

JSC PAVE BANK GEORGIA

Financial Statements

Together with the Independent Auditor's Report

For the year ended 31 December 2024

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Independent auditor's report

To shareholders and supervisory board of **JSC PAVE BANK GEORGIA**

Opinion

We have audited the accompanying financial statements of **JSC PAVE BANK GEORGIA** (hereinafter the "Bank"), which comprise the statements of financial position as at 31 December 2024 and the statement of comprehensive income, statement of cash flows and changes in equity for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our 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.

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

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation; structure and content of the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner responsible for the audit resulting in this independent auditor's report is
Ivane Zhuzhunashvili (Saras-A-720718)



For and on behalf of BDO Audit LLC

Tbilisi, Georgia

15 May 2025

JSC PAVE BANK GEORGIA
STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

(In '000 GEL)

	Note	31.12.2024	31.12.2023
Assets			
Cash and cash equivalents	7	7,964	5,286
Mandatory reserves with the NBG		15	-
Other assets	8	499	9
Intangible assets	9	262	200
Property and equipment		5	-
Total assets		8,745	5,495
Liabilities and equity			
Liabilities			
Customer accounts		1,273	-
Taxes payable		-	95
Other liabilities		49	21
Total liabilities		1,322	116
Equity			
Share capital	10	8,052	5,000
(Accumulated loss)/Retained earnings		(629)	379
Total equity		7,423	5,379
Total liabilities and equity		8,745	5,495

The financial statements for the year ended 31 December 2024 were approved on behalf of the management on 15 May 2025 by:

General director

Omar-Salim Dhanani

Deputy Director General

Dmitry Bocharov

Notes on pages 9-21 are an integral part of these financial statements.

JSC PAVE BANK GEORGIA

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

(In '000 GEL)

	Note	31.12.2024	31.12.2023
Assets			
Cash and cash equivalents	7	7,964	5,286
Mandatory reserves with the NBG		15	-
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Liabilities and equity			
Liabilities			
Customer accounts		1,273	-
Taxes payable		-	95
Other liabilities		49	21
Total liabilities		1,322	116
Equity			
Share capital	10	8,052	5,000
(Accumulated loss)/Retained earnings		(629)	379
Total equity		7,423	5,379
Total liabilities and equity		8,745	5,495

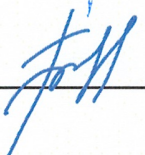
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Omar-Salim Dhanani

Deputy Director General



Dmitry Bocharov

Notes on pages 9-21 are an integral part of these financial statements.

JSC PAVE BANK GEORGIA

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

(In '000 GEL)

	Note	2024	2023*
Interest income	11	489	261
Net interest income		489	261
Commission income, net		44	-
Other income	12	498	-
Non-interest income		542	-
General and administrative expenses	13	(2,014)	(171)
Loss from foreign exchange differences, net		(25)	(88)
(Loss)/Profit before tax		(1,008)	2
Income tax expense		-	-
Total comprehensive (loss)/income for the year		(1,008)	2

(*) - Total comprehensive income for the year ended 31 December 2023 consists of operations from its establishment, from 14.03.2023, to 31.12.2023.

Notes on pages 9-21 are an integral part of these financial statements.

JSC PAVE BANK GEORGIA

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

(In '000 GEL)

	Note	2024	2023
Cash flows from operating activities			
Interest income	11	489	261
Commission income, net		44	-
General and administrative expenses		(1,929)	-
Tax paid		(193)	-
Cash flows from operating activities before changes in operating assets and liabilities		(1,589)	261
Net change in operating assets			
Customer accounts		1,324	-
Mandatory reserves with the NBG		(15)	-
Net cash flows from operating activities		(280)	261
Cash flows from investing activities			
Purchase of fixed assets		(21)	-
Purchase of intangible assets		(32)	(200)
Net cash flows used in investing activities		(53)	(200)
Cash flows from financial activities			
Transactions with shareholder		-	286
Issuance of ordinary shares		3,052	5,000
Net cash flows from financial activities		3,052	5,286
Impact of exchange rate changes on cash and cash equivalents		(41)	(61)
Net increase in cash and cash equivalents		2,678	5,286
Cash and cash equivalents at the beginning of the year	7	5,286	-
Cash and cash equivalents at the end of the year	7	7,964	5,286

Notes on pages 9-21 are an integral part of these financial statements.

