JSC PAVE BANK GEORGIA

Financial Statements

Together with the Independent Auditor’s Report

For the period from 14 March to 31 December 2023

Contents:

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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 2023 and the statement of comprehensive income, statement of cash flows and changes in equity for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the period 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

1 October 2024

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(In ‘000 GEL)

	Note	31.12.2023
Assets		
Cash and cash equivalents	7	5,286
Other assets		9
Intangible assets	8	200
Total assets		**5,495**
Liabilities and Equity		
Liabilities		
Taxes payable		95
Other liabilities		21
Total liabilities		**116**
Equity		
Share capital	9	5,000
Retained earnings		379
Total equity		**5,379**
Total liabilities and equity		**5,495**

The financial statements for the period ended 31 December 2023 were approved on behalf of the management on 1 October 2024 by:

General director	____________________	Omar-Salim Dhanani
Deputy Director General	____________________	Dmitry Bocharov

Notes on pages 9-19 are an integral part of these financial statements.

JSC PAVE BANK GEORGIA

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(In '000 GEL)

	Note	31.12.2023
Assets		
Cash and cash equivalents	7	5,286
Other assets		9
Intangible assets	8	200
Total assets		**5,495**
Liabilities and Equity		
Liabilities		
Taxes payable		95
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Total liabilities		**116**
Equity		
Share capital	9	5,000
Retained earnings		379
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General director	_______________	Omar-Salim Dhanani
Deputy Director General	_______________	Dmitry Bocharov

Notes on pages 9-19 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2023

(In ‘000 GEL)

	Note	2023 (From 14 March)
Interest income	10	261
Net interest income		**261**
General and administrative expenses	11	(171)
Foreign exchange differences, net		(88)
Profit before tax		**2**
Income tax expense		-
Total comprehensive income for the period		**2**

Notes on pages 9-19 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the period ended 31 December 2023

(In ‘000 GEL)

	Note	2023
Net change in operating assets		
Interest income	10	261
Net cash flows from operating activities		**261**
Cash flows from investing activities		
Purchase of intangible assets	8	(200)
Net cash flows used in investing activities		**(200)**
Cash flows from financial activities		
Transactions with shareholder		286
Issuance of ordinary shares		5,000
Net cash flows from financial activities		**5,286**
Impact of exchange rate changes on cash and cash equivalents		(61)
Net increase in cash and cash equivalents		**5,286**
Cash and cash equivalents at the beginning of the period		**-**
Cash and cash equivalents at the end of the period	**7**	**5,286**

Notes on pages 9-19 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2023

(In ‘000 GEL)

	Share capital	Retained earnings	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**

Notes on pages 9-19 are an integral part of these financial statements.

1. General information

JSC Pave Bank Georgia (hereinafter the “Bank”) was incorporated in 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 6 months. As it is mentioned in Note 14, after 12 July 2024, the Bank was granted to carry out banking activities in real mode. National Bank of Georgia defined the requirements that the bank must gradually meet.

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

As at 31 December 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:

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

The bank had 3 employees during the reporting period who represent the bank's top management.

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.

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 significant 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 2023:

IFRS 17 Insurance Contracts. IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of:

• Combining current measurement of future cash flows with recognising profit over the period that services are provided under the contract

• Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and

• Requiring an entity to make an accounting policy choice for each portfolio whether to recognise all insurance finance income or expenses for the reporting period in profit or loss, or to recognise some in other comprehensive income.

Subsequent to the issue of IFRS 17, amendments to the standard and deferral of effective dates have been made.

Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2). In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from ‘significant accounting policies’ to ‘material accounting policy information’. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.

Definition of Accounting Estimates (Amendment to IAS 8). In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16).

2. Basis of preparation (continued)

The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

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

B) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE:

Standards and Amendments Mandatorily Effective from 1 January 2024

Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7). On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (the Amendments). These Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the presentation requirements for liabilities and associated cash flows arising out of supply chain financing arrangements and related disclosures. In December 2020, the Committee published an Agenda Decision Supply Chain Financing Arrangements—Reverse Factoring that addressed this submission based on the requirements in IFRS Accounting Standards existing at that time. During this process, the feedback from stakeholders indicated limitations of the then existing requirements to address important information needs of users to understand the effects of supplier finance arrangements on an entity's financial statements and to compare one entity with another. In response to this feedback, 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 IFRS Interpretations Committee issued an agenda decision in June 2020 – Sale and leaseback with Variable Payments. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the sellerlessee 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 IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022. 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. As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.

Amendment – Noncurrent Liabilities with Covenants (Amendment to IAS 1). Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. 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 Company's financial statements.

(In ‘000 GEL)

2. Basis of preparation (continued)

C) STANDARDS AND AMENDMENTS MANDATORILY EFFECTIVE FROM 1 JANUARY 2025

Lack of Exchangeability (Amendment to IAS 21) On 15 August 2023, the IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the Amendments). The Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the determination of the exchange rate when there is a long-term lack of exchangeability. IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice. The Committee recommended that the IASB develop narrow-scope amendments to IAS 21 to address this issue. After further deliberations, the IASB issued an exposure draft of the proposed amendments to IAS 21 in April 2021 and the final amendments were issued in August 2023. 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.

Other

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

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 31.12.2023	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.

