JSC PASHA Bank Georgia

Financial statements

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

Contents

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Independent auditor's report

To the Shareholders and Supervisory Board of JSC PASHA Bank Georgia

Opinion

We have audited the financial statements of JSC PASHA Bank Georgia (hereinafter, the "Bank"), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy 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 International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 information included in the Bank's 2024 Management Report

Other information consists of the information included in the Bank's 2024 Management Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2024 Management Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon in our report on the audit of the financial statements.

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

Responsibilities of management and the Audit Committee for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ana Kusrashvili (SARAS-A-169041)

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

25 February 2025

Tbilisi, Georgia

Building a better working world

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Ana Kusrashvili (SARAS-A-169041)

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

25 February 2025

Tbilisi, Georgia

Statement of financial position

As at 31 December 2024

(Amounts in tables are in thousands of Georgian lari)

	Notes	*2024*	*2023*
Assets			
Cash and cash equivalents	5	120,452	64,785
Amounts due from credit institutions	6	121,552	36,790
Loans to customers	7	351,500	336,106
Investment securities	8	81,069	65,230
Repossessed collateral	9	19,368	15,710
Property and equipment	10	1,927	1,922
Right-of-use assets	11	704	3,047
Intangible assets	12	3,356	4,895
Deferred tax assets	17	4,421	–
Other assets	13	2,579	3,887
Total assets		**706,928**	**532,372**
Liabilities			
Amounts due to credit institutions	14	148,701	90,139
Amounts due to customers	15	394,286	288,855
Provisions	19	300	914
Lease liabilities	11	755	3,135
Subordinated debt	16	33,531	27,716
Other liabilities	13	8,747	9,298
Total liabilities		**586,320**	**420,057**
Equity			
Share capital	18	136,800	136,800
Additional paid-in capital	18	1,155	1,155
Accumulated deficit		(17,347)	(25,640)
Total equity		**120,608**	**112,315**
Total equity and liabilities		**706,928**	**532,372**

Signed and authorised for release on behalf of the Board of Directors of the Bank on 25 February 2025:

Ramil Imamov — Chairman of the Board of Directors

Parvin Mammadov — Chief Financial Officer, Member of the Board of Directors

The accompanying selected explanatory notes on pages 5 to 43 are an integral part of these financial statements.

Statement of financial position

As at 31 December 2024

(Amounts in tables are in thousands of Georgian lari)

	Notes	*2024*	*2023*
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Parvin Mammadov — Chief Financial Officer,
Member of the Board of Directors

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Statement of comprehensive income

For the year ended 31 December 2024

(Amounts in tables are in thousands of Georgian lari)

	Notes	*2024*	*2023*
Interest income calculated using effective interest rate			
Loans to customers		32,582	42,603
Investment securities		7,668	7,096
Amounts due from credit institutions		8,937	4,553
		49,187	**54,252**
Interest expense			
Amounts due to customers		(14,638)	(12,992)
Amounts due to credit institutions		(6,458)	(4,550)
Subordinated debt		(1,701)	(1,332)
Lease liabilities		(75)	(150)
		(22,872)	**(19,024)**
Net interest income		**26,315**	**35,228**
Credit loss expense on interest bearing assets	5,6,7,8,19	(2,647)	(5,073)
Net interest income after impairment losses		**23,668**	**30,155**
Net gains/(losses) from foreign currencies			
− dealing		15,392	6,563
− translation differences		(3,330)	2,879
Fee and commission income, net:	20	1,297	2,308
− fee and commission income		2,757	4,874
− fee and commission expense		(1,460)	(2,566)
Gain from derecognition of financial assets	7	1,000	−
Other operating income		531	170
Non−interest income		**14,890**	**11,920**
Personnel expenses	21	(21,878)	(24,213)
General and administrative expenses	21	(6,624)	(9,853)
Depreciation and amortisation	10, 11, 12	(4,602)	(4,942)
Modification loss	16	−	(955)
Provisions		(28)	(393)
Other operating expenses	22	(1,554)	(19)
Non−interest expenses		**(34,686)**	**(40,375)**
Profit before income tax expense		**3,872**	**1,700**
Income tax benefit	17	4,421	−
Net profit for the year		**8,293**	**1,700**
Other comprehensive income		−	−
Total comprehensive income for the year		**8,293**	**1,700**

The accompanying selected explanatory notes on pages 5 to 43 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2024

(Amounts in tables are in thousands of Georgian lari)

	Share capital	*Additional paid−in capital*	*Accumulated deficit*	*Total equity*
1 January 2023	**129,000**	**1,155**	**(27,340)**	**102,815**
Total comprehensive income for the year	−	−	1,700	**1,700**
Issue of share capital (Note 18)	7,800	−	−	**7,800**
31 December 2023	**136,800**	**1,155**	**(25,640)**	**112,315**
Total comprehensive income for the year	−	−	8,293	**8,293**
31 December 2024	**136,800**	**1,155**	**(17,347)**	**120,608**

The accompanying selected explanatory notes on pages 5 to 43 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2024

(Amounts in tables are in thousands of Georgian lari)

	Notes	*2024*	*2023*
Cash flows from operating activities			
Interest received		47,914	51,941
Interest paid		(24,190)	(16,397)
Fees and commissions received		2,788	4,852
Fees and commissions paid		(1,434)	(2,523)
Realised gains less losses from dealing in foreign currencies		15,392	6,563
Personnel expenses paid		(21,729)	(23,265)
General and administrative expenses paid		(5,896)	(11,116)
Other income received		374	106
Cash flows from operating activities before changes in operating assets and liabilities		**13,219**	**10,161**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(83,631)	10,767
Loans to customers		(16,258)	(1,648)
Other assets		721	(339)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		55,662	(18,893)
Amounts due to customers		100,222	18,109
Other liabilities		(479)	1,955
Net cash from operating activities		**69,456**	**20,112**
Cash flows from investing activities			
Purchase of investment securities	8	(25,900)	(36,517)
Proceeds from redemption of investment securities	8	10,330	15,313
Purchase of property and equipment		(1,519)	(953)
Proceeds from sale of property and equipment		94	37
Purchase of intangible assets		(1,367)	(1,172)
Net cash used in investing activities		**(18,362)**	**(23,292)**
Cash flows from financing activities			
Proceeds from subordinated debt	16	17,986	–
Repayments of subordinated debt	16	(14,064)	–
Principal repayments of lease liability		(1,728)	(1,863)
Proceeds from issue of share capital	18	–	7,800
Net cash from financing activities		**2,194**	**5,937**
Effect of exchange rates changes on cash and cash equivalents		2,379	(517)
Effect of expected credit losses on cash and cash equivalents		–	3
Net increase in cash and cash equivalents		**55,667**	**2,243**
Cash and cash equivalents, beginning	5	**64,785**	**62,542**
Cash and cash equivalents, ending	5	**120,452**	**64,785**

The accompanying selected explanatory notes on pages 5 to 43 are an integral part of these financial statements.

(Amounts in tables are in thousands of Georgian lari)

1. Principal activities

JSC PASHA Bank Georgia (the “Bank”) was formed on 17 December 2012 as a joint stock company under the laws of Georgia. The Bank operates under a general banking license issued by the National Bank of Georgia (the “NBG”) on 17 January 2013 (identification code: 404433671).

The Bank accepts deposits and extends credit, transfers payments in Georgia and abroad, exchanges currencies and provides other banking services to its customers. Based on strategic initiatives approved by the Bank’s shareholders, the Bank retains its primary focus on the corporate customers. In 2024 the Bank stopped mass retail lending and sold respective part of its loan portfolio (Note 7).

Starting from 2017 the Bank is a member of the deposit insurance system. The system operates under the Law of Georgia on Deposit Insurance System and insures all types of deposits of resident and non−resident individuals.

The Bank has one service office in Georgia as of 31 December 2024 (31 December 2023: four). The Bank’s registered legal address is 37M, Ilia Chavchavadze Avenue, 0179, Tbilisi, Georgia.

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

Shareholders	***2024, %***	***2023, %***
OJSC PASHA Bank	85.06%	85.06%
PASHA Holding LLC	14.94%	14.94%
Total	**100.00%**	**100.00%**

As at 31 December 2024 and 2023 the Bank is ultimately owned by Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva, Mr. Arif Pashayev and Mr. Mir Jamal Pashayev, who exercise collective control over the Bank.

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

2. Basis of preparation

General

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

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

These financial statements are presented in thousands of Georgian lari (“GEL”), unless otherwise indicated.

3. Material accounting policy information

New and amended standards

The following amendments to existing IFRS accounting standards became effective for annual periods beginning on 1 January 2024:

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

None of these amendments had an impact on the Bank’s financial statements at 31 December 2024.

(Amounts in tables are in thousands of Georgian lari)

3. Material accounting policy information (continued)

Standards issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the consolidated financial statements. As explained above, this would include standards and amendments that would already be effective based on the new standard or amendment, but the local endorsement is still in progress or has resulted in a later effective date.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the ‘settlement date’ and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- Clarifications on what constitute ‘non−recourse features’ and what are the characteristics of contractually linked instruments;
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments. With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank is currently performing an assessment of all material electronic payment systems utilised in the various jurisdictions it operates, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Bank is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Bank is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)−linked features and other similar contingent features, as well as on non−recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as Good Bank, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

It also requires disclosure of newly defined management−defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes.

Narrow−scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

(Amounts in tables are in thousands of Georgian lari)

3. Material accounting policy information (continued)

Standards issued but not yet effective (continued)

Fair value measurement

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re−assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

Financial assets and liabilities

Initial recognition

Date of recognition

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

Performance guarantees

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

Renegotiated loans

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

The 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, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion (for example, introduction of an equity feature).

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, presented within interest revenue calculated using EIR in the statement of profit or loss and net gain/(loss) on modification of financial assets measured at amortised cost, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Bank also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit−impaired. Asset that has been classified as credit−impaired as the result of modification, can be recorded as Stage 2 or Stage 3 if certain criteria are met according to the Banks approved methodology.

(Amounts in tables are in thousands of Georgian lari)

3. Material accounting policy information (continued)

Financial assets and liabilities (continued)

Write−off

The write−off of financial assets, either partially or in full, occurs only when the Bank has ceased its efforts to recover the assets. If the amount to be written off exceeds the accumulated loss allowance, the difference is first recognized as an addition to the allowance, which is then applied against the gross carrying amount. Any subsequent recoveries are credited to the credit loss expense. A write−off represents a derecognition event.