JSC PAVE BANK GEORGIA

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

(In '000 GEL)

	Note	Share capital	Retained earnings/ (Accumulated loss)	Total equity
14.03.2023		-	-	-
Issuance of ordinary shares		5,000	-	5,000
Total comprehensive income for the period		-	2	2
Transactions with shareholder		-	377	377
31.12.2023		5,000	379	5,379
Issuance of ordinary shares	10	3,052	-	3,052
Total comprehensive loss for the year		-	(1,008)	(1,008)
31.12.2024		8,052	(629)	7,423

Notes on pages 9-21 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(In '000 GEL)

1. General information

JSC Pave Bank Georgia (hereinafter the "Bank") was incorporated on 14 March, 2023. Initially, it was registered in the register as JSC Pave Georgia in accordance with the legislation of Georgia with the identification number: 404668436. After 5 February 2024, the Bank operates as the joint-stock company "Pave Bank Georgia".

The bank operates under a banking license issued by the National Bank of Georgia ("NBG"). In 2023, the National Bank of Georgia granted a banking license to JSC "Pave Bank Georgia", taking into account the principles of digital bank licensing, however, the authority to carry out banking activities in real mode was limited for 7 months. After 12 July 2024, the Bank was granted to carry out banking activities in real mode for 7 months. National Bank of Georgia defined the requirements that the bank must gradually meet. As indicated in Note 17, on February 11, 2025, the National Bank of Georgia confirmed the advancement of the Bank to Stage 3 of the banking license process and the duration of the stage 3 is 13 months.

The Bank's address is: Mtatsminda district, Kostava st., N 14, Tbilisi, Georgia.

As at 31 December 2024 and 2023 Paving the Way Pte. Ltd. (holding company incorporated in the Republic of Singapore) represents shareholder owning 100% of the shares of the Bank. Ultimate shareholders of the Bank are presented in the table below:

	31.12.2024	31.12.2023
Omar-Salim Dhanani	65%	65%
Simon James Vans-Colina	20%	20%
Dmitry Bocharov	15%	15%
	100%	100%

During the reporting year, the bank had an average of 11 employees. Additionally, the Bank's senior management comprised of 3 individuals, consistent with the prior year.

The bank did not have any temporary employees in 2024 and 2023.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB).

Basis of measurement

The Bank prepares financial statements in Georgian Lari (with roundings '000). The financial statements have been prepared on the historical cost basis. The reporting period for the Bank is the calendar year from January 1 to December 31. Total comprehensive income of 2023 consists of operations from its establishment, from 14.03.2023, to 31.12.2023.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying The Bank's accounting policies, which has significant influence on the book values of assets and liabilities, income and expense recognized in profit and loss of the year. Factual results may be different from the current estimates. Adjustments, resulting from the changes in accounting estimates belong to the period when they are recognized. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 4.

Summary of material accounting policies used for preparing these financial statements are explained in Note 3.

2. Basis of preparation (continued)

Going concern

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue its operations for the foreseeable future. The management and shareholders have the intention to further develop the business of the Bank in Georgia. The management believes that the going concern assumption is appropriate for the Bank.

In adopting the going concern basis for preparing the financial statements, the Management have considered the bank's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance.

Management confirm that they have a reasonable expectation that the Bank, as a whole, have adequate resources to continue in operational existence for the 12 months from the date the financial statements are authorised for issue. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

Changes in accounting policies

A) Standards and Amendments Mandatorily Effective from 1 January 2024

Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7). The IASB undertook a narrow-scope standard setting, leading to the Amendments. The Amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements.

