PAVEBANK

Pillar 3 Annual Report

JSC Pave Bank Georgia

1. INTRODUCTION

1.1 MANAGEMENT STATEMENT

This report has been prepared in accordance with the “Rule on Disclosure of Information under Pillar 3 by Commercial Banks,” as approved by Order No. 92/04 of the President of the National Bank of Georgia, along with other applicable regulatory requirements set by the National Bank of Georgia. The Board of Directors of JSC “Pave Bank Georgia” confirms that the information and data presented in this Pillar 3 Annual Disclosure are complete, accurate, and reliable

The primary objective of this disclosure is to fulfill the Pillar 3 requirements and to enhance the transparency of the bank’s operations by providing key information related to its risk profile and the sufficiency of its regulatory capital, thereby reinforcing stakeholder confidence.

1.2 OVERVIEW OF THE BANK AND STRATEGIC PLANS

JSC "Pave Bank Georgia" (hereinafter referred to as the "Bank" or “Pave Bank”) was established on March 14, 2023. It was initially registered under the name JSC "Pave Georgia." On February 5, 2024, following the issuance of a banking license by the National Bank of Georgia, the Bank adopted its current brand name.

The Bank is a joint-stock company operating in accordance with the legislation of Georgia and is registered under identification number 404668436.

JSC “Pave Bank Georgia” holds a banking license issued by the National Bank of Georgia (License No.305, dated December 14, 2023). The license was granted under the framework for licensing digital banks, with an initial restriction on conducting banking activities in a live environment for a period of seven months.

In July 2024, the National Bank of Georgia lifted this restriction and granted JSC “Pave Bank Georgia” full authorization to operate in the real banking environment.

The Bank was established with a strong focus on compliance and regulatory adherence to build consumer trust in an increasingly regulated financial environment. Our mission is to deliver a modern digital banking experience and offer essential financial services that meet the evolving needs of our customers.

We aim to empower businesses with innovative financial solutions, positioning Pave Bank as a pioneer in shaping the future of banking. Our platform is designed to enable automation of treasury management, payment processing, and a wide range of banking operations. This approach helps our clients reduce risk, enhance transparency with partner organizations, and overcome limitations typically associated with traditional banking services.

Pave Bank also offers a suite of value-added services, leveraging open banking principles and programmable banking capabilities. These features allow us to integrate seamlessly into the daily financial operations of both businesses and individual customers.

2. CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

2.1 SHAREHOLDERS AND GENERAL MEETING

Shareholders' Meeting

The highest governing body of the Bank is the General Meeting of Shareholders. The Annual General Meeting (AGM) shall be convened by the Supervisory Board no later than two (2) months following the completion of the Bank’s annual external audit.

The General Meeting of Shareholders shall be deemed duly constituted and authorized to make decisions if shareholders holding at least 70% (seventy percent) of the total shares are present. If a quorum is not met, the Supervisory Board shall convene a new meeting with the same agenda, within the time frame prescribed by applicable legislation. In such cases, the General Meeting shall be authorized to make decisions regardless of the number of shareholders (or their representatives) in attendance.

According to the Bank’s Charter, and unless otherwise stipulated by Georgian legislation, the General Meeting of Shareholders shall adopt the following decisions by a qualified majority of at least 75% of the votes:

- Amendments to the Charter or Founding Agreement
- Changes to the Bank’s business activities
- Capital-related matters, including share issuance, reduction, or change in class of shares
- Pledging shares as collateral
- Any type of reorganization, including transformation, consolidation, merger, acquisition, or liquidation
- Initiation of bankruptcy or insolvency proceedings
- Acquisition of another company or its business
- Approval of the Bank’s audited financial statements
- Decisions on dissolution or continuation of the Bank, including the appointment or removal of liquidators
- Disposal of all or a substantial part of the Bank’s assets
- Approval and distribution of dividends
- Appointment or change of external auditors

- Dissolution of the Supervisory Board and revocation of its general powers
- Determination of remuneration for Supervisory Board members
- Setting the price for newly issued shares
- Election or dismissal of members of the Supervisory Board (except for the appointment or dismissal of at least one independent member, which requires a unanimous decision of the shareholders)

The General Meeting is also responsible for approving contracts and transactions with related parties or affiliated enterprises.

2.2 SUPERVISORY BOARD

The Supervisory Board of the Bank consists of at least 3 (three) members. Members of the Supervisory Board shall be elected and selected/removed by the general meeting of shareholders. One third of the Supervisory Board, but not less than two members, shall have the status of an independent member, from which one shall be elected by a unanimous decision of the general meeting of shareholders. Unless otherwise determined by the general meeting of shareholders, each member of the supervisory board shall be elected for no more than three (three) years, however, his/her powers shall be extended after the expiration of this term until the convening of the general meeting of shareholders.

Meetings of the Supervisory Board shall be held at least once a quarter, either at the Bank's address or at any other place or electronically determined by the Chairperson. Members of the Supervisory Board may be represented by other members of the Board. One member may be represented by only one other member. Issues that require approval by the Supervisory Board may be made by sending a written decision that shall enter into force after all members have received it and the signature of the Chairperson, except when it is necessary to certify it in a notarial manner for the decision to enter into force.

