee and in September 2022 as chairman of the Audit Committee. Magda is the only female member of the Supervisory Board. She has special experience in project management, strategic planning, finance, monitoring, control and reporting. She currently serves as the CEO of the Millennium Challenge Fund - Georgia. Under her leadership and supervision, the company has successfully implemented several projects. Currently, this organization is implementing a long-term project that will cost tens of millions of dollars. The main goal of the project is to develop general, vocational and higher education in Georgia, as well as to rehabilitate, equip and manage professional development of public schools. In 2008-2013, Magda worked as an Academic Support Program Manager at the Open Society Georgia Higher Education Foundation. The program was mainly focused on the development of education in the South Caucasus by creating a local, regional and global academic network. As a result of her work and tireless efforts, many exchange education

programs were implemented in Georgia. Thanks to her outstanding skills and experience, Magda gives the Supervisory Board a high level of diversity, independence, professionalism and control. The Supervisory Board and the Bank in general are balanced in terms of performing business operations and managing risks.

3.2.2 Education and experience of the Supervisory Board (Continued)

Education:

Magda graduated from the Faculty of Law of Tbilisi State University and was awarded the title of Lawyer. She is also an alumni of in economic relations of Tbilisi State University with the degree of economist.

Mamuka Tsereteli

Skills and experience:

Dr. Mamuka Tsereteli was elected as an independent member of the Supervisory Board of Liberty Bank in December 2018. In January 2019, he was appointed Chairman of the Audit Committee and Deputy Chairman of the Supervisory Board, a senior independent member of the Board, and in September 2022 as Chairman of the Nomination and Corporate Governance Committee. Dr. Tsereteli is the President of the America-Georgia Business Council, Founder and Director of the Georgian House of Greater Washington, LLC, and Senior Researcher at the Central Asia-Caucasus Institute at the American Foreign Policy Council. He is also a faculty member at the School of International Service of American University (Washington, DC & John Hopkins SAIS).



Until May 11, 2013, Mamuka served as the Director of the Center for Black Sea-Caspian Studies at the American University School of International Service (SIS). Prior to that, he worked as an assistant professor (2007-2011) and was an adjunct faculty member of the American University (2002-2007). From 2006 to 2007, Mamuka was a member of the Faculty of the Elliott School of International Affairs, where he taught energy and public safety.

For 12 years, Mamuka worked as the Executive Director of the America-Georgia Business Council (AGBC). He is currently the president of the organization. The Council is a key tool for promoting U.S. business interests in Georgia and U.S.-Georgia trade and economic cooperation. Mamuka's name is associated with more than 20 annual AGBC conferences, which has become a series of the most popular forums for public and private dialogue between the Georgian-American economic partnership. In addition to the annual conferences, Mamuka led and organized many strategic planning sessions focused on political and economic development in Georgia. These sessions were attended at various times by representatives of international financial institutions (IMF, World Bank, IFC, EBRD), US exporting agencies (Ex-Im Bank, OPIC, TDA), donor agencies (USAID, MCC), representatives of the U.S. and Georgian government, private companies and experts in the region. In 2007-2008, Mamuka Tsereteli led the U.S.-Georgia Business Council for Georgia Tourism Strategy and Investment Plan Project, funded by the U.S. Trade and Development Agency.

Education:

Dr. Tsereteli graduated from Tbilisi State University and holds a Master's degree in Economic Geography. He also holds a master's degree in science from the University of Maryland College and a PhD from the Russian Institute of Economics and Forecasting.

3.2.2 Education and experience of the Supervisory Board (Continued)

Bruno Juan Balvanera



Skills and Experience:

Bruno Juan Balvanera joined Liberty Bank JSC in August 2022 as an independent member of the Supervisory Board, and from September 2022 he successfully holds the position of Chairman of the Risk Committee. Bruno Balvanera has more than 35 years of experience in the banking/investment field, including 23 years in various positions in the EBRD, both at the headquarters (London, UK) and in regional offices (St. Petersburg, Moscow, Tbilisi and Nursultan). From 2013 to 2018, Bruno Balvanera was Regional Director for the Caucasus, Moldova and Belarus, managed from Tbilisi and then the Managing Director of the Central Asia region until 2020, where he oversaw investment activities in 6 countries.

Bruno Balvanera's experience includes private sector investment in sustainable development and successful expert knowledge in investment, risks, compliance, legal, social and environmental standards, inclusiveness and renewable energy.

Bruno Balvanera held the position of a member of the Board of Trustees of several companies, including being elected as a non-executive director at Asaka Bank (Uzbekistan) in late 2020, and in August 2022 he was elected as an independent member of the Supervisory Board of Qishloq Qurilish Bank (QQB) (Uzbekistan) and chairman of the Nomination and Remuneration Committee. He is also a private investor in fintech, is involved in international business and academic studies, and is also a strategy consultant.

Education:

Bruno Balvanera holds a master's degree in strategy and business administration from the University of Chicago Booth (USA). He also graduated from the University of Mexico ITAM in Finance and Universidad Iberoamericana in Political Science.

3.2.3 Diversity and independence of the Supervisory Board

The Supervisory Board believes that the diversity of skills, professional careers, knowledge and experience is important for conducting business effectively. The Supervisory Board works with its nomination and corporate governance committee to ensure that skills, experience, independence and banking knowledge are properly balanced to fulfill their responsibilities.

The Supervisory Board complies with the Corporate Governance Code of commercial banks with the number of independent members of the Board. In addition, in order to ensure a high degree of independence and impartiality, the committees of the supervisory board are staffed only by independent members. Each member of the Supervisory Board is and/or has previously held a high position in various related fields, as a result of which they bring valuable concepts with their experience and vision to the activities of the Supervisory Board and make a significant contribution to the decision-making process. No natural person or group of natural persons has the opportunity to control the decision-making process.

Before the appointment of a member of the Supervisory Board, the appropriateness and independence of a member of the Supervisory Board is assessed following the requirements of the Corporate Governance Code of Commercial Banks and the Regulation on the Criteria for Compliance of Administrators of Commercial Banks. In addition, the Bank approved an updated policy of appointment, suitability and diversity of administrators, where a list of administrative positions was determined following the requirements established by the legislation, the principles, criteria and requirements for their selection were determined in detail regarding the education, experience, personal / professional qualities and skills of the person and other important issues.

