JSC ISBANK GEORGIA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2024

Content

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

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Independent Auditors' Report

To the Shareholder of JSC Isbank Georgia

Opinion

We have audited the financial statements of the JSC Isbank Georgia (the "Bank"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the 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.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2023 and 31 December 2022 were audited by other auditors who expressed an unmodified opinion on those statements on 4 July 2024 and 31 March 2023, respectively.

Statement on Management Report

Management is responsible for the Management Report. The Management Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the Management Report and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report when it becomes available and, in doing so, consider whether the Management Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Management Report, we conclude whether the other information:

- is consistent with the financial statements and does not contain material misstatement;
- contains all information that is required by and is compliant with Law of Georgia on Accounting, Reporting and Auditing.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, 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.

KPMG Georgia LLC, a company incorporated under the Laws of Georgia and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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.

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 on the audit resulting in this independent auditors' report is:

Nikoloz Chochua

KPMG Georgia LLC
19 August 2025

	Notes	31 December 2024	31 December 2023*	31 December 2022*
ASSETS				
Cash and cash equivalents	8	47,606	77,287	57,785
Mandatory reserves at the National Bank of Georgia	9	40,896	35,988	39,030
Loans to customers*	10	323,601	270,487	270,017
Investment securities	12	2,976	11,538	2,353
Corporate bonds at amortized cost*	11	53,238	58,330	37,137
Property, equipment, intangible and right-of-use assets	13	9,823	8,134	6,988
Income tax asset		3,823	74	-
Other assets	14	2,844	2,848	2,796
TOTAL ASSETS		**484,807**	**464,686**	**416,106**
LIABILITIES				
Amounts due to credit institutions	15	138,444	109,832	83,628
Amounts due to customers	16	120,318	173,122	149,293
Other borrowed funds	17	70,186	39,233	57,050
Deferred tax liabilities	23	670	641	764
Other liabilities	14	8,808	7,800	8,024
TOTAL LIABILITIES		**338,426**	**330,628**	**298,759**
EQUITY				
Share capital		69,162	69,162	69,162
Fair value reserve for investment securities		-	-	(87)
Retained earnings		77,219	64,896	48,272
TOTAL EQUITY		**146,381**	**134,058**	**117,347**
TOTAL LIABILITIES AND EQUITY		**484,807**	**464,686**	**416,106**

* To improve the quality and understandability of its statement of financial position, the Bank has revisited the presentation of loans to customers and corporate bonds at amortized cost. Further details are disclosed in note 4.

JSC Isbank Georgia
Statement of profit or loss and other comprehensive income for 2024
(in thousands of Georgian Lari)

	Notes	2024	2023	2022
Interest income calculated using effective interest rate		38,265	36,917	29,780
Interest expense		(15,839)	(11,595)	(7,397)
Net interest income	18	**22,426**	**25,322**	**22,383**
Fee and commission income		3,313	3,326	3,238
Fee and commission expense		(608)	(563)	(1,395)
Net fee and commission income	19	**2,705**	**2,763**	1,843
Gains less losses from trading in foreign currencies		978	3,270	2,956
Foreign exchange translation gains/(losses)		492	(304)	(1,057)
Net foreign exchange gain		**1,470**	**2,966**	1,899
Losses from disposal of investment securities measured at fair value through other comprehensive income		-	(87)	(118)
Expected credit loss	20	(2)	(293)	(1,379)
Operating income after credit loss		**26,599**	**30,671**	**24,628**
Personnel expenses	21	(6,486)	(5,469)	(4,821)
Other income		3	60	-
Other expenses	22	(4,970)	(4,417)	(4,030)
Profit before income tax		**15,146**	**20,845**	15,777
Income tax expense	23	(2,823)	(4,221)	(3,264)
Profit for the year		**12,323**	**16,624**	**12,513**
Items that are or may be reclassified subsequently to profit or loss				
Movement in fair value of investment securities measured at fair value through other comprehensive income		-	87	485
Income tax effect on other comprehensive income	23	-	-	(82)
Other comprehensive income for the year		**-**	**87**	**403**
Total comprehensive income for the year		12,323	16,711	12,916

Approved for issue and signed on behalf of the Management on 19 August 2025 by:

Hüseyin Karabulut
Deputy Chief Executive Officer

Ucha Saralidze
Chief Financial Officer

	Share capital	Fair value reserve for investment securities	Retained earnings	Total equity
Balance as at 31 December 2021	**69,162**	**(490)**	**35,759**	**104,431**
Profit for the year	-	-	12,513	12,513
Other comprehensive income for the year	-	403	-	403
Total comprehensive income for the year	**-**	**403**	**12,513**	**12,916**
Balance as at 31 December 2022	**69,162**	**(87)**	**48,272**	**117,347**
Profit for the year	-	-	16,624	16,624
Other comprehensive income for the year	-	87	-	87
Total comprehensive income for the year	**-**	**87**	**16,624**	**16,711**
Balance as at 31 December 2023	**69,162**	**-**	**64,896**	**134,058**
Profit for the year	-	-	12,323	12,323
Total comprehensive income for the year	**-**	**-**	**12,323**	**12,323**
Balance as at 31 December 2024	**69,162**	**-**	**77,219**	**146,381**

	Notes	2024	2023	2022
Cash flows from operating activities				
Profit before income tax		15,146	20,845	15,777
Adjustment for:				
Depreciation and amortization	22	1,281	1,107	1,234
Interest income calculated using effective interest rate	18	(38,265)	(36,917)	(29,780)
Interest expense	18	15,839	11,595	7,185
Expected credit loss	20	2	293	1,379
Losses/(gains) from disposal of property and equipment	13	-	24	(85)
Write-off of intangible assets		144	-	-
Net foreign exchange gain		(492)	333	(1,899)
Losses from disposal of investment securities measured at fair value through other comprehensive income		-	87	-
Cash flows used in operating activities before changes in operating assets and liabilities		**(6,345)**	**(2,633)**	**(6,189)**
(Increase)/decrease mandatory reserves at the National Bank of Georgia		(3,886)	3,933	(7,950)
Decrease in amounts due from banks		-	-	286
Increase in loans to customers*		(50,662)	(4)	(60,363)
Decrease/(increase) in corporate bonds at amortized cost*		5,122	(21,193)	(16,721)
Decrease/(increase) decrease in other assets		8	(126)	1,426
Increase in amounts due to credit institutions		27,269	23,449	11,427
(Decrease)/increase in amounts due to customers		(54,750)	24,670	59,923
Increase/(decrease) in other liabilities		1,275	793	(587)
Cash flows (used in)/from operating activities before interest and tax		**(81,969)**	**28,889**	**(18,748)**
Interest receipts		38,077	36,484	29,279
Interest payments		(14,522)	(10,627)	(6,847)
Income tax paid		(6,543)	(4,884)	(3,646)
Cash flows (used in)/from operating activities		**(64,957)**	**49,862**	**38**
Cash flows from investing activities				
Purchases of investment securities		(7,549)	(12,291)	(3,210)
Receipts from investment securities		16,103	3,263	14,753
Purchases of property, equipment and intangible assets	13	(2,990)	(2,229)	(64)
Cash from/(used in) investing activities		**5,564**	**(11,257)**	**11,479**
Cash flows from financing activities				
Proceeds from other borrowed funds	17	47,201	-	8,653
Repayments of other borrowed funds	17	(16,751)	(18,492)	(13,287)
Repayments of principal portion of lease liabilities	14	(725)	(684)	(801)
Cash flows from/(used in) financing activities		**29,725**	**(19,176)**	**(5,435)**
Net (decrease)/increase in cash and cash equivalents		**(29,668)**	**19,429**	**6,082**
Effect of exchange rate changes on cash and cash equivalents		(13)	73	(335)
Cash and cash equivalents as at the beginning of the year	8	77,287	57,785	52,038
Cash and cash equivalents as at the end of the year	**8**	**47,606**	**77,287**	**57,785**

* To improve the quality and understandability of its statement of cash flows, the Bank has revisited the presentation of loans to customers and corporate bonds at amortized cost. Further details are disclosed in note 4.

1 Introduction

JSC Isbank Georgia (hereinafter the "Bank") is a joint stock company, incorporated on 29 June 2015 in accordance with legislation of Georgia. The Bank operates under a general banking license (N: 368) issued by the National Bank of Georgia ("NBG") on 1 August 2015. The Bank is registered by the LEPL National Agency of Public Registry and the registration number is 404496611.

Before reorganization (1 August 2015) the Bank was presented as Batumi Branch of JSC Isbank Turkey (the "Branch") registered on 13 July 2012 by the National Bank of Georgia (License N: 908) as a branch of a foreign bank Türkiye İş Bankası Anonim Şirketi (the "Parent" or the "Shareholder") which was incorporated in Turkey in 1924.

Principal activity. The Bank's principal activities include the following: accepts deposits from the public and provide credit, transfers payments in Georgia as well as abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Main office of the Bank is in Tbilisi, Georgia and as at 31 December 2024 it has one branch located in Tbilisi (31 December 2023 and 2022: two branches located in Tbilisi and Batumi).

Registered address and place of business. The Bank's registered legal address is 72a Ilia Chavchavadze Avenue, Tbilisi, Georgia.

As at 31 December 2024, 2023 and 2022, the Bank's 100% shareholder was JSC Isbank Turkey.

As of 31 December 2024, 38.59% of the JSC Isbank Turkey shares are owned by T. İş Bankası A.Ş. Supplementary Pension Fund (Fund), 28.09% are owned by the Republican People's Party- CHP (Atatürk's shares) and 33.32% are on free float (31 December 2023: 38.2%, 28.09% and 33.71%, respectively; 31 December 2022: 37.31%, 28.09%, 34.60%, respectively).

As at 31 December 2024, 2023 and 2022 the Bank does not have an ultimate controlling party. Related party transactions are disclosed in note 28.

2 Operating environment of the Bank

The Bank's operations are primarily located in Georgia. Consequently, the Bank is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. Additionally, introduction of tariffs on import of certain categories of goods by the United States in April 2025 has contributed to global economic uncertainty. These measures affect international trade flows and investor sentiment. The introduction of tariffs and other protectionist measures, the volatility in the global price of oil and the ongoing military conflict between the Russian Federation and Ukraine has further increased uncertainty in the business environment.

The recent events, including inflation, did not have a significant impact on the expected credit loss (ECL).

Climate change. The management has taken note of global awareness and concerns about the potential impact of climate change. The Bank adapted Environmental and Social Risk Management policy, which describes the Bank's commitment to sustainable finance as an integral component of responsible corporate governance. The Bank reviewed its exposure to climate-related risks and did not identify any risks that could significantly impact the financial performance or position of the Bank as at 31 December 2024. The management estimates that current composition and maturity structure of the loan portfolio shows that the largest part of the portfolio is less vulnerable to the climate risk. The management continues to monitor developments in this area and will respond as necessary to ensure the Bank's viability and will adopt all government guidelines when these are issued in the markets in which the Bank operates.

3 Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) under the historical cost convention as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

The Bank presents comparative information for all amounts reported in the current period's financials statement for two preceding periods – years ended 31 December 2023 and 2022. The Bank's management considers such disclosure more useful and informative for the stakeholders of the Bank.

Functional and presentation currency. The national currency of Georgia is the Georgian Lari ("GEL" or "₾"), which is the Bank's functional and presentation currency. These financial statements are presented in thousands of Georgian Lari ("GEL") except where otherwise stated.

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the official exchange rate set by the National Bank of Georgia at the reporting date. Gains or losses resulting from the translation of foreign currency transactions are recognized in the statement of profit or loss as gains less losses from foreign currencies – translation differences. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on revaluation are recognized in profit or loss.

The exchange rates used by the Bank in the preparation of the financial statements as at 31 December 2024, 2023 and 2022 are as follows:

	31 December 2024	31 December 2023	31 December 2022
1 US Dollar / ₾	2.8068	2.6894	2.7020
1 Euro / ₾	2.9306	2.9753	2.8844
1 TRY / ₾	0.0795	0.0910	0.1443
1 GBP / ₾	3.5349	3.4228	3.2581

Presentation of financial statements. The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets /liabilities of the corresponding financial statement line items. Analysis regarding recovery or settlement within 12 months after the reporting date (current) and more 12 months after the reporting date (non-current) is presented in note 25.

4 Material accounting policy information

Initial recognition of financial instruments. Financial instruments at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs.

Financial assets – classification and subsequent measurement – measurement categories. The Bank classifies financial assets in the following measurement categories: FVOCI and Amortized Cost (AC). The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – reclassification. The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank changes the business model for managing financial assets. Financial liabilities are never reclassified.

Financial assets impairment – expected credit loss (ECL) allowance. The Bank assesses, on a forward-looking basis, the ECL for financial assets measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The bank measures ECL and recognises credit loss allowance at each reporting date.

The Bank applies a three-stage model for impairment. The approach is summarised as follows:

- Stage 1: The Bank recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition. For those financial assets with a remaining maturity of less than 12 months, a PD is used that corresponds to the remaining maturity;
- Stage 2: The Bank recognises a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those financial instruments which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of financial instrument. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1. Financial instruments in stage 2 are not yet deemed to be credit-impaired;
- Stage 3: If the financial instrument is credit-impaired, it is then moved to stage 3. The Bank recognises a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Defaults (PD) of 100% for financial instruments that are credit-impaired.

Financial instruments within the scope of the impairment requirement of IFRS 9 are classified into one of the above three stages.

Key judgment and estimates used under IFRS 9 are disclosed in note 5.