The Supervisory Board shall be considered to be composed and shall have the right to make decisions if the meeting is attended or represented by a majority of the members, except when the approval of a transaction with the connected person is considered, which requires the consent of at least two thirds of the members who do not have a conflict of interest. If the Supervisory Board is not authorised to make decisions, the chairperson may convene a new meeting within three working days. The new meeting shall be authorised to make decisions if attended by at least 3 (three) members of the Supervisory Board. If the Supervisory Board is still not authorised to make decisions, the chairperson of the supervisory board shall convene the general meeting of shareholders.

Unless otherwise provided for by the legislation of Georgia, the Supervisory Board shall make decisions by a simple majority of the members of the supervisory board, on the following issues: approval/change of the corporate governance regulation of the company, the issuance of preliminary recommendations on the decisions to be submitted to the general meeting of shareholders, and the issuance of preliminary recommendations on the decisions to be submitted to the General Meeting of Shareholders, and the Supervisory Board Election of a Chairperson, convening the Annual General Meeting of Shareholders and an extraordinary general meeting of shareholders, recommendations related to the amount of remuneration and compensation payable to external auditors, approval of plans for the members of the Board of Directors, quarterly review and evaluation of the activities of the management team in relation to the main working and financial tasks, establishment and liquidation of branches and service centers, and/or any other activities that may require the consent of the Supervisory Board.

Unless otherwise provided for by the legislation of Georgia, the following issues shall be made by two thirds of the members present or represented at the Supervisory Board meeting: the appointment and dismissal of the Director General and the members of the Board of Directors, the signing and termination of employment contracts with them, the purchase of real estate or other assets, alienation and use as a means of collateral, if such operations go beyond the scope of daily economic activity to the public and if the volume of such operations exceeds GEL 1,000,000 (one million), the attraction of financial funds if it goes beyond the scope of daily economic activity of the Bank and if the amount of such loan exceeds 1,000,000 (one million) Lari, initiation of new banking (activities) or termination or suspension of existing banking activities(activities), approval of transactions with related enterprises and related entities (in compliance with the policies and legislative requirements), determining the common principles of business strategy and the business plan of the Bank and approving the annual budget.

Diversity of skills, backgrounds, knowledge, and experience is essential for the Supervisory Board of the Bank to effectively fulfill its oversight responsibilities. The Bank considers the current size and composition of its Supervisory Board to be well-suited to the scale and complexity of its operations. Each member of the Supervisory Board brings significant leadership experience from diverse sectors and geographies, having held senior roles across financial services, technology, compliance, and governance in both emerging and developed markets. This diversity enables the Board to make informed, balanced decisions, drawing on a wide range of perspectives and professional expertise.

Independence of the Supervisory Board members is determined in accordance with the Corporate Governance Code for Commercial Banks and the Georgian legislation, and is fully aligned with the requirements set by the National Bank of Georgia and international best corporate governance practices.

The Supervisory Board conducts periodic self-assessments of its effectiveness and annually reviews its Terms of Reference.

In 2024, the Supervisory Board of JSC Pave Bank Georgia held four meetings, with full participation from all Board members. The meetings covered a range of strategic and operational topics essential to the Bank’s development. Key agenda items included a comprehensive review of the Bank’s readiness for launch, performance assessments across core business areas and key control functions, and the formal approval of the appointment of the Internal Auditor. The Supervisory Board maintained active oversight to ensure alignment with the Bank’s strategic objectives and regulatory expectations.

Biographies of members of the Supervisory Board:

Eynour Boutia - Chairman of Supervisory Board, (Independent member)

Eynour Boutia holds a master's degree in international finance from Hautes Études Commerciales, Paris, France, and a degree in engineering (with honors) from Télécom Paris. During his 20-year tenure at JPMorgan, Mr. Boutia gained extensive knowledge in various asset classes, including credit products, securities, new markets, commodity exchanges, and structured finance. During his time at JPMorgan, Mr. Boutia played a major role in the repositioning of fund-related businesses, which led to JPMorgan becoming a leading provider of finance for internationally closed funds. He contributed to the expansion of the commodity investor business. In addition, Mr. Boutia made a significant contribution to the creation of a franchise for alternative investments that provided services to institutional clients in Europe, the Middle East, and the Africa region.

In addition to his experience at JPMorgan, Mr. Boutia has acquired a multi-family office that combines personal investment and financial activities. He consulted CEOs and world leaders on corporate strategy and personal property. In Angola, Mr. Boutia successfully overcame the challenges of the oil crisis by focusing on asset and liability management and successfully restructuring the family business.

Throughout his career, Mr. Boutia has amassed a wide range of skills, including transaction management, client negotiations, and oversight of various issues such as structuring, credit risks, market risks, compliance with legislation, ensuring the protection of clients' assets, and managing financial resources. These experiences have given him remarkable expertise in various financial activities and effective leadership.

Rachel Marin Freeman (Independent member)

Rachel Marin Freeman's education includes a professional development program at the Kennedy School of Government, Harvard University, as part of a scholarship program from the Department of Housing and Urban Development, a master's degree in business administration from the University of Michigan Business School, and a bachelor's degree (with honors) from Middlebury College.
Ms. Freeman has significant experience in managing and supporting financial initiatives. From 2014 to 2019, she held the position of Manager of the Asia Pacific Advisory Division in Hong Kong under the Financial Institutions Group of a well-known organization. During this time, she led the provision of consulting services for clients with ties to the International Finance Corporation (IFC). She played a crucial role in promoting financial access, and also developed innovative strategies for clients in areas such as digital banking, bank-fintech collaboration, green finance, and SME finance.