Lease Liability in a Sale and Leaseback (Amendment to IFRS 16). The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

Classification of Liabilities as Current or Non-Current (Amendment to IAS 1). The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period.

Noncurrent Liabilities with Covenants (Amendment to IAS 1). The amendment requires, if an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

According to the assessment of the Bank's management, these changes will not have a significant impact on the Bank's financial statements.

B) New standards, interpretations and amendments not yet effective

Standards and Amendments Mandatorily Effective from 1 January 2025

Lack of Exchangeability (Amendment to IAS 21). The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

Standards and Amendments Mandatorily Effective from 1 January 2026

Amendments to the Classification and Measurement of financial Instruments (Amendments to IFRS 9 and IFRS 7). The Amendments modify the following requirements in IFRS 9 and IFRS 7 :

Derecognition of financial liabilities

- Derecognition of financial liabilities settled through electronic transfers

2. Basis of preparation (continued)

Classification of financial assets

- ▶ Elements of interest in a basic lending arrangement (the solely payments of principle and interest assessment - 'SPPI test')
- ▶ Contractual terms that change the timing or amount of contractual cash flows
- ▶ Financial assets with non-recourse features
- ▶ Investments in contractually linked instruments

Disclosures

- ▶ Investments in equity instruments designated at fair value through other comprehensive income
- ▶ Contractual terms that could change the timing or amount of contractual cash flows.

Annual Improvements to IFRS Accounting Standards.

Annual improvements are limited to changes that either clarify the wording in an IFRS Accounting Standard, or correct relatively minor unintended consequences, oversights or conflicts between requirements of the Accounting Standards.

- ▶ Minor clarifications and corrections across IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7 (e.g., hedge accounting, lease derecognition).

Contracts Referencing Nature dependent Electricity (previously Power Purchase Agreements) (Amendments to IFRS 9 and IFRS 7). The amendments include:

- ▶ Clarifying the application of the 'own-use' requirements;
- ▶ Permitting hedge accounting if these contracts are used as hedging instruments; and
- ▶ Adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

According to the assessment of the Bank's management, these changes will not have a significant impact on the Bank's financial statements.

Standards and Amendments Mandatorily Effective from 1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18 sets out significant new requirements for how financial statements are presented, with particular focus on:

- ▶ The statement of profit or loss, including requirements for mandatory sub-totals to be presented.
- ▶ Aggregation and disaggregation of information, including the introduction of overall principles for how information should be aggregated and disaggregated in financial statements.
- ▶ Disclosures related to management-defined performance measures (MPMs), which are measures of financial performance based on a total or sub-total required by IFRS Accounting Standards.

IFRS 19 Subsidiaries without Public Accountability: Disclosures. On 9 May 2024, the International Accounting Standards Board (IASB) issued IFRS 19, which allows subsidiaries to use IFRS with reduced disclosures while applying the recognition, measurement and presentation requirements in IFRS Accounting Standards. The eligibility criteria for an entity to apply IFRS 19 are:

- ▶ The entity is a subsidiary;
- ▶ The entity does not have public accountability; and
- ▶ The entity has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

According to the assessment of the Bank's management, these changes will not have a significant impact on the Bank's financial statements.

3. Material accounting policies**Foreign currency transactions****a) Functional and presentation currency**

Items included in the financial Statements are measured using the currency of the primary economic environment in which the Bank operates ('The functional currency'). Financial Statements are presented in Georgian Lari, which is the Bank's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Foreign exchange gains and losses that relate to monetary items are presented in the statement of comprehensive income within "Exchange rate gain/ (loss), net".