3.2.4 Functions of the Supervisory Board

To ensure that the supervisory board is involved in the process of effective control, specific decisions require approval by the supervisory board. Below are the issues that are under the competence of the Supervisory Board:

Strategy and Management	• Overseeing the overall management of the bank; • Approving the commercial and investment strategies of the bank, annual budgets and making decisions on significant changes; • Controlling the activities of the bank;
Financial Reporting and Control	• Ensuring maximum efficiency of the operations of the bank; • Exercise of voting rights in any major subsidiary of the bank; • Review of financial and accounting documentation and assets;
Risk management framework and risk appetite	• Identify and control all significant risks of the bank; • Define and approve the risk management strategy and risk appetite; • Define specific measures in the event that the risk profile of the bank exceeds the acceptable risk level;
Internal Control Mechanisms	• Adoption, termination or amendment of the regulations or similar rules of the Supervisory Board regarding the internal organization of the Supervisory Board; • Establishment of Supervisory Board Committee(s); • Taking specific measures based on the recommendations of the committees; • Approval of action policies regulating particularly important issues.
Contracts	• Approval of significant loans if the total risk position exceeds 5% of the own capital of the bank; • Transactions with related parties, following the Conflict of Interest Management Regulation; • Acquisition/disposal of any asset, or conclusion of any other type of agreement, the value of which exceeds 1,000,000 USD; • Conclusion or termination of long-term cooperation with a legal entity or company, if it gives rise to an obligation of 1,000,000 USD per year or the right to receive the same amount;
Appointments and remuneration	• Changes in the structure, size and composition of the Management Board; • Appointment and removal of the Management Board members, Audit Committee members and other members of the Supervisory Board of the bank; • Determining the remuneration policy for the Management Board; • Selection, retaining and dismissal of independent share registrar of the Bank;
Corporate Management	• Supervising the activities of the Board of Directors; • Providing instructions to the Board of Directors on the general directions of the various policies of the Bank; • Approving and supervising transactions with related parties; • Analyzing the general corporate governance system of the Bank, reviewing the annual report and the Board of Directors' proposals on profit distribution; • Convening an extraordinary general meeting of shareholders; • Establishing a new subsidiary;
Other	• Initiating, conducting or resolving any dispute where the amount in dispute exceeds \$500,000, or involves a criminal case or a person in a management position at the bank; • Establishing a partnership or joint venture with any person; • Making any political contribution or political donation;;

3.2.4 Functions of the Supervisory Board (Continued)

The Supervisory Board represents also a decision-making body regarding all matters that are important to the bank from a strategic, financial or reputational point of view.

3.2.5 Activities and meetings of the Supervisory Board

Meetings of the Supervisory Board (the "Meeting") are held at least once a quarter at the legal address of the bank or at the request of any member of the Supervisory Board, in any other place. In agreement with all other members, the Chairperson (at the request of himself or any member) may convene a meeting in oral form or otherwise in a short period of time. Members of the Supervisory Board may be represented by other members of the Supervisory Board. Each member shall have the right to represent only one other member of the Supervisory Board. Issues that require decision-making outside the planned meeting will be discussed at special extraordinary meetings and telephone conferences. Overall, in 2024, the Supervisory Board was officially assembled 23 (twenty three) times and decisions were made both in the format of regular meeting held via direct meeting and through a telephone conference. During the meetings, the Supervisory Board receives updated data on the main business directions, financial condition, control from internal operating functions and risk management, compliance, important transactions that fall under the competences of the Internal Audit and Supervisory Board. In addition, there is an annual schedule of agenda to ensure that all issues are given due attention and discussed in the relevant section in the financial and normative cycle. This includes annual budget, strategic development plan, and remuneration of the Management Board and material risk takers (MRT). In addition to the meetings directly, the chairperson and members of the Supervisory Board shall have frequent professional and constructive relationship with each other, as well as with the Director General, the managers of controlling functions and other important business units. Among the issues discussed and approved in 2024, it is especially important to approve the 2024 budget, the approval of the updated regulation of the Bank Interest Commission, and the approval of the transaction related to the acquisition of a loan portfolio from JSC PASHA Bank and the public issuance of the Bank's supervisory capital instruments, including Tier 2 and Additional Tier 1 capital bonds.

3.2.6 Assessment of the activities of the Supervisory Board

The Supervisory Board constantly cares about improving its efficiency and recognizes that its evaluation process is an important tool for achieving this goal. The Supervisory Board is an effective body that creates a proper balance of competence and experience and combines a wide variety of opinions and perspectives. According to the requirements of the Corporate Governance Code of commercial banks, Liberty Bank has approved the assessment policy of the Supervisory Board, based on which the Supervisory Board of the Bank annually evaluates its activities, as well as the efficiency of the committees and individual members of the Board, in order to determine the proper engagement, qualification, suitability and effectiveness of the Unified Collegiate Body, as well as independent members and the Chairman. According to the assessment policy, in 2022, PricewaterhouseCoopers ("PwC") of the Big Four assessed the efficiency of the work of the committees of the Board and the Board itself. The Bank intends to engage an external evaluator to assess the effectiveness of the Supervisory Board and its committees in 2025. In the meantime, as part of the annual self-assessment, the Supervisory Board members evaluated their own performance for the year 2024. The results were generally positive. Specifically, the assessment highlighted that the Supervisory Board effectively oversees management, internal control, and risk management. Regular meetings, timely reporting, and open communication contribute to informed and active engagement. The importance of dedicating more time to strategic and long-term matters was also underlined. The Chairman's active involvement and encouragement of accessible and inclusive communication were viewed favorably. Overall, the Board's performance was assessed as effective, forward-looking, and committed to continuous improvement.

3.2.6 Assessment of the activities of the Supervisory Board (Continued)

Under the policy of assessing the activities of the bank, in 2024, self-evaluation of the supervisory board, its committees and individual members of the Board was carried out through a detailed questionnaire, the purpose of which was to assess the activities of the Supervisory Board, its committees and individual board members, based on the quantitative and qualitative criteria, including, but not limited to, their qualifications, engagement in the necessary processes, awareness, supervision and control.

The Bank is committed to continuously improving the documentation related to the assessment and self-assessment processes of the Supervisory Board. In this context, the self-assessment questionnaire for the 2024 performance period was revised and made more comprehensive. This enabled Supervisory Board members to provide more in-depth input and engage in meaningful discussion, rather than relying solely on assigning scores to individual items.

The results of the self-evaluation of 2024 activities showed that considering the education, skills and experience of the members of the Supervisory Board, the activities of the Supervisory Board and its committees were generally effective, transparent, productive and consistent with the scope and objectives of the bank. Board members confirmed that open communication is maintained during meetings, materials are properly prepared, and each member is actively involved in discussions. The self-assessment document also reflects a willingness to dedicate more time to the consideration of strategic and long-term matters

3.3 Supervisory Board Committees

According to the requirements of the Corporate Governance Code of Commercial Banks, there must be the following committees with the Supervisory Board in system commercial banks:

1. Audit Committee
2. Risk Committee
3. Nomination and Corporate Governance Committee
4. Reimbursement Committee

In terms of the number of committees, their arrangement and composition, the Bank is in full compliance with the Corporate Governance Code of commercial banks.