While performing her own functions, Ms. Freeman effectively led the IFC workforce, in particular a diverse group of more than 100 individuals overseeing a significant advisory portfolio of $70 million. She has gained a wide variety of experience in the leading countries of the region, which has helped her to comprehensively analyze regional dynamics and challenges in the banking industry. Previously, from 2008 to 2012, Ms. Freeman worked as a Senior Operations Officer in Central Asia, which included facilitating and managing investments for agribusiness and small enterprises. During this period, she significantly increased her agribusiness portfolio to $13 million. From 2004 to 2008, she served as the leader of the regional business line for access to finance in Africa in Johannesburg. While in this position, she led a team of 20 professionals and implemented a number of programs in fields such as SME Banking, Housing Finance, Leasing, Financial Infrastructure, Securities Market Development, and Microfinance. It is noteworthy that she founded seven microfinance banks with 100,000 loan accounts and 390,000 deposit accounts in 2.5 years.

Kakhaber Kiknavelidze (Independent member)

Kakhaber Kiknavelidze's experience in the financial sector spans over 20 years. Over the years, he has held various leading positions, both in Georgia and abroad. He exceeded the bank's core performance goals with double-digit and 20% growth in the loan portfolio every three years. In addition, in 2016–2019, Mr. Kiknavelidze oversaw the division of financial and non-financial business groups and attracted the first local currency-denominated Eurobonds in the amount of $500 million. During this period, he also developed and launched a fully recycled, modern mobile banking platform for 2.1 million customers of the bank.

In 2008–2016, he held the position of a member of the Supervisory Board of the Bank of Georgia and, as an independent director, participated in all strategic decisions related to the Bank's development direction, supervised internal audits and risk functions, and managed relations with external auditors as a member of the audit and risk committees. At the same time, he served as Managing Partner and Senior Investment Officer at Rioni Capital Partners (London, UK). Mr. Kiknavelidze has received his education in both Georgia and the United States. In particular, he holds a master's degree in finance from Emory University (USA) and a bachelor's degree in economics from the Georgian Agricultural University.

2.3 AUDIT COMMITTEE

The Audit Committee of JSC “Pave Bank Georgia” is a standing committee established by and accountable to the Supervisory Board. Its mandate is to assist the Board in fulfilling its oversight responsibilities across financial reporting, internal and external audit, internal controls, compliance, and regulatory reporting. The Committee operates in accordance with Georgian legislation and its approved Terms of Reference.

Composition and Independence

The Committee comprises at least three members, the majority of whom are independent Supervisory Board members. The Chairperson is an independent member of the Board and is not permitted to simultaneously chair the Supervisory Board or any other committee. At least two members, including the Chairperson, must have recent and relevant experience in finance, accounting, or auditing. This composition ensures sufficient professional competence and independence in fulfilling oversight functions.

Meeting Frequency and Procedures

The Committee meets at least four times a year, with additional meetings convened when necessary. Meetings can be held physically or via electronic means, and all members are expected to attend. Quorum is achieved with a majority of members present. Decisions are made by majority vote, with the Chairperson holding a casting vote in case of a tie. Minutes of each meeting are formally documented and signed.

Core Responsibilities

The Audit Committee's responsibilities span several key domains:

1. Internal Controls
The Committee reviews the adequacy and effectiveness of internal control systems, risk management, compliance, and governance frameworks. It also monitors implementation of internal audit and external audit recommendations related to control enhancements and ensures appropriate follow-up on deficiencies.

2. Accounting and Financial Statements
The Committee oversees the integrity of the Bank's financial statements. It reviews significant accounting estimates, changes in accounting policies, and the appropriateness of accounting judgments, ensuring alignment with applicable financial reporting standards and regulations. The Committee also approves statutory financial statements in accordance with the Georgian Corporate Governance Code.

3. External Financial and Regulatory Reporting
The Committee ensures that the Bank's Annual Report, Pillar 3 disclosures, and other external communications are fair, balanced, and understandable. It evaluates whether financial and narrative disclosures adequately reflect the Bank's financial performance, position, business model, and strategy, and it assesses going concern assumptions and the longer-term viability statement.

4. Compliance and Legal Oversight
The Committee reviews the Bank's compliance framework, including anti-fraud and anti-bribery measures, and approves the annual compliance plan. It regularly receives and evaluates reports on compliance breaches, regulatory incidents, whistleblowing, and fraud investigations. It also ensures that the compliance function is sufficiently resourced and appropriately skilled.

5. Internal Audit Oversight

The Committee appoints and evaluates the Head of Internal Audit, approves the internal audit charter and annual audit plan, and ensures independence of the internal audit function. It reviews audit reports, tracks implementation of internal audit recommendations, and ensures that the function aligns with best international practices and quality standards.

6. External Audit Oversight

The Committee is responsible for recommending the appointment, reappointment, or removal of the Bank's external auditor. It oversees the external audit process, reviews the audit strategy and findings, and ensures that recommendations from external auditors are implemented effectively. It meets regularly with the external auditor, including in private sessions without executive management.

7. Oversight of Non-Audit Services

The Committee monitors and pre-approves all non-audit services provided by the external auditor to ensure there is no conflict of interest. It reviews annual reports on non-audit fees and maintains a policy to safeguard auditor independence.

