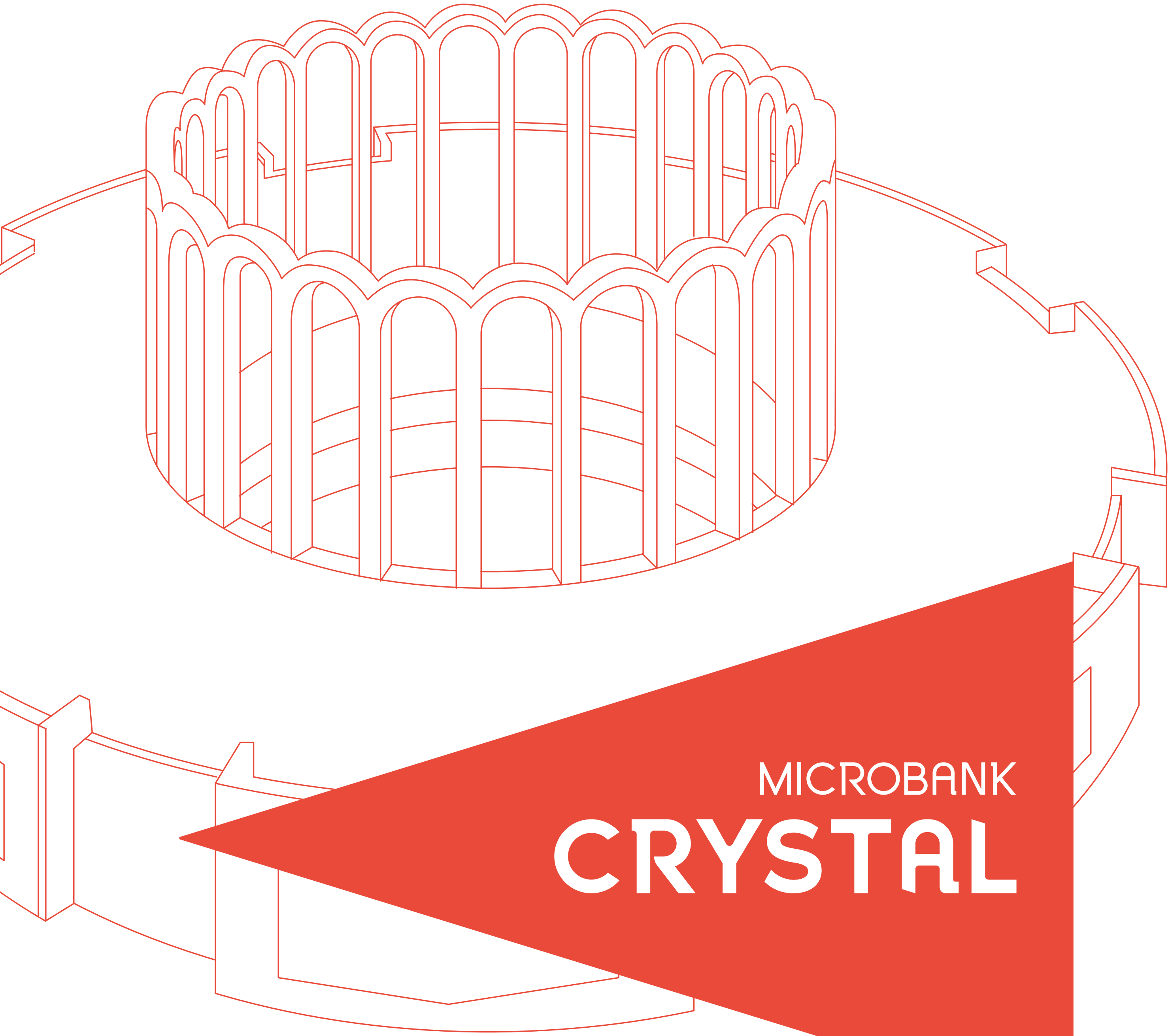
INTEGRATED REPORT 2024



MICROBANK
CRYSTAL

ABOUT US

JSC Microbank Crystal (former JSC Microfinance Organization Crystal) is a leading financial inclusion organization. The company manages credit portfolio* amounting to 515 million GEL, employs 1006 members of staff, operates from 48 branches and serves up to 95 thousand unique customers across the country. Crystal's mission is to strengthen entrepreneurs with capital, knowledge, and skills, so that they transform opportunities into well being. Crystal acts as a platform for economic development, providing farmers and micro and small entrepreneurs with innovative financial (including Leasing) and non-financial (Consulting and Technology) products and services that are tailored to their needs. Notably, Crystal is the first Fitch-rated non-banking financial institution in the region (B Stable). Additionally, in 2024, the company received a Silver Certificate in Customer Protection from the global rating agency Microfinanza.

In 2021, for projects aimed at empowering and supporting women in Georgia, Crystal was the recipient of a major award from the Millennium Challenge Corporation. MFC, the International Microfinance Association named Crystal's Green Line (Energy efficient credit and installments) among the five best initiatives in the world. Crystal has also been declared an honorary winner at the Best Annual Report and Transparency Competition (BARTA) for six times in a row in Georgia for large financial institutions.

For more information and the digital version of this report, please visit: https://ir.crystal.ge/

* Sum of Loans to Customers and Net Investments in Leases, on a principal basis

STRAT
REPO

TEGIC
RT

AT A GLANCE

Crystal's vision is to be the leading bank serving micro and small entrepreneurs, while operating on principles of commercial performance and social and environmental sustainability.

Crystal's overarching strategy is to leverage existing brand, customer base and extensive branch infrastructure, while diversifying its product offering to include savings deposits, remittances, currency exchange, mobile banking, consultancy, and technology services to both existing and new customers, with focus on the rural segment, micro and small entrepreneurs.

Crystal manages credit portfolio amounting to 515 million GEL, employing 1006 members of staff, operating through 48 branches and serving up to 95 thousand unique customers across the country. Crystal's institutional shareholders include Incofin IM and Developing World Markets. At the same time, the company enjoys a longstanding relationship with around 25 lenders, including international Private Equity Firms, Multilateral Financial Institutions and local banks.

> **Crystal's mission is to strengthen entrepreneurs with capital, knowledge, and skills, so that they transform opportunities into wellbeing.**

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Δ	2024	2023
NET PROFIT	+ 111.2%	22,663	10,730
TOTAL ASSETS	+ 21.18%	576,246	475,520
LOAN & LEASE PORTFOLIO	+ 15.93%	514,785	438,437
TOTAL EQUITY	+ 29.23%	95,950	74,246
ROA	+ 1.99%	4.31%	2.32%
ROE	+ 11.17%	26.63%	15.47%
NPL	+ 0.54%	2.54%	2.00%
COST OF RISK	– 0.58%	2.27%	2.85%
COST TO INCOME	– 5.32%	61.58%	66.90%
BRANCHES	– 2.04%	48	49
CUSTOMERS	– 16.20%	95,260	113,671
EMPLOYEES	+ 2.13%	1,006	985

* The main reason for the decrease in clients is the preparation for transformation into a bank and compliance with microbank regulatory requirements. This includes maintaining the 70%/30% ratio limit between business and consumer lending. On one hand, the company focused on the growth of its business and agricultural portfolio and the expansion of client size; on the other hand, it optimized consumer lending.

CHAIR'S STATEMENT

Dear Shareholders and Stakeholders,

2024 was a year of both turbulence and transformation. As regional tensions and shifting geopolitical alignments challenged the global economy, Georgia continued to distinguish itself as a nation of stability – focused on the prosperity of its citizens and playing a constructive, peaceful role in the wider region.

Despite pressure on the GEL (annual devaluation stood at 4.37%) and a current account deficit (4.4% in 2024), Georgia continued to post healthy GDP growth (9.4%), maintaining its trajectory as one of the most resilient and reform-minded economies in the region.

Against this backdrop, Crystal took a major step forward in its institutional journey. After nearly two years of intensive work, we are proud to share that Crystal has secured a microbanking license. This milestone was made possible thanks to the prudent supervision and guidance of the National Bank of Georgia, as well as the support of the Government and Parliament of Georgia, who recognized the importance of strengthening the legal framework for inclusive finance.

The microbanking license will bring long-term benefits to our clients, our institutional capacity, and our ability to serve the Georgian economy. It will enable us to expand our product offering – especially in savings, payments, and digital financial services – while strengthening consumer protections and embedding Crystal more firmly in the regulated banking sector.

In 2024, we are pleased to observe a continued trend of improved financial performance in all aspects. We achieved 15,93% growth in the loan and lease portfolio, reaching GEL 515 million, while maintaining asset quality with NPLs at 2,54% (compared to 2,00% in 2023). We also improved our Cost-to-Income Ratio to 61,58% (from 66,90% in 2023), and ROE to 26,63% (from 15,47%). These results signal our readiness to continue distributing dividends on ordinary shares at a payout ratio of approximately 25% of net profit.

Last year, we also advanced our commitment to client wellbeing by strengthening our social impact measurement systems. Crystal was awarded the Silver Certification for Client Protection by the Cerise+SPTF Client Protection Pathway, a respected global standard that reflects our efforts to place people – especially underserved entrepreneurs – at the center of our business model.

None of these achievements would have been possible without the collective effort of the entire Crystal team. I extend my deepest appreciation to the Board of Directors, the executive leadership, and each and every one of our staff members who contributed to these successes with dedication and integrity.

In the transition to becoming a bank, we streamlined our Supervisory Board committee structure and welcomed a new independent member, Barbara Wasmus, to the Supervisory Board. Barbara brings a wealth of experience and insight, and we are confident her contribution will further enrich our governance culture. I would like to use the opportunity to thank Matangi Gowrishankar, a former independent member, who chaired the Human Resources and Remuneration Committee for her invaluable contribution to Crystal's corporate governance and people policies. I also wish to thank our Supervisory Board committees for their continued engagement and diligence.

Let me extend special recognition to our long-standing international lending partners. Many of them continued to support Crystal even during moments of heightened political tension late in the year – an expression of confidence in both our fundamentals and our values. Stability matters most when it is tested, and we are grateful for their trust.

Looking ahead, as the 2023–2025 strategy cycle nears completion, we see a clear need to develop our Strategy 2026–2030. It will be a crucial roadmap to guide the bank through the next chapter of innovation, institutional development, and impact. We are determined to ensure that the company remains agile, responsive to client needs, and aligned with national development goals.

As we now look to the future, we remain focused on delivering impact – for people and planet. Our ambition is for Bank Crystal to evolve into a national development platform for micro, small, and medium-sized enterprises (MSMEs), offering not just finance, but also digital tools, advisory support, and pathways to formality and growth. In doing so, we aim to make Crystal a national champion of entrepreneurial inclusion, innovation, and resilience.

On behalf of the Supervisory Board, thank you for being part of Crystal's continued journey.

ARCHIL BAKURADZE
Chairman of the Supervisory Board
JSC Microbank Crystal

CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholders and Stakeholders,

I am delighted to report that 2024 was another year of outstanding achievements for Crystal. Beyond the significant improvements in our financial performance, we realized a long-held strategic ambition: **securing a microbank license**.

Crystal's consistent success is clearly reflected in our key performance indicators. Building upon the progress of the previous years, diligent management initiatives resulted in a **Return on Equity (ROE) of 26.63%**, a **reduction in the Cost-to-Income Ratio to 61.58%**, a portfolio expansion to 515 Million GEL, and asset growth to 576 Million GEL. Further, our newly introduced savings product in the form of a promissory note has attracted local savers and generated a total volume of 13.45 million GEL, demonstrating promising potential for diversifying our funding in local currency.

We continued to attract investments from both longstanding and new international partners, further solidifying our reputation as a reliable and responsible financial institution. In 2024, Crystal successfully **raised 244 million GEL in debt instruments**. Our capital position was also enhanced through the receipt of a 3 million USD subordinated loan.

> These well-coordinated initiatives culminated in the receipt of a microbank license from the National Bank of Georgia, thereby transforming Crystal's ambition into a tangible achievement and setting a new precedent in the industry.

Simultaneously, we remained focused on our strategic goal of banking transformation. Crystal undertook comprehensive organizational changes to align its risk management framework, products, and processes with those of a regulated bank. Management's efforts primarily focused on the relevant organizational and technological adaptations. Intensive work on the licensing project continued throughout the year, and significant changes impacted nearly every facet of the company's operations. Digitalization efforts continued, and we successfully implemented 95 IT projects of varying scale and complexity to support this transformation. At every stage, multiple and complex challenges were successfully overcome through effective communication, rapid adaptability, and efficient managerial decision-making.

With this new license, Crystal is poised to broaden its horizons and introduce innovative products and services that empower our customers. Our focus remains on facilitating the growth of micro and small businesses while contributing positively to Georgia's economy. Our key priority is to maintain a customer-centric approach, expanding access to finance, knowledge, and skills. We are optimistic about this transformative phase, and we look forward to our continued collaboration, thriving together in the evolving financial marketplace.

I am proud to note that all priority areas outlined for 2024 – securing the microbank license, improving financial results, and strengthening organizational capacity – were successfully achieved.

Our achievements have not gone unnoticed, and Crystal has received significant recognition for its commitment to responsible and transparent business practices:

- **Fitch Ratings**: As a result of increased access to foreign capital, diversified funding resources, and strong financial results, Fitch Ratings upgraded Crystal's long-term outlook (IDR) in 2024 to a **'B' Stable** outlook, a significant recognition amidst global economic uncertainties.

- **Microfinance Rating (MFR) Silver Certificate**: Crystal received a silver certificate in customer protection from the global microfinance rating company MFR. The Certificate confirms that Crystal's activities are fully compliant with all customer protection standards and are constantly advancing in accordance with leading international practices.

- **Best Annual Report and Transparency Award (BARTA)**: We received the Best Annual Report and Transparency Award (BARTA) for the sixth consecutive year, affirming our enduring commitment to transparency, a core organizational value.

OUTLOOK

Georgia's positive economic performance and the anticipated benefits of Crystal's microbank transformation position us favorably for continued success. I am confident that we will maintain this positive trajectory throughout 2025. Through collective effort and dedication, we will successfully transform Crystal into a thriving and resilient bank.

Our mission, to **"Strengthen entrepreneurs with capital, knowledge, and skills, so that they transform opportunities into well-being," will be better served via our new license**. Going forward, Crystal will continue to act as a trusted partner, providing customers with the financial instruments necessary to create new opportunities, develop their businesses, and improve their quality of life. Our **brand promise, "Bank of Your Opportunities**," reflects our commitment to supporting development and growth.

Our key priorities for 2025 are as follows:

- Successful entry of the banking market and roll-out of new banking products.
- Ensuring the sustainability of our strong financial performance.
- Automation of core business processes.
- Developing remote service channels for our clientele, with a primary focus on mobile banking.

OUR PEOPLE

The implementation of such ambitious projects and organizational changes required significant dedication, collaboration, and a commitment to continuous learning, both individually and collectively. Despite many uncertainties throughout 2024, our **ability to maintain focus on key areas, coupled with strong leadership, managerial foresight and hard work, enabled us to successfully navigate these transformative changes**.

I extend my sincere gratitude to the exceptional Crystal team, as well as to all our stakeholders and partners, for their unwavering dedication and support. I am truly humbled by the relentless commitment of our staff to serving our customers, their dedication to their work, their genuine care for one another, and their willingness to be part of the **Bank of Your Opportunities**! Our accomplishments are the result of many factors but are primarily attributable to the dedication and teamwork of our approximately 1,000 professionals across Georgia.