The Bank adheres to the Shareholder's policy requirements with regard to writing off its credit products, which vary on product type. For cash−covered loans, write−off occurs after 90 days of overdue. Retail loans are written off after 180 days of overdue. For non−retail loans, the treatment differs based on collateral type. Loans with no or movable collateral are written off after 360 days of overdue, while non−retail loans with immovable collateral are written off after 1,440 days of overdue.

Cash and cash equivalents

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

Mandatory reserve deposit with the NBG

Mandatory reserve deposits with the NBG are carried at amortised cost and represent interest bearing mandatory reserve deposits which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Mandatory reserve is included in amounts due from credit institutions.

Leases

Short−term leases and leases of low−value assets

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

Taxation

The current income tax expense is calculated in accordance with the regulations of Georgia.

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

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

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.

Property and equipment

Property and equipment is stated at cost, excluding the costs of day−to−day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

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

(Amounts in tables are in thousands of Georgian lari)

3. Material accounting policy information (continued)

Property and equipment (continued)

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight−line basis over the following estimated useful lives:

	Years
Furniture and fixtures	4
Computers and equipment	4
Motor vehicles	4
Other equipment	5
Leasehold improvements	1−5 years or lease term, if lower

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.

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

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets without finite useful lives are amortised over the useful economic lives of 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with finite lives are amortised over the useful economic lives of 1 to 10 years and are reviewed at least at each financial year−end.

Amounts due to/from credit institutions

Amounts due to credit institutions include deposits and loans placed by commercial banks and the Ministry of Finance. The Bank considers Ministry of Finance as a credit institution, because it provides refinancing facility similar to that of the National Bank of Georgia and long−term deposits as a liquidity support measure.

Amounts due from credit institutions include amounts due only from the NBG and commercial banks. The Bank considers non−banking credit institutions as customers and loans to non−banking credit organizations are included in loans to customers.

Repossessed collateral

Repossessed collaterals are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Majority of the Bank's repossessed collaterals consists of the commercial and residential real estate repossessed during recovery of defaulted loans. The Bank intends to sell those assets in normal course of business. In general, the Bank does not occupy repossessed properties for business use.

Recognition of income and expenses

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:

Interest and similar income and expense

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

(Amounts in tables are in thousands of Georgian lari)

3. Material accounting policy information (continued)

Recognition of income and expenses (continued)

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.

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate.

Fee and commission income

The Bank earns fee and commission income from several types of services it provides to its customers. Fee income can be divided into the following categories:

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

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

Fee income earned at a point in time

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

Fee income from providing transaction services

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

Foreign currency translation

The financial statements are presented in Georgian lari ("GEL"), which is the Bank's functional and presentation currency.

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

	2024	***2023***
GEL / 1 USD	2.8068	2.6894
GEL / 1 EUR	2.9306	2.9753
GEL / 1 AZN	1.6510	1.5806

(Amounts in tables are in thousands of Georgian lari)

4. Significant accounting judgments and estimates

Judgements

In the process of applying the Bank's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements.

Defining discontinued operation:

In 2024 the Bank ceased mass retail lending and sold respective part of its loan portfolio (Note 7). The Bank exercised judgement to determine whether this transaction meets definition of a discontinued operation. Discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

- ► Represents a separate major line of business or geographical area of operations;
- ► Forms part of a single co−ordinated plan to dispose of a separate major line of business or geographical area of operation; or
- ► A subsidiary acquired exclusively with a view to resale.

The term ‘major’ in the definition of the discontinued operation refers to both ‘line of business’ and ‘geographical area of operations’, i.e., a discontinued operations needs to represent either a major line of business or a major geographical area of operations. Quantitative thresholds and qualitative aspects from IFRS 8 – Operating segments that are applied to identify a reportable segment were used for determination whether mass retail lending represented a separate major line of business or geographical area of operations. The Bank retained a small part of retail loan portfolio and continues to service the deposits and current accounts of retail customers. Based on the performed analysis, the Bank’s management concluded that the sale of mass retail portfolio and ceased mass retail lending does not meet the definition of ‘discontinued operation’ per IFRS 5 requirements.

Estimation uncertainty

In the process of applying the Bank’s accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ► The Bank’s internal credit grading model, which assigns PDs to the individual grades;
- ► The Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis;
- ► The segmentation of financial assets when their ECL is assessed on a collective basis;
- ► Development of ECL models, including the various formulae and the choice of inputs;
- ► Determination of associations between macroeconomic scenarios and economic inputs, such GDP growth and inflation, and the effect on PDs, EADs and LGDs;
- ► Selection of forward−looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The amount of allowance for loans to customers, investment securities and credit related commitments recognized in the statement of financial position at 31 December 2024 was GEL 11,364 thousand (2023: GEL 16,203 thousand), GEL 479 thousand (2023: GEL 418 thousand) and GEL 300 thousand (2023: GEL 914 thousand) respectively. Refer to Note 7, Note 8 and Note 19.

(Amounts in tables are in thousands of Georgian lari)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2024	*2023*
Cash on hand	2,958	2,919
Current accounts with the NBG	4,110	3,440
Current accounts with other credit institutions	37,715	24,030
Time deposits with credit institutions up to 90 days	75,671	34,398
Less: allowance for impairment	(2)	(2)
Cash and cash equivalents	**120,452**	**64,785**

As at 31 December 2024, current accounts and time deposit accounts with credit institutions denominated in USD, GEL and EUR represent 60.54%, 22.66% and 15.72% of total current and time deposit accounts respectively (31 December 2023: USD 77.17%, GEL 18.03%, EUR 4.38%).

All balances of cash equivalents are held at amortized cost and are allocated to Stage 1.

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2024	*2023*
Mandatory reserve with the NBG	76,015	27,787
Loan to a resident commercial bank	45,678	–
Time deposits for more than 90 days	–	9,004
Less: allowance for impairment	(141)	(1)
Amounts due from credit institutions	**121,552**	**36,790**

Credit institutions are required to maintain cash deposits (mandatory reserve) with the NBG, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw these deposits is restricted by regulation.

The Bank issued a loan in amount of GEL 45,000 to a resident commercial bank which was part of the consideration paid for mass retail portfolio sold (Note 7). This loan is denominated in GEL and matures in March 2025.

An analysis of changes in the gross carrying value and corresponding ECL in relation to time deposits for more than 90 days and a loan to a resident commercial bank during the year ended 31 December 2024 is as follows:

	Gross carrying value	*ECL*
As at 1 January 2024	**9,004**	**(1)**
New assets originated	101,523	(785)
Assets repaid	(65,498)	11
Foreign exchange and other movements	649	634
At 31 December 2024	**45,678**	**(141)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to time deposits for more than 90 days during the year ended 31 December 2023 is as follows:

	Gross carrying value	*ECL*
As at 1 January 2023	**3,473**	**(1)**
New assets originated	34,209	(66)
Assets repaid	(29,259)	16
Foreign exchange and other movements	581	50
At 31 December 2023	**9,004**	**(1)**

All balances of amounts due from credit institutions are held at amortized cost and are allocated to Stage 1.

(Amounts in tables are in thousands of Georgian lari)

7. Loans to customers

Loans to customers comprise:

	2024	*2023*
Corporate	192,222	146,805
Commercial	169,357	134,974
Consumer	1,285	70,530
Loans to customers	**362,864**	**352,309**
Less – allowance for impairment	(11,364)	(16,203)
Loans to customers	**351,500**	**336,106**

Commercial loans include loans to medium sized companies.

According to the new strategy in 2024−2026 period, the Bank ceased mass retail lending and focused on expanding its corporate business. On 15 March 2024, the Bank sold mass retail loan portfolio of GEL 56,299 (gross amount – GEL 62,933; allowance for impairment – GEL 6,634, out of which GEL 6,172 was attributable to ECL for the on balance retail loans and GEL 462 – to unused credit lines) with premium in the amount of GEL 1,000 thousand which was recognized as gain from derecognition of financial assets.

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

Corporate loans at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2024	**135,498**	**4,943**	**6,364**	**146,805**
New assets originated	178,504	−	−	**178,504**
Assets repaid	(129,740)	(614)	(4,428)	**(134,782)**
Transfers to Stage 1	6,408	(6,408)	−	**−**
Transfers to Stage 2	(2,075)	2,075	−	**−**
Unwinding of discount	−	−	(57)	**(57)**
Foreign exchange and net other movements	1,417	4	331	**1,752**
At 31 December 2024	**190,012**	**−**	**2,210**	**192,222**

Corporate loans at amortized cost, allowance for ECL	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2024	**(1,270)**	**(34)**	**(2,317)**	**(3,621)**
New assets originated	(1,644)	−	−	**(1,644)**
Assets repaid	760	7	1,435	**2,202**
Transfers to Stage 1	(50)	50	−	**−**
Transfers to Stage 2	52	(52)	−	**−**
Unwinding of discount	−	−	(57)	**(57)**
Net remeasurement of ECL	1,395	29	(1,271)	**153**
At 31 December 2024	**(757)**	**−**	**(2,210)**	**(2,967)**

Commercial loans at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2024	**104,049**	**11,515**	**18,437**	**973**	**134,974**
New assets originated	97,615	−	−	−	**97,615**
Assets repaid	(61,864)	(1,700)	(2,432)	−	**(65,996)**
Transfers to Stage 1	780	(780)	−	−	**−**
Transfers to Stage 2	(6,204)	6,268	(64)	−	**−**
Transfers to Stage 3	−	(10,708)	10,708	−	**−**
Unwinding of discount	−	−	987	−	**987**
Foreign exchange and net other movements	2,205	(401)	(65)	38	**1,777**
At 31 December 2024	**136,581**	**4,194**	**27,571**	**1,011**	**169,357**

(Amounts in tables are in thousands of Georgian lari)

7. Loans to customers (continued)

Commercial loans at amortized cost, allowance for ECL	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL as at 1 January 2024	**(830)**	**(467)**	**(4,366)**	**(8)**	**(5,671)**
New assets originated	(1,121)	–	–	–	**(1,121)**
Assets repaid	288	60	725	–	**1,073**
Transfers to Stage 1	73	(73)	–	–	**–**
Transfers to Stage 2	156	(166)	10	–	**–**
Transfers to Stage 3	–	665	(665)	–	**–**
Unwinding of discount	–	–	987	–	**987**
Net remeasurement of ECL	482	(277)	(4,064)	224	**(3,635)**
At 31 December 2024	**(952)**	**(258)**	**(7,373)**	**216**	**(8,367)**