Rights and Authority

The Committee has broad authority to:

- Request any reports, documents, or clarifications from management or employees;
- Invite any employee or external expert to attend meetings;
- Engage external advisors at the Bank's expense;
- Place matters on the meeting agenda and document dissenting opinions;
- Recommend improvements to the Bank's policies within its remit;
- Resign from the Committee with notice.

Confidentiality and Ethics

Committee members and participants are bound by strict confidentiality obligations, which survive their tenure. They are expected to act in the best interests of the Bank, maintain independence, and uphold the highest standards of integrity and professionalism.

Annual Review and Performance Assessment

The Committee conducts periodic self-assessments of its effectiveness and annually reviews its Terms of Reference. It evaluates the quality and timeliness of information it receives and recommends changes to ensure continued alignment with best practices and evolving regulatory requirements.

2.4 RISK COMMITTEE

The Risk Management Committee of JSC “Pave Bank Georgia” is a permanent committee established by and reporting directly to the Supervisory Board. The Committee plays a central role in ensuring that the Bank maintains a robust and forward-looking risk management framework aligned with its strategic objectives and regulatory requirements.

Composition and Governance

The Committee is composed of three members, with the majority being independent members of the Supervisory Board. The Chairperson of the Committee is elected by the Board from among the Committee members and must be an independent Board member who does not serve as Chair of the Supervisory Board or any other committee. The structure ensures independence and objectivity in risk oversight. Meetings are held at least twice annually, with provisions for extraordinary meetings when required. A quorum is achieved with a majority of members present, and decisions are made by majority vote, with the Chairperson holding a casting vote in case of a tie.

Scope of Responsibilities

The Committee is tasked with overseeing the full spectrum of risk management activities of the Bank, including:

- Risk Strategy and Appetite: Reviewing the Bank’s risk strategy and appetite and ensuring consistency with the Bank’s strategic, capital, and financial plans. It also monitors implementation of Board-approved risk limits and thresholds.
- Capital and Liquidity Management: Overseeing capital adequacy and liquidity strategies, ensuring the Bank maintains sufficient buffers under both normal and stressed conditions.
- Risk Categories Oversight: Supervising key risk types including credit, market, operational, reputational, and cyber risks, and evaluating the Bank’s capacity to manage these in alignment with its business model and regulatory obligations.

- Internal Capital Adequacy Assessment (ICAAP): Reviewing the ICAAP documentation and making recommendations for its approval by the Supervisory Board.
- Risk Reporting: Receiving regular reports from the Chief Risk Officer (CRO) and other relevant units on risk exposures, breaches of risk limits, and adequacy of mitigation measures. The Committee ensures timely and accurate escalation of key risk issues to the Supervisory Board.
- External Risk Disclosure: Overseeing the quality and accuracy of risk disclosures included in regulatory filings and public reports, including this Pillar 3 disclosure.

Oversight of Risk Governance

The Committee evaluates the effectiveness of the Bank’s overall risk management framework, including internal controls and governance processes. It ensures appropriate risk culture and promotes a clear allocation of risk responsibilities across the three lines of defense. The Committee also advises the Supervisory Board on improvements to risk governance, internal policies, and frameworks where necessary.

The Committee closely monitors the independence and performance of the CRO, including the adequacy of resources available to the risk function. It makes recommendations to the Board on the appointment, performance evaluation, or dismissal of the CRO as needed.

All Committee members are bound by strict confidentiality obligations with respect to the information discussed and documents reviewed. These obligations remain in force even after a member’s resignation or termination from the Committee.

The Committee performs regular self-assessments of its effectiveness and conducts an annual review of its Terms of Reference. It also assesses the quality of information it receives from management and risk functions and reports any necessary revisions to the Supervisory Board.

2.5 BOARD OF DIRECTORS

The daily operations of the Bank are managed by the Board of Directors, which is led by the Director General. The Board of Directors of the Bank:

- Oversee and execute the Bank’s day-to-day activities.
- Discuss all issues on the agenda of the bank's shareholders' or supervisory board meetings in advance, prepare appropriate information, proposals and draft decisions that are made on them.
- At the end of the financial year, prepares and submits to the Supervisory Board for approval the business plan for the next year, which includes the calculation of the annual budget and profit-loss, as well as the bank's investment plan.
- Supervises the bank's implementation of procedures such as lending, payments, financing, cash-related services, bank cash and values reporting and drafting reports, internal control and oversight of all major bank activities.
- Supervises the functioning of bank branches and service centers and ensures the proper performance of their tasks and functions by all managers.
- Reviews the information provided as a result of external and internal audits, reports provided by branch managers and service center heads and makes appropriate decisions based on this information
- Ensure the implementation of the decisions of the general meeting of shareholders and the meetings of the supervisory board.
- Develops the Bank's policies, rules, internal regulations and any other regulatory documents and shall submit them to the Supervisory Board for approval and ensure compliance with the terms of policies, internal regulations and any other regulatory documents.
- Makes decisions on personnel selection, qualification raising, employment, and remuneration in accordance with the restrictions contained in the Bank's Charter.
- A decision shall be made on any other matter that time from time may be assigned by the Supervisory Board of Directors (or by its individual members) and/or by the general meeting of shareholders.