Our People Make Crystal!

ILIA REVIA
General Director
Microbank Crystal

MACROECONOMIC AND MARKET OVERVIEW

Gross Domestic Product

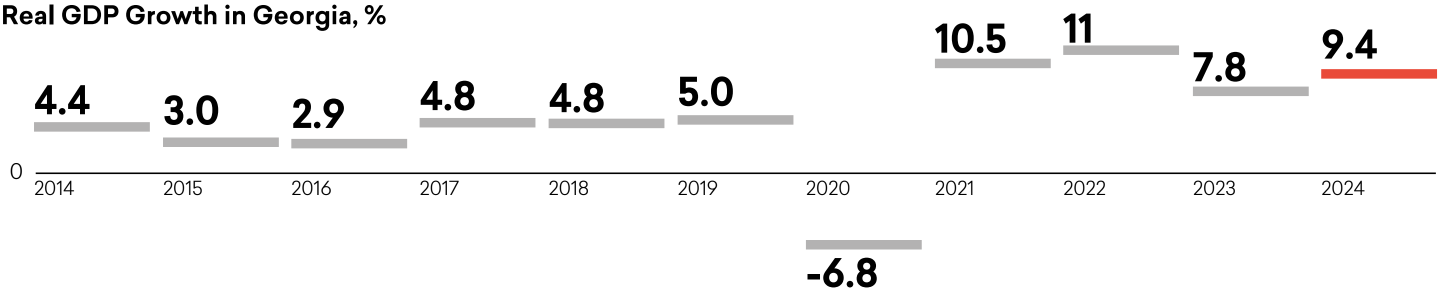
2024 was a challenging year for Georgia, both from political and economical perspective. Georgian economy growth was higher compared to the previous year and tourism revenues increased as well. Monetary policy rate and inflation were both stabilized, while the unemployment rate declined. Meanwhile deterioration in certain areas, such as drop in foreign direct investment, reduction in remittances, decrease in credit rating, were notable. Political situation has also been uncertain.

Despite the Russian-Ukrainian war ongoing, the number of migrants from Russia did not increase but rather, showed a declining trend. Meanwhile, the impact of war in Ukraine on foreign currency inflows weakened and the fluctuations prevalent in 2022 were neutralized. The 2022 war-related dramatic hike in remittances slowed down in 2023-2024 and in fact, the war factor was almost neutralized by the end of 2024.

Real GDP growth was 9.4% ye ar-on-year, while GDP per capita totalled $8,825; in international dollars, this figure is equal to $25.3.

Sectors such as construction, information and communication, the financial sector, and education had a high positive impact on GDP growth, while sectors such as energy production, manufacturing, agriculture, and wholesale trade showed negative or low growth rates.

Real GDP Growth in Georgia, %



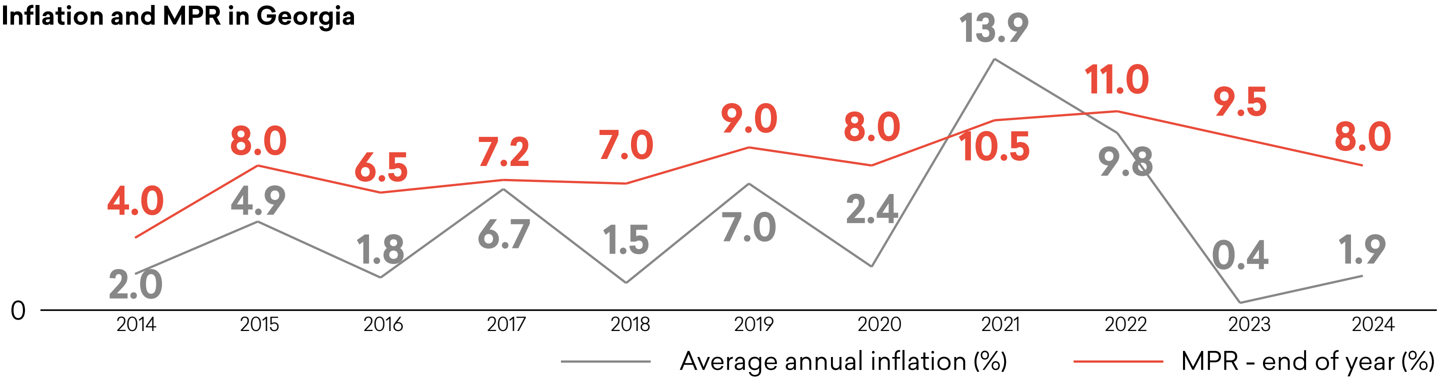
Source: National Statistics Office of Georgia

Inflation and Monetary Policy Rate

The restrictions imposed in response to the Covid-19 pandemic in 2020-2022 increased production costs, elevating the inflation risks and prompting the National Bank of Georgia to keep the monetary policy rate (MPR) high throughout 2020-2023. This has been followed by a sharp increase in the FED and ECB rates, the recovery from the initial shock of the Ukraine-Russia war, the restoration of supply chains, the stabilization and decline of oil and food prices. As a result, the average annual inflation in 2023 and 2024 made up 0.4% and 1.9%, respectively. According to forecast of the National Bank of Georgia and analysts, the inflation rate will be maintained close to 3% over the next 3 years.

Along with the declining inflation, the National Bank began to soften the monetary policy rate from the second half of 2023; namely, compared to 2022, the monetary policy rate dropped by 1.5 pp and amounted to 9.5%. In 2024, the refinancing rate continued to decrease, standing at 8% in 2024. While its further reduction was expected in the following months, the political crisis in the country hampered its decrease.

Inflation and MPR in Georgia



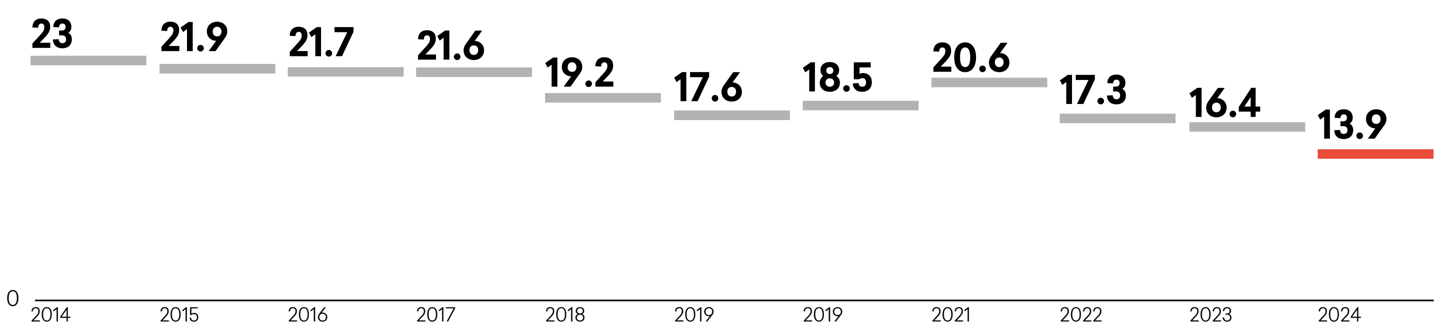
Source: National Statistics Office of Georgia and the National Bank

Jobs and Unemployment

Starting from 2020, the National Statistics Office of Georgia updated its employment calculation methodology. Under the new methodology, those working in their own households and manufacturing products primarily for personal consumption (more than 50%) will no longer be considered self-employed. Such individuals have been reclassified into other categories among the unemployed or those outside the labour force. As a result of this new standard, a recalculation of historical data was required and the National Statistics Office of Georgia has subsequently updated the data since 2010.

Compared to 2023, the unemployment rate decreased by 2.5 pp in 2024, equalling 13.9%. This was largely due to additional jobs created by the state and business, increased demand due to migration from Russia- Ukraine, and the outflow of unemployed from Georgia. The decline in the unemployment rate led to a sharp increase in labor market remuneration and a deficit. Over the next 4 years, the unemployment rate is expected to drop to 10%.

Unenemployment Rate



Export and Import

Over the last 3 years, high economic growth, recovery of tourism, rise of remittances and migration each boosted imports and exports. Appreciation of the national currency also played a major role in the growth of imports.

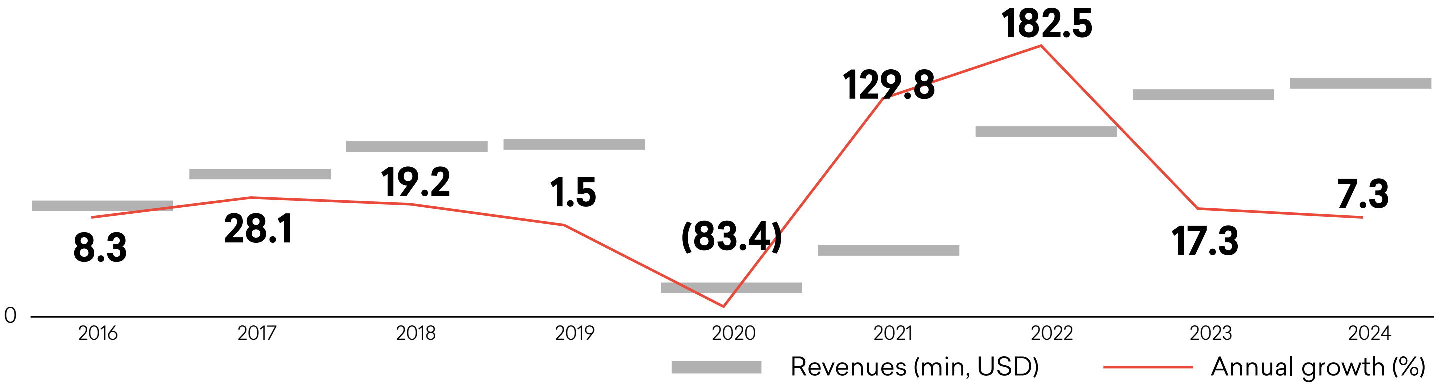
The export of goods in 2024 amounted to 6.6 billion US dollars, which is 7.8% more YoY. The most notable contributors were the CIS countries (69%) and the European Union (8.7%).

In 2024, the import of goods amounted to 16.9 billion US dollars, which is 8.6% more compared to the previous year. The major contributors to import were the CIS (19.5%), EU (27.2%) and Turkey (16.4%).

Tourism

By 2023-2024 figures, revenues from tourism exceeded the pre-pandemic period (2019) indicators. There is also a tangible improvement YoY. In particular, compared to 2023, tourism revenues in 2024 increased by 7.3%, reaching 4,425 million US dollars.

Revenues from Tourism in Georgia



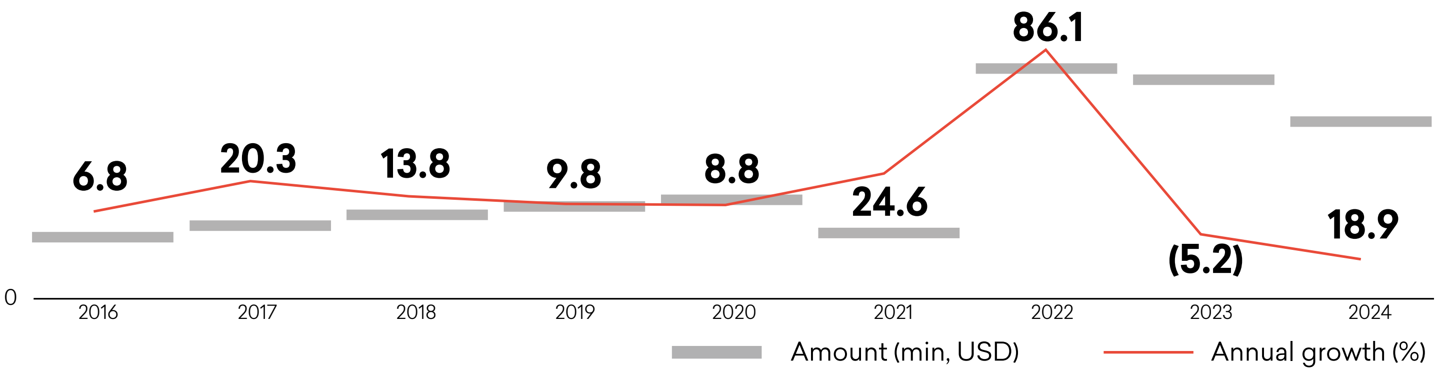
Source: National Bank of Georgia

Remittances

The flow of remittances decreased by 18.9% YoY in 2024 and amounted to USD 3,362 million.

A significant share of remittances came from Russia, Italy and the US, with 17% each (USD 1,681 million, 50% in total i.e. a decrease of the share by 10.6 pp YoY. The main part of the decrease came from Russia, with a decline of 20.8 pp YoY; next come Germany and Greece – with 8-8% on average (USD 530 million, i.e. a rise of the share by 4.3 pp for both countries). The total share of other countries is 26.8%, amounting to GEL 901 million.

Inflow of Remittance in Georgia



Source: National Bank of Georgia

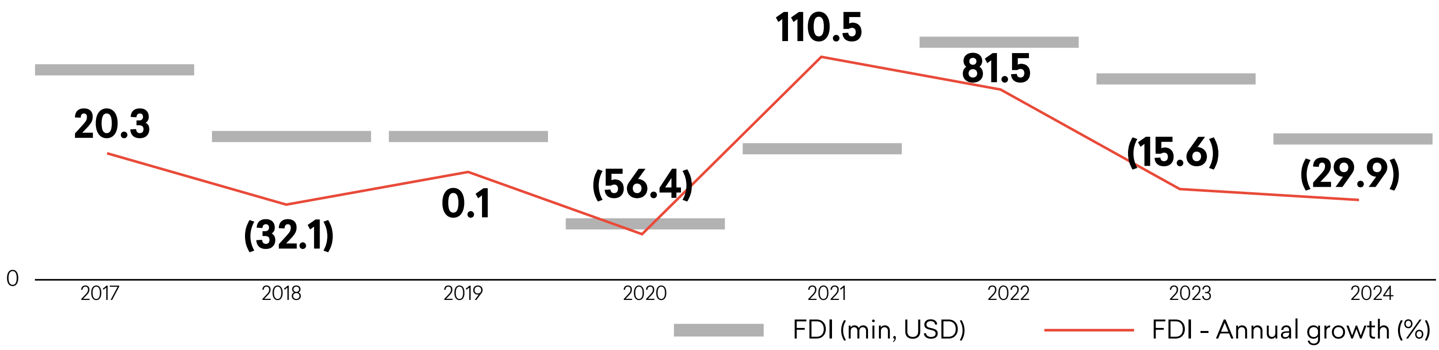
Foreign Direct Investments

According to the preliminary data, in 2024 Foreign Direct Investment (FDI) inflows to Georgia amounted to USD 1,334 million — 29.9% less than the specified data from 2023. The main reason for the decline in FDI was the volatile political situation in the country.

The largest FDI decline came in the Vehicle Trade sector – 300 mln, followed by Manufacturing – 131 mln, Information and Communication – 62 mln, Financial and Insurance activities – 57 mln.

According to the same data, the largest share of FDI in 2024 was in the Financial sector – 39.5%, followed by Manufacturing – 12.8%, Real estate – 11.6%, and Electrical energy – 9.5%.