3.3.1 Audit Committee

The audit committee is responsible for monitoring the performance of internal control functions, supervising the implementation of the annual action plan by the Internal Audit Department, and communication with external independent auditors. The Committee also gives recommendations on a possible weakness of the internal control mechanisms of the Supervisory Board.

The audit committee oversees the compliance of the Bank with internal policies related to bribery and corruption, conflict of interest management and disclosure. In view of the above, the audit committee considers that its internal control framework is effective.

The Committee is an independent structural unit and shall be subject to the Supervisory Board. As of December 31, 2024, the Committee consists of the following members:

1. Magda Magradze (Chairman);
2. Mamuka Tsereteli (member of the committee);
3. Murtaz Kikoria (member of the committee).

The audit committee meeting is held at least quarterly and, if necessary, an extraordinary meeting may be convened at any time.

3.3.1 Audit Committee (Continued)

Key Roles and Responsibilities of the Audit Committee:

1. Defining the accounting and reporting rules of the bank, observing these rules and checking bank records and logs through internal audits of the bank;
2. Supervision of the compliance of the bank with the current legislative and regulatory requirements;
3. Supervision of the functioning of internal audits, the purpose of which is to ensure the adequacy and efficiency of risk management and control systems and processes in the bank;
4. Approval of documents regulating internal audit activities and ensuring internal audit independence from the Board of Directors of the Bank;
5. Approval of quarterly/interim reports of internal audit services and submission of notes and recommendations to the Supervisory Board and the Board of Directors;
6. Approval of the annual action plan drawn up by the internal audit and the quarterly revision of the plan;
7. Assessing the function of internal audits, ensuring the mobilization of appropriate resources;
8. Cooperation with external auditors of the Bank;

One of the main directions of the activities of the audit committee is cooperation with an external auditor, facilitating his/her activities and ensuring independence. According to the decision of the shareholders of the Bank, in 2024 the mandatory audit of financial statements will be carried out by UI Ltd, which is a member of the Big Four. Future An independent external auditor for the reporting periods shall be selected with the involvement of the audit committee in accordance with the procedure provided for by the applicable legislation.

In 2024, the audit committee gathered five times.

3.3.2 Nomination and Corporate Governance Committee

In December 2018, the Supervisory Board of the Bank established a nomination and corporate governance committee to select the composition of the supervisory board and the Board of Directors, make appointments, the rotation of members, evaluate the effectiveness of their work, and oversee the corporate governance of the Bank.

A committee is an independent structural unit, it is subject to the supervisory board of the bank and consists of at least 3 (three) members who, at the same time, shall be members of the supervisory board. The nomination and corporate governance committee consists of the following members:

1. Mamuka Tsereteli (Chairman);
2. Bruno Juan Balvanera (member of the committee);
3. Magda Magradze (member of the Committee).

Functions and responsibilities of the Nomination and Corporate Governance Committee:

1. **Nomination.** Regular review of the structure, size and composition of the Supervisory Board, the Board of Directors and their committees in consultation with the chairperson of the Committee, considering the activities carried out by the Supervisory Board and/or the Board of Directors.
 - The Committee shall discuss planning the rotation of the members of the Supervisory Board and other high-ranking executives, considering their activities, taking into account the challenges, opportunities and skills and experience needed for the bank.
 - The committee shall ensure that the assessment of the activities of the supervisory board is conducted and the recommendations produced are submitted to the Supervisory Board.

3.3.2 Nomination and Corporate Governance Committee (Continued)

- **Corporate Governance.** Committee ensures the implementation of the best corporate governance practices and its constant strengthening, including the development of corporate governance policies and the submission to the Supervisory Board.
- Monitors emerging trends, initiatives and best practices on corporate governance, assesses the impact of these trends, practices/compatibility with the Bank and makes recommendations if necessary.
- Periodically reviews the policies and ethics related to the Supervisory Board and gives relevant advice to the Supervisory Board.
- Revises and reviews the complaints concerning internal inspection and/or investigation, which has been carried out by the Compliance Service or other structural entity with similar authority, in order to identify and/or prevent violations of the Code of Conduct and Code of Ethics, as well as disciplinary measures and other sanctions common to these violations.
- Periodically notifies the Supervisory Board of the activities taking place within its competence and assesses the performance of the rights and obligations granted to the Committee.

In 2024, the nomination and corporate governance committee has gathered one time.

3.3.3 Risk Management Committee

The Risk Management Committee is responsible for overseeing and complying with the risk management policies/procedures of the bank, as well as determining the adequacy of the risk management structure according to all risk types facing the Bank.

The Committee assists the Supervisory Board and provides recommendations on risk management and internal control, adequacy and efficiency assessment of risk control functions to identify and prevent specific types of operational, credit and other types of risks.

The Risk Committee also monitors the compliance of the bank with risk management and mitigation policies. Given the above, the Committee considers that the overall framework for internal control of the bank as a whole is effective.

The Committee is an independent structural unit and is subject to the supervisory board of the bank. The members of the committee are:

- Bruno Juan Balvanera (Chairman);
- Mamuka Tsereteli (member of the committee);
- Murtaz Kikoria (member of the Committee).

The committee shall consist of at least three members and the majority of the members of the committee shall be independent members of the supervisory board. In this regard, the Bank is in full compliance with the Corporate Governance Code of commercial banks.

The meeting of the Risk Committee shall be held at least quarterly, and if necessary, an extraordinary meeting of the committee may be convened at any time.

3.3.3 Risk Management Committee(Continued)

The main functions and responsibilities of the Risk Committee are:

- Regular approval of risk management reports;
- Control of risk strategy and risk appetite levels, their consistency and compliance with the strategy of the bank, capital and financial plans. In this regard, the Committee develops recommendations and submits them to the Supervisory Board if necessary;
- Control of all types of risks relevant to capital and liquidity, as well as for the bank: credit, operational, market, reputational and other risk management strategies to ensure their compliance with the risk appetite and culture;
- Review of risk compliance reports, each mismatch of risk appetite and the adequacy of the selected action;
- Control of the effectiveness and independence of the Chief Risk Officer (CRO), assessment of his/her activities and the submission of recommendations on the appointment and/or dismissal to the Supervisory Board.

In 2024, the Risk Committee gathered four times.

3.3.4 Reimbursement Committee

Remuneration Committee is responsible for the establishment of an adequate and effective remuneration system for the members of the Board of Directors of the Bank and other material risk takers and the supervision of its proper functioning.

The Committee is an independent structural unit and is subject to the Supervisory Board of the bank. It consists of the following members:

1. Murtaz Kikoria (Chairman);
2. Bruno Juan Balvanera (member of the committee)
3. Magda Magradze (member of the committee).

The remuneration committee shall consist of at least three members and shall represent a sufficient number of independent members. With this in mind, after the election of a new member to the Supervisory Board, the Supervisory Board Nomination and Corporate Governance Committee was staffed in such a way that the composition of the Committee fully complies with the requirements of the Corporate Governance Code of commercial banks.