Financial assets – derecognition and modification. The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank assesses whether the modification of contractual cash flows is substantial, in which it considers certain qualitative and quantitative factors combined. Qualitative criteria may include significant change in the structure of the loan facility, change in counterparty, change in the contractual interest rates due to market environment changes.

4 Material accounting policy information (continued)

For the quantitative assessment, the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. It should be assessed whether change in contractual cash flow is substantial (significance defined as 10% change). If the test result is above 10% threshold, loan should be derecognized, whereas if the test is passed and result is below or equal to 10%, financial asset can be assessed as modified.

If above mentioned qualitative and quantitative criteria are not met, then modification does not result in derecognition.

Write-off. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event. For more information about the write-off methodology of the Bank, refer to note 25.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC.

Impairment of non-financial assets. Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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 notes and coins on hand, amounts due from National Bank of Georgia (NBG), excluding mandatory reserves, and other highly liquid financial assets with original maturities of less than three month. Cash and cash equivalents are carried at amortised cost.

Mandatory reserves with NBG. As financial assets are carried at amortised cost and represent mandatory reserve deposits that are not available to finance the Bank's day-to-day operations.

Loans to customers. Loans to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Impairment allowances are determined based on the forward-looking ECL models. Note 25 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

Factoring receivables. Factoring receivables, presented as part of loans to customers, are measured at amortised cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

4 Material accounting policy information (continued)

Investment securities. Investment securities include Government bonds. The Bank classifies investment securities as carried at AC or FVOCI. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent solely payments of principal and interest ("SPPI"). Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit of loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Corporate bonds at amortized cost. The Bank classifies corporate bonds as carried at AC, as they are held for collection of contractual cash flows that represent SPPI. Interest income from these assets is calculated using the effective interest method and recognised in profit of loss for the year.

Property and equipment. Property and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position – refer to the accounting policy in below. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets.

Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Leasehold improvements	10 years
Computers and office equipment	5-10 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Right-of-use assets	lease term

An asset should be removed from the statement of financial position on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the assets is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets. Acquired intangible assets are stated at cost less accumulated amortization and impairment losses. Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range up to 15 years.

Right-of-use assets. Right-of-use assets are presented as part of property, equipment, intangible and right-of-use assets in the statement of financial position. The Bank recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. Right-of-use assets are also subject to impairment.

4 Material accounting policy information (continued)

***Repossessed assets*.** The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and carrying amount of defaulted loan for non-financial assets at the repossession date in, line with the Bank's policy.

Amounts due to customers. Amounts due to customers are non-derivative liabilities to individuals or corporate customers and are carried at AC.

Other borrowed funds. Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss profit or loss and other comprehensive income when the borrowings are derecognised as well as through the amortisation process. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the statement of profit or loss profit or loss and other comprehensive income.

Lease liabilities. Lease liabilities are presented as part of other liabilities in the statement of financial position. At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Financial guarantees, performance guarantees, letters of credit and undrawn loan commitments. The Bank issues financial guarantees, performance guarantees, letter of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss profit or loss and other comprehensive income, and an ECL provision.

Performance guarantees are contracts that provide compensation in case of another party fails to perform a contractual obligation, they are initially recognised in the financial statements at fair value.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre–specified terms to the customer. Similar to financial guarantee contracts these contracts are in the scope of the ECL requirements.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Dividends. The ability of the Bank to declare and pay dividends is subject to the rules and regulations of Georgian legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

4 Material accounting policy information (continued)

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

Under IFRS 9, interest income is recorded using the effective interest rate method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the effective interest rate method. Interest expense is also calculated using the effective interest rate method for all financial liabilities held at amortised cost.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets or liabilities, or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. The effective interest rate (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial assets, as well as fees and costs are an integral part of the effective interest rate. The effective interest rate calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets or liabilities cash flows are revised for reasons other than credit risk, than changes to future contractual cash flows are discounted at the original effective interest rate with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/ expense calculated using the effective interest method.

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

Loan origination fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest revenue over the estimated life of the financial instrument using the effective interest method.

Fee and commission income. The Bank earns fee and commission income from a diverse range of financial services it provides to its customers.

Fee and commission income is recognised at an amount that reflects the considerations to which the Bank expects to be entitled in exchange for providing services. The Bank earns significant part of fee and commission income mainly from the guarantees issued, settlement and other operations.

Fee income earned from guarantees issued - Fees earned for the guarantees include fixed monthly or quarterly commission income. Fee income is recognized over time, as the services are rendered throughout the maturity of the guarantee agreement.

Fee income earned from settlement and other operations - The fee and commission income is recognised at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, merchant fees, account opening and maintenance fees, fees for cash settlements, collection, or cash disbursements, etc.

Credit enhancements. The Bank seeks to use collateral to mitigate its credit risks on financial assets. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS Accounting Standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis.

4 Material accounting policy information (continued)

Contingencies. Contingent liabilities are not recognised in the statements of financial position but are disclosed unless the possibility of any outflow in settlement is remote. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Taxation. Income taxes are provided in the financial statements in accordance with the legislation enacted or substantively enacted by the end of reporting. The income tax comprises of current tax and deferred tax and is recognised in profit or loss except if it is recognised directly in the other comprehensive income because it is related to transactions that are also recognised, in the same or a different period, directly in other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill that is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period that are expected to apply to the extent of time when the temporary differences will reverse or the tax loss carry forwards will be utilised.

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

Change in presentation of financial statements

To improve the quality and understandability of its statement of financial position, the Bank has revisited the presentation of loans to customers and corporate bonds at amortized cost. The Bank considered it more appropriate to present corporate bonds at amortized cost separately from loans to customers. Comparative amounts were reclassified in line with the updated presentation.

The following reclassifications were made to year ended 31 December 2023 and 31 December 2022 statement of financial position and statement of cash flows to conform to the year ended 31 December 2024 presentation requirements:

Statement of financial position as at 31 December 2023	**As previously reported**	**Reclassification**	**As reclassified**
Loans to customers	328,817	(58,330)	270,487
Corporate bonds at amortized cost	-	58,330	58,330

Statement of cash flows for the year ended 31 December 2023	**As previously reported**	**Reclassification**	**As reclassified**
Increase in loans to customers	(21,197)	21,193	(4)
Increase in corporate bonds at amortized cost	-	(21,193)	(21,193)

4 Material accounting policy information (continued)

Statement of financial position as at 31 December 2022	As previously reported	Reclassification	As reclassified
Loans to customers	307,154	(37,137)	270,017
Corporate bonds at amortized cost	-	37,137	37,137

Statement of cash flows for the year ended 31 December 2022	As previously reported	Reclassification	As reclassified
Increase in loans to customers	(77,084)	16,721	(60,363)
Increase in corporate bonds at amortized cost	-	(16,721)	(16,721)

5 Critical accounting estimates and judgements in applying accounting policies

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount or revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could results in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant Increase in Credit Risk (SICR)

A significant increase in credit risk is not a defined term per IFRS 9, and is determined by management, based on their experience and judgment. In assessing whether the credit risk has significantly increased the Bank has identified a series of qualitative and quantitative criteria based on undertaking the holistic analysis of various factors including those which specific to a particular financial instrument or to a borrower as well as those applicable to particular sub-portfolios. The Bank has established general trigger events for individually significant and collectively assessed loans.

Measurement of expected credit losses (ECL)

ECL reflects an unbiased, probability-weighted estimate based on a combination of the following principal factors: probability of defaults (PD), loss given defaults (LGD), exposure at default (EAD) and loss given liquidation of collateralized exposure (LGL) which are further explained below:

Probability of Defaults (PD): The bank estimates PD based on a combination of rating model calibration results and a migration matrices approach which is further adjusted for macroeconomic expectations for all portfolios, to represent the forward-looking estimators of the PD parameters. With the forecasted conditional PD's migration matrices are constructed, from which unconditional marginal PD's are calculated that are further adjusted by age of the instrument in the portfolio. Since stage 3 financial instruments are defaulted, the probability of default in this case is equal to 100%.

5 Critical accounting estimates and judgements in applying accounting policies (continued)

Exposure at Defaults (EAD): The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial asset. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals discounted at the EIR. For Stage 1, the EAD are calculated as outstanding amount of loans and off balance commitments that are expected to be impaired in the period of 12 month after reporting period. For Stage 2 financial instruments, the EAD is calculated for each contractual remaining year. EAD for each year is estimated as an outstanding amount by the reporting period minus the cumulative yearly principal repayments. The outstanding amount by the reporting period is calculated taking into account CCF and cash cover amounts. For Stage 3, the EAD is calculated as the outstanding amount of the instrument by the reporting date taking into account CCF and cash cover amounts.

Loss Given Default (LGD): LGD is defined as the likely loss in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in default event and therefore captures the severity of a loss. LGD rates are calculated for corporate and retail portfolios. LGD is statistically calculated based on historical loan recovery data and takes into account historical losses incurred on unsecured exposures. While calculating LGD, recoveries of outlier exposures are excluded from the calculation. LGD is expressed as a percentage of the EAD.

Loss Given Liquidation of collateralized exposures (LGL): LGL represents the percentage of the exposure that cannot be recovered from collateral liquidation if the exposure is defaulted. Loss Given Liquidation calculation takes into account LTV, adjusted by time to sale of movable and immovable collateral, real estate price index, EIR, and expected sales ratio of collaterals. For uncollateralized exposures LGD rate is used. As for the partially collateralized exposure, unsecured part is calculated based on LGD while LGL is used for the secured part.

Macro-economic scenarios

Under IFRS 9, the allowance for credit losses is based on reasonable and supportable forward-looking information obtainable without undue costs of effort, which takes into considerations past events, current conditions and forecasts of future economic conditions.

To incorporate forward-looking information into the Bank's allowance for credit losses, the Bank uses the macroeconomic forecasts provided by National Bank of Georgia. Macroeconomic variables covered by these forecasts and which the Bank incorporated in its ECL assessment model include GDP growth and foreign exchange rate. The determination of the probability weighted ECL requires evaluating a range of diverse and relevant future economic conditions. To accommodate this requirement, the Bank uses three different economic scenarios in the ECL calculation: an upside (weight 0.25), a baseline (weight 0.50) and downside (weight 0.25) scenario relevant for each respective portfolio. A weight is computed for each scenario by using a probabilistic economic model that considers recent information as well as historical data provided by National Bank of Georgia. See also note 25.

6 Adoption of new or revised standards and interpretations

The following amendments that are effective from 1 January 2024, did not have significant effect on the Bank's financial statements:

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1);
- Supplier Finance Arrangement (Amendments to IAS 7 and IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

7 New accounting pronouncements

The following amendment is not expected to have a significant impact on the Bank's financial statements. The pronouncement is effective for annual periods beginning after 1 January 2024 and earlier application permitted:

– Lack of Exchangeability (Amendments to IAS 21) – effective 1 January 2025;

The Bank is in the process of assessing the impact of the following new and amended standards:

– Classification and Measurement of Financial instruments (Amendments to IFRS 9 and IFRS 7) – effective 1 January 2026: *The amendment is related to settlement of financial liabilities using electronic payment system as well as assessment of contractual cash flow characteristics of financial assets.*
– Annual Improvements to IFRS Accounting Standards (volume 11) - effective 1 January 2026: *among other changes the amendments are related to IFRS 7 Financial instruments: Disclosures (Gain or loss on derecognition, disclosure of deferred difference between fair value and transaction price, credit risk disclosures) and IFRS 9 Financial Instruments (Derecognition of lease liabilities, Transaction price).*
– Presentation and Disclosure of Financial Statements (IFRS 18) – effective 1 January 2027: *According to the new standard reporting entities are required to classify all income and expenses within statement of profit or loss into five categories (operating, investing, financing, income tax and discontinued operations) and also present newly defined subtotals. Also management-defined performance measures (MPMs) are to be disclosed in a separate note.*

8 Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2024	31 December 2023	31 December 2022
Cash on hand	1,712	1,847	3,279
Correspondent accounts with the NBG (other than mandatory reserve deposits)	731	463	799
Nostro accounts with other banks	24,920	38,115	47,714
Term deposits and overnight placements with the NBG with original maturities of less than three months	5,001	4,202	4,102
Term deposits and overnight placements with other banks with original maturities of less than three months	15,361	32,887	1,891
Total gross amount of cash and cash equivalents	**47,725**	**77,514**	**57,785**
Less: allowance for impairment by stages			
Stage 1	(119)	(227)	-
Total cash and cash equivalents	**47,606**	**77,287**	**57,785**

As at 31 December 2024 the Bank has a placement with one bank (31 December 2023: three banks; 31 December 2022: two banks) with carrying value that individually exceeds 10% of equity. The gross value of that balance as at 31 December 2024 is GEL 28,781 thousand (31 December 2023: GEL 66,186 thousand; 31 December 2022: GEL 47,625 thousand).

8 Cash and cash equivalents (continued)

The credit ratings of nostro accounts with other banks stand as follows:

	31 December 2024	31 December 2023	31 December 2022
BB	24,809	37,993	-
BB-	17	-	47,626
B+	-	84	-
B	-	-	34
Not rated	94	38	54
Less: allowance for impairment	(64)	(96)	-
Total nostro accounts with other banks	**24,856**	**38,019**	**47,714**

The table illustrates the ratings by international agency Fitch Ratings.

The credit ratings of term deposits and overnight placements with other banks with original maturities of less than three months stand as follows:

	31 December 2024	31 December 2023	31 December 2022
BB+	-	3,870	1,891
BB	15,361	12,182	-
B+	-	16,835	-
Less: allowance for impairment	(40)	(119)	-
Total term deposits with other banks	**15,321**	**32,768**	**1,891**

The table illustrates the ratings by international agency Fitch Ratings.