FDI in Georgia



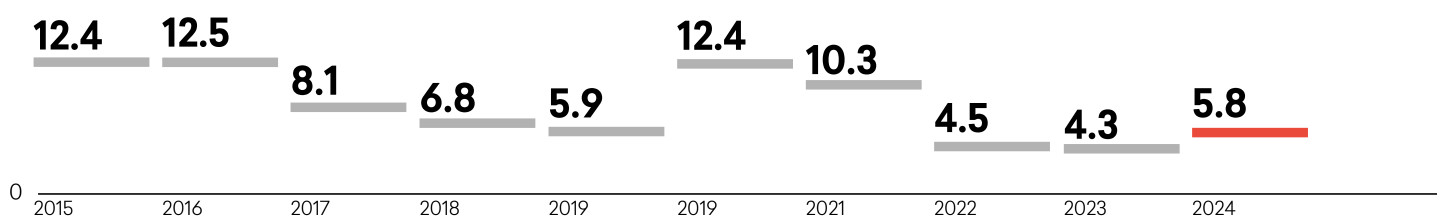
Source: National Statistics Office of Georgia

Current Account

In 2022-2023, current account (CA) deficit stood at the historical minimum, resulting from significantly increased remittances, exports, FDI, revenues from tourism, appreciation of the national currency alongside the opening of the economy, all having a positive effect on the Current Account (CA) balance.

However, the trend changed in 2024 as a result of decreasing remittances and FDI, which caused CA to rise to 5.8%.

CA Deficient to GDP in Georgia, (%)



Source: National Bank of Georgia

Exchange rates and foreign currency reserves

In 2024, compared to 2023, the average annual exchange rate of GEL depreciated by 3.5% and 3.6% against the US dollar and the EUR respectively, while appreciating by 5.6% against the Russian Ruble, and by 27.1% against the Turkish Lira.

OFFICIAL FX RATES	EUR	USD	TRY	100 RUB
31-Dec-23	2.9753	2.6894	0.0910	2.9916
31-Dec-24	2.9306	2.8068	0.0795	2.5405

Budget Deficit and Public External Debt to GDP

Against the positive macro landscape and the economic growth, the budget deficit has been on the decline for the last 3 years. In particular, the deficit totalled 9.3% in 2020 while in 2024, it stood at 2.5%.

According to preliminary data, public external debt to GDP ratio amounted to 38.2% in 2024, that is, 39.3% less YoY. The main contributing factors were low budget deficit, exchange rate and economic growth.

Lending Market

The lending market has been defined for commercial banks and microfinance portfolios with contracts for the disbursement of loans up to 100,000 GEL and a maximum maturity period of five years for resident households. **As of 2024, Crystal's market share totals 4.03%, compared to 4.16% in 2023.**

In 2024, the portfolios of commercial banks increased by 20.5% (GEL 1,898 million) YoY, reaching GEL 11,177 million. Whereas, microfinance organizations' portfolios grew by 15.66% (GEL 266 million) YoY and made up GEL 1,970 million. As such, the total market size for portfolios increased by 19.71% (GEL 2,165 million) YoY and stood at GEL 13,147 million.

In terms of loan contracts in 2024, the market size expanded by 9.47% (by 342 thousand) YoY over 2023, and amounted to 3.96 million contracts. In commercial banks, they increased by 10.94% (302 thousand) YoY and amounted to 3.066 million contracts. Loan contracts from microfinance organizations increased by 4.69% (39.8 thousand) YoY, equalling 890.4 thousand in total.

International Ratings

S&P Global Rating

In June 2024, Fitch downgraded Georgia's credit rating from BB positive to BB stable. The rating was further revised in December, with stable outlook being replaced by negative. The main reason is the volatile political situation in the country and negative expectations concerning external sanctions.

CORPORATE STRATEGY

With microbank license successfully obtained in early 2025 and significant opportunities opening, we have taken a new look at our mission, vision, and strategy, simultaneously redesigning our brand promise, and coming up with updated vision in terms of customer segments, products, and services we want to offer.

Crystal's updated **mission is to strengthen entrepreneurs with capital, knowledge, and skills**, so that they transform opportunities into wellbeing. By providing entrepreneurs and individuals of Georgia with access to financial products and services, knowledge, technology and skills, Crystal will enable them to create jobs in the economy, build assets and improve standard of living across the country.

Crystal's updated **vision is to be the leading bank serving micro and small entrepreneurs**, while operating on principles of commercial performance and social and environmental sustainability.

Crystal's **brand promise is to act as a trusted partner**, providing business or individual customers with opportunities to start or develop their businesses, improve livelihoods, and build a better future for their families and society.

Crystal's **strategy is to leverage existing brand, customer base and extensive branch infrastructure, while diversifying its product offering** to include savings deposits, remittances, currency exchange, mobile banking, consultancy, and technology services to both existing and new customers, with **focus on the rural segment, micro and small entrepreneurs**. Upon obtaining a micro bank license, Crystal will continue to serve the same segment of customers and gradually expand into SME sector, from a much stronger financial and institutional platform, thereby creating more value for all our stakeholders.

Mid-term strategic objectives will be as follows:

- Obtain leading market position in the microfinance segment and deliver strong financial performance.
- Maintain focus on core (micro) clientele, while gradually increasing share of business with SME segment.
- Launch savings products, focusing on core clientele or those customers who currently have small amounts to save but do not have banking relationships, high-net-worth individuals, and corporates.
- Further develop the existing credit product offerings (loans, leasing, etc.)
- Develop non-credit products.
- Upgrade institutional infrastructure, human resource capabilities and operational procedures to support the needs of the transformed institution.
- Ensure digitalization and efficiency of core business processes.

BUSINESS MODEL

Crystal is a leading Georgian financial inclusion organisation, which provides various financial and non-financial services. We focus on providing the best and personalized customer experience in micro finance via branches and digital channels. The following diagram encapsulates Crystal's business model:

PRODUCTS/ INPUTS		CHANELS	SEGMENTS
Microloans	Instalments	Branches	Small Holder Farmers
SME Loans	EE&RE	Direct	Micro Entrepreneurs
Leasing	Factoring*	Mobile	SMEs
		Online	Retail Customers
Payments	Consulting	Call centre	Special Groups
Currency	Technology	Agent Network	Youth; Women; Diaspora*; Vehicle buyers Mortage & GG loan users
Insurance	E-commerce	Merchants	

Our lending business offers a wide range of products to retail and business clients, creating an exceptional customer experience, with comfortable and innovative micro-finance solutions alongside personalized consulting and development services within our business support programs.

Our non-credit business offers an expanding range of transactional products such as payments, money transfers, currency conversion, insurance, and related services.

* Future products and segments

Crystal's funding sources are diversified and derived from foreign financial institutions, although local commercial banks also represent a significant source of funding. Crystal has also developed alternative funding, such as issuing and placing corporate bonds and promissory notes.

Significant Business Updates

2024 proved to be a year of significant improvements in business results. A number of noteworthy strategic business decisions were made, new projects and products rolled out. Consequently, record-level indicators were observed for certain products.

In 2024, Crystal's loan and lease portfolio increased by 15.92%, reaching 515 million GEL. In total, loans of over 600 million GEL were issued, exceeding the indicator for 2023 by 35%. The number of active credit customers amounted to 95.2 thousand.

Crystal has been actively pursuing the strengthening of its agricultural objectives. The volume of the agricultural portfolio reached 111 million GEL, 9% higher than the indicator for the previous year.

Significant improvements were also observed in the business portfolio in 2024. By the end of the year, the portfolio exceeded 200 million GEL, 22.45% higher than the previous year.

The company started financing electric vehicles with terms tailored towards customers. Moreover, auto product sales channel expanded and automated services were launched. As a result, the portfolio increased by 64% – exceeding 51 million GEL by the end of 2024.

A new position of Junior credit officers was created, to provide customer services at business locations. The process of receiving and processing instalment applications was also completely overhauled.

To increase efficiency, Crystal is constantly trying to implement various activities and projects. As a result of these efforts, the efficiency of credit experts has increased by 16.4% in the number of issuances and by 38.42% in terms of the amount.

In the second half of 2024, significant changes were implemented in the customer call-centre, transforming it into a contact hub. This new concept aims to enhance service quality, streamline processes, and ensure comprehensive customer service in the context of the banking transformation. Consequently, several key changes were introduced within the team, thus improving efficiency in the contact hub. In total, 33.3 thousand customers were served via remote channels.

In 2024, the company actively worked on energy efficient (green) product development. In particular, the Green Taxonomy was introduced. As part of the internal "Green Crys-



tal "initiative, a mini project entitled "Greenkasators" (Green Meter Readers) was implemented, involving the monthly calculation of kilowatt savings across Crystal's branches and head offices. With the support of Crystal's key partner, ADB, training on energy efficiency topics was also conducted for female customers.

To support internally displaced persons from Ukraine, a joint project from IFC and Crystal was launched in 2024 to provide increased access to financial resources and to offer in-demand products for displaced persons from Ukraine.

In 2024, Crystal also made significant changes in terms of developing non-credit products. The digital onboarding of customers has improved, allowing clients to receive certain services remotely, easily, and quickly. The online cabinet platform (Crystal One) was updated – with its design adapted to both Desktop and Mobile versions. A two-step authorisation function, so-called complex authentication, was added. It has also become possible to complete a remote application for auto loans of up to 15,000 GEL via the platform.

It was an important year in terms of attracting promissory notes. The company began actively offering open and closed notes to its customers from the end of 2023. As a result, the promissory note portfolio increased by 11.5 million GEL, reaching 13 million GEL in 2024.

In 2024, the company optimised its life insurance product, ensuring unconditional compensation for instalments and loans of up to 5,000 GEL. These changes provided the possibility to compensate 50% of outstanding losses (for 271 customers), worth 633,233 GEL as of 2024, without additional documentation and consideration. The life insurance portfolio increased by 18% in 2024, exceeding 474 million GEL in total. More than 95% of customers are using the product, and the company earned a net income of 3.6 million GEL from its sales in 2024.

Crystal additionally implemented various measures for the development of remittances. Notably, the introduction of the Western Union Module led to a reduction of time needed to send and withdraw remittances. In total, the company received an income of up to 452,500 GEL from remittances in 2024, while serving 37,830 customers.

The development of non-credit products has remained a priority for the company. In this regard, important technical and methodological works were conducted. For instance, active work was launched on the debit card project. As part of the banking transformation project, implementing current accounts and deposit products has been actively ongoing.

The year was marked by improvements in customer service, affecting the number of complaints filed by customers. Specifically, the number of complaints decreased by 38% in 2024.

Leasing

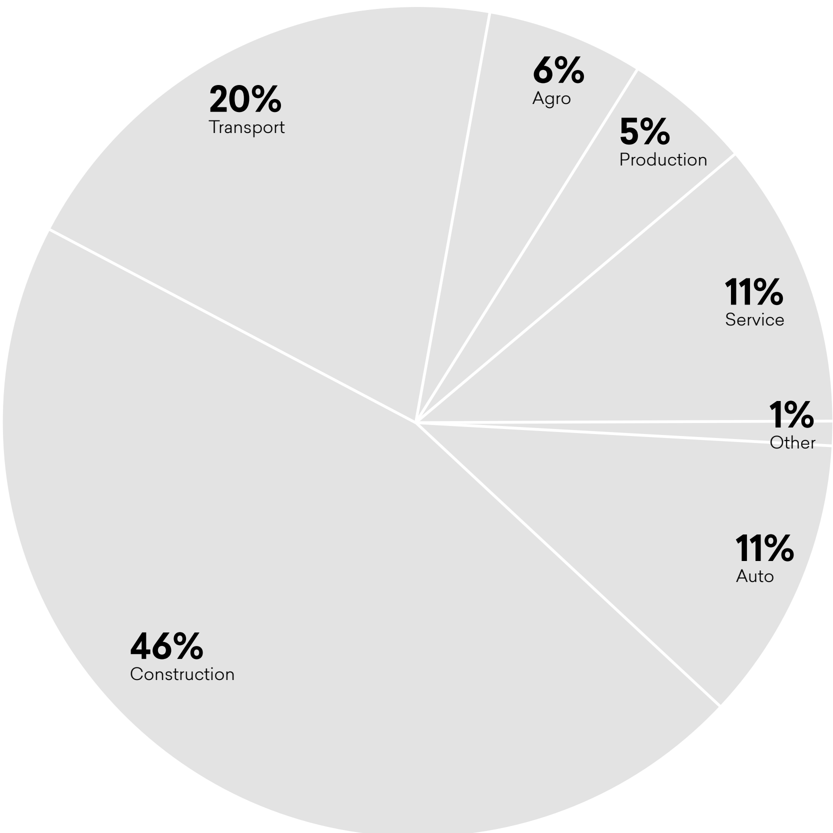
In 2024, transactions of over GEL 16 million, involving 373 customers, were financed in the leasing sector. In total, the leasing portfolio increased by 15%. Significantly, Crystal attained a 35% share in the leasing market in terms of transactions of up to 100,000 GEL.

The core component of the leasing portfolio (46%) is concentrated in the construction sector, due to several commercial and state-funded infrastructural projects in the country. Land transport also occupies a notable place in the country's economy, and this is reflected in the structure of Crystal's portfolio, in which the sector holds the second largest position.

The leasing portfolio within the country has grown by 20%. The lease financing experience is expanding gradually but steadily within Georgian entrepreneurial activity. It is regarded by the country's authorities and international financiers as a highly promising alternative financial instrument for enhancing access to finances for small and medium enterprises.

	2023	2024	Difference	%
Lease	11,029,118	13,069,615	2,040,497	19%
Financed customers	330	339	9	3%
Average funding per client	33,422	38,553	5,132	15%
Current portfolio	13,557,089	15,629,398	2,072,309	15%
Number of clients	321	373	52	16%
Operating expenses	11.54%	12.22%	–0.68PP	–5.86%
ROE	33.10%	25.40%	–7.70PP	–23%
Profitability	34.49%	33.99%	–0.50PP	–1%

As of December 2024, the lease portfolio distribution by sectors looked as follows:



RELATIONSHIP WITH INVESTORS AND FUNDING

In 2024, Crystal received financial resources in the amount of 90 million USD from local and international financial institutions.

The received credit resources were employed to support various strategic directions, including providing innovative financial services to small and medium enterprises, micro-entrepreneurs, women, youth, and farmers; promoting renewable energy and energy efficiency; enhancing access to finance; and refining and diversifying products.

In 2024, 30 transactions were completed, in total equivalent to 244 million GEL, of which:

- 18 were with international partners (139 million GEL).
- 12 were with local banks (105 million GEL).

In terms of the respective currencies, the ratio was as follows: 50% in GEL, 37% in USD, and 13% in EUR.

In 2024, Crystal's funding structure became more diversified. In total, the company managed liabilities of 445 million GEL, of which 49% were denominated in GEL, 41% in USD, and 7% in EUR, while 3% arose from promissory note products.

The share of funding in foreign currency remained high, facilitated by the favourable macroeconomic environment in the first half of 2024. Considering declining inflation and the monetary policy rate in Georgia, hedging prices on swap transactions decreased, further stimulating the attraction of financing in both USD and EUR.

In 2024, the company's capital position was strengthened by an additional subordinated loan. Crystal's partner in this transaction was BlueOrchard, the international financial institution, which allocated resources in the amount of 3 million USD. As a result, the company's capital adequacy ratio improved, with such details closely monitored by the National Bank and creditors.

The past year was fruitful in terms of cooperation with Fitch Ratings. Due to the increased access to foreign capital, diversified resources, and improved financial results, Fitch Ratings upgraded Crystal's long-term outlook (IDR) in 2024, raising it by two notches and assigning a 'B' stable outlook.