The Reimbursement Committee meets at least twice a year. If necessary, an extraordinary meeting of the committee may be convened at any time.

The main functions and responsibilities of the Reimbursement Committee are:

- Regular review of the remuneration policy and submission of recommendations to the Supervisory Board to ensure the compliance of the remuneration policy of the bank with international standards and relevant regulations approved by the regulating body;
- Regular review of the list of persons taking material risk and submit recommendations to the Supervisory Board;
- Discussion of the non-monetary remuneration scheme, issuance of recommendations if necessary and submission to the Supervisory Board for approval;
- Issuing recommendations to the Supervisory Board on the remuneration of persons provided for by the remuneration policy of the Bank;
- Evaluating the key performance indicators (KPIs) of the activities of persons taking material risk;
- Directing the disclosure process on issues related to remuneration.

In 2024, the Remuneration Committee gathered three times.

3.3.5. The Role of Committees in Corporate Management

In order to facilitate the performance of the rights and duties of the Supervisory Board, and to increase its effectiveness, the Supervisory Board has established committees to which the functions of the supervisory board are somewhat delegated in various directions. The activities of the committee are concentrated in a specific direction, which increases the level of expert engagement and qualitative performance. Increasing the involvement of committees, their proactivity is a particularly important component of the corporate governance framework of the bank. Since 2021, audit and risk committee meetings have been held in the format of a physical meeting,

the awareness, engagement and supervisory control of the committees has become much more fruitful and productive. Periodically, Supervisory Board members who are not represented in a specific committee receive information on all significant matters from the Nomination and Corporate Governance Committee. This contributes to enhancing their awareness and engagement, while also supporting a sound and effective system of reporting and communication between the governing bodies.

3.4 Board of Directors

The daily activities of the Bank shall be carried out by the Board of Directors, the members of which are appointed by the Supervisory Board. The Bank recognizes the importance of the Board of Directors, which includes the correct balance of qualifications, experience and diversification, which allows them to effectively perform the functions and duties undertaken.

3.4.1 Composition of the Board of Directors

The Law of Georgia on Activities of Commercial Banks and the Law of Georgia on Entrepreneurs define the main principle, according to which the responsibilities for carrying out the activities of the company should clearly be separated between the supervision and executive powers of the company activities. The Board of Directors consists of: the Chief Executive Officer ("CEO") and Directors. The CEO and each Director shall be appointed by the Supervisory Board.

The Board of Directors is headed by the CEO, who is responsible for all management issues related to the Bank. All directors are accountable to the CEO. The CEO is responsible for developing, presenting and supervising the Bank's strategy and common commercial objectives, which he/she will implement in close communication with the Supervisory Board. The CEO and the rest of the Board of Directors shall be responsible for the implementation of the decisions of the Supervisory Board and the relevant committees.

<i>31 December, 2024</i>	Members of the Board of Directors
CEO	Beka Gogichaishvili
Chief Financial Officer	Vakhtang Babunashvili
Chief Risk Officer	Giorgi Gvazava

3.4.2 Education and experience of the Board of Directors

Members of the Board of Directors have extensive knowledge and experience in various fields, including finance and accounting, risk management, strategic planning, tax and legal issues, management and leadership, corporate governance and marketing. They are distinguished by their ability to reasonably understand local and regional economic and market conditions, with in-depth knowledge of the legal and supervisory environment. The diversity of their knowledge and skills plays a crucial role in creating long-term value in the bank.

Beka Gogichaishvili



Skills and experience: Beka Gogichaishvili was elected as a member of the Supervisory Board in October 2020. From November of that year, he was also elected as a member of the audit committee of the Supervisory Board. Beka has versatile and distinguished experience in various directions. Beka has played a major role in strengthening the role of the Supervisory Board and the committees of the Board and the effective implementation of the assigned functions. It was after his election to the Supervisory Board that the combined periodic meetings of the Board and management began, the coordination and general leadership of management by the Board improved, control of management performance and relevant reporting with committees became effective. In his professional career, the position of investment manager at Hannivel Partners, an investment and asset management company that currently manages investments worth tens of millions of GEL in various business sectors, is especially important in his professional career. Before 2017, Beka worked in the Partnership Fund, where his main activities included financial analysis and risk assessment of the projects

financed by the Partnership Fund and therefore largely led to the successful investment activities of the Partnership Fund. Beka also has experience in the banking sector. In 2013-2014 he worked at TBC Bank, where he directly provided reporting and reports for both internal purposes and supervisory compliance. On April 29, 2022, Beka resigned as a member of the Supervisory Board and from June 29 he was appointed as the CEO of the Bank, where he will continue to manage the bank with renewed energy and vision.

Education: Beka is a graduate of the University of Sussex with a master's degree in management and finance. In 2010, Beka also graduated from Caucasus University and holds a bachelor's degree in business management with a specialization in finance.

Vakhtang Babunashvili

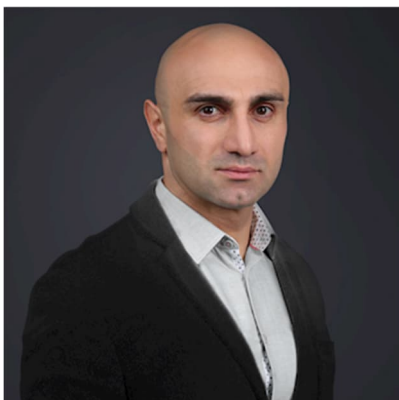


Skills and Experience: Vakhtang Babunashvili joined the Liberty Bank team in July 2020 as Deputy Chief Financial Officer, Head of the Financial Department. Since February 2021, he replaced David Tsiklauri as Deputy CEO and Chief Financial Officer. Vakhtang has almost 20 years of experience working in the financial sector. His professional career started with the consulting company "Synergy Group", after which he held several managerial positions in the Bank Republic (Société General), TBC Bank and Bank of Georgia. At TBC Bank, he was the Deputy Chief Financial Officer, where he led the development of pricing models in the field of private, small and medium, corporate segment credits, led organizational risk management and financial risk management.

Education: Vakhtang holds an MBA degree from INSEAD, is a graduate of Caucasus Business School with a degree in finance and is a Visiting Lecturer at Caucasus University in the direction of Banking and Financial Institutions Management.

3.4.2 Education and experience of the Board of Directors (Continued)

Giorgi Gvazava



Skills and Experience: Giorgi Gvazava replaced David Abashidze in the board of directors of the bank. Giorgi is a professional in the banking sector, his entire professional career is devoted to the financial and specifically banking sector, where he held various leading positions in the field of risk management. He has 15 years of successful experience working in leading financial institutions in Georgia. Giorgi started his career as a credit analyst at VTB Bank Georgia and has since held various managerial and top managerial positions. Before joining the team of Liberty Bank, Giorgi Gvazava was the Head of the Risk Department of VTB Bank Georgia and directly led the credit and operational risk management of VTB Bank Georgia.