The ECL recognised for deposit with the NBG as at 31 December 2024 amounted to GEL 13 thousand (31 December 2023: GEL 11 thousand, 31 December 2022: nil) and ECL recognised for correspondent accounts with the NBG as at 31 December 2024 amounted to GEL 2 thousand (31 December 2023: GEL 1 thousand; 31 December 2022: nil). For the country rating of Georgia, please refer to note 9.

9 Mandatory reserves at the National Bank of Georgia

Mandatory reserves at the National Bank of Georgia (NBG) represents amounts deposits with the NBG. Resident financial institutions are required to maintain an interest-earning obligatory reserve with the NBG, the amount of which depends on the level of funds attracted by the financial institutions. The Bank's ability to withdraw these deposits is restricted by regulations.

	31 December 2024	31 December 2023	31 December 2022
Mandatory reserves at the National Bank of Georgia	41,004	36,079	39,030
Less: allowance for impairment	(108)	(91)	-
Total mandatory reserves at the National Bank of Georgia	**40,896**	**35,988**	**39,030**

In 2024, Fitch Ratings has affirmed Georgia's Long-Term Foreign and Local Currency Issuer Default Rating (IDRs) at 'BB', with the negative outlook. The country ceiling is affirmed at 'BBB-', while short-term foreign and local-currency IDRs are kept at 'B'.

10 Loans to customers

Loans to customers comprise:

	31 December 2024	31 December 2023	31 December 2022
Loans to legal entities			
Corporate lending*	296,418	217,075	223,472
Small and medium business lending	23,558	9,949	25,124
Interbank loans	-	38,146	16,049
Total loans to legal entities	**319,976**	**265,170**	**264,645**
Loans to individuals			
Residential mortgage	2,207	2,889	3,785
Consumer lending	3,046	4,498	3,926
Total loans to individuals	**5,253**	**7,387**	**7,711**
Gross loans to customers	**325,229**	**272,557**	**272,356**
Less: allowance for impairment by stages	(1,628)	(2,070)	(2,339)
Stage 1	(1,328)	(1,236)	(1,620)
Stage 2	-	-	(4)
Stage 3	(300)	(834)	(715)
Loans to customers	**323,601**	**270,487**	**270,017**

***** Included in corporate lending is factoring receivable with gross carrying amount of GEL 25,469 thousand as at 31 December 2024 (31 December 2023: nil; 31 December 2022: nil).

(a) Allowance for impairment of loans to customers at amortised cost

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans to customers carried at amortised cost between the beginning and the end of the reporting period. Below main movements in the table are described:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and lifetime ECL;
- New originated or purchased gives us information regarding gross loans and corresponding credit impairment losses issued during the period;
- The line, derecognised during the period refers to starting balance of loans which were repaid or during the period;
- Foreign exchange translations of assets denominated in foreign currencies;
- Net remeasurement due to stage transfers and risk parameters changes refers to the movements in ECL as a result of transfer of exposure between stages or changes in risk parameters and forward looking expectations.

10 Loans to customers (continued)

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

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2024	**217,075**	-	**-**	**217,075**
New assets originated or purchased	266,596	-	-	266,596
Assets repaid	(188,124)	-	-	(188,124)
Foreign exchange adjustments	871	-	-	871
At 31 December 2024	**296,418**	**-**	**-**	**296,418**

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2024	**(992)**	-	-	**(992)**
New assets originated or purchased	(1,040)	-	-	(1,040)
Assets repaid	824	-	-	824
Net remeasurement of ECL	3	-	-	3
At 31 December 2024	**(1,205)**	**-**	**-**	**(1,205)**

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

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2023	**223,110**	-	**362**	**223,472**
New assets originated or purchased	174,453	-	-	174,453
Assets repaid	(180,953)	-	(362)	(181,315)
Foreign exchange adjustments	465	-	-	465
At 31 December 2023	**217,075**	**-**	**-**	**217,075**

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2023	**(1,306)**	-	-	**(1,306)**
New assets originated or purchased	(859)	-	-	(859)
Assets repaid	1,173	-	-	1,173
At 31 December 2023	**(992)**	**-**	**-**	**(992)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate lending during the year ended 31 December 2022 is as follows:

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2022	**216,713**	**-**	**1,763**	**218,476**
New assets originated or purchased	151,530	-	-	151,530
Assets repaid	(135,152)	-	(1,348)	(136,500)
Foreign exchange adjustments	(9,981)	-	(53)	(10,034)
At 31 December 2022	**223,110**	**-**	**362**	**223,472**

Corporate lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2022	**(365)**	**-**	**-**	**(365)**
New assets originated or purchased	(1,171)	-	-	(1,171)
Assets repaid	230	-	-	230
At 31 December 2022	**(1,306)**	**-**	**-**	**(1,306)**

10 Loans to customers (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to small and medium business lending during the year ended 31 December 2024 is as follows:

Small and medium business	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2024	**9,257**	**279**	**413**	**9,949**
New assets originated or purchased	20,600	-	-	20,600
Assets repaid	(6,526)	(154)	(8)	(6,688)
Transfers to Stage 1	125	(125)	-	-
Transfers to Stage 3	(380)		380	-
Write-offs	-	-	(380)	(380)
Foreign exchange adjustments	76	-	1	77
At 31 December 2024	**23,152**	**-**	**406**	**23,558**

Small and medium business	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2024	**(24)**	**-**	**(412)**	**(436)**
New assets originated or purchased	(94)	-	-	(94)
Assets repaid	18	-	6	24
Write-offs	-	-	380	380
Net remeasurement of ECL	-	-	1	1
At 31 December 2024	**(100)**	**-**	**(25)**	**(125)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to small and medium business lending during the year ended 31 December 2023 is as follows:

Small and medium business	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2023	**23,913**	**335**	**876**	**25,124**
New assets originated or purchased	7,863	-	277	8,140
Assets repaid	(22,523)	(55)	(740)	(23,318)
Foreign exchange adjustments	4	(1)	-	3
At 31 December 2023	**9,257**	**279**	**413**	**9,949**

Small and medium business	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2023	**(144)**	**(4)**	**(297)**	**(445)**
New assets originated or purchased	(18)	-	(276)	(294)
Assets repaid	131	4	267	402
Net remeasurement of ECL	7	-	(106)	(99)
At 31 December 2023	**(24)**	**-**	**(412)**	**(436)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to small and medium business lending during the year ended 31 December 2022 is as follows:

Small and medium business	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2022	**18,263**	**492**	**1,094**	**19,849**
New assets originated or purchased	19,332	-	238	19,570
Assets repaid	(12,656)	(108)	(450)	(13,214)
Foreign exchange adjustments	(1,026)	(49)	(6)	(1,081)
At 31 December 2022	**23,913**	**335**	**876**	**25,124**

Small and medium business	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2022	**(33)**	**(15)**	**(204)**	**(252)**
New assets originated or purchased	(137)	-	(238)	(375)
Assets repaid	18	1	142	161
Net remeasurement of ECL	8	10	3	21
At 31 December 2022	**(144)**	**(4)**	**(297)**	**(445)**

10 Loans to customers (continued)

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

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2024	38,146	**-**	**-**	**38,146**
Assets repaid	(38,146)	-	-	(38,146)
At 31 December 2024	**-**	**-**	**-**	**-**

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2024	**(186)**	**-**	**-**	**(186)**
Assets repaid	186	-	-	186
At 31 December 2024	**-**	**-**	**-**	**-**

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

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2023	**16,049**	**-**	**-**	**16,049**
New assets originated or purchased	38,147	-	-	38,147
Assets repaid	(16,050)	-	-	(16,050)
At 31 December 2023	**38,146**	**-**	**-**	**38,146**

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2023	**(23)**	**-**	**-**	**(23)**
New assets originated or purchased	(186)	-	-	(186)
Assets repaid	23	-	-	23
At 31 December 2023	**(186)**	**-**	**-**	**(186)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to interbank loans during the year ended 31 December 2022 is as follows:

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2022	**-**	**-**	**-**	**-**
New assets originated or purchased	16,049	-	-	16,049
At 31 December 2022	**16,049**	**-**	**-**	**16,049**

Interbank loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2022	**-**	**-**	**-**	**-**
New assets originated or purchased	(23)	-	-	(23)
At 31 December 2022	**(23)**	**-**	**-**	**(23)**

10 Loans to customers (continued)

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

Residential mortgages	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2024	**2,255**	**349**	**285**	**2,889**
New assets originated or purchased	423	-	-	423
Assets repaid	(984)	(46)	(12)	(1,042)
Transfers to Stage 3	-	(303)	303	-
Write-offs	-	-	(82)	(82)
Foreign exchange adjustments	16	-	3	19
At 31 December 2024	**1,710**	**-**	**497**	**2,207**

Residential mortgages	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2024	**(11)**	**-**	**(152)**	**(163)**
New assets originated or purchased	1	-	(41)	(40)
Assets repaid	9	-	12	21
Write-offs	-	-	82	82
Net remeasurement of ECL	-	-	(76)	(76)
At 31 December 2024	**(1)**	**-**	**(175)**	**(176)**

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

Residential mortgages	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2023	**3,429**	**-**	**356**	**3,785**
New assets originated or purchased	396	-	148	544
Assets repaid	(1,220)	-	(218)	(1,438)
Transfers to Stage 2	(349)	349	-	-
Foreign exchange adjustments	(1)	-	(1)	(2)
At 31 December 2023	**2,255**	**349**	**285**	**2,889**

Residential mortgages	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2023	**(52)**	**-**	**(149)**	**(201)**
New assets originated or purchased	(2)	-	(98)	(100)
Assets repaid	43	-	95	138
At 31 December 2023	**(11)**	**-**	**(152)**	**(163)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to residential mortgages during the year ended 31 December 2022 is as follows:

Residential mortgages	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2022	**2,577**	**-**	**369**	**2,946**
New assets originated or purchased	2,268	-	84	2,352
Assets repaid	(1,358)	-	(74)	(1,432)
Foreign exchange adjustments	(58)	-	(23)	(81)
At 31 December 2022	**3,429**	**-**	**356**	**3,785**

Residential mortgages	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as 1 January 2022	**(8)**	**-**	**(124)**	**(132)**
New assets originated or purchased	(51)	-	(94)	(145)
Assets repaid	(6)	-	77	71
Net remeasurement of ECL	13	-	(8)	5
At 31 December 2022	**(52)**	**-**	**(149)**	**(201)**

10 Loans to customers (continued)

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

Consumer lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2024	**4,186**	**-**	**312**	**4,498**
New assets originated or purchased	1,647	-	10	1,657
Assets repaid	(2,932)	-	(14)	(2,946)
Transfers to Stage 2	(36)	36	-	-
Write-offs	-	-	(162)	(162)
Foreign exchange adjustments	(2)	-	1	(1)
At 31 December 2024	**2,863**	**36**	**147**	**3,046**

Consumer lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2024	**(24)**	**-**	**(269)**	**(293)**
New assets originated or purchased	(9)	-	(3)	(12)
Assets repaid	23	-	7	30
Write-offs	-	-	163	163
Net remeasurement of ECL	-	-	(10)	(10)
At 31 December 2024	**(10)**	**-**	**(112)**	**(122)**

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

Consumer lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2023	**3,625**	**6**	**295**	**3,926**
New assets originated or purchased	2,794	-	50	2,844
Assets repaid	(2,242)	(6)	(33)	(2,281)
Foreign exchange adjustments	9	-	-	9
At 31 December 2023	**4,186**	**-**	**312**	**4,498**

Consumer lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2023	**(95)**	**(2)**	**(267)**	**(364)**
New assets originated or purchased	(13)	-	(25)	(38)
Assets repaid	84	2	23	109
At 31 December 2023	**(24)**	**-**	**(269)**	**(293)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer lending during the year ended 31 December 2022 is as follows:

Consumer lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying values as at 1 January 2022	**3,390**	**6**	**437**	**3,833**
New assets originated or purchased	2,771	-	15	2,786
Assets repaid	(2,529)	-	(154)	(2,683)
Foreign exchange adjustments	(7)	-	(3)	(10)
At 31 December 2022	**3,625**	**6**	**295**	**3,926**

Consumer lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2022	**(36)**	**(3)**	**(322)**	**(361)**
New assets originated or purchased	(74)	-	(24)	(98)
Assets repaid	26	1	72	99
Net remeasurement of ECL	(11)	-	7	(4)
At 31 December 2022	**(95)**	**(2)**	**(267)**	**(364)**

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in note 25.