Consumer loans at amortized cost, gross	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2024	**61,909**	**4,287**	**4,334**	**70,530**
New assets originated	20,336	–	–	**20,336**
Assets repaid	(23,929)	(980)	(159)	**(25,068)**
Transfers to Stage 1	795	(795)	–	**–**
Transfers to Stage 2	(2,202)	2,558	(356)	**–**
Transfers to Stage 3	–	(1,551)	1,551	**–**
Sale of portfolio	(55,710)	(3,442)	(3,781)	**(62,933)**
Amounts written off	–	–	(1,543)	**(1,543)**
Foreign exchange and net other movements	42	(65)	(14)	**(37)**
At 31 December 2024	**1,241**	**12**	**32**	**1,285**

Consumer loans at amortized cost, allowance for ECL	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2024	**(2,630)**	**(729)**	**(3,552)**	**(6,911)**
New assets originated	(1,320)	–	–	**(1,320)**
Assets repaid	1,274	226	212	**1,712**
Transfers to Stage 1	(72)	69	3	**–**
Transfers to Stage 2	519	(529)	10	**–**
Transfers to Stage 3	–	498	(498)	**–**
Sale of portfolio	2,408	637	3,127	**6,172**
Amounts written off	–	–	1,543	**1,543**
Recoveries	–	–	(412)	**(412)**
Net remeasurement of ECL	(182)	(172)	(460)	**(814)**
At 31 December 2024	**(3)**	**–**	**(27)**	**(30)**

None of the written−off loans during 2024 are still subject to enforcement activity.

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

Corporate loans at amortized cost, gross	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	**183,805**	**6,736**	**162**	**190,703**
New assets originated	96,755	–	–	**96,755**
Assets repaid	(137,710)	(1,916)	(556)	**(140,182)**
Transfers to Stage 2	(6,518)	6,518	–	**–**
Transfers to Stage 3	–	(6,753)	6,753	**–**
Foreign exchange and net other movements	(834)	358	5	**(471)**
At 31 December 2023	**135,498**	**4,943**	**6,364**	**146,805**

Corporate loans at amortized cost, allowance for ECL	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	**(1,735)**	**(38)**	**(162)**	**(1,935)**
New assets originated	(745)	–	–	**(745)**
Assets repaid	587	9	249	**845**
Transfers to Stage 2	16	(16)	–	**–**
Transfers to Stage 3	–	25	(25)	**–**
Net remeasurement of ECL	607	(14)	(2,379)	**(1,786)**
At 31 December 2023	**(1,270)**	**(34)**	**(2,317)**	**(3,621)**

(Amounts in tables are in thousands of Georgian lari)

7. Loans to customers (continued)

Commercial loans at amortized cost, gross	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying value as at 1 January 2023	**71,952**	**20,510**	**29,921**	**–**	**122,383**
New assets originated	75,391	–	–	889	**76,280**
Assets repaid	(35,038)	(12,977)	(19,361)	(50)	**(67,426)**
Transfers to Stage 1	3,477	(3,477)	–	–	**–**
Transfers to Stage 2	(13,950)	14,246	(296)	–	**–**
Transfers to Stage 3	–	(6,623)	6,623	–	**–**
Unwinding of discount	–	–	(83)	–	**(83)**
Foreign exchange and net other movements	2,217	(164)	1,633	134	**3,820**
At 31 December 2023	**104,049**	**11,515**	**18,437**	**973**	**134,974**

Commercial loans at amortized cost, allowance for ECL	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL as at 1 January 2023	**(492)**	**(706)**	**(8,229)**	**–**	**(9,427)**
New assets originated	(776)	–	–	–	**(776)**
Assets repaid	187	326	3,997	–	**4,510**
Transfers to Stage 1	(120)	120	–	–	**–**
Transfers to Stage 2	78	(81)	3	–	**–**
Transfers to Stage 3	–	94	(94)	–	**–**
Unwinding of discount	–	–	(83)	–	**(83)**
Net remeasurement of ECL	293	(220)	40	(8)	**105**
At 31 December 2023	**(830)**	**(467)**	**(4,366)**	**(8)**	**(5,671)**

Consumer loans at amortized cost, gross	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	**50,762**	**1,151**	**2,710**	**54,623**
New assets originated	141,017	4,638	–	**145,655**
Assets repaid	(118,842)	(4,275)	(613)	**(123,730)**
Transfers to Stage 1	11,315	(11,114)	(201)	**–**
Transfers to Stage 2	(22,246)	22,553	(307)	**–**
Transfers to Stage 3	(78)	(8,312)	8,390	**–**
Amounts written off	–	–	(5,751)	**(5,751)**
Foreign exchange and net other movements	(19)	(354)	106	**(267)**
At 31 December 2023	**61,909**	**4,287**	**4,334**	**70,530**

Consumer loans at amortized cost, allowance for ECL	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	**(2,564)**	**(188)**	**(2,710)**	**(5,462)**
New assets originated	(8,502)	(1,032)	–	**(9,534)**
Assets repaid	4,573	819	847	**6,239**
Transfers to Stage 1	(976)	949	27	**–**
Transfers to Stage 2	3,234	(3,300)	66	**–**
Transfers to Stage 3	8	2,962	(2,970)	**–**
Amounts written off	–	–	5,751	**5,751**
Recoveries	–	–	(381)	**(381)**
Net remeasurement of ECL	1,597	(939)	(4,182)	**(3,524)**
At 31 December 2023	**(2,630)**	**(729)**	**(3,552)**	**(6,911)**

(Amounts in tables are in thousands of Georgian lari)

7. Loans to customers (continued)

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 types of collateral normally obtained are charges over real estate properties, also cash covers and guarantees, provided by borrowers or third parties, including the shareholders.

The Bank calculates LGD rate of certain Legal entities in Stage 3 using discounted value of collaterals. As at 31 December 2024, maximum exposure of such individually assessed loans amounted to GEL 23,475 thousand (31 December 2023: GEL 25,527 thousand) for which ECL of GEL 5,387 thousand (31 December 2023: GEL 6,438 thousand) was created. If these loans were not collateralized, ECL amount for these loans would be GEL 20,584 thousand (31 December 2023: GEL 23,360 thousand) based on collective assessment.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

Concentration of loans to customers

As at 31 December 2024, the Bank had a concentration of loans due from ten major groups of related borrowers in the total amount of GEL 183,997 thousand which represented 50.71% of the total gross loan portfolio (31 December 2023: GEL 143,110 thousands, 40.62% of the gross loan portfolio). Allowance of GEL 670 thousand was recognised against these loans (31 December 2023: GEL 1,539 thousand).

Loans are made within Georgia in the following industry sectors:

	2024	***2023***
Trade and services	181,326	115,326
Financial intermediation	60,359	56,780
Real estate management	44,031	45,478
Energy	36,298	39,774
Construction	33,929	16,402
Agro	5,636	7,974
Individuals	1,285	70,530
Other	–	45
	362,864	**352,309**

8. Investment securities

As at 31 December 2024, investment securities comprised of bonds of financial institutions and other companies and Treasury bonds of the Ministry of Finance of Georgia:

Investment securities comprise:

	2024	***2023***
Debt securities at amortised cost		
Bonds of financial institutions	43,041	32,897
Corporate bonds	33,038	27,282
Treasury bonds of the Ministry of Finance of Georgia	5,469	5,469
	81,548	**65,648**
Less: allowance for impairment	(479)	(418)
Total debt securities	**81,069**	**65,230**

As at 31 December 2024, none of the investment securities were pledged as a collateral (31 December 2023: none) (Note 14).

(Amounts in tables are in thousands of Georgian lari)

8. Investment securities (continued)

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

	Corporate bonds	*Bonds of financial institutions*	*Treasury bonds of the Ministry of Finance of Georgia*	*Total*
Gross carrying value as at 1 January 2024	**27,282**	**32,897**	**5,469**	**65,648**
New assets originated	12,000	13,900	–	**25,900**
Assets repaid	(6,580)	(3,750)	–	**(10,330)**
Foreign exchange and other movements	336	(6)	–	**330**
At 31 December 2024	**33,038**	**43,041**	**5,469**	**81,548**

An analysis of changes in the ECL allowances during the year ended 31 December 2024 is as follows:

	Corporate bonds	*Bonds of financial institutions*	*Treasury bonds of the Ministry of Finance of Georgia*	*Total*
ECL as at 1 January 2024	**(228)**	**(190)**	**–**	**(418)**
New assets originated	(128)	(187)	–	(315)
Assets repaid	2	1	–	3
Foreign exchange and other movements	138	113	–	251
At 31 December 2024	**(216)**	**(263)**	**–**	**(479)**

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

	Corporate bonds	*Bonds of financial institutions*	*Treasury bonds of the Ministry of Finance of Georgia*	*Total*
Gross carrying value as at 1 January 2023	**20,951**	**17,779**	**5,469**	**44,199**
New assets originated	7,517	29,000	–	**36,517**
Assets repaid	(1,313)	(14,000)	–	**(15,313)**
Foreign exchange and other movements	127	118	–	**245**
At 31 December 2023	**27,282**	**32,897**	**5,469**	**65,648**

An analysis of changes in the ECL allowances during the year ended 31 December 2023 is as follows:

	Corporate bonds	*Bonds of financial institutions*	*Treasury bonds of the Ministry of Finance of Georgia*	*Total*
ECL as at 1 January 2023	**(270)**	**(68)**	**–**	**(338)**
New assets originated	(85)	(281)	–	**(366)**
Assets repaid	11	1	–	**12**
Foreign exchange and other movements	116	158	–	**274**
At 31 December 2023	**(228)**	**(190)**	**–**	**(418)**

All balances of investment securities are held at amortized cost and are allocated to Stage 1.

(Amounts in tables are in thousands of Georgian lari)

9. Repossessed collateral

The Bank holds repossessed property which represent land, commercial and residential real estate taken into Bank's ownership as a settlement of non−performing loans. The Bank intends to sell those assets in normal course of business. In general, the Bank does not occupy repossessed properties for business use. The carrying value of the collaterals repossessed during the period and held as at the reporting date is as follows:

	2024	*2023*
Commercial real estate	13,530	13,861
Residential real estate	4,605	1,334
Land	910	192
Other	323	323
Total repossessed collateral	**19,368**	**15,710**

In 2024, the Bank repossessed collaterals of GEL 4,704 thousand in non−cash settlement loans issued (2023: GEL 15,202 thousand). During 2024, the Bank has sold repossessed collaterals in amount of GEL 1,046 thousand.