The closing rate of exchange used for translating foreign currency balances was:

	Official rate of the National Bank of Georgia	
	USD	EUR
Exchange rate as at 31.12.2024	2.8068	2.9306
Exchange rate as at 31.12.2023	2.6894	2.9753

Financial instruments**Initial measurement**

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Financial assets- Classification and subsequent measurement

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

- Amortised cost;
- FVOCI;
- FVPL.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. The Bank classifies all the of its financial assets under "Financial assets measured at amortized cost" category.

The Bank only measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets - write-off

Financial assets are written off in whole or in part when the Bank has exhausted all practical possibilities for withdrawing cash and concludes that there is no longer a reasonable expectation of cash withdrawal. Write-off is the termination of recognition.

3. Material accounting policies (continued)

Financial assets - derecognition

The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control.

Offsetting of financial assets and liabilities

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

Financial liabilities

The bank has classified all financial liabilities as "other financial liabilities". Other financial liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Financial liabilities - derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and interbank receivables with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets as of 31 December, 2024 are comprised of a banking license and a Software for settlement system (2023: Banking license). A banking license has an indefinite useful life and is not amortized. Useful life of Software is determined as 5 years.

Customer accounts

Liabilities to customers consist of current accounts maintained by corporate clients with the bank, which are recognized at amortized cost.

Deferred tax asset/liability

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. Deferred tax asset/liability is not recognized in the financial statements as at 31 December 2024 and 2023, because of its immaterial amount.

Share capital

The amount of Bank's share capital is defined by the Bank's Charter. The changes in the Bank's shares (including changes in share capital, ownership, etc.) shall be made only based on the decision of the Bank's owners. The authorised capital is recognised as share capital in the equity of the Bank to the extent that it was contributed by the owners to the Bank. Equity is recognized at the fair value of the consideration received.

3. Material accounting policies (continued)

Transactions with shareholder

In 2023 transactions with the shareholder include payments made by the bank's parent company to cover some of the bank's obligations, without any compensation request. The forgiveness of these obligations meets the definition of a transaction with shareholder and is recognized accordingly in the equity section.

Recognition of income

Interest income

Interest accrued on cash held in a current bank account is recognized as income in the statement of comprehensive income based on the effective interest rate method. This interest income reflects the amount expected to be collected from the bank account over the relevant reporting period.

Other income

The Bank provides consultancy, technical, operational and administrative services to its shareholder. Revenue from these services is recognized in accordance with IFRS 15 - Revenue from Contracts with Customers.

Service income is recognized when the Bank satisfies a performance obligation by transferring a promised service to a customer (in this case, the shareholder). Revenue is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes.

The recognition of service income is based on the following criteria:

- **Identification of the contract:** The Bank assesses whether a contract with the shareholder exists and is enforceable.
- **Performance obligations:** The distinct services provided are identified as separate performance obligations.
- **Transaction price:** The consideration expected to be entitled to is determined, which may be fixed or variable depending on the service agreement.
- **Allocation of transaction price:** The total consideration is allocated to each performance obligation based on relative standalone selling prices.
- **Revenue recognition:** Revenue is recognized either over time or at a point in time, depending on when the shareholder receives and consumes the benefits of the service.

Recognition of expense

When it is probable that economic benefits will flow from the Bank and the Bank assumes the obligation for the costs incurred, the related expenses are recognized in the Bank's financial statements in accordance with the accrual basis of accounting under IFRS.

Leases

The bank rents space to carry out its operational activities and classifies these as operational leases. Operational lease payments are recognized as an expense using the straight-line method over the lease term, except in cases where another method more accurately reflects the specific economic benefit derived from the leased asset. The Bank has elected not to recognise right-of-use assets and lease liabilities for leases with short-term.

Staff costs

Wages, salaries, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank.

3. Material accounting policies (continued)

Provisions, contingent liabilities and contingent assets

Contingent liabilities are not reflected in the financial statements, except for the cases when the outflow of economic benefits is likely to origin and the amount of such liabilities can be reliably measured.