10 Loans to customers (continued)

(b) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2024:

	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Corporate lending	**296,418**	**-**	**-**	**296,418**
not overdue	296,094	-	-	296,094
overdue less than 30 days	324	-	-	324
Small and medium business lending	**23,152**	**-**	**406**	**23,558**
not overdue	22,696	-	-	22,696
overdue less than 30 days	456	-	406	862
Total loans to legal entities	**319,570**	**-**	**406**	**319,976**
Loans to individuals				
Residential mortgages	**1,710**	**-**	**497**	**2,207**
not overdue	1,614	-	412	2,026
overdue less than 30 days	96	-	-	96
overdue more than 30 days and less than 90 days	-	-	85	85
Consumer lending	**2,863**	**36**	**147**	**3,046**
not overdue	2,862	-	-	2,862
overdue more than 30 days and less than 90 days	-	36	132	168
overdue more than 90 days	1	-	15	16
Total loans to individuals	**4,573**	**36**	**644**	**5,253**
Total gross loans to customers	**324,143**	**36**	**1,050**	**325,229**

The following table provides information on the credit quality of loans to customers as at 31 December 2023:

	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Corporate lending	**217,075**	**-**	**-**	**217,075**
not overdue	217,075	-	-	217,075
Interbank loans	**38,146**	**-**	**-**	**38,146**
not overdue	38,146	-	-	38,146
Small and medium business lending	**9,257**	**279**	**413**	**9,949**
not overdue	9,257	279	310	9,846
overdue more than 90 days	-	-	103	103
Total loans to legal entities	**264,478**	**279**	**413**	**265,170**
Loans to individuals				
Residential mortgages	**2,255**	**349**	**285**	**2,889**
not overdue	2,255	-	285	2,540
overdue more than 30 days and less than 90 days	-	349	-	349
Consumer lending	**4,186**	**-**	**312**	**4,498**
not overdue	4,186	-	210	4,396
overdue more than 90 days	-	-	102	102
Total loans to individuals	**6,441**	**349**	**597**	**7,387**
Total gross loans to customers	**270,919**	**628**	**1,010**	**272,557**

10 Loans to customers (continued)

The following table provides information on the credit quality of loans to customers as at 31 December 2022:

	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Corporate lending	**223,110**	**-**	**362**	**223,472**
not overdue	223,110	-	-	**223,110**
overdue more than 90 days	-	-	362	**362**
Interbank loans	**16,049**	-	-	**16,049**
not overdue	16,049	-	-	**16,049**
Small and medium business lending	**23,913**	**335**	**876**	**25,124**
not overdue	23,799	335	279	24,413
overdue less than 30 days	114	-	-	114
overdue more than 90 days	-	-	597	597
Total loans to legal entities	**263,072**	**335**	**1,238**	**264,645**
Loans to individuals				
Residential mortgages	**3,429**	**-**	**356**	**3,785**
not overdue	3,429	-	160	3,589
overdue more than 30 days and less than 90 days	-	-	162	162
overdue more than 90 days	-	-	34	34
Consumer lending	**3,625**	**6**	**295**	**3,926**
not overdue	3,625	6	145	3,776
overdue more than 90 days	-	-	150	150
Total loans to individuals	**7,054**	**6**	**651**	**7,711**
Total gross loans to customers	**270,126**	**341**	**1,889**	**272,356**

10 Loans to customers (continued)

(c) Analysis of collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory, trade receivables, movable properties, sureties;
- For retail lending, mortgages over residential properties, movable properties and sureties.

The following table shows carrying value of loans on which no ECL was recognized because of existence of collateral at 31 December 2024, 2023 and 2022:

	31 December 2024	31 December 2023	31 December 2022
Loans to legal entities			
Corporate lending	25,124	15,634	33,136
Small and medium business lending	60	2,184	2,289
Total loans to legal entities	**25,184**	**17,818**	**35,425**
Loans to individuals			
Residential mortgages	106	391	621
Consumer lending	243	1,389	841
Total loans to individuals	**349**	**1,780**	**1,462**
Gross loans to customers	**25,533**	**19,598**	**36,887**

10 Loans to customers (continued)

(d) Industry analysis of the loan portfolio

Loans to customers were issued to customers located within Georgia who operate in the following economic sectors:

	2024		2023		2022	
Construction and land development	77,320	24%	52,205	19%	28,668	11%
Energy	66,073	20%	46,857	17%	24,341	9%
Production and trade of clothes, shoes and textiles	30,040	9%	15,418	6%	19,685	7%
Financial institutions	25,226	8%	54,343	20%	69,679	25%
Healthcare	23,068	7%	13,042	5%	13,041	5%
Consumer goods	20,171	6%	19,777	7%	26,556	10%
Real estate management	15,239	5%	8,797	3%	12,547	5%
Other sectors	14,153	4%	20,170	7%	27,891	10%
Auto dealers	14,444	4%	12,544	5%	5,493	2%
Service	13,093	4%	11,882	4%	8,811	3%
Hotels, restaurants and tourism	11,082	3%	1,772	1%	13,602	5%
Agriculture	8,252	3%	5,288	2%	-	0%
State organizations	1,815	1%	3,074	1%	14,331	5%
Loans to individuals	5,253	2%	7,388	3%	7,711	3%
Total loan to customers	**325,229**	**100%**	**272,557**	**100%**	**272,356**	**100%**
Less: allowance for impairment	(1,628)		(2,070)		(2,339)	
Total net loans to customers	**323,601**		**270,487**		**270,017**	

(e) Significant credit exposures

As at 31 December 2024 the Bank has loans issued to eight borrowers or groups of connected borrowers (31 December 2023: six; 31 December 2022: four) with carrying values that individually exceed 10% of equity. The gross value of these loans as at 31 December 2024 is GEL 154,147 thousand (31 December 2023: GEL 82,817 thousand; 31 December 2022: GEL 60,362 thousand). The balances are fully in Stage 1 as at 31 December 2024, 2023 and 2022. Expected credit losses for the balances as at 31 December 2024 comprised GEL 658 thousand (31 December 2023: GEL 331 thousand; 31 December 2022: GEL 464 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in note 25 which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Bank, it is likely that many of the loans will be renewed at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the contractually agreed term. In this case the bank renews loans by creating new agreements and assesses the credit risks of companies separately.

(g) Modified and restructured loans

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

11 Corporate bonds at amortized cost

Corporate bonds comprise:

	31 December 2024	31 December 2023	31 December 2022
Corporate bonds s at AC			
Corporate bonds at amortized cost	53,238	58,330	37,137
Total corporate bonds at amortized cost	**53,238**	**58,330**	**37,137**

All corporate bonds are allocated to Stage 1. The ECL recognized for corporate securities as at 31 December 2024, 2023 and 2022 were GEL 205 thousand, GEL 235 thousand, and GEL 110 thousand, respectively.

The credit ratings of corporate bonds stand as follows:

	31 December 2024	31 December 2023	31 December 2022
BB	12,012	14,719	-
BB-	8,409	6,649	26,219
B+	2,863	-	2,680
B-	-	5,439	5,440
Not rated	29,954	31,523	2,798
Total corporate bonds at amortized cost	**53,238**	**58,330**	**37,137**

The table illustrates the ratings by international agency Fitch Ratings. Management estimates that the unrated instruments approximate to BB- rating under Fitch Rating's rating system (31 December 2023: BB- rating under Fitch Rating's rating system; 31 December 2022: BB- rating under Fitch Rating's rating system).

The Bank manages corporate bonds using internal processes similar to those applied to loans to customers. These bonds are managed together with loan portfolio and accordingly, the related cash flows are classified as part of operating activities.

12 Investment securities

Investment securities comprise:

	31 December 2024	31 December 2023	31 December 2022
Debt securities at FVOCI			
Treasury bonds of Ministry of Finance Georgia	-	-	996
Treasury bonds of Republic of Turkey	-	-	1,357
Total debt securities at FVOCI	**-**	**-**	**2,353**
Debt securities at AC			
Treasury bonds of Ministry of Finance Georgia	2,976	5,662	-
Deposit certificate of NBG	-	5,876	-
Total debt securities at AC	**2,976**	**11,538**	**-**
Total investment securities	**2,976**	**11,538**	**2,353**

All investment securities are allocated to Stage 1. The ECL recognized for investment securities as at 31 December 2024, 2023 and 2022 were GEL 13 thousand, GEL 53 thousand, and GEL 28 thousand, respectively.

The credit ratings of investment securities stand as follows:

	31 December 2024	31 December 2023	31 December 2022
BB	2,976	11,538	996
B	-	-	1,357
Total investment securities	**2,976**	**11,538**	**2,353**

Country rating for Georgia stands at BB with negative outlook as assigned by Fitch. As at 31 December 2022, country rating for Republic of Turkey stands at B with stable outlook as assigned by Fitch.

13 Property, equipment, intangible and right-of-use assets

Property, equipment, intangible and right-of-use assets comprise:

	Leasehold improvements	Computers and office equipment	Furniture and fixtures	Motor vehicles	Total property and equipment	Intangible assets	Right-of-use assets / Building	Total
Cost								
Balance at 1 January 2022	**582**	**1,599**	**498**	**577**	**3,256**	**1,032**	**7,526**	**11,814**
Additions	-	36	28	-	64	-	-	64
Disposals / write-offs	-	(39)	-	-	(39)	(729)	(630)	(1,398)
Balance at 31 December 2022	**582**	**1,596**	**526**	**577**	**3,281**	**303**	**6,896**	**10,480**
Additions	40	1,994	100	95	2,229	-	-	2,229
Disposals / write-offs	-	-	-	(114)	(114)	-	-	(114)
Balance at 31 December 2023	**622**	**3,590**	**626**	**558**	**5,396**	**303**	**6,896**	**12,595**
Additions	-	246	-	-	246	2,744	-	2,990
Modification	-	-	-	-	-	-	124	124
Disposals / write-offs	(388)	(462)	(142)	-	(992)	(303)	-	(1,295)
Balance at 31 December 2024	**234**	**3,374**	**484**	**558**	**4,650**	**2,744**	**7,020**	**14,414**
Depreciation and amortization								
Balance at 1 January 2022	**(395)**	**(1,030)**	**(414)**	**(339)**	**(2,178)**	**(767)**	**(796)**	**(3,741)**
Depreciation and amortization for the year	(29)	(225)	(26)	(105)	(385)	(56)	(793)	(1,234)
Disposals / write-offs	-	38	-	-	38	815	630	1,483
Balance at 31 December 2022	**(424)**	**(1,217)**	**(440)**	**(444)**	**(2,525)**	**(8)**	**(959)**	**(3,492)**
Depreciation and amortization for the year	(20)	(173)	(43)	(75)	(311)	(129)	(667)	(1,107)
Disposals	-	24	-	114	138	-	-	138
Balance at 31 December 2023	**(444)**	**(1,366)**	**(483)**	**(405)**	**(2,698)**	**(137)**	**(1,626)**	**(4,461)**
Depreciation and amortization for the year	(24)	(464)	(40)	(62)	(590)	(39)	(652)	(1,281)
Disposals / write-offs	388	462	142	-	992	159	-	1,151
Balance at 31 December 2024	**(80)**	**(1,368)**	**(381)**	**(467)**	**(2,296)**	**(17)**	**(2,278)**	**(4,591)**
Carrying amount								
At 31 December 2022	**158**	**379**	**86**	**133**	**756**	**295**	**5,937**	**6,988**
At 31 December 2023	**178**	**2,224**	**143**	**153**	**2,698**	**166**	**5,270**	**8,134**
At 31 December 2024	**154**	**2,006**	**103**	**91**	**2,354**	**2,727**	**4,742**	**9,823**

The intangible assets comprise of computer software and licenses.

14 Other assets and liabilities

Other assets and liabilities comprise:

	31 December 2024	31 December 2023	31 December 2022
Other assets			
Other financial assets			
Settlement operations	543	511	729
Receivables from problematic borrowers	341	429	366
Accrued commission receivable on guarantees*	168	273	-
Total financial assets	**1,052**	**1,213**	**1,095**
Other non-financial assets			
Repossessed assets	1,349	1,349	1,349
Prepaid expenses	440	284	-
Other	3	2	352
Total other non-financial assets	**1,792**	**1,635**	**1,701**
Total other assets	**2,844**	**2,848**	**2,796**
Other liabilities			
Other financial liabilities			
Settlement operations	170	200	181
Lease liabilities	4,464	4,711	5,275
Royalty payable	2,141	1,419	632
Other accrued liabilities	808	435	633
Total other financial liabilities	**7,583**	**6,765**	**6,721**
Other non-financial liabilities			
Provision for liabilities and charges	418	438	387
Accrued employee benefit cost	807	597	392
Income tax liability, net	-	-	524
Total other non-financial liabilities	**1,225**	**1,035**	**1,303**
Total other liabilities	**8,808**	**7,800**	**8,024**

* Previously included in prepaid expenses amount of GEL 273 thousand has been reclassified to accrued commission receivable on guarantees.

Set out below are the carrying amounts of lease liabilities and the movements during the years:

	2024	2023	2022
As at 1 January	4,711	5,275	6,751
Accrual of interest	157	157	207
Foreign currency translation	197	(37)	(882)
Payments	(725)	(684)	(801)
Modification	124	-	-
Lease liabilities at 31 December	**4,464**	**4,711**	**5,275**

15 Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2024	31 December 2023	31 December 2022
Vostro accounts	3,128	8,630	5,127
Term deposits	107,280	101,202	63,487
Short-term loan from NBG	28,036	-	15,014
Total amounts due to credit institutions	**138,444**	**109,832**	**83,628**

As at 31 December 2024 the Bank has placements from three banks (31 December 2023: four banks; 31 December 2022: three banks) with carrying values that individually exceed 10% of equity. The gross value of these balances as at 31 December 2024 is GEL 114,008 thousand (31 December 2023: GEL 92,746 thousand; 31 December 2022: GEL 44,129 thousand).

Loans from the National Bank of Georgia represent short-term GEL refinancing facilities used by the Bank to uphold its liquidity needs in GEL.

16 Amounts due to customers

Amounts due to customers comprise:

	31 December 2024	31 December 2023	31 December 2022
Current accounts and demand deposits			
Retail	3,660	6,671	5,763
SME	13,864	14,187	11,729
Corporate	54,963	71,179	77,666
Total current accounts and demand deposits	**72,487**	**92,037**	**95,158**
Term deposits			
Retail	15,020	23,197	16,183
SME	4,049	4,049	1,367
Corporate	28,762	53,839	36,585
Total term deposits	**47,831**	**81,085**	**54,135**
Total amounts due to customers	**120,318**	**173,122**	**149,293**

As at 31 December 2024 the bank has customer's deposits balances with the amount of GEL 21,135 thousand (31 December 2023: GEL 13,474 thousand; 31 December 2022: GEL 30,963 thousand) that serve as collateral for loans granted by the Bank.