Biographies of the members of the Directorate Team:

CEO – Omar-Salim Dhanani

Omar-Salim Dhanani is an experienced leader and entrepreneur with over 15 years of experience. Omar-Salim Dhanani is an experienced fintech, banking, and payments entrepreneur with extensive experience in financing, business and product management, operations, software development, risk management, and relationships with regulatory bodies. He has extensive experience in adaptable, multi-market financial services and scaling digital banking operations, especially in Southeast Asia. His core competencies are retail and commercial banking, risk management, corporate governance, capital management, financial regulations, business scaling, and negotiations.

Experience:

- Pave Bank (CEO and Co-Founder): Currently building a digital bank focused on using programmable money and smart contracts that are aimed at revolutionizing the global banking sector. Built the business from scratch and led the attraction of funds, providing the largest preliminary funding in Asia from leading global investors in North America, Europe, and Asia.

- BigPay Group (CEO, Executive Chairman, and Co-Founder): Established the largest neobank in Southeast Asia, which has expanded operations in Singapore, Malaysia, Thailand, and the Philippines. Attracted more than $165 million in share capital. Led numerous product developments for customers who did not have access to services, including electronic money deposits, money transfers, and consumer credit. The business was acquired by Capital A, a company listed on KLSE.

- Carta Worldwide (EMEA Region Head of Business Development): Led commercial growth in the EMEA region, which included 450% revenue growth in 2.5 years. Managed relationships with banks, fintech companies, and large platforms, and led many initiatives in foreign currency and open banking. The business was acquired by Mogo, a company listed on the NASDAQ exchange.

- World Bank Group (Program Analyst): Worked on promoting economic development in Latin America, focusing on formalizing property rights and decentralizing regional projects.

Omar-Salim Dhanani is actively involved in the activities of global fintech communities through various associations and leadership roles to promote global fintech initiatives in Europe and Asia.

Deputy General Director, Risk Director – Dmitry Bocharov

Dmitry Bocharov is an expert in fintech and banking with 20 years of experience in digital product development, operations, and risk management. His main focus is to combine traditional and digital banking solutions to provide advanced financial services to the market. Dmitry has led projects in both Europe and Asia, specializing in fintech strategies, product management, and digital banking initiatives.

Experiences:

- Pave Bank (CRO and Co-Founder): Currently building a digital bank focused on using programmable money and smart contracts that are aimed at revolutionizing the global banking sector.
- BigPay Group (Chief Product Officer, Head of Lending, Chief Commercial Officer): Led the development of products in the field of payments, digital assets, international remittances, and loans. Played an important role in launching fully digital loan products and expanding BigPay in Southeast Asia. Contributed to BigPay's successful $100 million investment round.
- VPBank (Chief Digital Officer, Head of Digital Lab, Head of Lending): Managed digital strategy and transformation processes that led to a significant increase in digital banking in Vietnam. Achievements include the transfer of 94% of retail transactions to digital platforms and overseeing the development of a digital lab that functioned as an innovation center for fintech projects.
- Ferratum Group (Country Manager): Led the expansion of digital loans, improved risk management, and achieved a 300% increase in lending.
- HSBC (Deputy Head of Affiliate / Head of Retail Business): Helped establish HSBC's retail business and achieved the highest ratings in service delivery.

Dmitry's career is distinguished by awards such as “Outstanding Digital Bank” (IDG International Data Corporation, 2018) and several recognitions from Asian Banker for digital innovation in Vietnam.

Deputy General Director, Technology Director – Simon James Vance-Colina

Simon Vance-Colina is an experienced technology and fintech innovator with more than 20 years of experience in banking, financial services, and cloud infrastructure. He has recognized success in creating and scaling banking technology platforms, as well as leading technology teams for the most successful fintech companies in Europe and Southeast Asia. Simon has extensive experience working with cloud platforms, including AWS and GCP, and has also worked with modern technologies such as Kubernetes. He also consulted PwC and Lloyds Bank on the migration of core banking platforms and participated in discussions on central bank digital currencies and sandbox trials with the Bank of England.

Experience:

- Pave Bank (CTO and Co-Founder): Leads the development of innovative products, ensures compliance with regulations, and implements the development of safe and secure practices in a leading fintech startup.
- BigPay Group (Chief Technology Officer): Was responsible for all aspects of the technology, including the leadership of a team of 50 engineers and the management of regulatory responsibilities. He led BigPay's technology initiatives in Singapore and Malaysia.
- Fronted (Co-Founder & Chief Technology Officer): Was a co-founder of a regulated fintech company focused on consumer credit. Successfully attracted capital of £20 million. Played an important role as an FCA-approved person in the management of the organization.
- Monzo Bank (Founding Team Member & Platform Engineer): Made a significant contribution to Monzo's development, including migration to Kubernetes, which helped scale the organization. His work on programmable banking was covered in *Wired* magazine. Monzo has grown to 7 million customers and its valuation to $4.5 billion.
- Open Banking Working Group (Committee Member): Represented Monzo in the establishment of open banking standards and played an important role in obtaining FAPI and OIDC authentication.

2.6 OWNERSHIP STRUCTURE

As of December 31, 2024, the shareholder of the Bank is:

Shareholder	Address	Identification Number	Number of shares	% of permitted shares	% of the subscribed shares
Paving The Way Pte Ltd	160 Robinson Road, #14-04, Singapore Business Federation Center, Singapore (068914)	202237938C	8,052,000	100%	100%

Beneficial owners of the bank	Share %
Omar-Salim Dhanani	65.00%
Simon James Vans-Colina	20.00%
Dmitry Bocharov	15.00%
ALL	100%

3. RISK MANAGEMENT AND INTERNAL CONTROLS

Pave Bank is committed to fostering a strong risk culture that permeates all levels of the organization. This approach aligns with regulatory expectations set by the National Bank of Georgia (NBG) and the Basel Committee on Banking Supervision, emphasizing ethical conduct, accountability, and sound risk management practices.