In 2024, the Funding and Investor Relations Department introduced a new format for investor relations and scheduled an online conference for partners twice a year. This conference aims to provide information about current financial results, increase the level of transparency, and build trust.

Crystal's international partners include such influential and large financial institutions as the European Investment Bank (EIB), the Asian Development Bank (ADB), the French Development Agency (Proparco), the Dutch Development Bank (FMO), BlueOrchard, responsAbility, Triple Jump, Kiva, DWM, and Bank im Bistum Essen amongst others. Crystal aims to maintain robust, trust-based, and transparent relations with investors, which, based on experience, is a precondition for the company's long-term and sustainable development.

TRANSACTION PARTNERS IN 2024:

BlueOrchard Impact Investment Managers | Member of the Schroders Group
responsAbility
BIB FAIR BANKING
Triple Jump
FMO Entrepreneurial Development Bank
PROPARCO GROUPE AFD
kiva
dwm IMPACT INVESTING
symbiotics
TBC BANK
საქართველოს ბანკი BANK OF GEORGIA
PASHA Bank New heights. Together.
BASISBANK Hualing Group Member

TECHNICAL ASSISTANCE IN 2024

Alongside the funding process, the team also actively worked on technical assistance. Since the beginning of the year, the core focus has been supporting the banking transformation programme. Thus, the targeting of grant schemes was also tailored towards the needs of the banking sector. The Dutch Development Bank (FMO) offered significant support in this direction.

In addition, the French Development Agency (Proparco) funded the acquisition of an international certificate for customer protection. As such, the company received a silver certificate in customer protection. This recognition confirms that Crystal strictly follows international customer protection principles and ensures the implementation of fair, dependable, and transparent approaches.

RISK MANAGEMENT IN 2024

Developing a sound and effective Risk Management System, based on international standards and best practices, is one of Crystal's most significant goals, which includes:

- Informing the company about existing risks and threats in a timely manner.
- Preventing losses and effectively managing incidents.
- Developing a reliable basis for decision-making and planning.
- Achieving set goals with a higher likelihood.
- Improving control, operational efficiency, and organisational sustainability.
- Complying with the requirements of the regulator and with international standards.
- Aligning the risk management system with the business strategy.

To improve the risk management framework, the company conducted the following activities in 2024:

- The risk management framework was upgraded in line with micro banking standards and best banking practices.
- The risk appetite was revised in consideration of micro banking requirements, with a focus on the bank's sustainability.
- All risk policies were updated and aligned with micro banking requirements.
- Significant attention was paid to strengthening the company's risk management culture, as reflected in the training and webinars conducted throughout the year.

Credit Risk Management

- The company maintained an appropriate credit risk management system.
- The company's credit policy changed significantly in 2024, ensuring improvements in the quality of the loan portfolio.
- Centralisation of underwriting was fully completed in 2024.
- At the end of 2024, the statistical model was upgraded, allowing the company to accelerate loan applications and data-driven decision-making process.
- The portfolio risks direction was significantly strengthened, and the focus towards decisions based on data and statistical analyses has improved. The portfolio analysis process has been significantly updated and has become much more informative, thereby contributing to better risk identification.
- The expected credit loss calculation model has been updated. It follows the recommendations of the National Bank and is in full compliance with the requirements of IFRS 9.

Operational Risk Management

In 2024, the operational risk management policy was updated in accordance with the requirements of the Microbank Framework, which is in full compliance with National Bank recommendations. To mitigate operational risks, the company uses the following tools:

- The Risk Self-Assessment (RSA) enables the company to assess the effectiveness and weaknesses of the existing controls in all critical business processes.
- The Key Risk Indicators (KRIs) enable the company to identify and plan for the prevention of expected risks at an early stage.
- A New Risk Assessment (NRA) process helps predict expected risks within new products, channels, and processes, and to embed the appropriate controls.
- The Risk Events Database (RED) allows the company to further analyse weaknesses in the existing controls of business processes.
- The Business Continuity Plan (BCP) is required to maintain the continuity of business processes in critical situations.

Compliance Risk Management

- Compliance Risk Management periodically analyses the compliance of the business processes in place within the company under the respective regulations. Concurrently, it ensures the identification of new requirements under the regulations, and it controls implementation of the relevant procedures and rules of the company.
- The Compliance Risk Management Policy was updated in 2024.
- Compliance with anti-money laundering and anti-terrorism regulations plays an important role in compliance risk management. In 2022-23, the company made considerable improvements to this process, considering the recommendations of the regulator. The respective procedures were consequently amended, processes were refined, and technical support was also improved.

Liquidity Risk Management

- In 2024, the liquidity management policy was updated in accordance with micro banking requirements.
- Risk management is implemented by the ALCO Committee, which is responsible for managing the company's assets and its liabilities.

Market Risks

- In 2024, the Foreign Exchange Risk Management and Interest Rate Risk Management policies were updated, thus incorporating the requirements of the Microbank Framework.
- Risk management is implemented by the ALCO Committee, which is responsible for managing the company's assets and its liabilities.
- Capital Adequacy Risk Management
- In 2024, the capital adequacy management policy was updated, for which the requirements of the Microbank Framework were considered.
- The ALCO Committee is the effective management body for such risks.

STRATEGIC AND ORGANIZATIONAL DEVELOPMENT

Acquiring the Microbank License

The decision of the National Bank to create a new type of financial institutions – microbanks with a regulatory framework similar to that of commercial banks and with a clearly defined scope of permitted activities focused on business and agriculture financing – created a new opportunity for the company. In response, Crystal concluded 2023 by submitting its application for a microbank license.

In the beginning of 2024, the company received feedback from the National Bank regarding its license application, namely it required the submission of a package of documents specified to the licensing rule and related legislative and normative acts. Crystal thereafter successfully submitted the full set of requisite documents, based on a thorough analysis of the requirements, in an unprecedentedly short period.

Alongside the activities planned to achieve ambitious fiscal and business targets, intensive work on the licensing project continued throughout the year. As part of this process, the following activities were conducted:

- Based on the analysis of the legislative framework, a list of the required details and documentation, along with their submission format and content, was determined.
- Based on the analysis of the supervisory, administrative, and legal framework required formal documentation for licensing purposes was identified.
- A detailed analysis of the company's ownership structure was conducted, and communication with individual shareholders, at all levels of ownership, was implemented to obtain information.
- Shareholders' founding documents; supervisory, financial, and personal information were collected.
- Questionnaires and forms were prepared for assessing the suitability of the company's administrators, and the relevant supporting documentation was collected.
- Information outlining the company's founding history and capital formation, from its establishment to the present day, was detailed, and the necessary contractual amendments for the formation of the microbank's capital were made.
- For the purposes of the microbank license application, up to 30 policies and procedures were developed, including corporate governance provisions and the organisation's business plan.
- The National Bank positively assessed the company's risk management mechanisms and its operational readiness. To this end, methodological documents governing business processes across every area of the company were updated or created, totalling approximately 150 documents.
- The credit portfolio filing was reviewed, and the National Bank deemed the legislative requirement to maintain a 50% share of entrepreneurial loans to be satisfied.
- A change in the organisational structure was implemented to align the company's business processes and structure with banking practices as closely as possible. The organisation was moreover strengthened by personnel with banking and managerial experience.
- After obtaining the microbank license, a gap analysis was conducted to ensure the readiness of the operational and technological infrastructure. New and existing products and processes were introduced and modified in a test environment.

At every stage, multiple and complex challenges were successfully overcome through effective communication, rapid adaptability, and efficient managerial decision-making.

On 12 February 2025, Crystal officially became a licensed microbank, thereby transforming its ambition into a tangible achievement and setting a new precedent in the industry.

With this new license, Crystal is ready to broaden horizons and introduce innovative products and services that empower our customers. Our focus remains on facilitating the growth of micro and small businesses while contributing positively to Georgia's economy. Our key priority is to maintain a customer-centric approach, expanding access to finance, knowledge, and technology. We are optimistic about this transformative phase, and we look forward to our continued collaboration, thriving together in the evolving financial marketplace.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

SIGNIFICANT PROJECTS IMPLEMENTED IN 2024:

Crystal – Recipient of Silver Certificate for Client Protection

- The certificate was issued by MFR, the global microfinance rating company. The certification process was supported by Proparco, a long-standing partner of Crystal.
- Crystal's Social Impact Report 2024
- Crystal, together with the international consulting organisation 60_Decibels, conducted an annual social impact report to analyse the positive impact of the company's financial and non-financial services on business and on the quality of life of its customers. The study indicated that Crystal loans had a significant positive impact on the quality of life of 74% of its customers.
- Crystal – Supporting Economic and Social Empowerment of Women and Young Girls
- As part of Buzz Georgia – the women's entrepreneurial, economic, and personal empowerment programme, and a local franchise of the international Buzz Women Global – 4,116 women were provided with access to financial education, entrepreneurial awareness raising and personal empowerment opportunities.
- Crystal became a sponsor of the U20 weightlifter and Georgian Vice-Champion Nana Khorava.
- Crystal, in partnership with MAC Georgia, provided higher education financing for a disadvantaged female student.
- Crystal was a sponsor for business skills development training and the Women EXPO 2024 festival – an exhibition and sales event organised by UN Women Georgia for 130 female entrepreneurs.

Raising Gender Awareness in Partnership with the Asian Development Bank

- In collaboration with the Asian Development Bank (ADB), awareness training on issues of gender equality and inclusion took place for 112 employees of the branch network and the business directorate in Tbilisi and Kutaisi.
- As part of this partnership, with participation from the Women from Dimi organisation, a meeting was held with women living in Dimi village to raise awareness of the benefits of energy-efficient resources, particularly Crystal's energy-saving financial products.

Supporting Community and Social Empowerment Activities

- Crystal is a member of the Pro-Bono network. In 2024, the company has offered support to 30 social entrepreneurs through webinars and online pro-bono consultations.
- In collaboration with the National Bank of Georgia, children's comics about saving and financial literacy were created in 2024.
- To support the youth in STEM subjects, Crystal funded the creation of a robotics club at Vani Public School N2, in cooperation with the USAID and PH International education programme.
- In collaboration with the Dialogue of Generations organisation, Crystal provided financial support to 30 vulnerable families in the region of Imereti.

Environmental Protection and Greener Crystal

Crystal's Kutaisi head office started using solar energy. With this initiative, the company took another effective step towards the company's strategic priority of eco-friendly activities, while also mitigating the damage caused by climate change. At the same time, the company created a practical, positive example of caring for the environment.

Signify, the electronic signature project, was introduced, with the aim of reducing paper consumption and alleviating negative impacts on the environment.

As part of Crystal's internal energy-saving motivational campaign "Greenkasators" (Green Meter Readers), **37,252.4 kW** of energy and a resulting **18,695.73 GEL** was saved.

In cooperation with the USB cable manufacturer Tene, **100 kg+** of plastic and batteries have been collected for recycling.

Within the framework of the Greener Crystal campaign, select green ambassadors were nominated in 47 branches and various departments. They have become representatives of the Greener Crystal project within their branches and departments, spreading eco-friendly advice and behaviour.

In cooperation with Sadagi, the Georgian Cleaners' Guild, and with the involvement of Crystal's green ambassadors, cleaning of the Gudauri resort area took place. Moreover, greening and cleaning campaigns continue as part of the Greener Crystal campaign.

The Greener Crystal project won the **SDG Innovation Accelerator for Young Professionals**, organised by the UN Global Compact Network Georgia. Crystal team members took part in the UN General Assembly week, held on 19-27 September in New York, where Crystal's environmental projects, innovative green initiatives, and positive impact indicators of energy-efficient, green financing were presented alongside representatives from 14 countries.

The company actively continues to develop green financing. In 2024, 23 million kWh of energy was saved, and 3.5 million tonnes of CO_2 emissions were prevented from being released into the environment.

SOCIAL IMPACT RESEARCH

Qualitative Research

- Composition: four focus groups of both displaced and local clients from Tbilisi and the regions
- Target groups: Crystal customers
- Focus group duration: 1 hour and 30 minutes on average
- Focus groups were conducted through face-to-face meetings and online, using the Teams platform
- Fieldwork: conducted using in-house resources

Quantitative Research

- Number of interviews: 286
- Target group: Crystal customers
- Selection: random
- Interview duration: 20 minutes on average
- Research area: throughout Georgia
- Fieldwork: 60_decibels

As a result of the conducted study, the findings were as follows:

- For 73% of respondents, their quality of life has improved since cooperating with Crystal. They have greater access to services such as healthcare (9%), education (14%), and house renovation (35%), and in the quality and quantity of food (19%).

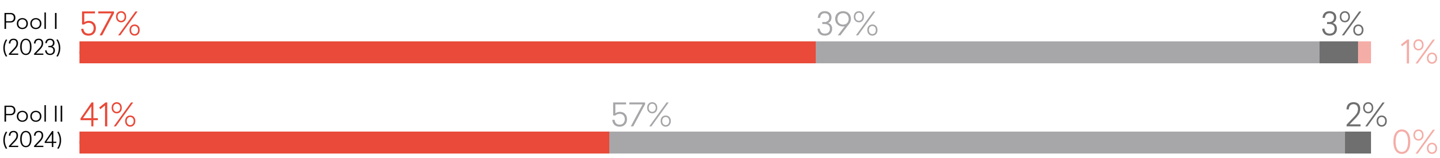
How has Crystal changed the quality of your life?

- The impact of Crystal's loans on customers' business is quite positive. For 67% of business clients, their commercial income has increased. The percentage of respondents who have expanded the number of employees in their businesses has also grown from 4% to 10%.

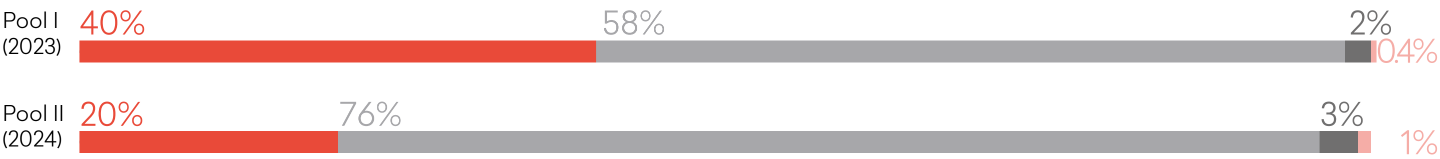
Has the amount of money you get from your business changed due to Crystal?

- Since their cooperation with Crystal, the level of self-esteem increased for 41% of customers; precipitated, on the one hand, by approval of the loan and the trust declared by Crystal, and on the other, by the feeling of personal success from the achievement of the goal.

Self-confidence and belief in one's own abilities:



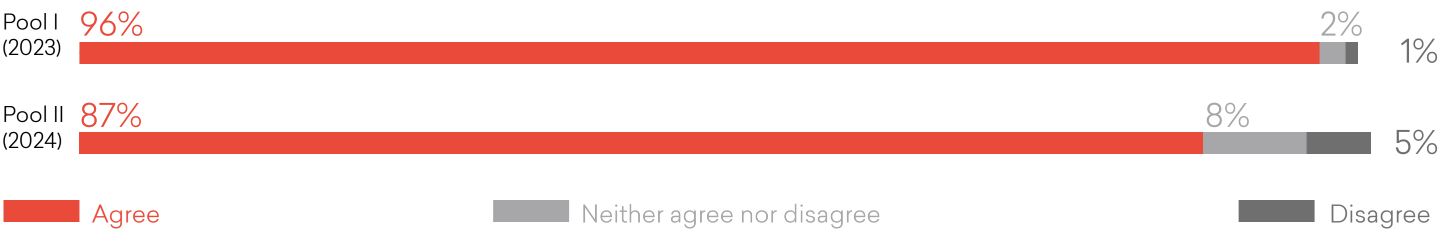
Ability to make decisions about money:



- Based on the results from pool I and pool II, Crystal has steadily maintained an overall level of stress reduction.