Education: Giorgi Gvazava holds a master's degree from Edinburgh Business School (EBS) and also, holds CFA (Level 1).

3.4.3 Functions of the Board of Directors

In addition to carrying out the daily activities of the bank, the main functions of the Board of Directors are presented below:

- Convening an annual/extraordinary meeting of shareholders;
- Drawing up the agenda of the general meeting of shareholders;
- Redemption of the shares of the Bank based on the permit issued by the General Meeting of Shareholders;
- Making a decision on the issuance of permitted capital established by the statute of new shares to the maximum amount;
- Submit to the Supervisory Board an annual business plan, including budget, profit and loss forecasting and the investment plan of the Bank;
- Organization and supervision of lending, payments, financing, cash services, bank cash and values accounting and reporting, internal control and accounting, which ensures the provision of proper service by the bank to its clients;
- Organization and supervision of the functioning of bank branches and service centers;
- Reviewing information received from internal audits or external inspections, as well as reviewing the reports submitted by the managers of the branch/service center and making appropriate decisions based on this information;
- Ensure the fulfilment of decisions made by the general meeting of shareholders and/or the supervisory board;
- Development of procedures, internal regulations, products and terms of service, other internal documents;
- Deciding on the selection, release, training and remuneration of staff (considering that the decision on the remuneration of the members of the Board of Directors and others holding a material risks is made by the Supervisory Board and the Remuneration Committee);
- Monitoring the risk management principles established by the Supervisory Board and ensuring that the bank is placed within the limits defined by the Risk Appetite Statement ("RAS").

The Board of Directors is also the decision-making body concerning all activities that are not specifically determined for the Supervisory Board and/or the general meeting of shareholders.

3.4.4 Activities and meetings of the Board of Directors

The activities of the Board of Directors are headed by the CEO. The CEO shall be authorised to represent the bank individually before any person. Any transaction or any internal regulation, order or instruction of the Bank may be certified by the signature of the CEO or by the signatures of all other members of the Board of Directors. The CEO may authorize other directors and relevant persons to independently represent the Bank concerning various transactions and obligations.

The Board of Directors makes decisions at the meetings of the Board of Directors. The powers of the Board of Directors are delegated to committees affiliated with the Board of Directors, and the Board of Directors is convened only to discuss particularly important issues. In the first half of 2024, the Board of Directors met four times and made decisions on important and relevant issues for the bank, in particular, the procedure for issuing bonuses to the employees of the bank was changed, the organizational structure, the structural arrangement of specific directions was determined in detail and the workforce was optimized, the updated structure, composition and scope of the authority of the credit committees were approved. The Board of Directors' important decisions were also made on issues related to the corporate management of the Bank, including the agenda of the annual general meeting of shareholders determined by the minutes of the meeting on May 13, 2024, and convened the general meeting of shareholders.

3.4.5 Assessment of the activities of the Board of Directors

The Supervisory Board constantly assesses the activities of the Board of Directors in terms of achieving the common goals of the bank and believes that the Board of Directors has a proper balance of experience and knowledge and will continue to operate effectively.

3.4.6 Committees of the Board of Directors

3.4.6.1 Credit Committee

In order to manage credit risk and reduce losses caused by credit risk, there is a several level system of credit committees in the bank, which reviews credit risks related to corporate, micro, small, medium, retail and wholesale pawn credit products and makes a decision to approve the terms of the given credit product.

The credit committee of all levels decides within the limit approved for it. The members of the highest-level committee in the hierarchy of credit committees are the director of risks and the CEO or the director of the relevant business direction. The credit risk management function is represented by the chairman in any committee and exercises the right to veto any decision. In addition, when deciding by the credit committees, of which the CEO of the Bank is a member, together with the consent of the representative of the risk management, his/her consent is mandatory for a positive resolution of the issue.

With a certain periodicity, by the decision of the Board of Directors, the procedure for making a decision of the credit committee of the bank is resumed.

3.4.6.2 Operational Risk Committee

For the purpose of early identification, effective risk management and monitoring, there is an Operational Risk Committee with the Board of Directors, which is responsible for preparing the components of the operational risk framework, the effectiveness of the operational risk management function and the delivery of relevant recommendations to the supervisory board. The Committee shall ensure independent and unhindered activities of the operational risk management function.

The chairman of the committee is the Chief Risk Officer. The committee meets at least once a month, or more often, if necessary.

3.4.6.3 Information Security Committee

In order to ensure the effectiveness of the internal control mechanisms of the Bank and the protection of its information assets, there is an Information Security Committee with the Board of Directors of the Bank, which supervises the information security framework and risk management system of the bank, compliance of the risk management facilities with the bank's goals, assesses the main risk policies and risk management in general.

The main functions of the Committee are to identify information and cyber threats and control the security of the bank in this direction, and to have appropriate response measures to cyber threats.

The CEO, Chief Risk Officer, Chief Information Security Officer, and Information Technology Officer shall represent the committee members. Managers with relevant qualifications and experience may also be invited as members of the Committee. The committee meets once a month.

3.4.6.4 Executive Committee on Information Technology

In order to optimize the processes in the bank through information technology, manage investments in information technology and optimize costs related to information technology, the Executive Committee of Information Technology functions with the Board of Directors.

The committee will review the ideas related to the business activities of the Bank, which need to be implemented with the involvement of information technology, review applications for new projects and determine their priority if necessary, review the shortcomings in the activities of information technology, identify potential risks and circumstances hindering effective activities.

The chairman of the committee is the CEO, and the members of the Board of Directors and the relevant directors. The committee meets once a month.

3.4.6.5 Marketing and Sales Committee

For the purpose of marketing planning, increasing awareness, communication and cooperation between the bank and civil society representatives, the Marketing and Sales Committee functions with the Board of Directors. The committee is a platform, and committee meetings allow those responsible for planning and implementing the bank's business to plan marketing campaigns with the marketing staff. The Committee also organizes the planning and implementation of events within the framework of the Social Corporate Responsibility (CSR) of the bank and the development of a marketing strategy related to the development of the Bank brand and identifies the means necessary for its implementation.

The committee meets once a month to determine priorities for current issues, as well as summarize information about the campaigns and activities already carried out and evaluate the results achieved.

3.4.6.6 Asset-Liability Committee (ALCO)

In order to maximize the income of banking operations in compliance with the effective management, supervisory and prudential norms and requirements of the assets and liabilities of the Bank, the Asset-Liability Committee functions with the Board of Directors.