10. Property and equipment

The movements in property and equipment were as follows:

	Furniture and fixtures	*Computers and equipment*	*Motor vehicles*	*Other equipment*	*Leasehold improvements*	*Total*
Cost						
1 January 2023	**2,096**	**4,940**	**526**	**516**	**3,338**	**11,416**
Additions	62	464	94	8	325	**953**
Disposals and write−offs	−	(56)	(138)	(2)	(362)	**(558)**
31 December 2023	**2,158**	**5,348**	**482**	**522**	**3,301**	**11,811**
Additions	13	1,498	−	8	−	**1,519**
Disposals and write−offs	(476)	(805)	(24)	(79)	(572)	**(1,956)**
31 December 2024	**1,695**	**6,041**	**458**	**451**	**2,729**	**11,374**
Accumulated depreciation						
1 January 2023	**(1,846)**	**(4,153)**	**(347)**	**(408)**	**(2,242)**	**(8,996)**
Depreciation charge	(215)	(437)	(50)	(61)	(663)	**(1,426)**
Disposals and write−offs	−	49	137	2	345	**533**
31 December 2023	**(2,061)**	**(4,541)**	**(260)**	**(467)**	**(2,560)**	**(9,889)**
Depreciation charge	(27)	(575)	(68)	(40)	(484)	**(1,194)**
Disposals and write−offs	447	790	18	66	315	**1,636**
31 December 2024	**(1,641)**	**(4,326)**	**(310)**	**(441)**	**(2,729)**	**(9,447)**
Net book value						
1 January 2023	**250**	**787**	**179**	**108**	**1,096**	**2,420**
31 December 2023	**97**	**807**	**222**	**55**	**741**	**1,922**
31 December 2024	**54**	**1,715**	**148**	**10**	**−**	**1,927**

After the sale of mass retail loan portfolio the Bank has ceased the operations in three branches and wrote off the respective property and equipment. Significant part of total write−offs was leasehold improvements with gross book value of GEL 572 thousand and accumulated depreciation of GEL 315 thousand.

As at 31 December 2024 fully depreciated items amounted to GEL 8,253 thousand (2023: GEL 6,879 thousand).

(Amounts in tables are in thousands of Georgian lari)

11. Leases

The movement in right−of−use assets and lease liabilities during the year ended 31 December 2024 was as follows:

	Right−of−use assets	
	Buildings	***Lease liabilities***
As at 1 January 2024	**3,047**	**3,135**
Additions	583	583
Disposals and write offs (gross)	(1,425)	(1,239)
Depreciation expense	(1,611)	−
Disposals and write−offs (accumulated depreciation)	110	−
Interest expense	−	75
Payments	−	(1,817)
Rent concessions	−	(33)
Foreign currency translation difference	−	51
As at 31 December 2024	**704**	**755**

After the sale of mass retail loan portfolio, the Bank has ceased operations in three branches and derecognized respective leases.

The movement in right−of−use assets and lease liabilities during the year ended 31 December 2023 was as follows:

	Right−of−use assets	
	Buildings	***Lease liabilities***
As at 1 January 2023	**3,766**	**3,772**
Additions	1,265	1,293
Disposals and write offs (gross)	(1,879)	−
Depreciation expense	(1,984)	−
Disposals and write−offs (accumulated depreciation)	1,879	−
Interest expense	−	150
Payments	−	(2,007)
Rent concessions	−	(32)
Foreign currency translation difference	−	(41)
As at 31 December 2023	**3,047**	**3,135**

Future lease payments for each of the next five years for the year ended 31 December 2024 and 2023 are as follows:

	Lease liabilities	
	2024	***2023***
Within one year	228	1,968
Between 1 and 2 years	228	407
Between 2 and 3 years	228	407
Between 3 and 4 years	133	366
Between 4 and 5 years	−	196
	817	**3,344**

(Amounts in tables are in thousands of Georgian lari)

12. Intangible assets

The movements in intangible assets were as follows:

	Licenses	*Computer software*	*Total*
Cost			
1 January 2023	**204**	**8,554**	**8,758**
Additions	−	1,172	**1,172**
Disposals and write offs	−	(731)	**(731)**
31 December 2023	**204**	**8,995**	**9,199**
Additions	−	1,331	**1,331**
Disposals and write offs	−	(3,546)	**(3,546)**
31 December 2024	**204**	**6,780**	**6,984**
Accumulated amortization			
1 January 2023	**(145)**	**(3,358)**	**(3,503)**
Amortisation charge	(19)	(1,513)	**(1,532)**
Disposals and write offs	−	731	**731**
31 December 2023	**(164)**	**(4,140)**	**(4,304)**
Amortisation charge	(7)	(1,790)	**(1,797)**
Disposals and write offs	−	2,473	**2,473**
31 December 2024	**(171)**	**(3,457)**	**(3,628)**
Net book value			
1 January 2023	**59**	**5,196**	**5,255**
31 December 2023	**40**	**4,855**	**4,895**
31 December 2024	**33**	**3,323**	**3,356**

After the sale of mass retail loan portfolio, the Bank has written−off GEL 2,501 thousand computer software with accumulated amortization of GEL 1,430 thousand related to mass retail lending operations. Loss from write−off of intangible assets is recognized in other operating expenses (Note 22).

13. Other assets and liabilities

Other assets comprise:

	2024	*2023*
Other non−financial assets		
Prepaid expenses	1,145	830
Inventory	249	475
Prepayments for short−term lease	60	68
Prepayments for acquisition of property and equipment and intangible assets	36	−
Prepaid taxes other than income tax	−	571
Other prepayments	32	34
	1,522	**1,978**
Other financial assets		
Derivative financial assets	396	651
Accrued commission receivable on guarantees and letters of credit	56	86
Funds in settlement	45	548
Other	560	624
	1,057	**1,909**
Total other assets	**2,579**	**3,887**

After the sale of mass retail loan portfolio the Bank has written off GEL 200 thousand of retail plastic cards included in inventory (Note 21).

(Amounts in tables are in thousands of Georgian lari)

13. Other assets and liabilities (continued)

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

	2024			*2023*		
	Notional amount	*Fair values*		*Notional amount*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Forwards/Swaps − domestic	118,639	396	427	154,653	651	786
Total derivative assets/liabilities		**396**	**427**		**651**	**786**

Domestic in the table above stand for Georgian counterparties.

Other liabilities comprise:

	2024	*2023*
Other financial liabilities		
Funds in settlement	3,033	3,301
Derivative financial liabilities	427	786
Payables and accrued expenses	323	496
	3,783	**4,583**
Other non−financial liabilities		
Payable to employees	4,835	4,686
Taxes other than income tax	102	−
Deferred income	27	29
	4,964	**4,715**
Total other liabilities	**8,747**	**9,298**

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	Note	*2024*	*2023*
Time deposits and loans from non−resident commercial banks		85,499	69,460
Time deposits from resident commercial banks		21,729	−
Loan from the National Bank of Georgia		20,024	−
Deposits from the Ministry of Finance		12,997	12,509
Overdraft from the shareholder	26	7,290	7,786
Current accounts of non−resident commercial banks		640	−
Current accounts of the shareholder	26	514	384
Current accounts of resident commercial banks		8	−
Amounts due to credit institutions		**148,701**	**90,139**

As at 31 December 2024 time deposits and loans from non−resident commercial banks are comprised of USD denominated deposits and loans of three non−resident banks (2023: USD denominated deposits and loans of an entity under common control and other non−resident bank).

As at 31 December 2024 time deposits placed by four resident commercial banks were denominated in USD and GEL and mature in January and February 2025.

Loans from the National Bank of Georgia represent short−term GEL refinancing facilities used by the Bank to uphold its liquidity needs in GEL. Deposits from the Ministry of Finance represent GEL 7,516 thousand of short−term funds attracted from the Ministry of Finance as a refinancing facility similar to that of the National Bank of Georgia and GEL 5,481 thousand of the long−term deposit placed by the Ministry as the liquidity support measure in return for the similar term treasury bonds purchased by the Bank.

(Amounts in tables are in thousands of Georgian lari)

15. Amounts due to customers

The amounts due to customers include the following:

	2024	*2023*
Current and demand accounts	104,978	110,025
Time deposits (including certificates of deposit)	289,308	178,830
Amounts due to customers	**394,286**	**288,855**
Held as security against guarantees issued (Note 19)	49,504	3,908

As at 31 December 2024, amounts due to customers included balances with ten major customers of GEL 231,574 thousand that constituted 58.73% of the total of customer accounts (31 December 2023: 165,290 thousand that constituted 57.22% of the total of customer accounts).

An analysis of customer accounts by economic sector follows:

	2024	*2023*
Individuals	77,595	61,041
Trade and service	76,871	93,583
Investment entities	56,506	−
Non−banking credit organizations	52,640	22,461
Insurance	48,968	88,278
Construction	37,406	16,797
Government agencies	25,832	1,213
Energy	16,020	3,769
Real estate management	1,226	748
Agro	271	299
Transportation and telecommunication	86	58
Mining	73	12
Other	792	596
Amounts due to customers	**394,286**	**288,855**

GEL 56,506 thousand of customer accounts to investment entities is fully comprised of accounts of Pasha Holding LLC, a related party (Note 26). Finance cost on these customer accounts for 2024 was GEL 365 thousand (Note 26).

16. Subordinated debt

Subordinated loans consisted of the following:

	2024	*2023*
Subordinated loan from the shareholder (Note 26)	15,205	14,395
Subordinated loan from non−resident commercial bank	14,100	−
Subordinated loan from an entity under common control (Note 26)	4,226	13,321
Subordinated debt	**33,531**	**27,716**

On 19 December 2019 the Bank obtained a USD denominated subordinated loans with the interest rate of 5% p.a. maturing in December 2025 from the shareholder and entities under common control. Management believes that interest rate on the loan is below the market rate for the similar instruments, therefore loan was recognized at fair value using market interest rate. The difference of GEL 1,155 thousand between fair value and nominal amount of the loan is recognized as additional paid−in capital. Annual effective interest rate equals 5.88%.