- The number of customers who find Crystal's payments easy to understand declined from 96% to 87%. Such a perception is largely caused by the charging of SMS fees and penalties.

To what extent do you agree with the statement – "Crystal's commission fees, interest rates, and penalties are easy to understand and clear"?



- For its customers, Crystal has positioned itself as an organization with fast and simple services, ready to finance a loan whenever needed.

STRENGTHS

Good service

Less bureaucracy

Fast procedures

Consideration of unverified income

Ability to verify

Development-oriented

WEAKNESSES

Lack of mobile banking

Lack of cards

Lack of ATMs

Lack of branches

Branch interiors

Lack of payboxes

High interest

High commission

ASSOCIATIONS

Strong	Helping	Hope	Standing by	Money
Supporting	Accessible	Hand of assistance	Pure	Transparant

- Clients' expectations as consumers have increased. In 2024, there was higher demand for modern banking services, such as mobile banking and cards.
- Almost all customers (98%) positively evaluate the service from Crystal personnel.
- Crystal customers' access to products from other financial organizations has grown from 55% to 62%, which indicates a rise in the competitive environment.
- With an NPS score standing at 59%, Crystal remains competitive with such large institutions as Bank of Georgia (59%) and TBC Bank (56%).

Would you recommend Crystal to a friend or family member?

PEOPLE IN OUR ORGANIZATION

The year 2024 was particularly important for the company in terms of the development and management of talent.

Overall, 396 vacant positions were filled in the company through both internal and external applicants. Over the year, 172 interns were recruited to fill various positions, with 90% assigned to the branch network and the remainder to head office positions. Moreover, 92 employees changed roles within the company, including 67 who were promoted. Additionally, 143 positions and title changes took place within the company due to structural adjustments, reorganisation, or under temporary and maternity leaves.

The measures implemented within people development and management, alongside a set of targeted projects, had a significant impact on employee satisfaction. According to the 2024 satisfaction survey, the employee satisfaction index (ENPS) increased compared to the previous year and reached **50%. Additionally,** based on 2024 data, the **attrition rate** decreased and fell to **12.98%.**The data from the past two years reveals that the attrition has a declining trend due to measures implemented by the management team.

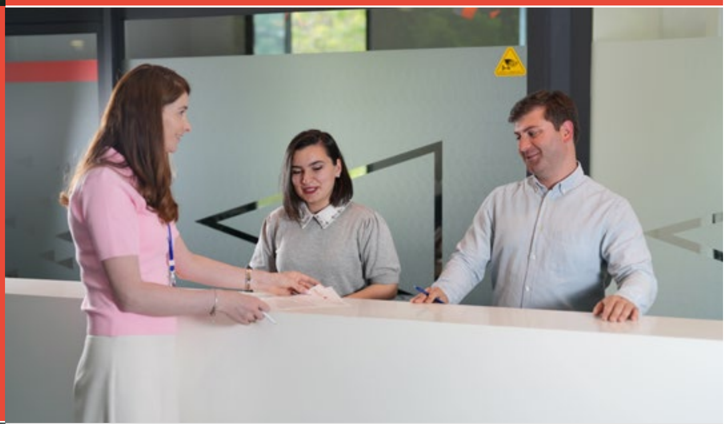
Throughout 2024, the company actively worked **to enhance employee motivation, engagement, and loyalty**. To this end, a variety of activities were implemented for employees with different interests. These initiatives not only improved employee satisfaction and loyalty, but also significantly enhanced team communication, boosted motivation, and fostered a positive corporate environment, thereby positively affecting the company's overall efficiency.

The year's activities included both motivational and awareness-raising activities, together with sport, intellectual, and personal development areas.

The notable events held in 2024 include: a corporate party for 1,000 employees; educational outings for up to 400 employees; the establishment of a 10+ Year Club for loyal Crystal members; the intellectual game "What? Where? When?;" a football championship; branch anniversaries; and corporate gifts given to employees on various festive occasions throughout the year as a token of the company's appreciation and care.

Significant **changes were introduced to the HR policy document**, while various regulatory rules and procedures were updated and established within the Talent Development Department. These changes and innovations serve to improve employee management systems, create better working conditions, refine internal processes, and ensure transparency, which affects the overall efficiency of the company and employee engagement.

To **strengthen HR systems** and improve strategic management, the company commenced cooperation with the consulting company ACT. This project aims to introduce a ranking system, to fundamentally update compensation schemes, and to reform the performance appraisal system.



Training and development: throughout 2024, **187** training courses of various forms and differing content were conducted, involving **4,255 employees**. These courses were designed to prepare employees for the projects and activities that the company plans to implement during the next phase of the banking transformation.

To support the continuous development of Crystal employees, it was essential to increase access to personal and professional development courses for strategic and senior managers. This was made possible by introducing the online educational platform Udemy for business and an information campaign regarding online learning.

Notable areas of employee training and development include instructive programmes for new employees; awareness-raising courses; management development, project management, and digital competencies; personal development for employees; training related to the banking transformation, and so on.

MANAGEMENT OF OPERATIONS

Crystal's operational direction includes the following structural units:

- Centralised back office
- Cash Management Department
- Administrative Department
- Procurement Department

The operational direction aims to enhance the efficiency of Crystal's processes and workflows, to continuously explore opportunities for optimisation and automation, to manage changes, to establish a robust operational infrastructure for obtaining a micro-bank license, and to strengthen institutional capabilities.

Throughout 2024, the operational direction actively continued to work on supporting the strategic tasks and subprojects envisaged within the Microbank License Project, including:

- Setting up, testing, and developing services and communication with partners, those essential for operation after obtaining microbank status.
- Modifying and consolidating processes, based on operational analysis, for increased efficiency as well as preparing and developing non-credit functions in the back office.
- Developing functions related to cash management and collection, reviewing and updating regulatory documentation.
- Assessing and preparing tasks for infrastructural changes in the branches.

The functional allocation of operations between the credit and non-credit directions was fully implemented within the back office. The processes received from other departments, specifically business, risk, and finance, were also streamlined and relevant instructions were prepared.

An analysis of both, new processes to be implemented in the back office and existing procedures was initiated to further enhance efficiency. Initial analytics were conducted, and operations and processes designated for robotisation were also selected.

In early 2024, the project for centralised management and the archiving of loan documentation was completed. As a result, a new centralised methodology for document flow was implemented across all Crystal branches.

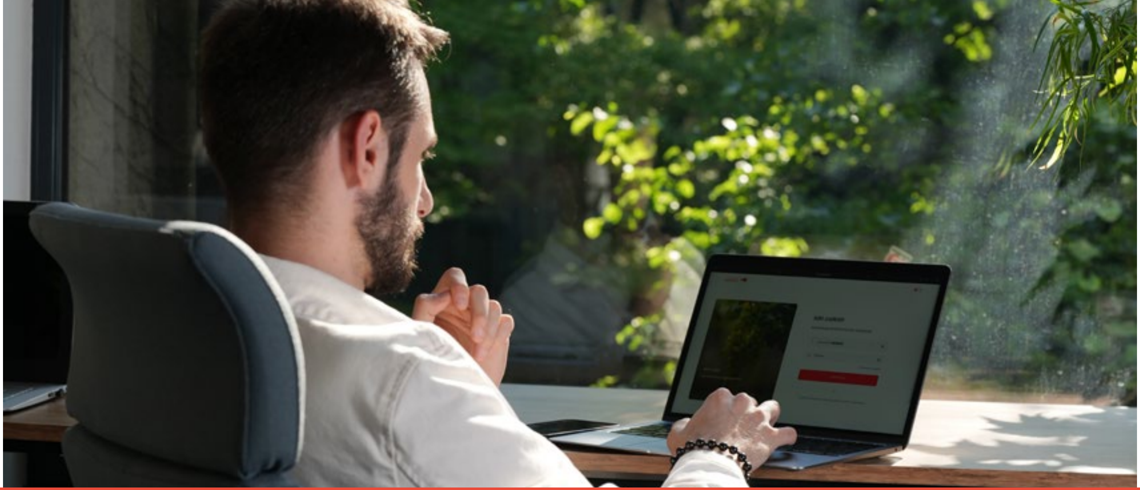
Crystal was registered in the SWIFT Alliance system in early 2024. The organisation was thereafter assigned the Non-connected BIC code – JMOCGE22 – published in the ISO directory on 27.04.24.

In the second half of 2024, the process of registering a Connected BIC code for Crystal within the SWIFT Alliance system also began. This procedure is successfully ongoing and will be completed in the first half of 2025.

The Administration and Procurement Departments actively supported projects related to the microbank status, along with other ongoing initiatives. Throughout the year, 42 tenders were conducted, and thousands of procurement transactions were completed. The Administration Department moreover initiated a number of projects focused on branch renovation and infrastructural improvement.

In 2024, under the leadership of the Procurement Department, a pilot electronic signature project was launched, marking a step forward in the digitisation of processes. Using the Signify platform, the project addresses the following key objectives:

- Reducing paper consumption.
- Reducing negative impacts on the environment.
- Freeing employee time and offering them and their partners a more flexible process.
- Reducing the other costs associated with material signatures.



INFORMATION TECHNOLOGIES

The year 2024 proved to be an exceptionally busy period for the Information Technology Department. Throughout the year, the Project Management and Business Analytics Department managed 130 projects and tasks, 95 of which attained completed status.

In addition to the projects related to the company's main strategic goal – the banking transformation, on which work has entered its active phase – several completed projects are also worth noting:

- Key steps were taken within the updated Crystal One project. In particular, customers were given the opportunity to register remotely, to electronically sign applications approved at a branch, and to fill out online loan applications, view existing products and agreements, etc.
- AKIDO – changes were made to the section on issuing loans and instalments from external channels, which, along with the continuity of business processes, made the system more flexible.
- The method of requesting information from the Public Registry has changed, allowing staff to correct duplicate information within the database.
- The modification of DM and the introduction of new products should also be noted. In particular: changing the scoring in the PD module, reviewing the criteria module, correcting mathematical calculations in accordance with the National Bank's requirements, etc.
- On the leasing side, warning letters were automated, the protocol functionality was improved, and a one-day fast issuance process was introduced.
- A new system was created within the Operational Risk Events Database (RED) project, through which it is possible to register and manage risk incidents.
- The UMTS system for transfers was improved, minimising the service time.
- In accordance with National Bank requirements, customers were assigned segments based on predefined rules as specified by the company.
- A Digital Strategy Project was developed.
- The process of registering and managing insurance policies and recording results was automated and simplified for loan officers.
- The IT internship programme has been successfully implemented, allowing the company to attract motivated staff resources.

In 2024, significant changes were also made in terms of infrastructure:

- Network equipment and servers were added to the main and backup servers. Consequently, the system performance, support for new technology, and reliability was enhanced. The cooling system for the main server was also improved. This affected the quality of business continuity and the security of the company.

- The implementation of DevOps approaches was successfully completed. The process, launched by the company in 2023, aimed to accelerate the process for new products, business requirements, and updates, and to improve their quality.
- The company servers, services, authentication, and authorisation systems (Active Directory) was upgraded to a new version. As a result, the security level of the systems has been improved.
- For enhanced security, the company's cryptographic system PKI was updated. This system is used to securely transfer information from critical services of the IT infrastructure.

Within the company, software testing is a continuous, cyclical process that ensures constant monitoring and improvement of the existing core systems, as well as high quality integration for new modules and the stabilisation process.

Throughout 2024, improvements to the existing products and the testing of new modules were conducted in parallel, in addition to the regression testing of core systems (LMS, B6), which also included testing and stabilisation of the new modules added to these systems.

Throughout the year, the following systems and modules were successfully tested:

- AKIDO
- Crystal ONE
- UFE
- RED (Operational Risk Incident Database)
- AML risk assessment logic
- Credit limit

In addition, intensive testing of the products and modules necessary for the banking transformation was implemented (register of debtors, MOF, NAP, collections/seizures module, RTGS cash transfers, etc.).

INFORMATION-SECURITY

From the beginning of the year, the SIEM system was fully implemented, adding new critical system logs and deepening knowledge about their use. The proper functioning of this system is critical, primarily for timely and effective response to cyber incidents, as well as for legislative compliance with various National Bank regulations.

> **Throughout 2024, the workload within information security significantly increased.**

The Privileged Access Management (PAM) system was also implemented, policies were developed, and user knowledge was enhanced. This system is critical for ensuring third parties have secure access to Crystal infrastructure.

Throughout 2024, the Information Security Department was actively involved in assessing the security of various projects, including: RTGS, Identomat, Signify, SWIFT, telephone software, and more. Ensuring the active involvement of Information Security in new projects is crucial for developing secure systems from the initial stage, in line with the Secure by Design principle.

The Microsoft Secure Score increased from 50% to 70%, underscoring the high level of security within Crystal's electronic systems. Notably, the average Microsoft Secure Score for organisations of the same size as Crystal is less than 45%, which serves as clear proof of the company's strong commitment to cyber security.

GOVER STATEM

It is our responsibility to present this annual report and to provide the shareholders with audited financial statements. We consider the annual report and the financial accounts, taken as a whole, to be fair, balanced and understandable, and to provide the necessary information for shareholders to assess the company's position, performance, business model and its strategy.

This report has been drafted in line with the Law of Georgia on Accounting, Auditing and Reporting, and with the specific disclosure requirements of the UK Corporate Governance Code (see Annex 1).
The governance statement is an integral part of this report, as it describes the key aspects of corporate governance and highlights all major accomplishments and plans.


NANCE
MENT

SUPERVISORY BOARD

> **Crystal is headed by the effective supervisory board, collectively responsible for the long-term success of the company.**

The Supervisory Board consists of seven members, including four independent directors and three members representing the founding shareholders and investors. The directors together bring extensive experience in business development, corporate governance, banking and microfinance, fintech, innovation and expertise in strategic HR.

CHAIR

The roles of the Board and of the Chair are clearly distinguished from the responsibilities of the Management Team. The Chair is responsible for the leadership of the Board and ensuring its effectiveness in all aspects. There have been no significant changes made to the commitments of Archil Bakuradze, the Chair of the Supervisory Board (Georgia), who is a financier, entrepreneur, and the co-founder of Crystal. He serves as Chair of the Board of Crystal Fund, Council Chair of the Microfinance Centre, and participates in the governance of several nonprofit institutions. The Chair spends more than half of his time working with Crystal, and his role and responsibilities are regulated via respective policies, each approved by the SB. The Chair is appointed by the Supervisory Board and is accountable to the shareholders. The performance of the Chair is assessed by the company Supervisory Board and shareholders, based on his peer assessment. Upon the recommendation of the board, the shareholders approve the Chair's remuneration and any changes thereof.

BOARD COMPOSITION

Crystal uses a Supervisory Board policy and procedure to clearly define its respective mandate, role and responsibilities, and to regulate its activities. It sets forth procedures, communication rules, and it provides guidance on the management of conflict of interests, as well as the rules regarding the appointment and resignation of its members.

The SB members include (in alphabetical order): George Arveladze (Georgia), independent member and Senior Independent Director (SID), Jan Dewijngaert (Belgium), appointed by Incofin IM; Lilit Gharayan (Armenia), independent member, who chairs the Audit Committee; Matangi Gowrishankar (India), independent member, who chairs the Human Resources and Remuneration Committee; Robert Scott Kossmann (USA), independent member, who chairs the Risk Committee; Aleem Remtula (USA), appointed by DWM, who chairs the Environmental and Social Committee.