Risk management at the Bank is conducted through a continuous cycle of identification, assessment, monitoring, and control. This includes the establishment of risk limits and other internal control mechanisms. Effective risk management is fundamental to the Bank’s operations, and all employees share responsibility for identifying and addressing risks within their areas of activity. The Bank's primary risk exposures include liquidity, market, operational, and other non-financial risks. The implemented risk management framework defines acceptable risk thresholds across business areas and ensures adherence to these limits.

The Bank's risk governance and appetite framework is fully aligned with its strategic direction and business model. The risk appetite is defined by the Supervisory Board and provides the boundaries within which the Bank manages its operations. This includes the types and levels of risk the Bank is willing to assume in pursuit of its objectives, ensuring consistency between strategy, capital planning, and risk management practices.

The Bank promotes a strong and ethical risk culture supported by its Code of Conduct and Business Ethics, clearly defined operational limits, and documented procedures for handling risk limit violations. The Bank ensures that all employees understand their role in managing risk through regular training, awareness initiatives, and adherence to internal guidelines that reinforce accountability. The enforcement of risk culture is embedded in day-to-day operations and supported by systematic reporting and escalation protocols when risk thresholds are breached.

The relationship between business units and the risk function is defined through a structured three lines of defense model. Business units are responsible for identifying and managing risks within their activities, while the independent Risk and Compliance functions oversee and challenge these assessments. This independence is further ensured by their direct reporting lines to the Supervisory Board, bypassing executive management for assurance purposes. Cooperation between the lines is maintained through joint committees and frequent risk discussions, which ensure that risk issues are identified early and addressed collaboratively.

Risk information is reported regularly to the Supervisory Board and the Directorate through comprehensive dashboards and detailed reports. These reports include the bank's risk position relative to appetite, key risk indicators, breaches, early warning signals, and trends. The reports are tiered by severity, with immediate escalation required for high-risk breaches. The reporting framework is designed to provide both current risk status and forward-looking analysis to support informed decision-making at the highest level.
The Bank is not currently engaged in lending activities; therefore, lending-related requirements and metrics are not applicable.

Governance Structure for Risk Management

- **Board of Directors**: Responsible for overall oversight of the risk management framework, including approving major risk policies, reviewing procedures, and ensuring the Bank's risk culture is embedded in both strategic planning and daily operations.

- **Supervisory Board**: Ensures the Bank maintains a sound risk culture by approving risk policies, establishing risk appetite, and overseeing implementation of the risk management framework.
- **Executive Directors**: Tasked with translating risk policies into operational strategies and ensuring they are effectively communicated and implemented throughout the organization.
- **Risk Committee**: Composed of members of the Supervisory Board, the Risk Committee monitors the Bank's risk culture and ensures alignment with strategic risk objectives. Additional specialized committees may be established as needed.

This multi-layered governance structure ensures robust oversight, allowing the Bank to respond effectively to changing risk conditions while maintaining its strategic objectives.

The Bank's Strategy and Related Risk Assessment and Management by the Supervisory Board and Directorate

The Supervisory Board and Directorate are actively engaged in shaping, assessing, and overseeing the Bank's strategy and risk profile. The Supervisory Board defines the risk appetite and approves the risk management framework, ensuring strategic alignment with the Bank's operating model. The Directorate ensures the framework is embedded into daily business operations, through strong internal controls and compliance monitoring.

Strategic and tactical risk decisions are guided by a combination of forward-looking scenario analyses, regular risk reporting, and adherence to quantitative and qualitative thresholds. These processes are integral to aligning risk exposures with the Bank's limited risk appetite, particularly given the absence of lending activities.

The risk appetite framework sets strict boundaries for exposure to credit, market, and liquidity risks, while supporting moderate and well-controlled operational risk.

As of 2024, and continuing through 2025, the Bank does not conduct lending operations. Consequently, the risk appetite aligns with a low tolerance for credit and market risk, and a higher emphasis on liquidity and operational resilience. This ensures that all activities remain within the defined strategic objectives approved by the Supervisory Board.

Credit Risk

Credit risk is defined as the potential for financial loss due to a counterparty or borrower failing to fulfill contractual obligations. This risk may arise from various exposures, including investments, derivatives, and other financial instruments. Although the Bank does not currently engage in lending activities, credit risk can still emerge from other financial services.

The Bank applies the Expected Credit Loss (ECL) model in line with IFRS 9. This model requires assessing how economic conditions affect credit losses using a probability-weighted approach. ECL is measured as:

- **12-month ECL**: Expected loss from default events occurring within the next 12 months.
- **Lifetime ECL**: Expected loss from all possible default events over the life of the asset.

The Bank recognizes lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the risk remains low, only 12-month ECL is applied. As of 2024, the Bank did not conduct any lending activities and does not plan to issue loans in 2025.

Market Risk
Market risk refers to the possibility of loss due to fluctuations in market variables, such as interest rates or foreign exchange rates. Other than cash balances in foreign currency, the Bank's exposure to market risk is limited.