As at 31 December 2024 the Bank has placements from one customer (31 December 2023: two; 31 December 2022: two) with carrying value that individually exceed 10% of equity.

17 Other borrowed funds

Other borrowed funds comprise:

	31 December 2024	31 December 2023	31 December 2022
Borrowings from international financial institutions	70,186	39,233	57,050
Total other borrowed funds	**70,186**	**39,233**	**57,050**

As of 31 December 2024, the Bank maintains active borrowing agreements with three international financial institutions ('IFIs') and National Bank of Georgia (31 December 2023: three IFIs; 31 December 2022: three IFIs and National Bank of Georgia). For maturity analysis of other borrowed funds, see note 25.

Changes in liabilities arising from financing activities are as follows:

	Other borrowed funds
Carrying amount at 31 December 2021	**73,185**
Proceeds from issue	8,653
Redemption	(13,287)
Foreign currency translation	(11,741)
Other movements	240
Carrying amount at 31 December 2022	**57,050**
Redemption	(18,492)
Foreign currency translation	486
Other movements	189
Carrying amount at 31 December 2023	**39,233**
Proceeds from issue	47,201
Redemption	(16,751)
Foreign currency translation	266
Other movements	237
Carrying amount at 31 December 2024	**70,186**

18 Net interest income

Net interest income comprises:

	2024	2023	2022
Interest income			
Loans to customers	29,292	26,682	24,814
Corporate bonds at amortized cost	6,042	6,511	3,305
Cash and cash equivalents and due from banks	2,130	3,399	954
Investment securities	801	325	707
Total interest income	**38,265**	**36,917**	**29,780**
Interest expense			
Amounts due to credit institutions	(5,479)	(3,472)	(3,032)
Other borrowed funds	(4,517)	(3,399)	(2,699)
Amounts due to customers	(5,686)	(4,567)	(1,454)
Other interest expense			
Lease liabilities	(157)	(157)	(212)
Total interest expenses	**(15,839)**	**(11,595)**	**(7,397)**
Net interest income	**22,426**	**25,322**	**22,383**

19 Net fee and commission income

Net fee and commission income comprise:

	2024	2023	2022
Fee and commission income			
Commission from guarantees	2,944	2,905	2,503
Settlement operations	369	421	418
Card operations	-	-	257
Other operations	-	-	60
Total fee and commission income	**3,313**	**3,326**	**3,238**
Fee and commission expense			
Card operations	-	-	(959)
Settlement operations	(608)	(563)	(436)
Total fee and commission expense	**(608)**	**(563)**	**(1,395)**
Total net fee and commission income	**2,705**	**2,763**	**1,843**

In 2023, the Bank has decided to discontinue its unprofitable card operations to focus on its core banking activities, thereby enhancing financial efficiency and strategic alignment.

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

20 Expected credit loss

The table below shows the net ECL charges/(reversals) on the financial instruments recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2024, 2023 and 2022:

	2024	2023	2022
Cash and cash equivalents	(108)	227	2
Loans to customers	183	(269)	1,255
Mandatory reserves at the National Bank of Georgia	17	91	-
Corporate bonds at amortized cost	(30)	125	63
Investment securities	(40)	47	(28)
Financial guarantees	(20)	72	87
Total expected credit loss	**2**	**293**	**1,379**

21 Personnel expenses

Personnel expenses comprise:

	2024	2023	2022
Salaries and bonuses	6,115	4,954	4,304
Pension contributions	71	65	58
Other compensation cost	300	450	459
Total personnel expenses	**6,486**	**5,469**	**4,821**

In 2024 the average number of employees by the Bank was 60 (2023: 54; 2022: 63).

22 Other expenses

Other expenses comprise:

	2024	2023	2022
Depreciation and amortization	1,281	1,107	1,234
Royalty	774	919	826
Professional services	591	381	175
Communication and information services	533	517	781
Mastercard termination fee	280	-	-
IT support	172	-	-
Write-off of intangible assets	144	-	-
Insurance expense	117	106	58
Low-value and short-term leases	115	186	95
Subscriptions	100	137	-
Travel expenses	80	35	114
Entertainment expenses	72	96	196
Utilities	50	61	36
Repairs and maintenance	45	57	81
Penalty fee	31	95	-
Taxes other than on income	31	24	31
Office supplies	20	22	26
Donation	8	147	-
Prepaid expenses write-off	-	180	-
Advertising and marketing	-	9	10
Other	526	338	367
Total other expenses	**4,970**	**4,417**	**4,030**

Auditors' remuneration comprises of fees payable to the company's auditor for the audit of financial statements. Remuneration for the year ended 31 December 2024 comprised GEL 231 thousand (2023: GEL 242 thousand, 2022: GEL 79 thousand) (net of VAT).

23 Taxation

In 2022 the Government of Georgia has approved the changes to the current corporate tax model in Georgia for financial institutions, applicable from 2023. According to the amendments to the legislation, the financial sector no longer switched to the Estonian tax model, which was expected to exempt banks from paying corporate taxes on retained earnings and only required a payment of 15% corporate tax rate on distributed earnings. Tax authorities also require the banks to reimburse the tax reliefs (if any) obtained through previous provisioning and interest income calculation differences caused by differences in tax and IFRS standards bases. In addition, with the effect from 2023, the existing corporate tax rate for banks increased from 15% to 20%, while dividends are no longer taxed with 5% dividend tax. In addition, with effect from 2023, taxable interest income and deductible ECLs on loans to customers are defined as per IFRS, instead of local NBG regulations. Transition differences in ECLs were taxed one-off at 15%.

The change had an immediate impact on deferred tax asset and deferred tax liability balances attributable to previously recognised temporary differences arising from prior periods. As at 31 December 2022, deferred tax assets and liabilities balances have been re-measured, in line with the updated legislation. The change resulted in a material one-off deferred tax charge as previously the Bank recognised deferred taxes only to the extent they were expected to realise before 1 January 2023.

23 Taxation (continued)

The corporate income tax expense comprises:

	2024	2023	2022
Current tax expense	**(2,794)**	**(4,344)**	**(3,106)**
Deferred tax (expense)/benefit			
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	(29)	123	320
Effects from changes in tax legislation	-	-	(478)
Deferred tax (expense)/benefit	**(29)**	**123**	**(158)**
Total income tax expense	**(2,823)**	**(4,221)**	**(3,264)**

In 2024, the applicable tax rate for current and deferred tax is 20% (2023: 20%; 2022: 15%).

Reconciliation of effective tax rate for the year ended 31 December:

	2024	%	2023	%	2022	%
Profit before tax	**15,146**		**20,845**		**15,777**	
Income tax at the applicable tax rate	**(3,029)**	**(20)**	**(4,169)**	**(20)**	**(2,367)**	**(15)**
Non-taxable differences	206	1	(52)	-	(419)	(3)
Effects from changes in tax legislation	-	-	-	-	(478)	(3)
Income tax expense	**(2,823)**	**(19)**	**(4,221)**	**(20)**	**(3,264)**	**(21)**

Deferred tax assets and liabilities

Movements in temporary differences during the years ended 31 December 2024, 2023 and 2022 are as follows:

	Balance 1 January 2024	Recognized in profit or loss	Recognized in other comprehensive income	Balance 31 December 2024
Property, equipment, intangible and right-of-use assets	(1,526)	87	-	(1,439)
Amounts due to credit institutions	(58)	(66)	-	(124)
Other liabilities	943	(50)	-	893
Net tax liabilities	**(641)**	**(29)**	**-**	**(670)**

	Balance 1 January 2023	Recognized in profit or loss	Recognized in other comprehensive income	Balance 31 December 2023
Property, equipment, intangible and right-of-use assets	(1,342)	(184)	-	(1,526)
Loans to customers	(351)	351	-	-
Investment securities	(101)	101	-	-
Amounts due to credit institutions	-	(58)	-	(58)
Other liabilities	1,030	(87)	-	943
Net tax (liabilities)/assets	**(764)**	**123**	**-**	**(641)**

23 Taxation (continued)

	Balance 1 January 2022	Recognized in profit or loss	Recognized in other comprehensive income	Balance 31 December 2022
Property, equipment, intangible and right-of-use assets	(352)	(990)	-	(1,342)
Loans to customers	(548)	197	-	(351)
Investment securities	(42)	23	(82)	(101)
Other liabilities	(60)	1,090	-	1,030
Net tax (liabilities)/assets	**(1,002)**	**320**	**(82)**	**(764)**

24 Capital management (unaudited)

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the National bank of Georgia and (ii) to safeguard the Bank's ability to continue as a going concern. Compliance with capital adequacy ratios set by the central bank is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Financial Officer. Other objectives of capital management are evaluated in line with the business developments and strategy upon request of stakeholders.

Basel III

In December 2017, the NBG has introduced approved amendments to the "Regulation on Capital Adequacy Requirements for Commercial Banks". Under the updated capital framework, capital requirements are divided into Pillar 1 Requirements for Common Equity Tier 1, Tier 1 and Regulatory Capital and additional buffers under Pillar 1 and Pillar 2.

Pillar 1

- The capital conservation buffer (which was incorporated in minimum capital requirements) is separated and set at 2.5%;
- A countercyclical capital buffer is currently set at 0%;
- A systemic risk buffer will be introduced for systematically important banks over the 4 years period.

Pillar 2

- A currency induced credit risk (CICR) buffer replaced conservative weighting for un-hedged FX loans denominated in foreign currencies;
- Concentration buffer for sectoral and single borrower exposure will be introduced;
- A net stress buffer will be introduced based on stress testing results provided by the Group;
- A General Risk-assessment Programme (GRAPE) buffer defined by the regulator, based on the Bank's specific risks.

In addition, specific PTI (payment to income) and LTV (loan to value) thresholds were introduced based on the new methodology. Exposures that do not meet pre-defined PTI and LTV limits are subject to weighting at higher rates.

Under the current capital requirements set by the National Bank of Georgia, banks have to maintain a ratio of regulatory capital to risk weighted assets above a prescribed minimum level (Core equity Tier 1 ratio > 14%; Tier 1 ratio > 18% and Total capital ratio > 22%). Based on information provided internally to key management personnel, the amount of capital that the Bank managed was GEL 146,026 thousand as of 31 December 2024 (2023: GEL 134,058 thousand; 2022: GEL 117,347 thousand), regulatory Tier 1 capital amounts to GEL 143,299 thousand (2023: GEL 133,881 thousand; 2022: GEL 111,096 thousand), total regulatory capital amounts to GEL 143,299 thousand (2023: GEL 133,881 thousand; 2022: GEL 116,173 thousand) and the Bank have complied with all externally imposed capital requirements as at 31 December 2024, 2023 and 2022.

24 Capital management (unaudited) (continued)

The Bank's capital adequacy ratios for the year ended 31 December calculated in accordance with NBG Basel II/III requirements were as follows:

	2024	2023	2022
Total common equity and Tier 1 Capital	143,299	133,881	111,096
Total regulatory capital	143,299	133,881	116,173
Total risk-weighted exposures	562,399	508,950	447,552
Common equity Tier 1 ratio	25%	26%	25%
Trial 1 capital ratio	25%	26%	25%
Total regulatory capital ratio	25%	26%	26%
Common equity Tier 1 ratio minimum requirements	14%	13%	9%
Trial 1 capital ratio minimum requirement	18%	17%	12%
Total regulatory capital minimum requirement	22%	21%	17%

The risk-weighted exposures are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees.

25 Risk management, corporate governance and internal control

(a) Corporate governance framework

The Bank is established as a bank in accordance with Georgian law. The supreme governing body of the Bank is the Supervisory Council. The Supervisory Council makes strategic decisions on the Bank's operations.

The Supervisory Council elects the Board of Directors. The Board of Directors is responsible for overall governance of the Bank's activities.

(b) Internal control policies and procedures

Management has responsibility for the development, implementation and maintaining of internal controls in the Bank that are commensurate with the scale and nature of operations.

The purpose of internal controls is to ensure:

- Proper and comprehensive risk assessment and management;
- Proper business and accounting and financial reporting functions, including proper authorization, processing and recording of transactions;
- Completeness, accuracy and timeliness of accounting records, managerial information, regulatory reports, etc.;
- Reliability of IT-systems, data and systems integrity and protection;
- Prevention of fraudulent or illegal activities, including misappropriation of assets;
- Compliance with laws and regulations.

Management is responsible for identifying and assessing risks, designing controls and monitoring their effectiveness. Management monitors the effectiveness of the Bank's internal controls and periodically implements additional controls or modifies existing controls as considered necessary.

Management believes that the Bank complies with the NBG requirements related to risk management and internal control systems, including requirements related to the internal audit function, and that risk management and internal control systems are appropriate for the scale, nature and complexity of operations.

25 Risk management corporate governance and internal control (continued)

(c) Risk management policies and procedures

Management of risk is fundamental to the business of banking and forms an essential element of the Bank's operations. The Bank's strong risk governance reflects the importance placed by Bank's Risks, Ethics and Compliance Committee on shaping the risk strategy and managing credit, financial and non-financial risks. All components necessary for comprehensive risk governance are embedded into risk organization structure: enterprise risk management; credit, financial and non-financial risks management; risk reporting and supporting IT infrastructure; cross-risk analytical tools and techniques such as capital adequacy management and stress-testing. The bank is exposed to credit risk, liquidity risk and market risk. It is also subject to various operating and business risks.