In May 2023 subordinated loan from the shareholder was prolonged and matures in December 2030 with the interest rate of 8% p.a. after December 2025. In 2023 the Bank recognized modification loss of GEL 955 thousand.

In March 2024 the Bank additionally obtained a USD denominated subordinated loan in amount of USD 1,500 thousand with an interest rate of 8% p.a. maturing in March 2031 from an entity under common control. In December 2024, the Bank also obtained a USD denominated subordinated loan in amount of USD 5,000 thousand with an interest rate of 8.5% p.a. maturing in December 2031 from a non−resident commercial bank. Management believes that the interest rates on these loans are within the range of market rates for similar instruments.
In December 2024, subordinated loans from entities under common control outstanding as at 31 December 2023 were repaid before maturity.

(Amounts in tables are in thousands of Georgian lari)

16. Subordinated debt (continued)

The subordinated loans outstanding as at 31 December 2024 are not redeemable before the maturity. In case of bankruptcy, the repayment of the subordinated loans will be made after repayment in full of all other liabilities of the Bank.

No equity conversion options are present in the subordinated loan agreements as at 31 December 2024 and 2023. The amortised value of the subordinated loans qualified for the inclusion in the Tier 2 capital under the NBG Basel III requirements, was GEL 32,278 thousand (31 December 2023: GEL 16,135 thousand).

The movement in carrying amount of subordinated loans during the year ended 31 December 2024 was as follows:

	Subordinated debt
As at 1 January 2024	**27,716**
Proceeds from issue	17,986
Repayments	(14,064)
Foreign exchange and other movements	1,893
At 31 December 2024	**33,531**

The movement in carrying amount of subordinated loans during the year ended 31 December 2023 was as follows:

	Subordinated debt
As at 1 January 2023	**26,559**
Foreign exchange and other movements	1,157
At 31 December 2023	**27,716**

17. Taxation

From 1 January 2023 corporate income tax rate is 20% for banks, credit unions, microfinance organizations and lending entities.

The corporate income tax benefit for the years ended 31 December 2024 and 2023 comprised:

	2024	***2023***
Current tax expense	–	–
Deferred tax benefit	4,421	–
Income tax benefit	**4,421**	**–**

The income tax rate applicable to the Bank's income is 20%. The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax benefit on statutory rates with actual is as follows:

	2024	***2023***
Profit before income tax	**3,872**	**1,700**
Statutory tax rate	20%	20%
Theoretical income tax (expense)/benefit at the statutory rate	**(774)**	**(340)**
Tax exempt income	267	162
Non−deductible expenses	(215)	(59)
Tax loss utilized during the year	1,033	237
Change in unrecognized deferred tax asset	4,110	–
Income tax (expense)/benefit	**4,421**	**–**

(Amounts in tables are in thousands of Georgian lari)

17. Taxation (continued)

The Bank's accumulated tax losses as at 31 December 2024 equal GEL 20,551 thousand (31 December 2023: GEL 25,718 thousand) on which considering recent improvements in financial performance the Bank recognized GEL 4,110 thousand deferred tax assets on tax losses carried forward. The Bank has been accumulating tax losses since 2019. In 2024 the Bank has generated taxable profit of GEL 5,166 thousand (2023: GEL 11,516 thousand) and utilized GEL 1,033 thousand (2023: GEL 237 thousand) accumulated tax losses carried forward for this period. Tax losses carried forward expire in 5 years with a possible extension to 10 years if an entity applies for such extension. The Bank plans to apply for extension of the tax loss carry forward expiry period during 2025.

Deferred tax liabilities/assets as at 31 December 2024 and 31 December 2023 and their movements for the respective period:

	2023	*Through statement of profit or loss*	*2024*
Tax effect of deductible temporary differences			
Tax losses carried forward	–	4,110	4,110
Lease liabilities	627	(484)	143
Property and equipment	168	30	198
Amounts due from credit institutions	1	(1)	–
Other liabilities	(44)	88	44
Subordinated debt	156	74	230
Deferred tax asset	**908**	**3,817**	**4,725**
Tax effect of taxable temporary differences			
Intangible assets	(308)	189	(119)
Right−of−use assets	(609)	468	(141)
Other assets	9	(53)	(44)
Deferred tax liability	**(908)**	**604**	**(304)**
Deferred tax (liability)/asset	**–**	**4,421**	**4,421**

	2022	*Through statement of profit or loss*	*2023*
Tax effect of deductible temporary differences			
Tax losses carried forward	237	(237)	–
Lease liabilities	1,379	(752)	627
Property and equipment	336	(168)	168
Amounts due from credit institutions	1	–	1
Other assets	25	(16)	9
Subordinated debt	110	46	156
Deferred tax asset	**2,088**	**(1,127)**	**961**
Tax effect of taxable temporary differences			
Investment securities	(98)	98	–
Intangible assets	(171)	(137)	(308)
Loans to customers	(885)	885	–
Right−of−use assets	(1,393)	784	(609)
Other liabilities	459	(503)	(44)
Deferred tax liability	**(2,088)**	**1,127**	**(961)**
Deferred tax (liability)/asset	**–**	**–**	**–**

18. Equity

On 7 July 2023 the Bank's ownership structure changed and together with OJSC PASHA Bank, PASHA Holding LLC became a shareholder of the Bank, with the shares of 90.2019% and 9.7981% respectively.

In September 2023 GEL 7,800 thousand of share capital was injected in cash by PASHA Holding LLC in exchange for 7,800,000 common shares issued by the Bank. The ownership structure changed again with 85.0588% of shares owned by OJSC PASHA Bank and 14.9412% of shares owned by PASHA Holding LLC.

As at 31 December 2024 the Bank's authorized, issued and fully paid capital amounted to GEL 136,800 thousands comprising of 136,800,000 common shares with nominal value of GEL 1.00 (2023: 136,800 thousand comprising of 136,800,000 common shares). Each common share entitles one vote to the shareholder.

(Amounts in tables are in thousands of Georgian lari)

18. Equity (continued)

In accordance with Georgian legislation, dividends may only be declared by the Bank's shareholder from the net income as shown in the Bank's financial statements prepared in compliance with the NBG requirements. The Bank is obliged to officially inform the NBG of any dividends declared and the NBG reserves the right to suspend or restrict the disbursement of dividends should the Bank be in breach of the NBG regulations.

No dividends were declared or paid during the years ended 31 December 2024 and 2023.

Additional paid−in capital represents the difference between a fair value and a nominal amount at initial recognition of the subordinated loans received from the shareholder and entities under common control.

19. Commitments and contingencies

Operating environment

Over the last few years the Georgian Government has made a number of developments in order to positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. 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.

According to the preliminary estimates published by the National Statistics Office of Georgia, as of December 2024 growth of GDP amounted 6.7%, resulting in average growth of 9.5% compared to previous year. Major contributing factors to the growth have been financial and insurance activities, professional, scientific and technical activities, transportation and storage, trade, information and communication. Decline was observed in manufacturing. Based on the preliminary findings of IMF staff mission to Georgia, the projected real GDP growth is 7.6% for 2024.

In Georgia, inflation remains below the target of 3 percent. The close−to−target inflation was largely ensured by the monetary policy implemented by the National Bank of Georgia. According to the updated forecast of the National Bank of Georgia, other things being equal, the overall price level increase will be kept close to the 3% target over the medium term.

The management maintains strong liquidity positions supported by the NBG's measures to strengthen banking sector resilience. The Bank is actively working to decrease NPLs to reasonable levels using timely restructuring actions, continued support from the shareholder and diligent collection actions. The Bank continues to assess the effect of changing micro− and macroeconomic conditions on its activities, financial position and financial results.

Taxation

Georgian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant tax authorities. It is possible that transactions and activities that have not been challenged in the past may be challenged in the future. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods up to the end of 2022 have been assessed in terms of tax risk by the Large Payers' Office of the Revenue Service. Based on the analysis of the information provided by the Bank, no risks have been identified.

Management believes that its interpretation of the relevant legislation as at 31 December 2024 is appropriate and that the Bank's tax, currency and customs positions will be sustained.

Legal

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 of the Bank.

(Amounts in tables are in thousands of Georgian lari)

19. Commitments and contingencies (continued)

Commitments and contingencies

As at 31 December 2024 and 2023, the Bank's commitments and contingencies comprised the following:

	2024	*2023*
Credit related commitments		
Unused credit lines	27,803	97,545
Letters of credit	264	–
	28,067	**97,545**
Performance guarantees	55,723	86,921
Commitments and contingencies	**83,790**	**184,466**
Provisions for ECL for credit related commitments	(300)	(914)
Deposits held as security against letters of credit (Note 15)	(49,504)	(3,908)

As of the 31 December 2024, outstanding credit related commitments presented per stages are as follows:

	Stage 1	*Stage 2*	*Total*
Unused credit lines	27,803	–	**27,803**
ECL for unused credit lines	(123)	–	**(123)**
Letters of credit	264	–	**264**
ECL for letters of credit	(1)	–	**(1)**
Performance guarantees	55,203	520	**55,723**
ECL for performance guarantees	(170)	(6)	**(176)**

As of the 31 December 2023, outstanding credit related commitments presented per stages are as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Unused credit lines	96,405	1,130	10	**97,545**
ECL for unused credit lines	(557)	(38)	(8)	**(603)**
Performance guarantees	86,921	–	–	**86,921**
ECL for performance guarantees	(311)	–	–	**(311)**

An analysis of changes in the ECL allowances during the year ended 31 December 2024 is, as follows (ECL for letters of credit is immaterial):

	Unused credit lines	*Performance Guarantees and Letters of credit*	*Total*
ECL as at 1 January 2024	**(603)**	**(311)**	**(914)**
New exposures	(1,039)	(174)	**(1,213)**
Matured exposures	1,033	200	**1,233**
Sale of portfolio (Note 7)	462	–	**462**
Foreign exchange and other movements	24	108	**132**
At 31 December 2024	**(123)**	**(177)**	**(300)**

As at the date of the sale of mass retail portfolio, the unused credit lines that were linked to the portfolio sold amounted to GEL 72,783 thousand gross and an ECL of GEL 462 thousand has been created against it.