Contingent assets are not reflected in the financial statements, but the information on them is disclosed when inflow of economic benefits is possible. If economic benefits are sure to occur, an asset and related income are recognized in the financial statements for the period, when the evaluation change occurred.

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. An obligating event is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.

Events after the reporting period

Events after the reporting period and events before the date of financial statements authorization for issue that provide additional information about the Bank's financial statements are reported in the financial statements. Post-balance sheet events that do not affect the financial position of the Bank at the balance sheet date are disclosed in the Notes to the financial statements when material.

4. Critical accounting estimates and judgments

The Bank makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recognition of expense

When it is probable that economic benefits will flow from the Bank and the Bank assumes the obligation for the costs incurred, the related expenses are recognized in the Bank's financial statements in accordance with the accrual basis of accounting under IFRS.

5. Financial instruments - risk management

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. 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 boundaries of risk bearing capacity for each risk and business line and ensures its compliance.

The directorate of the Bank has overall responsibility for the establishment and oversight of the Bank's risk management framework, oversight of key risk management and review of its risk management policies and procedures, as well as approval of materially large subordinates.

The Supervisory Board is ultimately responsible for risk identification and control.

Credit risk

The Bank is exposed to credit risk, which is the risk that a customer or counterparty will be unable to meet its obligation to settle outstanding amounts. Maximum exposure to credit risk of on-balance sheet items equals their carrying values.

As at 31 December 2024 and 2023, the Bank has not recorded expected credit losses in the financial statements, because in the management's opinion, the financial assets of the Bank at the end of the reporting period represent "neither impaired nor overdue assets category" and expected credit loss on these assets is equal to 0.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(In '000 GEL)

5. Financial instruments - risk management (continued)**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. The bank has no significant market risk.

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. As at 31 December 2024 and 2023 the Bank is not substantially exposed to interest rate risk, as it has no financial assets or liability balances bearing variable interest rates.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	<u>GEL</u>	<u>USD</u>	<u>EUR</u>	<u>OTHER</u>	<u>31.12.2024</u>
Financial assets					
Cash and cash equivalents	7,480	166	309	9	7,964
Mandatory reserves with the NBG	-	6	9	-	15
Other assets	32	428	-	-	460
	<u>7,512</u>	<u>600</u>	<u>318</u>	<u>9</u>	<u>8,439</u>
Financial liabilities					
Customer accounts	810	165	297	1	1,273
Other liabilities	49	-	-	-	49
	<u>859</u>	<u>165</u>	<u>297</u>	<u>1</u>	<u>1,322</u>
Open balance sheet position	<u>6,653</u>	<u>435</u>	<u>21</u>	<u>8</u>	

	<u>GEL</u>	<u>USD</u>	<u>31.12.2023</u>
Financial assets			
Cash and cash equivalents	5,286	-	5,286
	<u>5,286</u>	<u>-</u>	<u>5,286</u>
Financial liabilities			
Tax liabilities	95	-	95
Other liabilities	-	21	21
	<u>95</u>	<u>21</u>	<u>116</u>
Open balance sheet position	<u>5,191</u>	<u>(21)</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(In '000 GEL)

5. Financial instruments - risk management (continued)**Currency risk sensitivity**

The following table details the Bank's sensitivity to a 20% increase and decrease in relevant currencies against the GEL. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% change in foreign currency rates.

Impact on net loss based on asset values is presented in the table below:

31.12.2024	GEL/USD	GEL/USD	GEL/EUR	GEL/EUR	GEL/OTHER	GEL/OTHER
	20%	-20%	20%	-20%	20%	-20%
Profit/(loss)	87	(87)	4	(4)	2	(2)

31.12.2023	GEL/USD	GEL/USD
	20%	-20%
Profit/(loss)	(4)	4

Liquidity risk

Liquidity risk is the risk that the bank will not be able to meet its payment obligations on the maturity date under normal and stressed conditions.