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

Management has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

Management is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Bank operates within established risk parameters. CRO is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to Risk Committee of Supervisory Council.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled through a system of Credit Committees and Risk Management Division and ALCO. Such control arrangements guarantee that the Bank takes informed risk-taking decisions that are adequately priced, avoiding taking risks that are beyond the Bank's established threshold.

Both external and internal risk factors are identified and managed throughout the organization. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Market risk arises from open positions in interest rate instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by management.

25 Risk management, corporate governance and internal control (continued)

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises from potential changes in the market interest rates that can adversely affect the fair value or future cash flows of the financial instruments. This risk can arise from maturity mismatches of assets and liabilities, as well as from the re-pricing characteristics of such assets and liabilities. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

	Less than 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Carrying amount
31 December 2024						
Assets						
Cash and cash equivalents	47,606	-	-	-	-	47,606
Mandatory reserves at the NBG	40,896	-	-	-	-	40,896
Investment securities	2,976	-	-	-	-	2,976
Corporate bonds at amortized cost	-	-	7,002	46,236	-	53,238
Loans to customers	83,826	72,089	74,167	67,543	25,976	323,601
Other financial assets	1,052	-	-	-	-	1,052
Total financial assets	**176,356**	**72,089**	**81,169**	**113,779**	**25,976**	**469,369**
Liabilities						
Amounts due to credit institutions	101,987	36,457	-	-	-	138,444
Amounts due to customers	92,601	8,116	18,144	1,331	126	120,318
Other borrowed funds	2,430	6,469	9,073	52,214	-	70,186
Other financial liabilities	3,229	152	308	2,668	1,226	7,583
Total financial liabilities	**200,247**	**51,194**	**27,525**	**56,213**	**1,352**	**336,531**
Net position	**(23,891)**	**20,895**	**53,644**	**57,566**	**24,624**	**132,838**

25 Risk management, corporate governance and internal control (continued)

	Less than 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Carrying amount
31 December 2023						
Assets						
Cash and cash equivalents	77,287	-	-	-	-	77,287
Mandatory reserves at the NBG	35,988	-	-	-	-	35,988
Investment securities	5,876	5,662	-	-	-	11,538
Corporate bonds at amortized cost	-	-	8,197	50,133	-	58,330
Loans to customers	83,602	92,556	26,139	53,598	14,592	270,487
Other financial assets	1,213	-	-	-	-	1,213
Total financial assets	**203,966**	**98,218**	**34,336**	**103,731**	**14,592**	**454,843**
Liabilities						
Amounts due to credit institutions	71,542	38,290	-	-	-	109,832
Amounts due to customers	126,009	17,128	20,658	9,048	279	173,122
Other borrowed funds	2,044	6,445	8,466	22,278	-	39,233
Other financial liabilities	2,239	135	273	2,356	1,762	6,765
Total financial liabilities	**201,834**	**61,998**	**29,397**	**33,682**	**2,041**	**328,952**
Net position	**2,132**	**36,220**	**4,939**	**70,049**	**12,551**	**125,891**

	Less than 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Carrying amount
31 December 2022						
Assets						
Cash and cash equivalents	57,785	-	-	-	-	57,785
Mandatory reserves at the NBG	39,030	-	-	-	-	39,030
Investment securities	996	-	-	1,357	-	2,353
Corporate bonds at amortized cost	11,485	-	5,004	20,648	-	37,137
Loans to customers	78,953	50,074	47,549	61,398	32,043	270,017
Other financial assets	1,095	-	-	-	-	1,095
Total financial assets	**189,344**	**50,074**	**52,553**	**83,403**	**32,043**	**407,417**
Liabilities						
Amounts due to credit institutions	54,513	29,115	-	-	-	83,628
Amounts due to customers	128,790	12,533	6,953	896	121	149,293
Other borrowed funds	2,185	6,620	6,413	41,832	-	57,050
Other financial liabilities	1,597	152	309	4,142	521	6,721
Total financial liabilities	**187,085**	**48,420**	**13,675**	**46,870**	**642**	**296,692**
Net position	**2,259**	**1,654**	**38,878**	**36,533**	**31,401**	**110,725**

25 Risk management, corporate governance and internal control (continued)

Average nominal interest rates

The table below displays average nominal interest rates for interest-bearing assets and liabilities as at 31 December 2024, 2023 and 2022. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2024			2023			2022		
	Average nominal interest rate %			Average nominal interest rate %			Average nominal interest rate %		
	GEL	USD	EUR	GEL	USD	EUR	GEL	USD	EUR
Interest bearing assets									
Cash and cash equivalents	6.25%	2.75%	0.83%	8.99%	-	3.58%	9.70%	2.40%	0.70%
Investment securities	8.83%	-	-	9.18%	-	-	9.20%	6.80%	-
Corporate bonds at amortized cost	10.90%	7.54%	-	12.63%	8.19%	-	14.53%	7.43%	-
Loans to customers	11.24%	9.27%	7.80%	13.05%	10.35%	8.07%	13.77%	8.35%	6.50%
Interest bearing liabilities									
Amounts due to credit institutions	9.01%	5.10%	4.35%	-	4.84%	4.46%	11.00%	0.92%	0.60%
Amounts due to customers	8.36%	3.12%	5.05%	7.97%	3.25%	2.08%	10.90%	2.10%	1.40%
Other borrowed funds	-	5.85%	5.98%	-	6.39%	7.06%	-	7.00%	5.30%
Lease liabilities	-	3.50%	-	-	3.50%	-	-	3.50%	-

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities.

An analysis of the sensitivity of net profit or loss (net of taxes) to changes in interest rates (repricing risk, assuming that all other variables, such as foreign currency exchange rates remain constant) based on a simplified scenario of a 100 basis point (bps) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2024, 2023 and 2022, is as follows:

	2024	2023	2022
100 bps parallel fall	(148)	(163)	(190)
100 bps parallel rise	148	163	190

Currency risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank constantly monitors that the NBG limits of currency positions against regulatory capital are maintained. The Bank has assets and liabilities denominated in several foreign currencies.

25 Risk management, corporate governance and internal control (continued)

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2024:

	EUR	USD	TRY	GBP	Total
Assets					
Cash and cash equivalents	25,997	15,236	8	721	41,962
Mandatory reserve at the NBG	11,768	29,235	-	-	41,003
Corporate bonds at amortized cost	-	14,182	-	-	14,182
Loans to customers	85,756	88,335	-	-	174,091
Other financial assets	4	181	-	-	185
Total assets	**123,525**	**147,169**	**8**	**721**	**271,423**
Liabilities					
Amounts due to credit institutions	23,192	83,444	8	721	107,365
Amounts due to customers	33,575	56,107	13	-	89,695
Other borrowed funds	66,196	3,990	-	-	70,186
Other financial liabilities	312	6,517	16	-	6,845
Total liabilities	**123,275**	**150,058**	**37**	**721**	**274,091**
Net position	**250**	**(2,889)**	**(29)**	**-**	**(2,668)**

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2023:

	EUR	USD	TRY	GBP	Total
Assets					
Cash and cash equivalents	6,634	36,599	876	2,171	46,280
Mandatory reserve at the NBG	8,904	27,084	-	-	35,988
Corporate bonds at amortized cost	-	17,574	-	-	17,574
Loans to customers	104,212	69,039	-	-	173,251
Other financial assets	-	153	-	-	153
Total assets	**119,750**	**150,449**	**876**	**2,171**	**273,246**
Liabilities					
Amounts due to credit institutions	81,117	26,534	-	2,182	109,833
Amounts due to customers	11,116	108,800	931	-	120,847
Other borrowed funds	27,825	11,408	-	-	39,233
Other financial liabilities	39	5,962	11	-	6,012
Total liabilities	**120,097**	**152,704**	**942**	**2,182**	**275,925**
Net position	**(347)**	**(2,255)**	**(66)**	**(11)**	**(2,679)**

25 Risk management, corporate governance and internal control (continued)

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2022:

	EUR	USD	TRY	GBP	Total
Assets					
Cash and cash equivalents	11,702	36,627	17	1,252	49,598
Mandatory reserve at the NBG	12,555	26,475	-	-	39,030
Investment securities	-	1,357	-	-	1,357
Corporate bonds at amortized cost	-	13,628	-		13,628
Loans to customers	69,130	56,271	-	-	125,401
Other financial assets	138	113	-	-	251
Total assets	**93,525**	**134,471**	**17**	**1,252**	**229,265**
Liabilities					
Amounts due to credit institutions	41,021	10,301	-	1,243	52,565
Amounts due to customers	16,589	98,280	10	2	114,881
Other borrowed funds	36,126	21,470	-	-	57,596
Other financial liabilities	8	1,441	-	-	1,449
Total liabilities	**93,744**	**131,492**	**10**	**1,245**	**226,491**
Net position	**(219)**	**2,979**	**7**	**7**	**2,774**

A weakening of the GEL, as indicated below, against the following currencies at 31 December 2024, 2023 and 2022, would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is on a net-of-tax basis, and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2024	2023	2022
15% appreciation of USD against GEL	(347)	(271)	380
15% appreciation of EUR against GEL	30	(42)	(28)
15% appreciation of TRY against GEL	(3)	(8)	1
15% appreciation of GBP against GEL	-	(1)	1

A strengthening of the GEL against the above currencies at 31 December 2024, 2023 and 2022 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(e) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures in place to manage credit exposures (both for recognized financial assets and unrecognized contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by management.

25 Risk management, corporate governance and internal control (continued)

The credit policy establishes:

- Procedures for reviewing and approving loan credit applications;
- Methodology for the credit assessment of borrowers (legal entities and individuals);
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

For all loans to legal entities the Bank performs due diligence that focuses on the customer's business and financial performance.

Exposure to credit risk is also managed, in part, by obtaining collateral and personal guarantees. Valuation of collateral is performed by independent experts for loans mentioned above. The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognized contractual commitment amounts. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit-related commitments risks

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment assessment

The Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, excluding the realisation of any collateral. It is usually expressed as a percentage of the EAD.

25 Risk management, corporate governance and internal control (continued)

LGL The Loss Given Liquidation represents the percentage of the exposure that cannot be recovered from collateral liquidation if the exposure is defaulted.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The 12m ECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12m ECL are calculated on an individual basis.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12m ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination or it is in overdue for more than 30 days, the Bank classifies the loan as Stage 2 loan and records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Retail clients' financial instruments are assigned Stage 2 category when an increase of Payment to Income ratio is greater than or equal to 10 percentage points than a standard defined by NBG requirements.

GEL	INCOME	Latest available PTI *	PTI increase =potential SICR**
	< 1500	>25%	>=10 p.p.
	>=1500	>50%	>=10 p.p.
USD	**INCOME**	**Latest available PTI**	**PTI increase =potential SICR**
	< 1500	>20%	>=10 p.p.
	>=1500	>30%	>=10 p.p.

Corporate clients' financial instruments are assigned Stage 2 category when a decrease of Debt Service Coverage ratio is greater than or equal to 10 percentage points than a standard defined by NBG requirements.

DSCR*** Latest Updated	DSCR Delta vs Origination
< 1.2	<=-10%

* Payment-to-income ratio.

The payment-to-income ratio assesses the proportion of an individual's income that is utilized to cover debt repayments. It is computed by dividing the total debt payments made by borrowers by their total income. This ratio is a critical metric used by the bank to evaluate the creditworthiness and repayment capacity of borrowers.

** Significant increase in credit risk.
*** Debt-service coverage ratio.

25 Risk management, corporate governance and internal control (continued)

Definition of default and cure

The Bank's definition of default is based on quantitative and qualitative criteria. An instrument is classified as credit impaired if:

- Payments of interest, principal or fees by obligor are overdue for more than 90 days; or
- If a problematic restructuring of a loan took place, which otherwise would become defaulted; or
- There is an event which have a detrimental impact on the estimated future cash flows of the borrower endangering its ability to repay liabilities in full, when bankruptcy or insolvency proceedings of enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met.

In terms of measurable indicators, following criteria are monitored as following:

For legal entities	Indicator
For sectors: Hotels, Energy, Real Estate Management	DSCR < 1.0 (recalculated on 15 years)
For other sectors	DSCR < 1.0 (recalculated on 10 years)

For retail clients	Indicator
Monthly net income (in GEL or FCY in GEL equivalent)	
< 1,500	PTI > 55%
>= 1,500	PTI > 70%

In case, above measurable indicators are met, the borrower is considered as defaulted and transferred into Stage 3.

Once financial instrument is classified to Stage 2 it remains so until following two conditions are met:

1. The financial instrument should fulfil requirements for Stage 1 credit risk category;
2. Overdue days and probation period conditions should be met.

A financial instrument is classified as Stage 1 risk category, if the following conditions are met:

- The payments are done on time or overdue days do not exceed 30 days;
- The borrower's liquidity, capital and loan repayment capacity is stable;
- The borrower is financially sufficiently strong to absorb medium level stress outcomes, and has enough liquidity to service all liabilities.

Improvement requirements for (both restructured and non-restructured) financial instruments, when financial analysis is not conducted:

Cure period for non-restructured Stage 2 financial instrument is 6 months, after which the instrument is classified in Stage 1 if during the probation period the financial instrument was in ≤ 30 days overdue.

Summary: Stage 2 → Stage 1 when ≤ 30 dpd during 6 months.