3. Material accounting policies (continued)

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.

Financial assets – derecognition

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company 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.

3. Material accounting policies (continued)

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, 2023 is comprised of a banking license. A banking license has an indefinite useful life and is not amortized.

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 2023, because of its immaterial amount.

Share capital

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

Transactions with shareholder

Transactions with the shareholder include payments made by the bank's parent company to cover some of the bank's obligations, whitout 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 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.

Recognition of expense

The bank recognizes only those types of Service expenses for which Pave Bank Georgia has signed contracts with service providers. In some cases, the cost of service is fully covered by the bank's parent company, without any compensation request. In such cases, Pave Bank Georgia is not a party to the contract, and the contract is signed between the bank's parent company and the service provider. Such kind of expenses are not recognized in the financial statements of JSC Pave Bank Georgia.

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 Company has elected not to recognise right-of-use assets and lease liabilities for leases with short-term.

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 - The bank recognizes as expenses only those types of services for which Pave Bank Georgia has signed contracts with service providers. In some cases, the cost of services is fully covered by the bank's parent company, without any compensation request from the bank. In such cases, Pave Bank Georgia is not a party to the contract, and the contract is signed between the bank's parent company and the service provider. Such kind of expenses are not recognized in the financial statements of JSC Pave Bank Georgia.

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 2023, the Bank has not recorded expected credit losses in the financial statements, because in the management’s opinion, the financial assets of the company - cash and cash equivalents 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.

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 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.

(In '000 GEL)

5. Financial instruments – risk management (continued)

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

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

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:

31.12.2023	**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 2023 based on contractual undiscounted repayment obligations.

	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**

5. Financial instruments – risk management (continued)

IFRS 7 fair value measurement hierarchy

IFRS 7 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.

Cash and cash equivalents, Mandatory cash balances with the National Bank of Georgia, Liabilities arising from the use of a correspondence account, lease liabilities and other financial liabilities 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, 2023, the bank must ensure that the amount of supervisory capital, including retained earnings, exceeds 5,000 thousand GEL.

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

7. Cash and cash equivalents

As of 31 December 2023, the Company's cash and cash equivalents are denominated in GEL and consists of amounts placed in local financial institutions.

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

As at 31 December 2023 Fitch Ratings for Georgia's Long-Term Foreign and Local-Currency Issuer Default Ratings (IDRs) are '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 Positive outlook. The Country Ceiling is affirmed at 'BBB-' and the Short-term Foreign and Local-Currency IDRs at 'B'.

As at 31.12.2023 the bank has placed its funds in bank with "BB" credit rating. Management assumes that expected credit losses are immaterial as of the reporting dates.

(In ‘000 GEL)

8. Intangible assets

The bank's intangible assets consist of a banking license (cost: GEL200 thousand). The intangible asset has indefinite usufel life and is not amortized.

9. Share capital

As of 31 December 2023, the Bank’s authorized share capital consists of 5,000,000 declared fully paid shares with a nominal value of 1 GEL each. The Bank’s authorized capital consists of the shareholder's contribution in Georgian lari. The share capital consists of ordinary shares.

10. Interest income

Interest income in 2023 (GEL261 thousand) is fully presented of interest accrued on a current account held at a local financial institution.

11. General and administrative expenses

	2023
Consulting Expense	(144)
Rent expense	(27)
	(171)

12. Related party transactions

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

a) 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 then significant influence over the Bank; and that have joint control over the Bank;

b) Members of key management personnel of the Bank or its parent;

c) Close members of the family of any individuals referred to in (a) or (b);

d) 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:

	Shareholder
Equity	
Issuance of ordinary shares	5,000
Transaction with shareholder	377

13. Commitments and contingencies

Requirements of the National Bank - On 14 December 2023, the National Bank of Georgia awarded a banking license to JSC Pave Georgia. Following the issuance of the decree, the Bank was placed under specific restrictions regarding banking activities for a period of 7 months, during which it is expected to meet outlined requirements progressively. As of 31 December 2023, the Bank is in the process of fulfilling these requirements. National Bank of Georgia retains the authority to revoke the banking license of JSC Pave Georgia if these requirements are not satisfactorily met.

Legal cases - As at 31 December 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.

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.

14. Events after the reporting period

Granting of banking activity rights

Effective 12 July 2024, the National Bank of Georgia granted the Bank the authority to conduct banking activities and related services as outlined in the first paragraph of Article 20 of the Law of Georgia on "Activities of Commercial Banks." This authorization is valid for a period of seven months and is subject to the conditions specified in the written instructions from the National Bank of Georgia. The rights granted include:

• The acceptance of both interest-bearing and non-interest-bearing deposits (including demand deposits, term deposits, and other repayable instruments);

• The issuance of loans, encompassing consumer, mortgage, unsecured, and other types of credit;

• Additional activities as permitted by law.

Issuance of shares

On June 5, 2024, the shareholder of the Bank resolved to increase the authorized capital to GEL 8,000 thousand through the issuance of an additional 3,000,000 ordinary shares, each with a nominal value of GEL 1. The consideration was received on June 28, 2024. Of this issuance, the National Bank of Georgia approved GEL 2,549 thousand as regulatory capital, bringing the total NBG-approved regulatory capital to GEL 7,549 thousand.