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.

It is impossible to eliminate all operational risks, but by correctly identifying potential risks and implementing appropriate control mechanisms, the bank can manage risks. The control mechanisms should provide for the correct distribution of rights and duties, hierarchical structures of access, authorities and the introduction of the four eyes principle, the establishment of a risk-oriented culture among staff, training and evaluation processes.

Analysis by remaining contractual maturities

The tables below summarise the maturity profile of the Bank's financial liabilities as at 31 December 2024 and 2023 based on contractual undiscounted repayment obligations.

	Within one year	More than one year	Total 31.12.2024
Liabilities			
Customer accounts	1,273	-	1,273
Other liabilities	49	-	49
Total potential future payments for financial obligations	1,322	-	1,322

	Within one year	More than one year	Total 31.12.2023
Liabilities			
Taxes payable	95	-	95
Other liabilities	21	-	21
Total potential future payments for financial obligations	116	-	116

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(In '000 GEL)

5. Financial instruments - risk management (continued)**IFRS 13 fair value measurement hierarchy**

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

All the financial instruments of the Bank are recognized with amortized costs.

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

The fair value of cash and cash equivalents was determined using level 1 measurement, fair values of other financial assets and liabilities were determined using level 3 measurement.

All financial instruments of the Bank are carried at amortized cost which approximates their current fair value.

6. Capital management

The Bank's capital management main objectives consist of:

- Ensuring that the bank always has sufficient capital so that even in the worst cases it can cover (potential) losses caused by various risks;
- To be in compliance with the external capital management requirements established by the regulatory body of the banking sector of Georgia;
- Implementation of stable development plans by the bank according to the principle of continuous operation.

According to the requirements of the National Bank of Georgia, as of December 31, 2024 and 2023, the bank must ensure that the amount of supervisory capital, including retained earnings, exceeds 5,000 thousand GEL.

As at 31 December 2024 and 2023 Bank maintained capital adequacy requirements set by the NBG.

7. Cash and cash equivalents

	31.12.2024	31.12.2023
Term Deposits in other banks		
BB (According to Fitch)	3,253	-
B/B (According to S&P Global)	3,005	-
Accounts in the NBG	381	-
Current accounts in other banks		
BB (According to Fitch)	1,285	5,286
Without rating	40	-
Total cash and cash equivalents	7,964	5,286

Cash balances on bank accounts are classified as risk free, considering that the banks where the Bank has material balances on current accounts are reliable and well-known Georgian credit institutions.

Qualitative information about cash and cash equivalents are provided in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(In '000 GEL)

7. Cash and cash equivalents (Continued)

As at 31 December 2024 and 2023 Fitch Ratings for Georgia's Long-Term Foreign and Local-Currency Issuer Default Ratings (IDRs) are 'BB' with a Negative outlook (2023: 'BB' with a Positive outlook). The issue ratings on Georgia's long-term senior unsecured foreign and local-currency bonds are also affirmed at 'BB' with a Negative outlook (2023: 'BB' with a Positive outlook). The Country Ceiling is affirmed at 'BBB-' (2023: 'BBB-') and the Short-term Foreign and Local-Currency IDRs at 'B' (2023: 'B').

8. Other assets

	31.12.2024	31.12.2023
Receivables from holding company	428	-
Advances	39	9
Other assets	32	-
	499	9

9. Intangible assets

The bank's intangible assets as of 31 December 2024 consist of a banking license and a Software for settlement system (2023: a banking license). The banking license has indefinite useful life and is not amortized. Useful life of Software is determined as 5 years.

10. Share capital

During 2024, the Bank increased its share capital through the issuance of 3,000,000 ordinary shares, followed by an additional issuance of 52,000 ordinary shares. Each share has a nominal value of 1 Georgian Lari. All newly issued shares were fully subscribed by the Bank's sole shareholder, Paving The Way Pte. Ltd.