The Committee ensures optimal management of bank funds, control of compliance with prudential requirements, supervises the income of banking transactions considering the value of resources, and determines measures to be taken to increase income. In addition, the Committee also conducts control and analysis of various types of risks (currency risk, liquidity risk, interest rate change), including the assessment of the level of interest risk, and controls the maintenance of the volume of assets necessary for the maintenance of liquidity.

The chairman of the committee is the CEO, and the members of the Board of Directors and the heads of the finance, treasury, and organizational risk management units. Meetings of the Asset-Liability Committee are held monthly or anytime when deemed necessary.

3.4.6.7 Anti-Money Laundering (AML) Committee

To promote the prevention of money laundering/legalization of illicit income, combating and preventing the financing of terrorism, the AML Committee is working with the Board of Directors, the AML Committee develops a strategy and action plan to combat and prevent money laundering/illicit income legalization, to combat and prevent terrorism financing.

The Committee reviews and develops projects of internal documents of the bank in the field of money laundering and terrorism financing, reviews changes in the client risk category and makes a decision on opening a report or conducting operations according to the client's risk category.

The chairman of the committee is the Chief Risk Officer.

3.5 Regulation on Conflict of Interest Management

In order to protect the interests of bank depositors and creditors and to ensure adequate supervision and control of transactions with the affiliates of the bank, the decision-making staff shall be free from factual or potential conflicts of interest that may affect their decisions or actions and prevent the interests of the bank from making objective and fair decisions. For this purpose, the Supervisory Board approved a Regulation on conflict of interest management that regulates issues related to the proclamation of conflicts of interest and their management.

For the management of conflicts of interest, the Bank establishes related/affiliated parties, compiles a list of such related parties, classifies such a list, determines the transaction implementation process, the procedure for carrying out control/reporting and the types and limits of transactions, the exclusive competence to approve of which belongs to the Supervisory Board.

The Audit Committee and the Supervisory Board of the Bank are constantly committed to refining the internal process of managing conflicts of interest aimed at ensuring proper control and reporting on the transactions carried out with the related persons, as well as to ensure compliance with the arm's length principle related to these transactions. Accordingly, under the decision of the Supervisory Board in 2024, following the "Conflict of Interest Management Statute" approved by Order #26/04 of the President of the National Bank of Georgia of 10 March 2015, the provision of managing the internal conflict of interest of the Bank was updated and the main and important issues such as the definition of the person related to the bank were updated to other structural units of transactions with the party connected to the Supervisory Board, scope of the delegation, limits, collateral-related requirements, etc.

3.5.1 Compliance with the Law on Entrepreneurs and the Updated Provisions of the Suitability of Administrators and Significant Shareholders of Commercial Banks

Following the new version ("Law") of the Law of Georgia on Entrepreneurs, which came into force from January 01, 2022, the Bank is obliged to ensure compliance with the Law within 2 (two) years after the entry into force of the latter. With this in mind, the Bank developed a founding agreement and an updated version of the statute ("Charter"), which is in full compliance with the requirements of the law. The statute regulated in detail the powers of the management bodies, issues related to the convening of the general meeting of shareholders, capital, shares and the organizational management of the bank.

According to the order of the National Bank of Georgia, considering the updated provisions on the eligibility criteria of the administrators of commercial banks and shareholders holding significant shares, the structured units authorized to appoint/elect the administrators of the bank approved the appropriateness of the existing administrators. In addition, the Supervisory Board approved an updated policy of recruitment, suitability and diversity of administrators, where the list of administrative positions was determined, the principles of their selection were regulated in detail, criteria and requirements regarding a person's education, experience, personal/professional qualities and skills and other important issues.

3.6 Mandatory Tender Offer

In October 2017, after the bank made a change of control and Georgian Financial Group B.V. (formerly European Financial Group B.V.) bought 74.64% of the subscribed shares of the bank and accordingly became the majoritarian shareholder of the bank, following the procedure provided for by the Law on Entrepreneurs of Georgia, the Georgian Financial Group B.V. ("GFG") announced a mandatory

tender offer to redeem all remaining shares. The first phase of the mandatory tender offer was completed in February 2018. Ultimately, GFG redeemed more than 334 million ordinary shares and 2.25 million preferred shares from minority shareholders.

In addition to the mandatory tender offer, in 2018, GFG converted 1,573,680 Preferred Shares into 31,600,000 ordinary shares. As a result of the mandatory tender offer and conversion of preferred shares, GFG's beneficial owners, individuals Irakli Otar Rukhadze, Igor Alekseev and Benjamin Albert Marson-Knight, as of December 31, 2019, indirectly owned 91.985% of the Bank's subscribed shares (2017: 74.64%). As of December 31, 2021, GFG's total direct/indirect percentage participation in the bank's capital increased to 95.99%, although this did not affect the share participation of the beneficial owners holding a significant share.

Although as of 2024, the founding structure of the bank remained unchanged, following the changes made to the legislation in terms of public securities accounting, the voting rights of the shareholders of the bank were distributed differently. In particular, based on the transfer of the Bank from the Independent Registrar of Public Securities to the Central Securities Depository of Georgia from June 1, 2024, and considering that securities can be held in the Central Depository only through an account holder, the shares of those minority shareholders who do not have account holders were placed in the Central Depository's unified technical account and the rights related to the ownership of shares were restricted (including voting rights, the right to receive dividends). Accordingly, since the shares placed in the technical account are not calculated when counting the voting rights, the voting rights of other shareholders have increased proportionately.

3.7 Overview of internal control and risk management systems related to the financial reporting process

The Bank closes and submits financial statements daily according to both IFRS and NBG requirements. Daily, the information is submitted to the internal structural units and management of the bank, as well as sent to the NBG with appropriate explanations. In addition, a monthly consolidated financial statement prepared following the requirements of IFRS and NBG is prepared for the Supervisory Board and NBG. Each year, the Bank is obliged to invite an external audit and conduct an external audit examination following the international accounting standards under the procedures established by the National Bank. Non-Financial reporting - Currently, the issues of environmental protection, social, employment, human rights protection and anti-corruption in the bank are regulated by various internal documents and processes, including the corporate manual of the bank, conflict of interest management regulations and KYC and AML policies. The Bank is actively working on developing new complex policies on environmental, social, employment, human rights protection and combating corruption.

4.1 Social and Employment Issues

Benefits for social card holders:

Since 2019, Liberty has been implementing a loyalty project for social card holders. 12 partner companies are involved in the project. Within the framework of this partnership, the older generation of Liberty customers and other social card holders enjoy special conditions. They have the opportunity to use special prices in facilities such as Pharmadepot, Nikora, Evex Clinics, Megalab, theaters, and other facilities.

Since 2019, the total amount saved by customers under the loyalty program was GEL 10,609,239.

UN Women

Since December 5, 2019, Liberty has joined the global initiative of the Women's Empowerment Principles (WEPs) led by UN Women. As part of this collaboration, Liberty fully embraces UN Women's vision and principles aimed at supporting the economic empowerment of women employed at the bank.