An analysis of changes in the ECL allowances during the year ended 31 December 2023 is, as follows:

	Unused credit lines	*Performance Guarantees*	*Total*
ECL as at 1 January 2023	**(356)**	**–**	**(356)**
New exposures	(564)	–	**(564)**
Matured exposures	317	–	**317**
Foreign exchange and other movements	–	(311)	**(311)**
At 31 December 2023	**(603)**	**(311)**	**(914)**

(Amounts in tables are in thousands of Georgian lari)

20. Net fee and commission income

Net fee and commission income comprise:

	2024	*2023*
Guarantees and letters of credits issued	1,172	1,509
Plastic card operations	777	2,603
Settlement operations	603	632
Cash operations	205	130
Fee and commission income	**2,757**	**4,874**
Plastic card operations	(949)	(1,344)
Settlement operations	(491)	(958)
Cash operations	(3)	(5)
Other	(17)	(259)
Fee and commission expense	**(1,460)**	**(2,566)**
Net fee and commission income	**1,297**	**2,308**

Revenue from contracts with customers

The Bank's revenue from contracts with customers is mostly represented by fee and commission income. Revenue from contracts with customers recognized in the statement of profit or loss for the year ended 31 December 2024 amounted to GEL 2,757 thousand (2023: GEL 4,874 thousand).

The Bank recognised the following contract assets and liabilities in statement of financial position related to its contracts with customers:

	2024	*2023*
Deferred income (presented within other liabilities)	27	29

The Bank usually collects fees and commissions in advance of completion of the underlying transaction or shortly thereafter (for contracts where performance obligation is satisfied point in time, such as settlement transactions). For services provided over time (such as those related to fees for guarantees and letters of credit issued), the Bank usually charges upfront monthly, quarterly or annual fees covering respective portion of the overall contract period.

The Bank recognised GEL 16 thousand revenue from contracts with customers in the current reporting period that relates to carried−forward contract liabilities included in deferred income as at 31 December 2023.

21. Personnel, general and administrative expenses

Personnel, general and administrative expenses comprise:

	2024	*2023*
Salaries	16,010	18,922
Bonuses and other employee benefits	5,868	5,291
Personnel expenses	**21,878**	**24,213**
Professional services	1,865	2,663
IT maintenance	1,433	1,613
Short−term leases	751	619
Corporate hospitality and entertainment	279	231
Taxes other than income tax	272	102
Communication	270	437
Personnel training	242	441
Write−off of retail plastic cards (Note 13)	200	−
Transportation and business trip expenses	180	200
Advertising costs	160	2,238
Insurance	155	152
Utilities	151	193
Membership fees	144	141
Office supplies	130	368
Deposit insurance fee	105	62
Charity costs	63	60
Maintenance and exploitation	50	72
Recruitment costs	24	52
Security expenses	10	23
Other	140	186
General and administrative expenses	**6,624**	**9,853**

(Amounts in tables are in thousands of Georgian lari)

21. Personnel, general and administrative expenses (continued)

Personnel expenses include compensations in amount of GEL 1,267 thousand paid to the employees whose employment agreements were terminated due to the cessation of mass retail lending.

Remuneration of the Bank's auditor, including under professional services fees, for the years ended 31 December 2024 and 2023 comprises (net of VAT):

	2024	*2023*
Fees for the audit of the Bank's annual financial statements for the year ended 31 December	130	125
Expenditures for other assurance services	63	51
Total fees and expenditures	**193**	**176**

Fees and expenditures to other professional audit firms in respect of other professional services comprised GEL 10 thousand in 2024 (2023: GEL 9 thousand).

The average number of the Bank's employees during 2024 was 249, including average 4 top management employees, average 37 middle management employees, average 203 other full−time employees and average 5 employees under temporary service contracts (2023: 387, including average 3 top management employees, average 52 middle management employees, average 322 other full−time employees and average 10 employees under temporary service contracts).

22. Other operating expenses

Other operating expense comprise:

	2024	*2023*
Loss from write−off of intangible assets	1,073	−
Loss from disposal and write−off of property and equipment	302	19
Loss from write−off of right−of−use assets	53	−
Other	126	−
Other operating expenses	**1,554**	**19**

Significant amount of loss from write−off of intangible assets is attributed to the sale of mass retail portfolio as described in Note 12.

23. Risk management

Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

(Amounts in tables are in thousands of Georgian lari)

23. Risk management (continued)

Risk management structure

Supervisory Board

The Supervisory Board is responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk management

The Risk Management Department is responsible for determining, implementing and maintaining risk management framework.

Asset and Liability Committee

Asset and Liability Committee (ALCO) is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding, liquidity, interest rate, and capital adequacy risks of the Bank.

Internal Audit

Risk management processes throughout the Bank are audited by the internal audit function on a constant basis, which examines the adequacy of the procedures, their design and operational effectiveness, and the Bank's compliance both with the regulatory requirements and internal procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

Audit Committee

The Audit Committee is responsible for the fundamental risk issues and manages and monitors relevant risk decisions and performance of control functions by other departments in the Bank pertaining to general control environment, manual, IT dependent or application controls, intentional or unintentional misstatement risks, risk of fraud or misappropriation of assets, information security, anti−money laundering, etc. Audit committee is comprised of three members, out of which two are independent.

Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. The main body to which the risks are reported is ALCO. The respective meetings are held once a month.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Actual exposure per borrower against limits is monitored on loans granted. The Credit Committee may initiate a change in the limits. Where appropriate, the Bank obtains collateral and corporate guarantees. The credit risks are monitored on a continuous basis and are subject to annual or more frequent reviews.

(Amounts in tables are in thousands of Georgian lari)

23. Risk management (continued)

Credit risk (continued)

Credit−related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of guarantee. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

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 the Bank 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, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the 12 months' expected credit loss (12mECL), unless there has been significant increase in credit risk since origination or other impairment indicators were identified, in which case 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). The 12mECL 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 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Bank recognises an allowance based on 12mECL. 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, the Bank 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.
Stage 3:	Loans considered credit−impaired. The Bank records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit−adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit−impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers amounts due from banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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

The Bank has defined certain criteria which should be met in order to consider asset as cured. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

(Amounts in tables are in thousands of Georgian lari)

23. Risk management (continued)

Credit risk (continued)

Internal rating and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. The Bank runs separate models for its corporate and commercial portfolios in which its customers are rated from Aaa to Ca−C using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from the national and international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each grade. This is repeated for each economic scenario as appropriate. As for consumer portfolio, customers are rated from A to E3 using credit bureau rating tools.

Treasury and interbank relationships

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the external ratings, and assigns the internal rating, as shown in the table below.

Internal rating Grade	***External rating***	***PD***	***Internal rating description***
Class 1	Aaa	0.00117%	High grade
Class 1	Aa1	0.00205%	High grade
Class 1	Aa2	0.00359%	High grade
Class 1	Aa3	0.00630%	High grade
Class 1	A1	0.01105%	High grade
Class 1	A2	0.01938%	High grade
Class 1	A3	0.03398%	High grade
Class 1	Baa1	0.05959%	Standard grade
Class 1	Baa2	0.10446%	Standard grade
Class 1	Baa3	0.18307%	Standard grade
Class 1	Ba1	0.32064%	Standard grade
Class 1	Ba2	0.56101%	Standard grade
Class 1	Ba3	0.97980%	Standard grade
Class 2	B1	1.70587%	Standard grade
Class 2	B2	2.95392%	Standard grade
Class 3	B3	5.06799%	Standard grade
Class 3	Caa1	8.56159%	Sub−standard grade
Class 3	Caa2	14.10565%	Sub−standard grade
Class 3	Caa3	22.36178%	Sub−standard grade
Class 3	Ca−C	33.56211%	Sub−standard grade
	Default	100.0000%	Impaired

Corporate and commercial lending

For corporate and commercial loans, the borrowers are assessed by specialised credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward−looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles;
- Any macro−economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates;
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Consumer lending

Consumer lending comprises of loans, credit cards and overdrafts offered to clients. Credit risk and relevant loan loss allowance on this portfolio is assessed on a collective basis for performing loans and individual basis in relation to non−performing loans.

(Amounts in tables are in thousands of Georgian lari)

23. Risk management (continued)

Credit risk (continued)

The Bank's internal credit rating for corporate and commercial segments grades are as follows:

Internal rating Grade	*Internal rating*	*PD*	*Internal rating description*
Class 1	Aaa	0.00117%	High grade
Class 1	Aa1	0.00205%	High grade
Class 1	Aa2	0.00359%	High grade
Class 1	Aa3	0.00630%	High grade
Class 1	A1	0.01105%	High grade
Class 1	A2	0.01938%	High grade
Class 1	A3	0.03398%	High grade
Class 1	Baa1	0.05959%	Standard grade
Class 1	Baa2	0.10446%	Standard grade
Class 1	Baa3	0.18307%	Standard grade
Class 1	Ba1	0.32064%	Standard grade
Class 1	Ba2	0.56101%	Standard grade
Class 1	Ba3	0.97980%	Standard grade
Class 2	B1	1.70587%	Standard grade
Class 2	B2	2.95392%	Standard grade
Class 3	B3	5.06799%	Standard grade
Class 3	Caa1	8.56159%	Sub−standard grade
Class 3	Caa2	14.10565%	Sub−standard grade
Class 3	Caa3	22.36178%	Sub−standard grade
Class 3	Ca−C	33.56211%	Sub−standard grade
	Default	100.0000%	Impaired

The Bank's internal credit rating for consumer segments grades are as follows:

Internal rating Grade	*Internal rating*	*PD*	*Internal rating description*
Class 1	A	0.0150%	High grade
Class 1	B	0.0200%	High grade
Class 1	C1	0.0250%	High grade
Class 1	C2	0.0350%	High grade
Class 1	C3	0.0500%	High grade
Class 2	D1	0.0700%	Standard grade
Class 2	D2	0.0900%	Standard grade
Class 2	D3	0.1200%	Standard grade
Class 3	E1	0.1500%	Sub−standard grade
Class 3	E2	0.2000%	Sub−standard grade
Class 3	E3	0.2500%	Sub−standard grade

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

(Amounts in tables are in thousands of Georgian lari)

23. Risk management (continued)

Credit risk (continued)

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming restructured due to credit event. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. Downgrade in credit rating is a SICR criterion.

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Bank calculates ECLs either on a collective or on an individual basis.

Asset classes where the Bank calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets except consumer portfolio;
- Stage 2 and Stage 3 corporate and commercial portfolio;
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.