For restructured performing Stage 2 financial instrument the probation period is 1 year (if during the probation period the financial instrument was in ≤ 30 days overdue after which the instrument is reclassified to Stage 1).

25 Risk management, corporate governance and internal control (continued)

Summary: PF (Stage 2) → Stage 1 when ≤ 30 dpd during 1 year.

Cure period for non-restructured Stage 3 financial instrument is 6 months, after which the instrument is classified in Stage 2 if during the probation period the financial instrument was in ≤ 90 days overdue.
Cure period for non-restructured Stage 2 financial instrument is 6 months, after which the instrument is classified in Stage 1 if during the probation period the financial instrument was in ≤ 30 days overdue.

Summary: Stage 3 → Stage 2 when ≤ 90 dpd during 6 months. Stage 2 → Stage 1 when ≤ 30 dpd during 6 months.

For restructured Stage 3 (Non-performing Restructured) financial instrument the cure period is 6 months, after which the instrument is classified as Stage 2 (Performing Restructured) if the instrument was 31-90 days overdue during the cure period. As soon as the financial instrument is classified as Performing Restructured, starts one year probation period, after which the instrument is classified as Stage 1 if the instrument was not more than 30 days overdue during the probation period. If the instrument falls in 31-90 days overdue it remains in Stage 2. One year probation period starts from the last month when the instrument last recovered from 31-90 days overdue.

Summary: NPF (Stage 3) → PF (Stage 2) when 31-90 dpd during 6 months. PF (Stage 2) → PE (Stage 1) when <=30 dpd during 1 year.

Improvement requirements for non-restructured financial instruments, when financial analysis is conducted:

Apart from above mentioned probation periods of restructuring statuses, the category is possible to improve for financial instruments based on conducted financial analysis, specifically:

- Reclassify a financial instrument from Stage 2 to Stage 1 category:
  - When as a result of performed financial analysis of the borrower, requirements for Stage 1 (performing) conditions are fully met
  - And at the same time the last 3 consistent payments have been performed without overdue.

- Reclassify a financial instrument from Stage 3 to Stage 2 category:
  - When as a result of performed financial analysis of the borrower, requirements for Stage 2 (performing) conditions are fully met
  - And at the same time the last 3 consistent payments have been performed without overdue.

- Reclassify a financial instrument from Stage 3 to Stage 1 category:
  - When as a result of performed financial analysis of the borrower, requirements for Stage 1 (performing) conditions are fully met
  - And at the same time the last 6 consistent payments have been performed without overdue.

A financial instrument will no longer be considered restructured only if more than 1 year has passed since the restructuring and for the last 1 year of the financial instrument has been assigned Stage 1 credit risk category.

PD estimation process

For retail and corporate portfolios PD is estimated through macro model, which describes relationship between historical PDs for retail and corporate portfolios and macroeconomic variables such as real GDP growth and USD/GEL exchange rate. Based on estimation results and predicted macro variables provided by the NBG conditional retail and corporate PDs are forecasted. The model will be re-estimated annually and other macroeconomic variables will be incorporated if they improve explanatory power of the model. With the forecasted conditional PD's migration matrices are constructed, from which unconditional marginal PD's are calculated that are further adjusted by age of the instrument in the portfolio.

25 Risk management, corporate governance and internal control (continued)

PD for stage 3 financial instruments is considered as 100%.

For the financial instruments, on which the Bank has surety from parent companies of the borrower, the Bank uses PDs of their parent companies.

Exposure at default

The exposure at default (EAD) is calculated differently for Stage 1, Stage 2 and Stage 3 financial instruments. EAD are reduced by cash cover amounts. Off-balance commitments are considered through Cash Conversion Factor (CCF), specifically by 100% for corporate commitments and 50% for retail commitments.

For Stage 1, the EAD is calculated as an outstanding amount of loans and off balance commitments taking into account CCF and cash cover amounts as of reporting date.

For Stage 2 and Stage 3, the EAD is calculated as the outstanding amount of the financial instrument by the reporting date taking into account CCF and cash cover amounts.

Loss given default

For corporate and retail lending assets, LGD values are assessed annually. LGD is defined as the likely loss arising in case of a counterparty defaults for unsecured exposures. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. LGD rates are calculated for corporate and retail portfolios. LGD is statistically calculated based on historical loan recovery data and takes into account historical losses incurred on unsecured exposures. While calculation LGD outlier recoveries are excluded from the calculation. LGD is expressed as a percentage of the EAD.

Loss given liquidation of collateralized exposures (LGL)

LGL represents the percentage of the exposure that cannot be recovered from collateral liquidation if the exposure is defaulted. Loss Given Liquidation calculation takes into account LTV, adjusted by time to sale of movable and immovable collateral, real estate price index, EIR, and expected sales ratio of collaterals. For uncollateralized exposures LGL is taken at 100%.

Average LGL ratios are calculated for five LTV bands separately for retail and non-retail borrowers, which then are assigned to each exposure depending on the LTV band the exposure falls.

Sales costs calculation

The Bank considers following sales costs associated with sale of received collateral.

In case the Bank's claim is over GEL 15,000, the Bank goes to Arbitration. For claims below GEL 15,000 the Bank goes to a Court.

Costs associated with Arbitration cases

VAT	18%	When demand x 1.18 is less than collateral value, in such case VAT is calculated from demand and vice versa. Including VAT, NOTE: min prices is GEL 236 (Without oral Hearing) /GEL 590 (Based on oral hearing)/GEL 708 Oral hearing when composed of 3 arbitrators), max prices is GEL 15,000.
Arbitration fee	3%	The Bank has the following approach in contracts: when the claim is ≤ GEL 50,000 the Bank goes without oral Hearing (i.e. minimal price GEL 236), when the claim is > GEL 50,000 the Bank goes with an oral hearing consisting of 3 arbitrators (i.e. minimal price GEL 708).
Court of appeal fee	GEL150	
Fee paid to enforcement	2%	From the total request (principal + arbitration fee + court of appeal fee)
Commission taken by the enforcement bureau	5%	From the selling price in auction

25 Risk management, corporate governance and internal control (continued)

Costs associated with Court cases

VAT	18%	When demand x 1.18 is less than collateral value, in such case VAT is calculated from demand and vice versa.
Court fee	3%	Min price: GEL 100, max price: GEL 5,000
Fee paid to enforcement	2%	From the total request (principal)
Commission taken by the enforcement bureau	5%	From the selling price in auction

Significant increase in credit risk (SICR)

The Bank continuously monitors all assets subject to ECLs. When assessing significance of increase in credit risk and whether the instrument is subject to 12m ECL or LTECL, the Bank compares the risk of default at the reporting date and risk of default occurring at the date of initial recognition. To identify significant increase in credit risk since initial recognition of the financial asset at individual financial instrument level, the Bank is undertaking the holistic analysis of various factors, including those which are specific to a particular financial instrument or to a borrower.

The analysis includes considering of quantitative and qualitative information based on the Bank's historical experience, credit risk assessment and forward looking information.

For individually significant exposures the Bank evaluates individually whether an objective evidence of significant increase in credit risk or impairment exists to recognise lifetime expected credit losses. Individually significant exposures are considered exposures to the group exceeding 1% of the tier I capital of the bank. The Bank collectively assesses loans that are not individually significant and loans that are individually significant but for which there is no objective evidence of significant increase in credit risk.

Individually significant loans

SICR identification process for individually significant exposures includes performing a qualitative test. To assess SICR for individually significant loans the Bank has established general trigger events for all types of exposures, specific trigger events for non-retail borrowers and specific trigger events for retail borrowers. General trigger events include but are not limited to:

- Deterioration of macroeconomic, regulatory, political or technological outlook relevant to particular or group of borrowers;
- Adverse changes in the sector or industry conditions in which borrower operates.

Specific trigger events for non-retail borrowers include:

- Deterioration of borrowers' financial performance that is quantified by adverse changes in financial coefficients;
- Being overdue more than 30 days but less than 90 days;
- Those restructurings which if had not been done would not lead to the instrument falling in more than 90 days overdue;
- Breaching the contract;
- Sale of crucial part of the business or property which is necessary for the borrower's profit making operations;
- Fraud in borrower's business, etc.

If significant increase in credit risk is identified, for lifetime ECL calculation it is assessed whether future cash inflows of the borrower are enough to cover the cash outflows for different scenarios. Analysis of cash flow of the borrower includes analysis of existing and forecasted trends of industry within which the borrower operates. The amount of impairment is measured as the difference between the carrying amount of the credit facility and the present value of estimated future cash flows, discounted at the credit facility's original effective interest rate. The estimated future cash flows will include any expected cash flows from the borrowers operations, any other sources of funds and the expected proceeds from the liquidation of collateral, where applicable.

25 Risk management, corporate governance and internal control (continued)

Collectively assessed loans

Non-retail exposures that are not individually significant are assessed for SICR based on overdue days (between 30 and 90 days) or whether they are restructured and deterioration of various financial coefficients (Payment To Income (PTI) and Debt Service Coverage Ratio (DSCR)).

Specific trigger events for retail borrowers include but are not limited to loan being overdue more than 30 days but less than 90 days, restructuring of an exposure which if would not be done would lead to the instrument falling in more than 90 days overdue, deterioration of PTI ratio, etc.

For the purpose of a collective evaluation of impairment, financial instruments are grouped within homogeneous pools on the basis of asset types – whether the instrument is retail or non-retail, and based on Loan to Value (LTV) ratio. On the basis of LTV ratios financial instruments are grouped into five LTV bands.

Writing-off of facilities:

The Bank has elaborated the methodology for writing-off of exposures towards the borrowers, specifically as following:

- Unsecured financial instrument is subject to be written off if overdue days exceed 360 days;
- Secured financial instrument is subject to be written off if overdue days exceed 720 days.

Treasury and interbank relationships

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, corporates and Georgian and Turkish governments.

PDs are assigned to issuers or banks according to external rating default rates. The minimum PD is set to 0.03% according to Basel. For Banks LGD is taken at 47.81%, according to the foundation approach of the Basel document. For corporate securities LGD is taken at 47.81%. EAD represents sum of some of outstanding principal and accrued interest in the case of securities, sovereign bonds and interbank exposures.

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on the following forward looking information as economic inputs, such as:

- GDP growth;
- Foreign exchange rates.

The Bank calculates ECL on an individual basis for all financial assets. ECL is calculated for three (baseline 50%, upside 25%, and adverse 25%) scenarios and weighted ECL is computed as a weighted sum of all three scenario ECLs.

The measurement of unbiased, probability weighted ECL requires inclusion of forward looking information obtainable without undue cost or effort. For forward-looking information purposes the Bank defines three macro scenarios. The scenarios are defined as baseline (most likely), upside (better than most likely) and downside (worse than most likely) scenarios of the state of the economy. To derive the baseline macroeconomic scenario, the Bank takes into account forecasts from the National Bank of Georgia.

25 Risk management, corporate governance and internal control (continued)

The tables below show the values of the forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations:

The figures for subsequent years represent a long-term average and so are the same for each scenario as at 31 December 2024:

Key drivers	ECL scenario	Assigned probabilities,%	2024	2025	2026	2027	Subsequent years
GDP growth, %							
	Upside	25%	8.7%	7.0%	6.0%	6.0%	6.0%
	Base case	50%	8.7%	4.9%	5.8%	5.7%	5.7%
	Downside	25%	8.7%	2.0%	3.0%	5.0%	5.0%
GEL/USD exchange rate, % change							
	Upside	25%	0.0%	2.0%	3.0%	0.0%	0.0%
	Base case	50%	0.0%	0.0%	0.0%	0.0%	0.0%
	Downside	25%	0.0%	-15.0%	0.0%	5.0%	5.0%

The figures for subsequent years represent a long-term average and so are the same for each scenario as at 31 December 2023:

Key drivers	ECL scenario	Assigned probabilities,%	2023	2024	2025	2026	Subsequent years
GDP growth, %							
	Upside	25%	6.0%	6.5%	5.5%	5.0%	5.0%
	Base case	50%	6.0%	5.0%	4.5%	5.0%	5.0%
	Downside	25%	6.0%	3.0%	4.0%	5.0%	5.0%
GEL/USD exchange rate, % change							
	Upside	25%	0.0%	3.0%	2.0%	0.0%	0.0%
	Base case	50%	0.0%	0.0%	0.0%	0.0%	0.0%
	Downside	25%	0.0%	-15.0%	0.0%	5.0%	5.0%

The figures for subsequent years represent a long-term average and so are the same for each scenario as at 31 December 2022:

Key drivers	ECL scenario	Assigned probabilities,%	2022	2023	2024	2025	Subsequent years
GDP growth, %							
	Upside	25%	10.0%	6.0%	5.0%	5.0%	5.0%
	Base case	50%	10.0%	4.0%	5.5%	5.0%	5.0%
	Downside	25%	10.0%	2.0%	4.0%	5.0%	5.0%
GEL/USD exchange rate, % change							
	Upside	25%	0.0%	2.0%	0.0%	0.0%	0.0%
	Base case	50%	0.0%	0.0%	0.0%	0.0%	0.0%
	Downside	25%	0.0%	-15.0%	5.0%	5.0%	5.0%

25 Risk management, corporate governance and internal control (continued)

(f) Liquidity risk

Liquidity risk is defined as the risk that the Bank does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by management.

The Bank seeks to actively support a diversified and stable funding base in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The liquidity management policy requires:

- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining debt financing plans;
- Monitoring liquidity ratios against regulatory requirements.