Activities of the Supervisory Board

In 2024, the SB met twelve times, once in-person and eleven times remotely. The number of each SB committee meeting in 2024 is as follows:

- Audit Committee 3
- ALCO (Assets and Liabilities) Committee 3
- Risk Committee 4
- E&S Committee 2
- Human Resources and Remuneration Committee 3

SB receives a detailed quarterly report on the company's key performance indicators, including a statement on its financial position. In addition, the Board reviews a quarterly risk report. The SB committees examine detailed reports and discuss matters within their competences. The SB moreover conducts regular reviews for the implementation of strategic annual milestones. Ultimately, the key focus of the SB is to ensure the effective supervision and governance of the company. Therefore, resolutions made by the SB concern strategic issues, overall organizational structure, board-level policies, large-scale projects, motivation and performance appraisal for Chief Officers, approval of annual milestones, financial forecasts and recommending relevant actions to shareholders, such as the distribution of dividends, issuance of new shares for the management incentive plan or the composition of the Board.

Support of the Board

The Supervisory Board is supported by the Corporate Secretary, who plays a pivotal role in overseeing key governance bodies within the company, including the Shareholders, the Supervisory Board, its committees, and the Management Team. The Corporate Secretary ensures the smooth operation of meetings, maintains accurate records, and coordinates decision-making processes. Additionally, the Corporate Secretary is involved in the development of corporate governance regulations and facilitates communication with both internal and external stakeholders.

The Corporate Secretary aids the Supervisory Board in fulfilling its corporate governance and legal obligations, providing constructive input and recommendations where necessary. They also participate in the evaluation process and assist in the onboarding of new members. Further, the Corporate Secretary contributes to the creation of meeting agendas and documentation as per the Supervisory Board's instructions, compiles credentials while ensuring confidentiality and timely disclosure, and ensures the timely execution of tasks delegated by the Chair, Supervisory Board members, and senior executives regarding corporate management matters.

CORPORATE GOVERNANCE

The corporate governance of Crystal exemplifies the highest standards of transparency, accountability, and ethical conduct, ensuring alignment with our strategic vision and long-term objectives.

In 2024, in the framework of banking transformation, we re-appointed the members of Supervisory Board and the Management Team to ensure their compliance with requirements of the normative base for microbanks. The governance standards have been aligned with the requirements of the National Bank of Georgia for microbanks. Additionally, in 2024, Crystal reported its adherence to the UK Corporate Governance Code, with detailed information provided in Annex 1.

SUPERVISORY BOARD MEMBERS

ARCHIL BAKURADZE

Chairman – holds the position of Chairman of the JSC Microbank Crystal Supervisory Board and leads the company's Assets and Liabilities Committee. Archil serves as a Council Chair of the Microfinance Centre. He is a Chair of the Board of Crystal Fund and serves on the Boards of several non-profit organizations. Through the Chevening Scholarship from the UK Foreign and Commonwealth Office, Archil received an MBA from Lancaster University's Management School (2004). He is a fellow of the John Smith Trust (2000) and recipient of the international van Heuven Goedhart award from the Dutch Refugee Foundation, Stichting Vluchteling (2003).

GEORGE ARVELADZE

SID – Holds the position of SID in JSC Microbank Crystal Supervisory Board. George Arveladze is a Georgian businessman with more than 23 years of extensive experience in banking. Prior to his entrepreneurial involvement in real estate, transportation and energy sectors in Georgia, he served as the Managing Director at TBC, the largest bank in Georgia, covering non-interest income, research and brokerage businesses in the Corporate and Investment Banking arm of the bank. Prior to joining TBC, Mr. Arveladze worked as a CEO of Liberty Bank, Georgia's 3rd largest retail bank with more than 5,300 employees and over 650 branches throughout the country, which he led since 2013 delivering c.200% net profit cumulative annual growth in 2 years, an impressive and strong performance. Prior to his appointment as CEO, Mr. Arveladze served as Deputy CEO in charge of Strategic Projects, Treasury and Private Banking (2009-2011 years) and Deputy CEO, Chief Operating Officer (2011-2013 years). Before returning to Georgia in 2009, he worked in structured product sales at BNP Paribas in London. Prior that, he worked at the National Bank of Georgia. Mr. Arveladze holds an MBA from London Business School.

MATANGI GOWRISHANKAR

Independent Member – Ms. Matangi Gowrishankar has over four decades of experience in senior leadership roles in business and HR, both in India and overseas. She currently heads Crystal's Human Resources and Remuneration Committee. She has experience across diverse industries with leading multinational corporations – Standard Chartered Bank, Reebok, GE, and Cummins Inc. Most recently she was with BP plc, (British Oil & Gas major) where her last role was Global Head of Capability Development (Downstream businesses) & Director of the Global Leadership Academy. Matangi is an experienced Independent Director and currently sits on a number of boards in India across diverse industries ranging from financial services, IT and manufacturing companies. A career business & human resources professional, Matangi also has an independent Executive Coaching & Human Resources Consulting practice. She has deep expertise in business processes, and the full spectrum of Human Resources and Organization Development practice areas. She holds a BA in sociology and a post-graduate degree in Personnel Management and Industrial Relations from XLRI, Jamshedpur a premier business school of India. She is passionate about building high-performance teams and is actively involved in coaching and mentoring top leaders across several organizations.

JAN DEWIJNGAERT

Member – Mr. Jan Dewijngaert is Director Private Equity at Incofin Investment Management, fund manager of agRIF, and has been representing agRIF at the Supervisory Board since 2016. Mr. Dewijngaert has broad private equity experience in acquiring, managing and selling equity stakes in a wide variety of sectors. He executed more than 70 investments and exits in Europe and Asia. Previously, he acted as a Managing Partner, Director Private Equity and Member of the Investment Committee of various private equity funds. Mr. Dewijngaert has extensive Board Member experience in multiple sectors and countries. Currently, besides his Board role at Crystal, he acts as a Board member of Lovcen Banka (Montenegro) and Bank Arvand (Tajikistan) and is a member of the Investment Committee of the Water Access Acceleration Fund.

ROBERT KOSSMANN

Independent Member – Robert Kossmann is a well-traveled internationally experienced banker with 33 years of retail and SME banking experience who has worked in 13 different countries throughout Central and Eastern Europe. He currently heads Crystal's Risk Committee. He has spent the last 16 years working in Raiffeisen Bank International from 2004 to 2020 as Deputy Chairman of the Board for Retail/SME banking in Raiffeisen Bank Aval Ukraine and as the Head of SME Risk in Vienna, Austria. In addition to being responsible for Retail and SME banking, Robert was CIO and COO for 3 years. Prior to working at Raiffeisen, Robert was a Senior Developmental Banker working with the EBRD, World Bank, ADB and USAID on restructuring large financial institutions. Robert is currently active as a Fintech Angel Investor and Advisor & Mentor to multiple startups in Ukraine.

LILIT GHARAYAN

Independent Member – is a financier and has been a member of Crystal's Supervisory Board since July 2018. She currently heads Crystal's Audit Committee. She has extensive experience in leadership as well as holding a consultant position in financial management, risk management and operational management. Since 2015, Ms. Gharayan has been participating in the implementation of SDC, KfW and AFD projects in Georgia and Armenia. She holds an MBA degree with a major in finance from the American University of Armenia and an MA from Yerevan State University. Ms. Gharayan is a graduate of the ProCredit Management Academy and is a member of ACCA.

ALEEM REMTULA

Member – is a partner and Head of Private Equity for Developing World Markets (DWM), and Mr. Remtula has been a Board member and shareholder representative for DWM at Crystal since 2011. He currently heads Crystal's E&S Committee. Mr. Remtula started his career in corporate finance at JP Morgan and has nearly 20 years of experience in venture capital and private equity impact investing globally. He holds an MBA from Harvard Business School and a bachelor's degree in economics and finance from Princeton University.

NINO METREVELI

Corporate Secretary – Nino Metreveli is the Corporate Secretary at JSC Microbank Crystal, joining in 2018 as Executive Assistant to the Chairman. With over 20 years of experience, including 19 years in financial institutions, she also served as a Program Officer for the USAID-funded YES-Georgia program at Crystal Fund from 2019 to 2023. Her expertise includes teaching, managing administrative units, overseeing the operations of Boards of Directors, Supervisory Boards, and related committees, as well as coordinating projects. Nino previously served as Head of Secretariat and Corporate Secretary at Bank Constanta and later worked at TBC Bank from 2015 to 2018, focusing on PR and MSME directions. She holds a degree in English philology, specializing in PR and communication, and completed Morrow Sodali's Corporate Secretary Training Course in 2022. Nino is currently pursuing a Bachelor of Laws (LL.B.).

(BOARD OF DIRECTORS)

ILIA REVIA

Chief Executive Officer – is the Chief Executive Officer of Microbank Crystal. He is an accomplished executive with extensive experience leading large-scale transformation and change management initiatives in banking and IT sectors. He began his career as a web developer in 1998, moving into IT Project Management for a US Law firm in 2001-2006, and Project Manager for TBC Bank in 2007-2009. Joining the Bank of Georgia in 2009, he rose to position of Deputy Chief Information Officer and managed several complex programs, including the acquisition of PrivatBank Georgia and Agile transformation. After joining Crystal in the 2nd half of 2019, he has been leading the company's strategic vision, growth, and transformation. Ilia is a certified Project Management Professional (PMP) with graduate degrees in Project Management from George Washington University and in IT and Business Innovation from Jonkoping University in Sweden, alongside an undergraduate Mathematics degree from the Georgian Technical University. Ilia is also an elected president of Project Management Institute – Georgia chapter.

DAVIT BENDELIANI

Chief Financial Officer – is the Chief Financial Officer (CFO) of Crystal. From August 2004 to 2011 he served as the Financial Manager for Crystal Fund. Prior to which, he managed the finance of CHCA, from April 1997 to July 2004. Mr. Bendeliani holds a degree in Economics from Ivane Javakhishvili Tbilisi State University. He also holds certificates in treasury management of microfinance organizations, strategic planning and change management, microfinance product development, risk management methodology, internal audit development, human resources management and strategic planning programs.

GIORGI MEGENEISHVILI

Chief Risk Officer – Giga has been holding various positions since 2005 and has been going through an interesting path of development. He made a valuable contribution to the development of the Company by formatting and developing the classical risk management line. Giga is the certified Risk Manager, Certified International Microfinance Manager (Frankfurt School of Finance and Management) and holds BA in Economic from Akaki Tsereteli Kutaisi State University.

MELANIA KUCHUKHIDZE

Chief Business Officer – is the Chief Business Officer of Microbank Crystal. She is an established senior executive and management expert, with more than 15 years of leadership experience in the financial sector, having first served, from 2006-2010, as Head of Retail and Small Business Development at VTB Bank Georgia. From 2010-2015, she was Head of the Network Management Department at Constanta Bank, before taking over the Micro Business Management Team at TBC Bank in Tbilisi, until 2016. She joined Crystal in 2018 as Head of Network Management after her two-year role as Commercial Director for the Lisi Green Urban Project. She was appointed Crystal's Deputy Chief Business Officer in 2019, and Chief Business Officer in May 2020. Melania holds a master's degree in management from VTB Bank Corporate University and an undergraduate degree in Economics and Management from the Georgian Subtropical Business University. In 2023, she also became a certified business coach.

NINO PANJIKIDZE

Chief Operating Officer – Nino Panjikidze, Crystal's Chief Operating Officer since June 2023, has been bringing over 15 years of financial sector experience. Her career journey includes diverse managerial roles at Procredit Bank, overseeing operations, retail control, centralized back office, and product development. Transitioning to Finca Bank during the banking transformation process, she led banking services and support, methodology development direction, credit and non-credit back-office functions, noncash settlement, treasury back-office functions and payments, also bank cards related processes and operations. In the past two years, she excelled as an operations manager in the non-banking sector. Nino holds a certified financial manager qualification from the Finance Department of Free University, pursued her master's in business administration at Caucasus University, and earned a bachelor's degree in international relations from the State University of Culture and Arts. Additionally, she completed a comprehensive course in Financial Markets at Yale International University.

KAKHA GABESKIRIA

Chief Leasing Officer – Kakha Gabeskiria assumed the role of Chief Leasing Officer at Crystal in 2023, following a distinguished career within the company since 2009. His journey within Crystal includes key executive roles such as Chief Credit Officer, Chief Operations Officer, and Chief Business Officer. Notably, from 2020 onwards, he served as CEO of Crystal Leasing, a subsidiary of Microbank Crystal. With a solid foundation in the MSME sector, Mr. Gabeskiria has amassed 20 years of managerial experience at Procredit Bank and JSC Microbank Crystal. He holds a BA in Economics from the Georgian Institute of Sub-tropic Agriculture and is certified in Project Management, Business Analysis, HR Management, Product Development, Credit Portfolio Planning and Management, as well as Credit and Operating Risk Management.

LASHA KANCHAVELI

Chief Information Technology Officer – Lasha Kanchaveli has been Crystal's Chief Information Technology Officer since March 2024, bringing over 25 years of experience in IT leadership, enterprise architecture, and digital transformation in the banking and financial sectors. Before joining Crystal, he held key leadership roles at the Bank of Georgia, serving as Enterprise Architect, Head of Solution Architect and Head of the Business Analysis and Consulting Unit. He played a pivotal role in defining the bank's technology strategy, optimizing IT architecture, and leading large-scale digital transformation initiatives to enhance operational efficiency and customer experience. His career spans leadership roles in top financial institutions, where he has driven the adoption of innovative digital solutions in highly regulated environments. Lasha holds a Bachelor of Science degree in Applied Mathematics and Computer Sciences from Tbilisi State University. He has also completed advanced training in project management, business analysis, database administration, and IT strategy, further strengthening his ability to lead technology-driven transformations in the financial sector.

GIORGI JANELIDZE /till May 2024/

CEO, LLC Crystal Consulting – is the Chief Executive Officer of Crystal Consulting. During the last nine years, he has been working in Microbank Crystal in different positions and currently is developing as an executive in business consulting. Since 2008 Giorgi has been working in non-governmental organizations and the private sector. He has a background in Microfinance, Marketing, IT, Project Management, and the MSE sector. Giorgi has scaled several startups from business ideas to final product. By education, he is an IT specialist and certified Project Manager & Digital Marketer. Giorgi holds a master's degree in IT & Economics and is currently progressing with a PhD.

COMMITTEE REPORTS

The Risk Committee

Committee Chair's letter

Dear Stakeholders,

We are once again pleased to provide you with an overview of the Risk Committee's role in 2024 and highlight the progress we have made strengthening our risk management framework, which is centred around the embedding of a strong risk culture throughout the organization. The year 2024 has been focused around the strengthening of our risk management framework in order to fully adhere to all regulatory requirements of the National Bank of Georgia as part of Crystal's application for a micro bank license.

Crystal focused on upgrading the risk management framework to ensure the governance, capabilities and methods where in place to facilitate sound risk management principals and decision-making across the organization. This updated framework ensures that Crystal's principal risks are appropriately controlled and managed according to local and international standards. It sets out the standards and objectives for risk management as well as defining the division of roles and responsibilities. Not only is the risk management framework aligned with Crystal's overall strategic objectives but plays an important role in supporting these strategic objectives.