Interest Rate Risk
Interest Rate Risk: The risk that changes in market interest rates will affect the fair value or future cash flows of financial instruments. As of December 31, 2024, the Bank has no material exposure to interest rate risk, as it does not hold financial instruments with variable interest rates.

Liquidity Risk
Liquidity risk is the risk that the Bank may not meet its financial obligations as they fall due, under normal or stressed conditions. The Bank manages liquidity by closely monitoring its liquidity position, analyzing cash flow patterns, and identifying mismatches.

As of December 31, 2024, the Bank complied with the Liquidity Coverage Ratio (LCR) and HQLA requirements established by the NBG.

Operational Risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, human errors, system failures, fraud, or external events. While operational risks cannot be entirely eliminated, they can be mitigated through effective internal controls, including:

- Clear segregation of duties and defined responsibilities
- Hierarchical access rights and the four-eyes principle

- A strong risk-aware organizational culture
- Internal audit reviews and risk assessments

The operational risk governance structure involves the Supervisory Board, Executive Directors, Senior Management, and the Risk Committee. While the Board defines the risk appetite, the Directors implement the operational risk management (ORM) framework, supported by relevant committees.

Regulatory Risk

As a regulated financial institution, the Bank is subject to ongoing supervision by the National Bank of Georgia. Regulatory risk refers to the potential impact of changes in laws or regulations, which may apply sector-wide or specifically to the Bank. This may affect the Bank's capital requirements, reporting obligations, or profitability.

Typically, the NBG provides advance notice of planned regulatory changes, allowing time for institutions to adapt. As such, the probability of regulatory risk materializing without sufficient preparation time is considered low.

4. REGULATORY CAPITAL AND KEY INDICATORS

Pave Bank maintains a strong capital position, fully aligned with the capital adequacy framework of the National Bank of Georgia, which is based on the Basel III standard and incorporates both Pillar 1 minimum requirements and additional capital buffers under Pillar 2 and the combined buffer framework.

As of 31 December 2024, Pave Bank maintained a solid capital position, fully compliant with the capital adequacy requirements established by the National Bank of Georgia. The Bank's capital structure consists exclusively of Common Equity Tier 1 (CET1) capital, with no Additional Tier 1 (AT1) or Tier 2 instruments issued as of 31 December 2024.

Under Pillar 1, the Bank is required to maintain a minimum CET1 ratio of 4.50%, a Tier 1 ratio of 6.00%, and a total capital ratio of 8.00%. In addition, the Bank is subject to a combined buffer requirement comprising a 2.5% Capital Conservation Buffer and a 0.25% Countercyclical Buffer, bringing the total combined buffer to 2.75%. These buffer requirements are additive to the minimum thresholds and serve to ensure that the Bank holds sufficient capital to withstand periods of economic or financial stress.

The Bank's CET1 capital at year-end stood at GEL 7.16 million, which also constitutes its Tier 1 and total regulatory capital. This capital base is measured against Risk-Weighted Assets (RWA) of GEL 2.82 million, resulting in high regulatory ratios:

- CET1 Capital Ratio: 254%
- Tier 1 Capital Ratio: 254%
- Total Capital Ratio: 254%
- CET1 requirement: GEL 223,570
- Tier 1 requirement: GEL 272,366
- Total capital requirement: GEL 337,312

This indicates that the Bank held over 19 times the capital required under the CET1 ratio and maintained a substantial surplus across all regulatory capital categories.

These high capital ratios are reflective of Pave Bank's prudent capital planning, low balance sheet risk exposure in its early operational stage, and conservative approach to leverage. The Bank continued to maintain capital buffers well in excess of minimum thresholds throughout 2024, providing a strong foundation for scaling up its activities in 2025.

In summary, Pave Bank's capital position is sound, with significant headroom above regulatory requirements. This capital strength supports the Bank's strategic priorities, ensures resilience under stress, and reinforces its ability to meet regulatory expectations as it scales its operations. The capital planning process is embedded in the Bank's broader risk and governance frameworks.

	Minimum Requirements	Ratios	Amounts (GEL)
1	**Pillar 1 Requirements**		
1.1	Minimum CET1 Requirement	4.50%	126,862
1.2	Minimum Tier 1 Requirement	6.00%	169,150
1.3	Minimum Regulatory Capital Requirement	8.00%	225,533
2	**Combined Buffer**		
2.1	Capital Conservation Buffer	2.50%	70,479
2.2	Countercyclical Buffer	0.25%	7,048
2.3	Systemic Risk Buffer	0.00%	0
3	**Pillar 2 Requirements**		
3.1	CET1 Pillar 2 Requirement	0.68%	19,181
3.2	Tier 1 Pillar2 Requirement	0.91%	25,688
3.3	Regulatory capital Pillar 2 Requirement	1.21%	34,251
	Total Requirements	**Ratios**	**Amounts (GEL)**
4	CET1	7.93%	223,570
5	Tier 1	9.66%	272,366
6	Total regulatory Capital	11.96%	337,312