The liquidity position is monitored by the Finance Management Division and the Risk Management Division. Under the normal market conditions, information on the liquidity position is presented to the management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Treasury Division. In addition, the Bank monitors on a regular basis the liquidity ratio calculated in accordance with the NBG requirements.

The following tables show the undiscounted cash flows on liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The maturity analysis for financial liabilities as at 31 December 2024 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative liabilities								
Amounts due to credit institutions	(45,489)	(56,928)	(37,234)	-	-	-	(139,651)	**(138,444)**
Amounts due to customers	(82,174)	(10,560)	(8,261)	(18,703)	(1,543)	(126)	(121,367)	**(120,318)**
Other borrowed funds	-	(3,706)	(6,985)	(10,950)	(57,244)	-	(78,885)	**(70,186)**
Other financial liabilities	(3,182)	(126)	(190)	(379)	(3,032)	(1,263)	(8,172)	**(7,583)**
Total financial liabilities	**(130,845)**	**(71,320)**	**(52,670)**	**(30,032)**	**(61,819)**	**(1,389)**	**(348,075)**	**(336,531)**
Credit related commitments	**(160,180)**	**-**	**-**	**-**	**-**	**-**	**(160,180)**	**-**

25 Risk management, corporate governance and internal control (continued)

The maturity analysis for financial liabilities as at 31 December 2023 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative liabilities								
Amounts due to credit institutions	(48,825)	(22,980)	(38,970)	-	-	-	(110,775)	**(109,832)**
Amounts due to customers	(101,616)	(24,651)	(17,450)	(21,420)	(9,659)	(363)	(175,159)	**(173,122)**
Other borrowed funds	-	(2,465)	(7,369)	(9,531)	(23,862)	-	(43,227)	**(39,233)**
Other financial liabilities	(2,112)	(116)	(175)	(350)	(2,802)	(1,868)	(7,423)	**(6,765)**
Total financial liabilities	**(152,553)**	**(50,212)**	**(63,964)**	**(31,301)**	**(36,323)**	**(2,231)**	**(336,584)**	**(328,952)**
Credit related commitments	**(121,194)**	**-**	**-**	**-**	**-**	**-**	**(121,194)**	**-**

The maturity analysis for financial liabilities as at 31 December 2022 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative liabilities								
Amounts due to credit institutions	(39,837)	(14,928)	(29,439)	-	-	-	(84,204)	**(83,628)**
Amounts due to customers	(121,641)	(7,203)	(12,804)	(7,291)	(916)	(121)	(149,976)	**(149,293)**
Other borrowed funds	-	-	(2,194)	-	(65,790)	-	(67,984)	**(57,050)**
Other financial liabilities	(3,554)	(88)	(132)	(268)	(2,334)	(2,427)	(8,803)	**(6,721)**
Total financial liabilities	**(165,032)**	**(22,219)**	**(44,569)**	**(7,559)**	**(69,040)**	**(2,548)**	**(310,967)**	**(296,692)**
Credit related commitments	**(95,990)**	**-**	**-**	**-**	**-**	**-**	**(95,990)**	**-**

Term deposits included in the customer accounts are classified based on remaining contractual maturities, however, according to Georgian Civil Code, individuals can withdraw their term deposits prior to maturity, if they partially or fully forfeit their right to accrued interest and the Bank is obliged to repay such deposits upon the depositor's demand. Based on the Bank's deposit retention history, the Management does not expect that many customers will require repayment on the earliest possible date.

The table below presents these deposits by their remaining maturities as at 31 December 2024, 2023 and 2022:

	31 December 2024	31 December 2023	31 December 2022
Demand and less than 1 month	8,495	10,000	7,724
From 1 to 3 months	5,099	3,729	6,591
From 3 to 12 months	4,806	10,714	7,543
From 1 to 5 years	280	5,425	88
Total deposits	**18,680**	**29,868**	**21,946**

The Bank does not use the below undiscounted maturity analysis to manage liquidity as it shows contractual terms purely and disregard the actual expected behaviour of the instruments. Instead, the Bank monitors the liquidity gap analysis based on the expected maturities, for example undiscounted cash flow disclosure purposes, demand deposits are put in on demand bucket, while any of them can be considered in a different time bucket according to the actual expectations.

25 Risk management, corporate governance and internal control (continued)

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2024:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	47,606	-	-	-	-	-	47,606
Mandatory reserves at the NBG	40,896	-	-	-	-	-	40,896
Investment securities	2,976	-	-	-	-	-	2,976
Corporate bonds at amortized cost	-	-	7,002	46,236	-	-	53,238
Loans to customers	14,466	69,359	146,257	67,543	25,976	-	323,601
Property, equipment, intangible and right-of-use assets	-	-	-	-	-	9,823	9,823
Income tax asset	-	-	-	-	-	3,823	3,823
Other assets	1,495	-	-	-	-	1,349	2,844
Total assets	**107,439**	**69,359**	**153,259**	**113,779**	**25,976**	**14,995**	**484,807**
Liabilities							
Amounts due to credit institutions	45,444	56,543	36,457	-	-	-	138,444
Amounts due to customers	82,163	10,438	26,260	1,331	126	-	120,318
Other borrowed funds	-	2,430	15,542	52,214	-	-	70,186
Deferred tax liabilities	-	-	-	-		670	670
Other liabilities	4,353	101	460	2,668	1,226	-	8,808
Total liabilities	**131,960**	**69,512**	**78,719**	**56,213**	**1,352**	**670**	**338,426**
Net position	**(24,521)**	**(153)**	**74,540**	**57,566**	**24,624**	**14,325**	**146,381**

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2023:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	77,287	-	-	-	-	-	77,287
Mandatory reserves at the NBG	35,988	-	-	-	-	-	35,988
Investment securities	4,947	929	5,662	-	-	-	11,538
Corporate bonds at amortized cost	-	-	8,197	50,133	-	-	58,330
Loans to customers	22,783	60,821	118,694	53,598	14,591	-	270,487
Property, equipment, intangible and right-of-use assets	-	-	-	-	-	8,134	8,134
Income tax asset	-	-	-	-	-	74	74
Other financial assets	1,499	-	-	-	-	1,349	2,848
Total assets	**142,504**	**61,750**	**132,553**	**103,731**	**14,591**	**9,557**	**464,686**
Liabilities							
Amounts due to credit institutions	48,811	22,731	38,290	-	-	-	109,832
Amounts due to customers	101,601	24,408	37,786	9,048	279	-	173,122
Other borrowed funds	-	2,044	14,911	22,278	-	-	39,233
Deferred tax liabilities	-	-	-	-	-	641	641
Other liabilities	3,184	90	408	2,356	1,762	-	7,800
Total liabilities	**153,596**	**49,273**	**91,395**	**33,682**	**2,041**	**641**	**330,628**
Net position	**(11,092)**	**12,477**	**41,158**	**70,049**	**12,550**	**8,916**	**134,058**

25 Risk management, corporate governance and internal control (continued)

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2022:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	57,785	-	-	-	-	-	57,785
Mandatory reserves at the NBG	39,030	-	-	-	-	-	39,030
Investment securities	996	-	-	1,357	-	-	2,353
Corporate bonds at amortized cost	-	11,485	5,004	20,648	-	-	37,137
Loans to customers	53,441	25,512	97,623	61,398	32,043	-	270,017
Property, equipment, intangible and right-of-use assets	-	-	-	-	-	6,988	6,988
Other assets	1,447	-	-	-	-	1,349	2,796
Total assets	**152,699**	**36,997**	**102,627**	**83,403**	**32,043**	**8,337**	**416,106**
Liabilities							
Amounts due to credit institutions	54,513	29,115	-	-	-	-	83,628
Amounts due to customers	121,625	7,165	19,486	896	121	-	149,293
Other borrowed funds	-	2,184	6,620	6,413	41,833	-	57,050
Deferred tax liabilities	-	-	-	-	-	764	764
Other liabilities	2,775	125	461	4,142	521	-	8,024
Total liabilities	**178,913**	**38,589**	**26,567**	**11,451**	**42,475**	**764**	**298,759**
Net position	**(26,214)**	**(1,592)**	**76,060**	**71,952**	**(10,432)**	**7,573**	**117,347**

Compliance with covenants

The Bank is subject to certain financial and non-financial covenants under its borrowing arrangements with international financial institutions (see also note 17). Non-compliance with such covenants may result in negative consequences for the Bank including mandatory prepayment and declaration of default. The Bank was in compliance with all covenants as at 31 December 2024, 2023 and 2022.

(g) Operational and business risk

Operational risk is the risk of loss arising from system failure, human error, fraud and external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment procedures, such as the use of internal audit.

26 Credit related commitments

The Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of overdraft facilities.

The Bank provides financial guarantees to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Bank applies the same credit risk management policies and procedures when granting credit commitments and financial guarantees as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to perform as contracted.

26 Credit related commitments (continued)

	31 December 2024	31 December 2023	31 December 2022
Contracted amount			
Undrawn overdraft facilities	-	48	54
Letter of credit	-	-	1,210
Guarantees	160,180	121,146	94,726
Total credit related commitments	**160,180**	**121,194**	**95,990**

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

Of these credit related commitments as at 31 December 2024 accounting GEL 137,448 thousand are to seven banks (31 December 2023: GEL 89,073 thousand, 31 December 2022: GEL 67,218 thousand). This exposure represents a significant concentration of credit risk exposure to the Bank.

All credit related commitments are allocated to Stage 1. ECL recognized for credit related commitments as at 31 December 2024 was GEL 418 thousand (31 December 2023: GEL 438 thousand; 31 December 2022: GEL 387 thousand) and there were no significant movements in ECL during the year.

27 Contingencies

(a) Litigations

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

(b) Operating environment

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

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

(c) Taxation contingencies

The taxation system in Georgia continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines, penalties and interest charges. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

28 Related party transactions

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

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

(a) Transactions with the key management personnel

Total remuneration included in personnel expenses for the years ended 31 December 2024, 2023 and 2022 is as follows:

	2024	2023	2022
Short-term employee benefits	2,573	2,150	1,863

(b) Transactions with the related parties

The outstanding balances and related profit or loss amounts of transactions as at and for the year ended 31 December 2024 are as follows:

	Immediate parent company	Entities under common control	Key management personnel	Other related parties
Assets				
Cash and cash equivalents	17	94	-	-
Loans to customers*	-	-	570	-
Liabilities				
Amounts due to credit institutions**	70,908	-	-	-
Amounts due to customers	-	-	582	16
Other liabilities	2,141	-	-	-
Interest income/(expense)				
Interest income	51	-	40	-
Interest expense	(1,333)	-	(10)	(362)
Other expenses	(674)	-	-	-

The outstanding balances and related profit or loss amounts of transactions as at and for the year ended 31 December 2023 are as follows:

	Immediate parent company	Entities under common control	Key management personnel	Other related parties
Assets				
Cash and cash equivalents	906	38	-	-
Loans to customers*	-	-	199	-
Liabilities				
Amounts due to credit institutions**	48,811	-	-	-
Amounts due to customers	-	-	134	3,923
Other liabilities	1,419	-	-	-
Income/(expense)				
Interest income	-	-	37	-
Interest expense	(430)	-	(10)	(129)
Other expenses	(919)	-	-	-

28 Related party transactions (continued)

The outstanding balances and related profit or loss amounts of transactions as at and for the year ended 31 December 2022 are as follows:

	Immediate parent company	Entities under common control	Key management personnel	Other related parties
Assets				
Cash and cash equivalents	34	55	-	-
Amounts due from banks	-	-	114	-
Liabilities				
Amounts due to credit institutions**	10,896	-	-	-
Amounts due to customers	-	-	23	8,831
Other liabilities	632	-	-	-
Income/(expense)				
Interest income	3	-	10	-
Interest expense	(55)	-	-	(153)
Other expenses	(826)	-	-	-

* Expected credit losses on loans issued to key management personnel amounted to GEL 2 thousand as at 31 December 2024 (31 December 2023: GEL 1 thousand; 31 December 2022: nil).

** The deposits from the immediate parent company as at 31 December 2024 mature according to contractual maturity as follows: GEL 70,908 thousand matures in less than 12 months (31 December 2023: GEL 48,811 thousand matures in less than 12 months; 31 December 2022: GEL 10,897 thousand matures in less than 12 months).

As at 31 December 2024 financial guarantees issued to the immediate parent company amounted GEL 21,594 thousand (31 December 2023: GEL 9,372 thousand, 31 December 2022: GEL 2,398 thousand). As at 31 December 2024, ECL of GEL 3 thousand is recognised for the financial guarantees issued to related parties (31 December 2023: GEL 1 thousand; 31 December 2022: nil).

29 Fair value measurement

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

Financial assets and liabilities not measured at fair value

For the financial assets and financial liabilities carried at amortised cost, the Bank assumes that the carrying amounts approximate to their fair value.

Investment securities carried at FVOCI

Investment securities valued using a valuation technique or pricing models primarily consist of unquoted debt securities. These securities are valued using models which incorporate data observable in the market (using quoted market prices in active market for similar instruments).

29 Fair value measurement (continued)

Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- **Level 1**: quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2:** inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are value based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments. The table does not include the fair values of non-financial assets, non-financial liabilities and those financial assets and liabilities for which the fair value approximates carrying value.

As at 31 December 2024 and 2023, the Bank did not have any financial instruments measured at fair value.

As at 31 December 2022:

	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Investment securities measured at FVOCI	-	2,353	-	2,353	2,353
Total	-	**2,353**	-	**2,353**	**2,353**

30 Events after reporting date

In 2025, Chief Executive Officer Mr. Hüseyin Emre Yılmaz has been succeeded by Mr. Onur Kütük.