The updated framework, which is designed and maintained by Crystal's independent Risk function, is owned by the Chief Risk Office and was reviewed and approved in 2024 by the Risk Committee and the Supervisory Board. The framework now incorporates risk governance, Crystal's three lines of defence operating model and the Risk function's mandate. Risk appetite, supported by a robust set of principles, policies and practices, defines the levels of tolerance for a variety of risks and provides a structured approach to risk-taking within agreed boundaries.

While all Crystal's colleagues are responsible for managing risk, the Risk function provides oversight and monitoring of risk management activities, including the implementation of the framework and adherence to its supporting policies, standards and operational procedures. In 2024, the Chief Risk Officer and his team provided the Risk Committee and Supervisory Board with a new statement of Crystal's risk profile, the performance of its controls and showed us where the proposed business strategy may exceed risk tolerance. In addition, process where developed to identify and manage those risks which could have a significant negative impact on Crystal's ability to meet its strategic objectives.

In 2025 we will see Risk Management continued focus on strengthening Crystals risk management framework, risk functions and associated internal committees such as ALCO. This will meet the demands of our stakeholders for comprehensive oversights and enhanced decision making across the 'three lines of defence' model. ALM risk management capabilities will be bolstered through continuous model enhancements, efficient frameworks such as Internal Liquidity Adequacy Assessment Process (ILAAP) and improving underlying systems and processes. Our balance sheet will be optimized through cyclic stress testing and resilience assurance initiatives and we will continue to comply with all National Bank of Georgia regulations and meet the covenants of our international lenders. Credit risk governance, infrastructure and operating models will be enhanced to achieve desired de-risking and diversification objectives and we will continue to upgrade our technology, operating model, anti-fraud capabilities and governance to support the Crystal's data, digital and AI based initiatives.

Sincerely,
Robert Kossmann

The primary purpose of the Committee is to provide an objective review and oversight across the Group for all categories of risk, while also setting risk appetite and ensuring an appropriate risk framework. Specifically, the Committee assists the Supervisory Board in overseeing risk across the entire Group and it coordinates with other Supervisory Board committees which have primary oversight for certain risk types. To strengthen the governance of the Committee, it consists of three independent non-executive directors who form the majority. The Committee has ultimately been established to assist the Supervisory Board in discharging its responsibilities on a range of matters relating to the oversight and review of:

- The oversight and governance of risks impacting the Group
- The design, implementation and operation of the comprehensive Risk Management Framework and the Risk Management approach
- Monitoring risk appetite and assessing both the overall risk profile of the Group and the material types of risk
- Monitoring the effectiveness of the compliance management framework impacting material risk types
- Risk culture and behaviors

Sessions conducted in 2024: 4
Key issues discussed and resolved:

- Follow-ups from previous committee meetings and audit reports
- Updates on centralization projects
- Updates on product profitability
- Risk appetite issues: discussions on breaches and compliance with risk appetitive limits
- Standard Risk Committee presentations
- Financial risk updates: including Management ALCO presentations
- Major achievements
- Plans for quarters
- Loan origination project update report

The Audit Committee

Committee Chair's letter

Dear Stakeholders,

In 2024, the Audit Committee's efforts were focused on transforming and strengthening further the Crystal's internal control environment and ensuring robust risk management to comply with the respective requirements of the National Bank of Georgia ahead of acquiring a micro-banking license. This included strengthening internal control methodologies and aligning them with banking regulations to ensure that Crystal's operations remain compliant and resilient in the face of evolving risks.

The Committee also worked closely with the Supervisory and Management Boards to monitor the progress of this transformation as well as the progress on resolution of critical audit findings. Throughout the year, the Committee ensured that corrective actions were implemented effectively across all levels of the organization. Regular reviews and follow-ups on audit findings were conducted to ensure that action plans were executed and aligned with the company's strategic priorities.

Collaboration with other committees was integral to our efforts, particularly with the Risk Committee, to ensure a comprehensive approach to governance, control, and risk mitigation. Together, we worked toward enhancing the transparency, efficiency, and effectiveness of internal controls throughout the organization.

As we move into 2025, the Audit Committee will continue to prioritize strengthening Crystal's internal audit function, maintaining a proactive approach to emerging risks, and ensuring compliance with the highest standards of governance.

Sincerely,
Lilit Gharayan

The purpose of the Audit Committee is to provide a structured, systematic oversight of the organization's governance, risk management, and internal control practices. The Committee assists the Board and Management by providing advice and guidance on the adequacy of the organization's initiatives for:

- Values and ethics
- Governance structure
- Internal control framework
- Oversight of the internal audit activity, external auditors, and other providers of assurance

FINANCIAL STATEMENTS AND PUBLIC ACCOUNTABILITY REPORTING

In broad terms, the audit committee reviews each of the items noted above and provides the board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

Sessions conducted in 2024: 3
Key issues discussed and resolved:

- Audit results
- Updated report on deficiencies found during the audit process
- Annual internal audit plan and its progress
- Review and approve audit policies and procedures
- Annual report of Internal Audit Department
- Stakeholder expectation survey on Internal Audit

The Environmental and Social Committee

Committee Chair's letter

Dear Shareholders and Stakeholders,

We are pleased to report that 2024 was another year of significant impact for Crystal and, in particular, for Crystal's Environmental and Social (E&S) Committee. Under the continued leadership of Maya Kobalia, Head of the Company's E&S Department, Crystal remained steadfast in its mission to support entrepreneurs across Georgia while strengthening its commitment to sustainability and social responsibility.

A key milestone in 2024 was the engagement of an external consultant to support the formulation of Crystal's long-term E&S goals and key performance indicators. This strategic initiative marks a significant step forward in aligning our impact objectives with global best practices and ensuring that our E&S efforts are measurable, transparent, and results-driven.

Crystal had several other notable achievements during the year, including:

Crystal, in cooperation with ADB, successfully delivered gender equality training for its staff, reinforcing its commitment to diversity, equity, and inclusion across the organization. This initiative played a crucial role in strengthening the company's culture of fairness and equal opportunity.

Continuing its collaboration with 60_Decibels to conduct independent quantitative analysis of its social impact. This year's study provided additional insights into the company's role in enhancing the economic resilience of entrepreneurs and underscored its strong performance in customer rights protection, business growth, and financial well-being.

Crystal received the International Client Protection Certification (CPC), a testament to its commitment to responsible and ethical business practices. This certification highlights Crystal's dedication to maintaining the highest standards in customer service, transparency, and consumer protection.

Looking ahead, we are confident that the steps taken in 2024, particularly the development of long-term E&S goals and KPIs, will further solidify Crystal's leadership in responsible finance. With the expected transition to a micro-bank structure, we remain committed to expanding financial access and fostering sustainable economic opportunities for individuals and businesses across Georgia.

We extend our gratitude to our shareholders, stakeholders, and partners for their continued support in our journey toward a more sustainable and inclusive financial ecosystem. We also want to express our sincere appreciation to our former members of the Supervisory Board and Chair of the E&S Committee, Aleem Remtula, and his colleagues from DWM, whose invaluable contributions have played a significant role in shaping the work of the Committee.

Sincerely,
Archil Bakuradze, Chairman of Supervisory Board
and a member of E&S Committee

The objective of the Committee is to define the company's environmental and social mission objectives and to supervise their implementation. The mandate of the Committee is to outline the principles and activities of the company's corporate environmental and social responsibility, consumer protection, and responsible lending practices, as well as to monitor their respective implementation. The Committee therefore plays a crucial role in ensuring that management and the Supervisory Board remain focused on Crystal's environmental and social responsibilities.

Sessions conducted in 2024: 2
Key issues discussed and resolved:

- E&S 2024-2027 KPIs & Objectives
- Crystal's new organizational structure and E&S's role in it
- E&S strategy
- General E&S/impact overview
- Latest achievements – SILVER-Client Protection Certification from MFR
- Most recent SIM results sharing (60_Decibels together with E&S, Sociologist & Marketing teams)

The HR, Compensation and Remuneration Committee

Committee Chair's letter

Dear Shareholders and Stakeholders,

As we reflect on the past year, we are pleased to report meaningful progress in key areas that strengthen our organization's foundation for future growth. The people agenda has remained central to our focus, and we have made significant strides in shaping a more transparent and equitable organizational structure. In collaboration with an external service provider, we are reviewing our job grading system to ensure a fair and consistent approach for evaluating roles across functions. This initiative is foundational to simplifying and streamlining our compensation structure, making it both transparent and fair for all employees.

A key development this year has been the establishment of a transparent evaluation process for our Chief Officers, which includes open dialogues and clear action plans for enhancing performance and capabilities. We are confident that this will further solidify our leadership team as we build a stronger organization for the future.

We are also encouraged by the progress made in employee satisfaction, with a continued positive trend reflected in our efforts to reduce attrition. The employee satisfaction data shows 50, and attrition has shown a downward trend of 12.98%. Additionally, our investment in employee development remains a priority. In 2024, 301,807 GEL was spent on training, within the framework of which 187 trainings of various types and contents were conducted for a duration of 3,843 hours, in which 4,255 employees participated. This investment ensures that our workforce is equipped with the skills necessary to thrive in an evolving industry.

Looking forward, we will continue to focus on strengthening our people, systems and processes, building a robust culture, and enhancing our capabilities to successfully operate as a Microbank. With these initiatives in place, we are confident that we are setting the stage for long-term success and sustainability.

We are grateful for the continued support of our stakeholders and look forward to continuing our journey of growth and development.

Sincerely,
Matangi Gowrishankar

The HR, Compensation and Remuneration Committee is responsible for overseeing and providing direction for the overall HR strategy of the company in order to support business continuity through people. Additionally, the committee focuses on the remuneration and performance evaluation of the Chief Officers to ensure equitable and appropriate reward mechanisms. The primary focus of the Committee is also to encourage management to have a robust succession planning process in place that would be reviewed at least twice a year by the Committee members and subsequently by the Supervisory Board. The Committee is also accountable for establishing the process for the selection of new Supervisory Board members and ensuring that the selection is carried out fairly and in accordance with the Charter and Shareholder Agreement. The Committee is also responsible to assess the proper functioning of the Supervisory Board and recommend actions for improvement if needed.

Sessions conducted in 2024: 3
Key issues discussed and resolved:

- General HR updates
- Presentations and proposals on compensation and performance evaluation
- Examination of the bonus scheme and compensation system, including market data review and benchmarking for Crystal's positioning.
- Performance management and remuneration structure review:
- Comprehensive review of the performance management framework and remuneration structures.
- Annual review of Chief Officers and development of succession planning and evaluation systems.
- Governance and ethics

The Assets and Liability Committee (ALCO)

The ALCO, including its Chair (the Chair of ALCO), members of the SB, the CEO, the CFO and the CBO, convenes monthly. The purpose of the ALCO is to supervise the assets and liability management process for Crystal, which includes balance and profits, liquidity planning, funding sources, foreign currency mismatches, interest rates, capital adequacy and liquidity risks. The Supervisory Board also examines reports related to macro-economic indicators, market share analysis and business plan implementation. A list of indicators from the annual budget is monitored by the ALCO and may be revised by the Supervisory Board, if required.

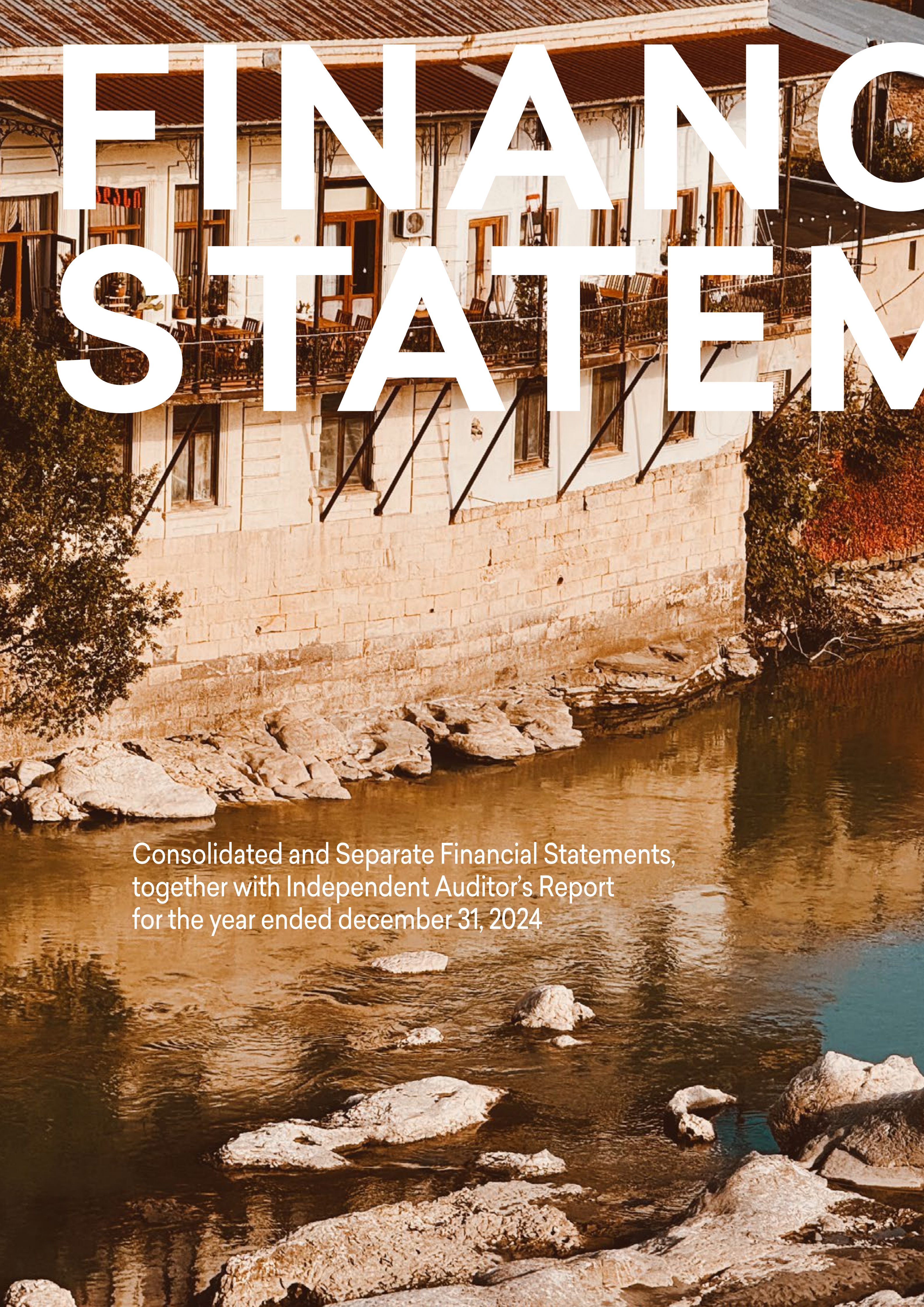
Sessions conducted in 2024: 4
Adopted written Resolutions in 2024: 11
Key issues discussed and resolved:

- Financial results
- Financial plan
- Budget parameters
- Portfolio quality
- Credit resources and financing

Ilia Revia, General Director

Archil Bakuradze, Chairman of the Supervisory Board

June 3, 2025



FINANC
STATEM

Consolidated and Separate Financial Statements,
together with Independent Auditor's Report
for the year ended december 31, 2024


CIAL
MENTS

Statement of management's responsibilities for the preparation and approval of the consolidated and separate financial statements and management report for the year ended december 31, 2024

Management and supervisory board are responsible for the preparation of the consolidated and separate financial statements that present fairly the consolidated and separate financial position of Joint Stock Company Microbank Crystal (the "Bank") and its subsidiary Crystal Consulting LLC (collectively – the "Group") as at December 31, 2024 the results of their operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

Management and supervisory board are also responsible for the preparation of the management report in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

In preparing the consolidated and separate financial statements, and management report management and supervisory board are responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern;
- Disclosing the information in the management report as required by the Law of Georgia on Accounting, Reporting and Auditing;
- Preparation of the management report in consistence with the consolidated and separate financial statements.