Asset classes where the Bank calculates ECL on a collective basis include:

- The smaller and more generic balances of the Bank's commercial portfolio;
- Stage 1 and 2 consumer lending.

The Bank groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example internal grade, overdue bucket, product type, or borrower's industry.

Forward−looking information and multiple economic scenarios

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

- GDP growth;
- Inflation.

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

The Bank obtains the forward−looking information from the sources published by the NBG, GeoStat, IMF, World and Regional Economic Outlooks, S&P Global Ratings and other. Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long−term average and so are the same for each scenario as at 31 December 2024:

			Subsequent years to 2024			*Subsequent years to 2023*		
Key drivers	***ECL scenario***	***Assigned probabilities, %***	***2025***	***2026***	***2027***	***2024***	***2025***	***2026***
GDP growth, %								
	Upside	25%	7.0%	6.0%	6.0%	6.5%	5.5%	5.0%
	Base case	50%	4.9%	5.8%	5.7%	5.0%	4.5%	5.0%
	Downside	25%	2.0%	3.0%	5.0%	3.0%	4.0%	5.0%
Inflation level								
	Upside	25%	3.0%	3.0%	3.0%	3.25%	3.0%	3.0%
	Base case	50%	2.9%	3.6%	2.7%	3.6%	3.1%	3.0%
	Downside	25%	8.0%	5.0%	3.0%	5.0%	4.0%	3.0%

(Amounts in tables are in thousands of Georgian lari)

23. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial asset

The credit quality of financial assets is managed by the Bank internal credit ratings, as described above. The table below shows the credit quality by class of financial assets as at 31 December 2024, based on the Bank's credit rating system:

	Note		*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	5	Stage 1	71,787	45,056	653	–	**117,496**
Amounts due from credit institutions	6	Stage 1	–	121,693	–	–	**121,693**
Loans to customers	7		205	291,520	40,315	30,824	**362,864**
Corporate		Stage 1	–	154,693	35,319	–	**190,012**
		Stage 3	–	–	–	2,210	**2,210**
Commercial		Stage 1	–	133,136	3,445	–	**136,581**
		Stage 2	–	2,928	1,266	–	**4,194**
		Stage 3	–	–	–	27,571	**27,571**
		POCI	–	–	–	1,011	**1,011**
Consumer		Stage 1	193	763	285	–	**1,241**
		Stage 2	12	–	–	–	**12**
		Stage 3	–	–	–	32	**32**
Debt investment securities at amortized cost	8	Stage 1	–	81,548	–	–	**81,548**
Unused credit lines	19	Stage 1	7	19,913	7,883	–	**27,803**
Letters of credit		Stage 1	–	264	–	–	**264**
Performance guarantees		Stage 1	16,230	17,982	20,991	–	**55,203**
		Stage 2	–	520	–	–	**520**
Total			**88,229**	**578,496**	**69,842**	**30,824**	**767,391**

(Amounts in tables are in thousands of Georgian lari)

23. Risk management (continued)

Credit risk (continued)

The table below shows the credit quality by class of financial assets at 31 December 2023:

	Note		*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	5	Stage 1	22,703	39,141	24	−	**61,868**
Amounts due from credit institutions	6	Stage 1	−	36,791	−	−	**36,791**
Loans to customers	7		40,575	272,186	9,440	30,108	**352,309**
Corporate		Stage 1	−	135,184	314	−	**135,498**
		Stage 2	−	4,943	−	−	**4,943**
		Stage 3	−	−	−	6,364	**6,364**
Commercial		Stage 1	−	100,522	3,527	−	**104,049**
		Stage 2	−	9,541	1,974	−	**11,515**
		Stage 3	−	−	−	18,445	**18,445**
		POCI	−	−	−	965	**965**
Consumer		Stage 1	39,982	19,389	2,538	−	**61,909**
		Stage 2	593	2,607	1,087	−	**4,287**
		Stage 3	−	−	−	4,334	**4,334**
Debt investment securities at amortized cost	8	Stage 1	−	65,648	−	−	**65,648**
Unused credit lines	19	Stage 1	55,961	39,673	771	−	**96,405**
		Stage 2	86	967	77	−	**1,130**
		Stage 3	−	−	−	10	**10**
Performance guarantees		Stage 1	16,230	37,533	33,158	−	**86,921**
Total			**135,555**	**491,939**	**43,470**	**30,118**	**701,082**

The geographical concentration of Bank's financial assets and liabilities is set out below:

	2024				*2023*			
	Georgia	*OECD*	*Other Non−OECD*	*Total*	*Georgia*	*OECD*	*Other Non−OECD*	*Total*
Assets								
Cash and cash equivalents	30,058	31,931	58,463	**120,452**	30,637	15,076	19,072	**64,785**
Amounts due from credit institutions	121,552	−	−	**121,552**	36,790	−	−	**36,790**
Loans to customers	302,428	33,761	15,311	**351,500**	312,557	−	23,549	**336,106**
Investment securities	81,069	−	−	**81,069**	65,230	−	−	**65,230**
Other assets	1,035	12	10	**1,057**	1,886	14	9	**1,909**
	536,142	**65,704**	**73,784**	**675,630**	**447,100**	**15,090**	**42,630**	**504,820**
Liabilities								
Amounts due to credit institutions	54,758	1	93,942	**148,701**	12,509	1	77,629	**90,139**
Amounts due to customers	242,610	21,495	130,181	**394,286**	186,261	3,960	98,634	**288,855**
Lease liabilities	755	−	−	**755**	3,135	−	−	**3,135**
Other liabilities	3,764	5	14	**3,783**	4,520	7	56	**4,583**
Subordinated debt	−	−	33,531	**33,531**	−	−	27,716	**27,716**
	301,887	**21,501**	**257,668**	**581,056**	**206,425**	**3,968**	**204,035**	**414,428**
Net assets / (liabilities)	**234,255**	**44,203**	**(183,884)**	**94,574**	**240,675**	**11,122**	**(161,405)**	**90,392**

(Amounts in tables are in thousands of Georgian lari)

23. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Funds attracted from the shareholder provide sufficient sources for the Bank's operations in the foreseeable future. The Bank manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of corporate and Ministry of Finance bonds that can be pledged to the NBG in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains a cash deposit (obligatory reserve) with the NBG, the amount of which depends on the level of customer funds attracted.

The liquidity position is assessed and managed by the Bank based on the certain liquidity ratios established by the NBG.

The liquidity coverage ratio (LCR) is calculated as the ratio of high−quality liquid assets (HQLA) to net cash outflow. The Bank is required to maintain at all times the stock of liquid assets to enable it to cover its net cash outflows in the 30 calendar days stress scenario. The minimum LCR requirement set by the NBG is 100% for foreign currency and combined LCR and 75% for national currency LCR respectively. At 31 December the Bank reported the following LCR levels:

	2024, %	***2023, %***
GEL	162.6	133.4
Foreign currency	110.8	145.6
Combined	122.4	140.3

The net stable funding ratio (NSFR) requires the Bank to maintain a stable funding profile in relation to the composition of its assets and off balance sheet activities in order to reduce the likelihood, that disruptions to the Bank's regular sources of funding will significantly erode its liquidity position. The NSFR is calculated as the ratio of available amount of stable funding over the required amount of stable funding The minimum NSFR requirement set by the NBG is 100%. At 31 December the Bank reported the following NSFR levels:

	2024, %	***2023, %***
NSFR	131.6	123.7

Analysis of financial liabilities by remaining contractual maturities

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

As at 31 December 2024	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Financial liabilities					
Amounts due to credit institutions	141,241	3,224	6,563	−	**151,028**
Amounts due to customers	150,518	128,382	132,347	−	**411,247**
Lease liabilities	57	171	590	−	**818**
Other financial liabilities (excluding derivative financial liabilities)	3,356	−	−	−	**3,356**
Derivative financial liabilities	427	−	−	−	**427**
Subordinated debt	84	2,093	9,056	35,919	**47,152**
Total undiscounted financial liabilities	**295,683**	**133,870**	**148,556**	**35,919**	**614,028**

(Amounts in tables are in thousands of Georgian lari)

23. Risk management (continued)

Liquidity risk and funding management (continued)

As at 31 December 2023	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to credit institutions	15,566	262	79,250	–	**95,078**
Amounts due to customers	144,748	66,128	94,179	–	**305,055**
Lease liabilities	492	1,476	1,376	–	**3,344**
Other financial liabilities (excluding derivative financial liabilities)	3,797	–	–	–	**3,797**
Derivative financial liabilities	786	–	–	–	**786**
Subordinated debt	–	1,367	16,857	14,810	**33,034**
Total undiscounted financial liabilities	**165,389**	**69,233**	**191,662**	**14,810**	**441,094**

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies. Each undrawn loan commitment, performance guarantee and letter of credit is included in the time band containing the earliest date it can be drawn down.

	Note	*Less than 3 months*	*1 to 5 years*	*Over 5 years*	*Total*
2024	19	83,790	–	–	**83,790**
2023	19	184,466	–	–	**184,466**

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments. The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the table above. These balances are included in amounts due in less than three months in the tables above.

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 exchanges, and equity prices.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set limits on positions by currency based on the NBG regulations. Positions are monitored on a daily basis.

The tables below indicate the currencies to which the Bank had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the GEL, with all other variables held constant on the statement of profit or loss. The pre−tax effect on equity does not differ from the effect on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss or equity, while a positive amount reflects a net potential increase.