Since 2022, Liberty, in partnership with UN Women, launched a financial literacy training module for women entrepreneurs living in Western Georgia. Liberty employees are actively involved in the project.

Additionally, Liberty is engaged in another project aimed at empowering women through the acquisition of new skills.

Girls' Camp

With the support of the international organization Mercy Corps, the U.S. Embassy, and Liberty Bank, a project called Girls' Camp was implemented within the framework of the WISE program, focusing on issues of peace and security.

The camp involved 20 students and 5 teachers from 5 public schools in various municipalities of Georgia.

The camp lasted 5 days and was held at the Rustavi International Scout Center.

4.1 Social and Employment Issues (Continued)

Liberty - Strategic Partner of the Millennium Innovation Competition

The competition aims to encourage innovation and the creation of new technologies among high school students, as well as to increase interest in the science, technology, engineering, and mathematics (STEM) fields.

The third-place team, "Pest Patrol," will travel to the European Organization for Nuclear Research (CERN) in Switzerland, funded by Liberty.

The "Pest Patrol" team developed a smart drone for detecting plant pests.

National Teacher Award

Since 2017, Liberty Bank has supported the global campaign – the National Teacher Award, contributing to the promotion of the teaching profession. Over three thousand teachers were nominated for the award. Eight teachers from various regions of Georgia were awarded the National Teacher Award.

In 2024, the National Teacher Award was granted to Natia Uchava, a primary school teacher from Public School #126 in Tbilisi.

Accessibility Project for People with Disabilities

Since 2022, Liberty Bank has launched the "Accessibility for People with Disabilities" project, aimed at providing equal opportunities in the bank's branches and remote channels. The project consists of several phases, and due to its scope, an action plan has been drawn up for a 3-year period.

Main Objectives of the Project:

- Improve physical accessibility for people with disabilities at bank branches
- Improve the accessibility of the bank's services
- Promote employment for people with disabilities
- Train Liberty employees
- Raise awareness about issues related to people with disabilities
- Advocate for the inclusion of the non-governmental sector

In 2024, the following activities were carried out under the Accessibility for People with Disabilities initiative:

- An inclusivity policy document for services provided to people with disabilities was created.
- A physical accessibility recommendations document was developed and approved.
- The adaptation process for pre-selected branches was initiated.
- The service procedure for people with disabilities, including services with cameras, was updated and approved.
- An etiquette document for serving people with disabilities was developed and approved.
- A training module for face-to-face communication with disabled customers was created.
- An online training module – a self-administered course, and two additional webinars on "Inclusive Services" were developed.
- A Trainer of Trainers (TOT) session was held.

Youth Entrepreneurship for Rural Development (RDYE)

RDYE is a 3.5-year project implemented by Mercy Corps Georgia with funding from the Austrian Development Cooperation (ADC). The project is supported by Liberty Bank and the International Fund for Sports, Tourism, and Youth.

The project aims to deepen the entrepreneurial skills and knowledge of youth (aged 18-35), support businesses in both agricultural and non-agricultural sectors, improve access to finance, and facilitate market connections.

The project's activities focus on social and economic participation of youth, improving their welfare, and enhancing their entrepreneurial potential.

Liberty Bank has developed a three-stage financial literacy training module specifically for the project's curriculum.

In 2024, the project provided 127 basic entrepreneurial trainings for 1,556 young entrepreneurs. A total of 24 startups and 36 existing businesses received funding, and 60 young entrepreneurs secured a total of 1,200,000 GEL in funding.

Global Compact Network Georgia

Since June 2022, Liberty Bank has been a member of the Global Compact Network Georgia, aligning its operations with the ten principles of the UN Global Compact and the UN Sustainable Development Goals (SDGs).

Mountain Books Project

Since 2023, Liberty Bank has started the "Mountain Books" educational project, which aims to bring books to children and adolescents living in mountain regions, thereby fostering their interest in literature. Liberty is the strategic partner of the "Mountain Books" project. Together with the "Mountain Books" team, Liberty employees have traveled to villages in Guria, Svaneti, and Mountainous Adjara, distributing thousands of books to local youth. In total, over 7,000 books were gifted to children.

Discussions on "The Knight in the Panther's Skin"

In collaboration with the Zageri Historical Museum, Liberty Bank is running a project in Zageri Municipality schools, where well-known figures – literary figures and scientists – give lectures to students on the theme of "The Knight in the Panther's Skin." Due to the high public interest, the lectures are recorded, increasing access to the content. Liberty Bank aims to contribute to education and deepen knowledge.

"Our Knight in the Panther's Skin"

As part of a strategic partnership between the Education Coalition and Liberty Bank, the "Our Knight in the Panther's Skin" prize was established under the National Teacher Award.

The jury, composed of five members, oversaw the selection process. The jury included:

- Aleksandre Lortkipanidze – writer
- Theona Bekishvili – Professor at Tbilisi Ivane Javakhishvili University, Faculty of Psychology and Education
- Levan Gelashvili – Doctor of Philology
- Oktay Kazumov – Philologist, translator
- Nata Lomouri – Historian, cultural manager

On October 5, 2024, the jury announced the winners of the "Our Knight in the Panther's Skin" prize:

- Saba Meliskauri – Georgian Language and Literature Teacher, Sioni Public School, Tianeti Municipality
- Marine Kvaratskhelia – Georgian Language and Literature Teacher, Chkvaleri Public School, Chalenjikha Municipality, named after Academician Egnate Fifi
- Maka Budaghashvili – Georgian Language and Literature Teacher, Telati Public School, Gardabani Municipality

As part of the Knight in the Panther's Skin project, Liberty Bank organized a lecture titled "Interesting Facts about Rustaveli" for schools in Highland Adjara and Samegrelo Region. The lecture was led by Levan Gelashvili, a Rustaveli expert. Afterward, students played a board game created around the themes of "The Knight in the Panther's Skin" alongside Levan.

4.1.2 Employment Issues

The total number of employees in the bank was 5,023 as of December 31, 2024, of which 1,535 were male and 3,488 female. There is gender equality in the organization, equal treatment in employment and professional fields. The bank employs 33 disabled employees (no income tax), private insurance is valid.

From October 2024, the bank will fully fund a basic health insurance package for all frontline employees. Bank employees also have the opportunity to choose the desired offer from two different insurance companies with corporate terms.

The Bank cares about improving and developing the qualifications of employees, which in turn increases the motivation of employees, helps to refine, automate current processes and improve customer relations.

The bank also operates an assessment system that allows both the subordinate employee and the superior to determine the countable criteria for valuation and receive feedback based on the above criteria. The process is transparent and aimed at the professional development of employees.