N		4Q-2024	3Q-2024	2Q-2024	1Q-2024
	Regulatory capital (amounts, GEL)				
	Based on Basel III framework				
1	CET1 capital	7,160,434	7,354,346	7,524,779	5,074,825
2	Tier1 capital	7,160,434	7,354,346	7,524,779	5,074,825
3	Regulatory capital	7,160,434	7,354,346	7,524,779	5,074,825
4	CET1 capital total requirement	223,570	868,094	904,075	534,966
5	Tier1 capital total requirement	272,366	1,002,100	1,043,164	617,268
6	Regulatory capital total requirement	337,312	1,180,761	1,228,615	727,005
	Total Risk Weighted Assets (amounts, GEL)				
7	Total Risk Weighted Assets (Total RWA) (Based on Basel III framework)	2,819,166	8,878,432	9,272,565	5,486,827
	Capital Adequacy Ratios				
	Based on Basel III framework				
8	CET1 capital	254%	83%	81%	92%
9	Tier1 capital	254%	83%	81%	92%
10	Regulatory capital	254%	83%	81%	92%
11	CET1 capital total requirement	8%	10%	10%	10%
12	Tier1 capital total requirement	10%	11%	11%	11%
13	Regulatory capital total requirement	12%	13%	13%	13%
	Income				
14	Total Interest Income /Average Annual Assets	7%	7%	6%	7%
15	Total Interest Expense / Average Annual Assets	0%	0%	0%	0%
16	Earnings from Operations / Average Annual Assets	-14%	-7%	-7%	0%
17	Net Interest Margin	7%	7%	6%	7%
18	Return on Average Assets (ROAA)	-13%	-2%	-7%	0%
19	Return on Average Equity (ROAE)	-16%	-8%	-7%	0%
	Asset Quality				
20	Non Performed Loans / Total Loans	0%	0%	0%	0%
21	ECL/Total Loans	0%	0%	0%	0%
22	FX Loans/Total Loans	0%	0%	0%	0%
23	FX Assets/Total Assets	0%	0%	0%	0%
24	Loan Growth-YTD	0%	0%	0%	0%
	Liquidity				
25	Liquid Assets/Total Assets	89%	95%	97%	95%
26	FX Liabilities/Total Liabilities	38%	99%	90%	55%
27	Current & Demand Deposits/Total Assets	15%	0%	0%	0%

5. REMUNERATION POLICY

JSC Pave Bank Georgia is committed to fostering a transparent, responsible, and risk-conscious corporate culture. The Bank's remuneration policy is aligned with its long-term business strategy, risk appetite, values, and regulatory obligations, including the Corporate Governance Code for Commercial Banks issued by the National Bank of Georgia. The remuneration framework applies to all staff and is specifically structured for material risk-takers, including members of the Supervisory Board, Directorate, and heads of key control functions (e.g., Risk, Compliance, Internal Audit). The list of material risk-takers is reviewed periodically in line with organizational development.

The Bank's remuneration policy is overseen by the Supervisory Board, which directly approves and monitors its implementation. No separate Remuneration Committee has been established. No external consultants were engaged in the design or review of the remuneration policy in 2024.

The remuneration policy is structured by business lines and positions and applies proportionally across the Bank's organizational structure. All decisions are guided by objectivity, market benchmarks, and risk-aligned criteria.

Remuneration Structure

Remuneration at the Bank consists of fixed and, where applicable, variable components:

Fixed Remuneration is the primary component for all employees, including senior management. It reflects the nature of the role, level of responsibility, market benchmarks, and performance. It includes both monetary (base salary) and non-monetary elements (e.g., professional development, and travel allowances).

Variable Remuneration if applied is performance-based, non-guaranteed, and contingent upon the achievement of key performance indicators and prudent risk-taking. Key features include:

- A cap at 100% of fixed remuneration annually;
- Deferral mechanism: 40% is paid upfront, 60% is deferred over three years;
- Deferrals may be reduced or clawed back in cases of misconduct, regulatory breaches, or material risk events;

Deferred compensation is subject to performance and risk review during the deferral period and may be paid either proportionally or fully at the end of the period. Triggers for reduction or clawback include: misconduct, Code of Conduct and Business Ethics violations, supervisory sanctions, significant deterioration of the Bank's performance, or increases in capital requirements due to individual actions.

No changes were made to the remuneration policy during the reporting period. The Bank has not issued shares, options, or hybrid instruments as part of variable remuneration.

Governance and Equal Opportunity

The Supervisory Board is responsible for the approval and oversight of the remuneration policy, including its structure, updates, and application to senior management and material risk-takers. The Directorate implements the policy and proposes updates based on strategic needs. The Bank adheres to principles of equal opportunity, non-discrimination, and meritocracy in all remuneration decisions. Salaries and benefits are determined objectively based on qualifications, responsibilities, and performance, without regard to personal attributes.

6. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) DISCLOSURES

JSC "Pave Bank Georgia" has integrated Environmental, Social, and Governance risks and opportunities into its long-term business strategy. ESG considerations are embedded within the Bank's overall risk management framework, enabling the identification, assessment, and mitigation of ESG-related risks.

Operating in a market increasingly shaped by environmental and social challenges, the Bank seeks to align its practices with responsible and sustainable principles. As part of this commitment, counterparties are expected to adhere to the ESG standards outlined in the Bank's internal framework.

Given that Pave Bank Georgia is in the early stages of its development and currently operates on a limited scale without offering lending products, the implementation of some ESG criteria is currently limited. However, as the Bank expands and diversifies its services, broader ESG standards will be gradually adopted and fully integrated into its operations.

The Bank is also committed to promoting diversity, inclusion, and strong ethical governance across all levels of the organization, reinforcing its position as a responsible and forward-looking financial institution.