Currency	*Change in currency rate 2024*	*Effect on profit before tax 2024*	*Change in currency rate 2023*	*Effect on profit before tax 2023*
USD	15%/(15%)	(27)/27	15%/(15%)	164/(164)
EUR	15%/(15%)	(33)/33	15%/(15%)	29/(29)

(Amounts in tables are in thousands of Georgian lari)

23. Risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's statement of profit or loss.

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

Currency	*Increase/(decrease) in basis points 2024*	*Sensitivity of net interest income 2024*
GEL	100/(100)	911/(911)

Currency	*Increase/(decrease) in basis points 2023*	*Sensitivity of net interest income 2023*
GEL	100/(100)	1,413/(1,413)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, 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 a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

24. Fair value measurements

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Fair value measurement using			
At 31 December 2024	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair values are disclosed				
Loans to customers	−	−	352,312	**352,312**
Investment securities	−	5,576	75,175	**80,751**
Assets measured at fair value				
Other assets − derivative financial assets	−	396	−	**396**

(Amounts in tables are in thousands of Georgian lari)

24. Fair value measurements (continued)

Fair value hierarchy (continued)

	Fair value measurement using			
At 31 December 2024	***Level 1***	***Level 2***	***Level 3***	***Total***
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	−	140,428	8,370	**148,798**
Amounts due to customers	−	132,375	262,567	**394,942**
Lease liabilities	−	−	755	**755**
Subordinated debt	−	−	33,531	**33,531**
Liabilities measured at fair value				
Other liabilities − derivative financial liabilities	−	427	−	**427**

	Fair value measurement using			
At 31 December 2023	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair values are disclosed				
Loans to customers	−	−	338,097	**338,097**
Investment securities	−	5,526	59,475	**65,001**
Assets measured at fair value				
Other assets − derivative financial assets	−	651	−	**651**

	Fair value measurement using			
At 31 December 2023	***Level 1***	***Level 2***	***Level 3***	***Total***
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	−	15,221	74,607	**89,828**
Amounts due to customers	−	110,616	178,789	**289,405**
Lease liabilities	−	−	3,135	**3,135**
Subordinated debt	−	−	27,716	**27,716**
Liabilities measured at fair value				
Other liabilities − derivative financial liabilities	−	786	−	**786**

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

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non−financial assets and non−financial liabilities.

	Carrying value 2024	***Fair value 2024***	***Unrecognised gain(loss) 2024***	***Carrying value 2023***	***Fair value 2023***	***Unrecognised gain(loss) 2023***
Financial assets						
Loans to customers	351,500	352,312	812	336,106	338,097	1,991
Investment securities	81,069	80,751	(318)	65,230	65,001	(229)
Other financial assets	1,057	1,057	−	1,909	1,909	−
Financial liabilities						
Amounts due to credit institutions	148,701	148,798	(97)	90,139	89,828	311
Amounts due to customers	394,286	394,942	(656)	288,855	289,405	(550)
Other financial liabilities	3,783	3,783	−	4,583	4,583	−
Lease liabilities	755	755	−	3,135	3,135	−
Subordinated debt	33,531	33,531	−	27,716	27,716	−
Total unrecognised change in fair value			**(259)**			**1,523**

(Amounts in tables are in thousands of Georgian lari)

24. Fair value measurements (continued)

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets and liabilities for which fair value approximates carrying value

The carrying amounts of cash and cash equivalents and amounts due from credit institutions are considered to approximate their respective fair values due to their short−term maturities, liquid nature and as such continues repricing to market terms. Considering the nature and characteristics, the cash and cash equivalents are classified as Level 1 of the fair value hierarchy.

Derivatives

The determination of fair value for financial instruments is based on established valuation methodologies that consider market−based inputs and valuation techniques. For short−term derivatives, as any time value adjustments are minimal, the Bank uses a present value approach, wherein the fair value is considered equivalent to the book value.

Financial assets and financial liabilities carried at amortised cost

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

25. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to their contractual maturities. See Note 23 "Risk management" for the Bank's contractual undiscounted repayment obligations.

	2024			*2023*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	120,452	−	**120,452**	64,785	−	**64,785**
Amounts due from credit institutions	121,552	−	**121,552**	36,790	−	**36,790**
Loans to customers	159,207	192,293	**351,500**	128,120	207,986	**336,106**
Investment securities	12,805	68,264	**81,069**	11,118	54,112	**65,230**
Repossessed collateral	−	19,368	**19,368**	−	15,710	**15,710**
Property and equipment	−	1,927	**1,927**	−	1,922	**1,922**
Right−of−use assets	−	704	**704**	−	3,047	**3,047**
Intangible assets	−	3,356	**3,356**	−	4,895	**4,895**
Deferred tax assets	−	4,421	**4,421**	−	−	**−**
Other assets	2,171	408	**2,579**	3,887	−	**3,887**
Total	**416,187**	**290,741**	**706,928**	**244,700**	**287,672**	**532,372**
Amounts due to credit institutions	143,220	5,481	**148,701**	15,430	74,709	**90,139**
Amounts due to customers	268,574	125,712	**394,286**	201,438	87,417	**288,855**
Provisions	300	−	**300**	914	−	**914**
Lease liabilities	−	755	**755**	18	3,117	**3,135**
Other liabilities	8,102	645	**8,747**	8,698	600	**9,298**
Subordinated debt	−	33,531	**33,531**	45	27,671	**27,716**
Total	**420,196**	**166,124**	**586,320**	**226,543**	**193,514**	**420,057**
Net	**(4,009)**	**124,617**	**120,608**	**18,157**	**94,158**	**112,315**

Amounts due to customers include all current accounts or time deposits within 1 year, however, the Bank does not expect that these amounts will be fully withdrawn during 2025. Significant part of total current accounts represents current accounts from legal entities, which historically are of long−term nature.

Long−term loans are generally not available in Georgia. However, in the Georgian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. The Bank expects that significant part of the amounts due to credit institutions will be prolonged.

(Amounts in tables are in thousands of Georgian lari)

26. Related party disclosures

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

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

The outstanding balances of related party transactions are as follows:

	2024				*2023*			
	Shareholders	*Key manage-ment personnel*	*Entities under common control*	*Other*	*Shareholders*	*Key manage-ment personnel*	*Entities under common control*	*Other*
Cash and cash equivalents	520	–	3,535	–	755	–	1,255	–
Gross loans to customers	–	–	8,185	281	–	3	–	–
Allowance for impairment	–	–	(174)	–	–	(1)	–	–
Net loans to customers	–	–	8,011	281	–	2	–	–
Amounts due to credit institutions	(7,804)	–	(640)	–	(8,168)	–	(14,394)	–
Amounts due to customers	(56,506)	(1,699)	(19,728)	(4,277)	–	(1,736)	(72,371)	–
Other liabilities	–	–	(1)	–	–	–	(3)	–
Subordinated debt	(15,205)	–	(4,226)	–	(14,395)	–	(13,321)	–

The Bank's liabilities towards related parties amount to 18% of its total liabilities as at 31 December 2024 (2023: 29%), which represents a significant concentration.

The income and expense arising from related party transactions are as follows:

	2024				*2023*			
	Shareholders	*Key manage-ment personnel*	*Entities under common control*	*Other*	*Shareholders*	*Key manage-ment personnel*	*Entities under common control*	*Other*
Fee and commission income	3	–	33	–	15	–	30	–
Fee and commission expense	(2)	–	(3)	–	(3)	–	–	–
Interest income on loans to customers	–	1	218	17	–	1	–	–
Interest income on amounts due from credit institutions	–	–	–	–	–	–	16	–
Interest expense on amounts due to credit institutions	(70)	–	(542)	–	(51)	–	(572)	–
Interest expense on amounts due to customers	(365)	(61)	(1,268)	(88)	–	(50)	(2,929)	–
Interest expense on subordinated debt	(692)	–	(943)	–	(666)	–	(666)	–
Credit loss (expense)/gain on interest bearing assets	–	1	(174)	–	–	–	(1)	–
Modification loss	–	–	–	–	(955)	–	–	–
Professional fees	(3)	–	(32)	–	(27)	–	–	–
Corporate hospitality and entertainment	–	–	(9)	–	–	–	–	–

The Bank's interest expense on liabilities towards related parties is 18% of its total interest expense (2023: 26%).

(Amounts in tables are in thousands of Georgian lari)

26. Related party disclosures (continued)

Compensation of key management personnel was comprised of the following:

	2024	*2023*
Salaries and other short−term benefits	3,347	2,655

Key management personnel as at 31 December 2024 comprised of 5 members of the Supervisory Board and 4 members of the Board of Directors of the Bank (2023: 5 members of the Supervisory Board and 4 members of the Board of Directors).

27. Capital adequacy

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

The primary objectives of the Bank's capital management are (i) to ensure that the Bank complies with externally imposed capital requirements set by the NBG and (ii) to safeguard the Bank's ability to continue as a going concern. Compliance with capital adequacy ratios set by the NBG is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Accountant or Chief Financial Officer and subsequently submitted to the NBG.

During year ended 31 December 2024 the Bank followed externally imposed capital requirements.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

NBG capital adequacy ratio

Under the 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 0.25%;
- 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 Bank;
- A General Risk−assessment Programme (GRAPE) buffer defined by the regulator, based on the Bank's specific risks.

(Amounts in tables are in thousands of Georgian lari)

27. Capital adequacy (continued)

NBG capital adequacy ratio (continued)

As at 31 December 2024 the NBG requires the Bank to maintain a minimum total capital adequacy ratio of 22.10%, Tier 1 Capital ratio of 17.93% and Core Tier 1 Capital ratio of 14.78% of risk−weighted assets, computed based on Basel III requirements. As at 31 December 2024 and 2023 the Bank's capital adequacy ratio on this basis was as follows:

	Notes	*31 December 2024*	*31 December 2023*
Share capital	18	136,800	136,800
Retained earnings		(25,640)	(27,340)
Less: intangible assets, net	12	(3,356)	(4,895)
Current period income/(loss)		8,293	1,700
Core tier 1 capital		**116,097**	**106,265**
Tier 1 capital		**116,097**	**106,265**
Tier 2 capital		32,278	16,135
Supplementary capital		–	–
Total regulatory capital		**148,375**	**122,400**
Risk weighted assets		**643,135**	**586,989**
Capital adequacy ratio		23.07%	20.85%
Core Tier 1 capital / Tier 1 capital adequacy ratio		18.05%	18.10%

As at 31 December 2024 the Bank's tier 1 capital adequacy ratio is close to the minimal requirement. The Bank is undertaking several initiatives aimed at improving its Tier 1 capital adequacy, including, but not limited to, the following:

- Optimizing risk−weighted assets (RWA): This involves reducing the dollarization of attracted funds and extending their maturity, which will result in a decrease in mandatory reserve requirements.
- Selling of repossessed collateral: The Bank is selling repossessed assets to lower the Credit Risk Adjustment (CRA) buffer and reduce RWA.
- Cost optimization measures: Various cost−saving initiatives are being implemented to support profitability and strengthen the Bank's capital position.

Management believes that the combination of the aforementioned initiatives will provide the Bank with necessary capital to continue its operations beyond 2025. The Bank's management is of the view that it is appropriate to prepare the financial statements on a going concern basis. This basis of preparation presumes that the shareholders have both the ability and intention to implement the financial support that will allow the Bank to realize its assets and discharge its liabilities in the ordinary course of business.