At the end of 2020, an internship/mentoring project for front-line credit direction was launched in the bank. Each intern has a mentor who is an experienced employee and is responsible for transferring experience to the intern and supporting the development of the skills necessary for the position. The program consists of 3 stages:

1. On-boarding training at our training center;
2. 15-day job training/teaching at branches according to a predetermined and outlined plan;
3. 7 days of theoretical training at the training center.

The assessment takes place at the end of each week and after passing the final exam, they are employed at Liberty Bank.

In 2024, 31 mentors and 122 interns were trained, of which 118 were employed at Liberty Bank.

Since 2022, we have been cooperating with vocational schools:

- We are already cooperating with 19 vocational schools
- We planned an introductory excursion-visit to the bank branches for the college financial services students
- We conducted mandatory internships for 312 vocational students
- We have already employed 39 vocational school students
- We conduct onboarding meetings for vocational students at the training center.
- Liberty simulation spaces were set up in three vocational schools, equipped with inventory identical to that of a bank branch;
- Liberty Space for students was organized in four vocational schools
- After the support of the bank, the state funded the financial services program.
- We've received the National Vocational Education Award in the nomination: "Best Business Partner."

The bank has a corporate manual detailing the rights and obligations of the employee, corporate ethics, privacy, security and permissible actions, working and rest time of the employee, the rules for using maternity and various types of leave.

4.2 Issues related to environmental protection

JSC "Liberty Bank" has approved a document on environmental and social risk management, along with relevant policies. Throughout 2024, the bank actively co-financed eco-friendly companies as part of agreements signed with "Enterprise Georgia" and the World Bank.

As part of an agreement between the European Investment Bank (EIB) and JSC "Liberty Bank," the bank has worked to adopt international best practices in ESG (Environmental, Social, and Governance) standards and integrate them into its operations. Several key documents have been developed, including a framework document and strategy for green financing, a procedure for assessing climate change-related risks, and more. These documents outline various commitments, such as increasing the share of green loans in the loan portfolio, organizing staff awareness-raising initiatives and training programs, and identifying, assessing, and mitigating climate-related risks in the loan issuance process.

In 2024, Liberty also calculated the greenhouse gas (GHG) emissions from its operational activities, a practice the bank has maintained for several years and will continue to enhance in an effort to reduce emissions and improve environmental sustainability.

Looking ahead, the bank plans to expand its initiatives in these areas, including the formal approval of these documents and the implementation of their commitments starting in early 2025.

4.3 Human Rights

Protecting human rights is one of the most important principles of the bank. The Bank strictly complies with the requirements of the Law of Georgia on the Elimination of All Forms of Discrimination. The internal procedures and policies of the Bank are in full compliance with anti-discrimination legislation. Any fact of alleged discrimination is responded quickly and effectively, and if the fact of discrimination is detected, the Bank ensures that appropriate measures are taken and the elimination of the consequences of discrimination without violating the rights and legitimate interests of third parties.

In May 2022, additionally, "HR anonymous" was activated - an electronically filled out form, which allows any employee to anonymously or non-anonymously (at the discretion of the employee) to fix the type of violation (sexual harassment, bullying, fraud, etc.), on which the relevant services will investigate the fact and take action.

In addition to activating HR anonymous, awareness campaigns were planned and organized for employees:

- Sexual harassment
- Bullying
- Domestic violence

Campaigns are also planned:

- Fraud

4.4 Fight against Corruption

It is important for the bank to conduct a business relationship in a fair, ethical and law-compliant manner. Elements of the anti-corruption policy of the bank are provided in the "corporate manual" and the standard labor agreements. The documents determine the rules of conduct of the employees/directors of the bank and regulate the issues of receiving a gift or benefit that may be related to their activities.

The Bank also monitors corruption risks in the procurement process. The Bank's procurement is carried out in compliance with the tender procedure, as a result of which the decision is made on the basis of the examination of the supplier, the detection and elimination of conflicts of interest and/or corruption risks.

By approving and implementing anti-bribery and anti-corruption policies in 2019, the Bank gives preferences to the following values:

- prudent and credible behavior;
- Encouraging employee responsibility;
- The application of the arm's length principle in the activity when the parties involved in the transaction are independent and on equal terms.

The policy prohibits both the offer and/or payment of a bribe, as well as the promise thereof, the solicitation, acceptance of a bribe, and/or the support or encouragement of the acceptance of a bribe in any form, both directly and indirectly, as well as participation in a corrupt transaction, which involves the transfer or acceptance of a gift of monetary or non-monetary value to a third party, the promise, as well as the granting of any undeserved benefit for the purpose of personal gain and/or the use of the position held for material gain.

4.5 More information

More information can be found in the 2024 Pillar 3 report of the Bank available on the website:

<https://www.libertybank.ge/ka/chven-shesakheb/investorebistvis/pinansuri-inpormatsia/regulatory-financial-reporting-to-the-national-bank-of-georgia>

And on NBG's website:

<https://nbg.gov.ge/supervision/banking-supervision?pageKey=pillar3Quarter>

Submission of Governance Reporting

The report is prepared on the basis of Article 7 of the Law of Georgia on Accounting, Reporting and Auditing.

Responsibility of the leadership

The management of the bank confirms the authenticity and accuracy of all data and information reflected in the given Governance reporting. The report is prepared in full compliance with the internal control processes agreed with the Supervisory Board. The report meets the requirements of Article 7 of the Law of Georgia on Accounting, Reporting and Auditing.

Beka Gogichaishvili

CEO

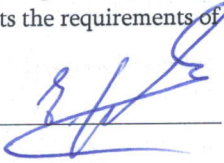
Vakhtang Babunashvili

Chief Financial Officer

8 May, 2025

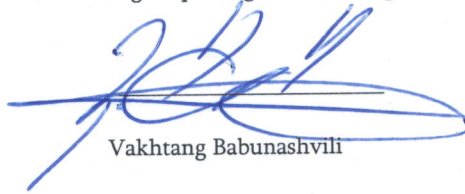
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Beka Gogichaishvili

CEO



Vakhtang Babunashvili

Chief Financial Officer

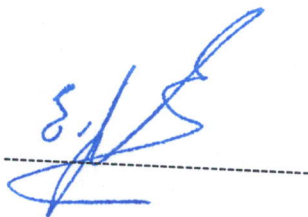
8 May, 2025



**Statement of Responsible Officers of
JSC Liberty Bank**

As per the requirements of subparagraph "c", paragraph 11 (3) of the Law of Georgia on Securities Market, we hereby confirm that consolidated financial statements together with the management report of JSC Liberty Bank for the year ending on 31 December 2024 prepared in accordance with the applicable legislation are full, accurate and fair.

Beka Gogichaishvili
Chief Executive Officer
JSC Liberty Bank



Murtaz Kikoria
Chairman of the Supervisory Board
JSC Liberty Bank



08 May, 2025