As at 31 December 2024, the Bank's share capital consists of 8,052,000 authorized and fully paid ordinary shares with a nominal value of 1 Georgian Lari each.

As at 31 December 2023, the Bank's share capital consisted of 5,000,000 authorized and fully paid ordinary shares, also with a nominal value of 1 Georgian Lari each.

11. Interest income

Interest income for the year ended 31 December 2024 amounted to GEL 489 thousand (2023: GEL 261 thousand), and relates entirely to interest accrued on the current accounts held with local financial institutions.

12. Other income

Other income for the year ended 31 December 2024 consists of income earned from the consultancy, technical, operational, administrative and other types of services provided to the Bank's shareholder, totaling 498 thousand Georgian Lari.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(In '000 GEL)

13. General and administrative expenses

	31.12.2024	31.12.2023
Professional fees*	(903)	(144)
Staff cost	(756)	-
Rent expense	(149)	(27)
Deposit Insurance Agency fee	(100)	-
Other tax expense	(78)	-
Other expense	(28)	-
	(2,014)	(171)

(*) - Professional fees for 2024 includes audit fees in the amount of 64 thousand Georgian Lari (2023: 0 Georgian Lari).

14. Related party transactions

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

- Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Bank that gives them significant influence over the Bank; and that have joint control over the Bank;
- Members of key management personnel of the Bank or its parent;
- Close members of the family of any individuals referred to in (a) or (b);
- Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (b);

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of balances between the Bank and other related parties are disclosed below:

Statement of financial position	Relationship	31.12.2024	31.12.2023
Other assets	Shareholder	428	-
Customer accounts	Shareholder	167	-
Ordinary shares	Shareholder	8,052	5,000
Transactions with shareholder	Shareholder	-	377
Statement of comprehensive income	Relationship	2024	2023
Other income	Shareholder	498	-
General and administrative expenses	Shareholder	(302)	-

15. Commitments and contingencies

Requirements of the National Bank - From July 12, 2024, for a period of seven (7) months, the National Bank granted JSC "Pave Bank Georgia" the right to operate in a real environment and set specific requirements that the Bank must meet progressively. As of December 31, 2024, the Bank is in the process of fulfilling these requirements. The National Bank of Georgia retains the authority to revoke JSC "Pave Bank Georgia's" banking license if these requirements are not satisfied.

Legal cases - As at 31 December 2024 and 2023 the Bank has no legal actions and complaints. Management seeks both internal and external professional advices and believes that the ultimate liability, if any, arising from actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank. Related to above mentioned no provision is accrued in the financial statements.

15. Commitments and contingencies (Continued)

Taxes - Georgian tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Bank may be assessed additional taxes, penalties and interest.

The Bank believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

Operating environment - Emerging markets such as Georgia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Georgia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Law and regulations - In accordance with the Law on accounting, reporting and auditing (article 7) the Bank has an obligation to prepare and submit Management Report to the State Regulatory Authority, together with Independent Auditors' Report no later than 1 October of the year following the reporting period. The Bank has fulfilled this obligation at the date of issue of the Financial Statements.

16. Events after the reporting period

Shareholder Loan

Subsequent to the reporting date and prior to the authorization of the financial statements for issue, the Bank entered into a long-term unsecured loan agreement with its parent company. The loan facility amounts to USD 2,000 thousand, with a fixed annual interest rate of 7.5%, and is repayable in a single instalment at maturity. On 20 January 2025, the Bank drew down USD 301 thousand under this loan facility.

Advancement to Stage 3 of Banking License

On 11 February 2025, the National Bank of Georgia confirmed the advancement of the Bank to Stage 3 of the banking license process. The duration of Stage 3 is 13 months, during which the Bank is required to comply with the specific conditions outlined in written instructions from the National Bank of Georgia. The regulator retains the right to revoke the license should the Bank fail to fulfill these requirements within the prescribed time frames.