Management and supervisory board are also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the consolidated and separate financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with Georgian legislation;
- Taking such steps that are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated and separate financial statements, and management report for the year ended December 31, 2024 were authorized for issue on June 3, 2025 by the Board of Directors and the Supervisory Board of the Bank.

June 3, 2025

Ilia Revia, General Director

Archil Bakuradze, Chairman of the Supervisory Board

შპს იუაი
საქართველო, 0105, თბილისი
კოტე აფხაზის ქუჩა 44
ტელ: +995 (32) 215 8811
www.ey.com/ge
www.facebook.com/EYGeorgia

EY LLC
44 Kote Abkhazi street
Tbilisi, 0105, Georgia
Tel: +995 (32) 215 8811
www.ey.com/ge
www.facebook.com/EYGeorgia

Independent auditor's report

To the Shareholders and Supervisory Board of Joint Stock Company Microbank Crystal

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Joint Stock Company Microbank Crystal (hereinafter, the "Bank"), which comprise the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Bank as at 31 December 2024 and its consolidated and separate financial performance and its consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 Annual Report

Other information consists of the information included in the Bank's 2024 Annual Report, other than the consolidated and separate financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated and separate financial statements does not cover the Annual Report and we do not express any form of assurance conclusion thereon in our report on the audit of the consolidated and separate financial statements.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Supervisory Board for the consolidated and separate financial statements

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

In preparing the consolidated and separate 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 Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board 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.

Report in accordance with the requirements of Article 7, paragraph 10 of the Georgian Law on Accounting, Reporting and Auditing

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Annual Report for the financial year for which the consolidated and separate financial statements are prepared is consistent with the consolidated and separate financial statements; and
- The Annual Report includes the information required by Article 7 of the Georgian Law on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

Dmytro Iurgelevych (SARAS-A-644274)

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

3 June 2025

Tbilisi, Georgia

Consolidated statement of profit or loss and other comprehensive income for the year ended december 31, 2024 (in thousands of georgian lari);

	Notes	2024	2023 (restated)*
Interest income calculated using EIR method	6	140,295	120,117
Other interest Income	6	5,766	5,021
Interest expense	6	(44,574)	(42,558)
Net interest income before impairment losses		**101,487**	**82,580**
Impairment losses on interest bearing assets	14,15	(10,368)	(11,835)
Impairment losses on other assets		(633)	(124)
Net interest income		**90,486**	**70,621**
Net loss on financial assets and liabilities at fair value through profit or loss	13	(6,210)	(10,030)
Net foreign exchange gain	7	3,942	5,184
Fee and commission income	8	1,659	1,182
Fee and commission expense		(301)	(240)
Other income	9	599	1,092
Net non-interest expenses		**(311)**	**(2,812)**
Operating income		**90,175**	**67,809**
Personnel expenses		(41,550)	(34,259)
Depreciation and amortization expenses	16,17,18	(7,436)	(6,802)
Other operating expenses	10	(13,314)	(12,301)
Profit before income tax		27,875	14,447
Income tax expense	11	(5,212)	(3,717)
Net profit for the year		**22,663**	**10,730**
Other comprehensive income		-	-
Total comprehensive income for the year		**22,663**	**10,730**

Ilia Revia, General Director

Archil Bakuradze, Chairman of the Supervisory Board

June 3, 2025

* Corrections to the amounts in prior financial statements have been reflected in the comparative periods of the current period financial statements, as outlined in Note 4.

The notes on pages 69-127 form an integral part of these consolidated and separate financial statements.

Separate statement of profit or loss and other comprehensive income for the year ended december 31, 2024 (in thousands of georgian lari)

	Notes	2024	2023 (restated)*
Interest income calculated using EIR method	6	140,295	120,117
Other interest Income	6	5,766	5,021
Interest expense	6	(44,574)	(42,558)
Net interest income before impairment losses		**101,487**	**82,580**
Impairment losses on interest bearing assets	14,15	(10,368)	(11,835)
Impairment losses on other assets		(633)	(124)
Net interest income		**90,486**	**70,621**
Net loss on financial assets and liabilities at fair value through profit or loss	13	(6,210)	(10,030)
Net foreign exchange gain	7	3,943	5,186
Fee and commission income	8	1,659	1,183
Fee and commission expense		(301)	(240)
Other income	9	595	553
Net non-interest expenses		**(314)**	**(3,348)**
Operating income		**90,172**	**67,273**
Personnel expenses		(41,421)	(33,815)
Depreciation and amortization expenses	16,17,18	(7,398)	(6,779)
Other operating expenses	10	(13,219)	(12,117)
Profit before income tax		**28,134**	**14,562**
Income tax expense	11	(5,212)	(3,717)
Net profit for the year		**22,922**	**10,845**
Other comprehensive income		-	-
Total comprehensive income for the year		**22,922**	**10,845**

June 3, 2025

Ilia Revia, General Director

Archil Bakuradze, Chairman of the Supervisory Board

* Corrections to the amounts in prior financial statements have been reflected in the comparative periods of the current period financial statements, as outlined in Note 4.

The notes on pages 69-127 form an integral part of these consolidated and separate financial statements.

Consolidated statement of financial position as at december 31, 2024 (in thousands of georgian lari)

	Notes	December 31, 2024	December 31, 2023 (restated)*	January 1, 2023 (restated)[3]
ASSETS				
Cash and cash equivalents	12	24,686	8,253	27,812
Financial assets at fair value through profit or loss	13	4,503	816	-
Assets held for sale		187	14	197
Loans to customers	14	500,465	426,018	385,404
Net investments in leases	15	14,320	12,419	9,841
Current income tax asset	11	-	175	699
Right-of-use assets	16	11,676	9,481	8,152
Property and equipment	17	5,350	3,987	3,972
Intangible assets	18	4,785	4,263	4,147
Deferred tax assets	11	1,366	1,164	3,657
Other assets	19	8,911	8,930	6,816
Total assets		**576,249**	**475,520**	**450,697**
LIABILITIES				
Financial liabilities at fair value through profit or loss	13	-	-	8,032
Dividends payable	25	-	997	997
Current income tax liability	11	1,544	-	-
Lease liability	16	12,399	9,689	8,121
Promissory notes issued	20	13,450	1,330	-
Debt securities issued	21	26,297	26,406	-
Borrowed funds	22	388,108	332,303	342,924
Subordinated debt	23	23,331	16,867	13,576
Other liabilities	24	15,170	13,682	12,534
Total liabilities		**480,299**	**401,274**	**386,184**
EQUITY				
Share capital	25	3,635	3,635	3,635
Share premium	25	22,110	22,110	22,110
Retained earnings		70,205	48,501	38,768
Total equity		**95,950**	**74,246**	**64,513**
Total liabilities and equity		**576,249**	**475,520**	**450,697**

Ilia Revia, General Director

Archil Bakuradze, Chairman of the Supervisory Board

June 3, 2025

* Corrections to the amounts in prior financial statements have been reflected in the comparative periods of the current period financial statements, as outlined in Note 4.

The notes on pages 69-127 form an integral part of these consolidated and separate financial statements.

Separate statement of financial position as at december 31, 2024 (in thousands of georgian lari)

	Notes	December 31, 2024	December 31, 2023 (restated)*	January 1, 2023 (restated)[4]
ASSETS				
Cash and cash equivalents	12	24,669	8,244	27,785
Financial assets at fair value through profit or loss	13	4,503	816	-
Assets held for sale		187	14	197
Loans to customers	14	500,465	426,018	385,404
Net investments in leases	15	14,320	12,419	9,841
Current income tax asset	11	-	175	699
Right-of-use assets	16	11,676	9,481	8,152
Property and equipment	17	5,342	3,980	3,968
Intangible assets	18	4,785	4,173	4,035
Deferred tax assets	11	1,366	1,164	3,657
Investment in a subsidiary		610	472	340
Other assets	19	8,911	8,890	6,816
Total assets		**576,834**	**475,846**	**450,894**
LIABILITIES				
Financial liabilities at fair value through profit or loss	13	-	-	8,032
Dividends payable	25	-	997	997
Current income tax liability	11	1,544	-	-
Lease liability	16	12,399	9,689	8,121
Promissory notes	20	13,450	1,330	-
Debt securities issued	21	26,297	26,406	-
Borrowed funds	22	388,108	332,303	342,924
Subordinated debt	23	23,331	16,867	13,576
Other liabilities	24	15,170	13,682	12,520
Total liabilities		**480,299**	**401,274**	**386,170**
EQUITY				
Share capital	25	3,635	3,635	3,635
Share premium	25	22,110	22,110	22,110
Retained earnings		70,790	48,827	38,979
Total equity		**96,535**	**74,572**	**64,724**
Total liabilities and equity		**576,834**	**475,846**	**450,894**

Ilia Revia, General Director

Archil Bakuradze, Chairman of the Supervisory Board

June 3, 2025

* Corrections to the amounts in prior financial statements have been reflected in the comparative periods of the current period financial statements, as outlined in Note 4.

The notes on pages 69-127 form an integral part of these consolidated and separate financial statements.

Consolidated statement of changes in equity for the year ended december 31, 2024 (in thousands of georgian lari)

	Notes	Share capital	Share premium	Retained earnings	Total
January 1, 2023 (as previously reported)		3,635	22,110	40,764	66,509
Restatement of prior period error	4	-	-	(1,996)	(1,996)
January 1, 2023 (restated)	4	**3,635**	**22,110**	**38,768**	**64,513**
Net profit and total comprehensive income for the year (restated)*		-	-	10,730	10,730
Dividends declared	25	-	-	(997)	(997)
December 31, 2023 (restated)[5]	4	**3,635**	**22,110**	**48,501**	**74,246**
Net profit and total comprehensive income for the year		-	-	22,663	22,663
Dividends declared	25	-	-	(959)	(959)
December 31, 2024		**3,635**	**22,110**	**70,205**	**95,950**

June 3, 2025

Ilia Revia, General Director

Archil Bakuradze, Chairman of the Supervisory Board

Separate statement of changes in equity for the year ended december 31, 2024 (in thousands of georgian lari)

	Notes	Share capital	Share premium	Retained earnings	Total
January 1, 2023 (as previously reported)		3,635	22,110	40,975	66,720
Restatement of prior period error	4	-	-	(1,996)	(1,996)
January 1, 2023 (restated)	4	**3,635**	**22,110**	**38,979**	**64,724**
Net profit and total comprehensive income for the year (restated)**		-	-	10,845	10,845
Dividends declared	25	-	-	(997)	(997)
December 31, 2023 (restated)[6]	4	**3,635**	**22,110**	**48,827**	**74,572**
Net profit and total comprehensive income for the year		-	-	22,922	22,922
Dividends declared	25	-	-	(959)	(959)
December 31, 2024		**3,635**	**22,110**	**70,790**	**96,535**

June 3, 2025

Ilia Revia, General Director

Archil Bakuradze, Chairman of the Supervisory Board

* Corrections to the amounts in prior financial statements have been reflected in the comparative periods of the current period financial statements, as outlined in Note 4.

** Corrections to the amounts in prior financial statements have been reflected in the comparative periods of the current period financial statements, as outlined in Note 4.

The notes on pages 69-127 form an integral part of these consolidated and separate financial statements.

Consolidated statement of cash flows for the year ended december 31, 2024 (in thousands of georgian lari)

	Notes	2024	2023 (restated)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		27,875	14,447
Adjustments for:			
Net loss on financial assets and liabilities at fair value through profit or loss	13	6,210	10,030
Depreciation and amortization expenses	16,17,18	7,436	6,802
Interest income	6	(140,295)	(120,117)
Other interest income	6	(5,766)	(5,021)
Interest expenses	6	44,574	42,558
Impairment losses on interest bearing assets	14,15	10,368	11,835
Impairment losses on other assets		633	124
Net foreign exchange loss/(gain)	7	7,532	(3,814)
Loss on disposal of property and equipment		68	2
Gain on lease cancellations	16	(163)	-
Cash outflow from operating activities before changes in operating assets and liabilities		**(41,528)**	**(43,154)**
Changes in operating assets and liabilities:			
Net (increase) in financial assets/net (decrease) in financial liabilities at fair value through profit or loss		(9,891)	(16,170)
Increase in loans to customers		(83,904)	(51,763)
Increase in investments in leases		(1,916)	(2,016)
(Increase)/decrease in assets held for sale		(173)	183
Increase in other assets		(596)	(2,245)
Increase in other liabilities		1,469	1,168
Net changes in operating assets and liabilities		**(95,011)**	**(70,843)**
Interest received		139,573	119,671
Other interest received		5,596	4,213
Interest paid		(43,975)	(41,291)
Income tax paid		(3,695)	(700)
Net cash used in operating activities		**(39,040)**	**(32,104)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	17	(2,467)	(1,638)
Purchases of intangible assets	18	(2,741)	(1,563)
Net cash used in investing activities		**(5,208)**	**(3,201)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from promissory notes	20	18,163	1,313
Proceeds from debt securities issued	21	-	25,000
Proceeds from borrowed funds	22	139,769	166,927
Proceeds from subordinated debt	23	8,258	3,146
Repayments of promissory notes	20	(6,651)	-
Repayments of borrowed funds	22	(91,244)	(176,620)
Repayments of subordinated debt	23	(2,762)	-
Repayments of lease liabilities	16	(3,960)	(3,392)
Dividends paid	25	(1,954)	(1,005)
Net cash generated from financing activities		**59,619**	**15,369**
Net increase/(decrease) in cash and cash equivalents		**15,371**	**(19,936)**
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,062	377
Cash and cash equivalents as at the beginning of the year	12	8,253	27,812
Cash and cash equivalents at the end of the year	12	**24,686**	**8,253**

June 3, 2025

Ilia Revia, General Director

Archil Bakuradze, Chairman of the Supervisory Board

* Corrections to the amounts in prior financial statements have been reflected in the comparative periods of the current period financial statements, as outlined in Note 4.

The notes on pages 69-127 form an integral part of these consolidated and separate financial statements.

Separate statement of cash flows for the year ended december 31, 2024 (in thousands of georgian lari)

	Notes	2024	2023 (restated)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ before income tax		28,134	14,562
Adjustments for:			
Net loss on financial assets and liabilities at fair value through profit or loss	13	6,210	10,030
Depreciation and amortization expenses	16,17,18	7,398	6,779
Interest income	6	(140,295)	(120,117)
Other interest income	6	(5,766)	(5,021)
Interest expenses	6	44,574	42,558
Impairment losses on interest bearing assets	14,15	10,368	11,835
Impairment losses on other assets		633	124
Net foreign exchange loss/(gain)	7	7,531	(3,816)
Loss on disposal of property and equipment		13	2
Gain on lease cancellations	16	(163)	-
Cash outflow from operating activities before changes in operating assets and liabilities		**(41,363)**	**(43,064)**
Changes in operating assets and liabilities:			
Net (increase) in financial assets/net (decrease) in financial liabilities at fair value through profit or loss		(9,891)	(16,170)
Increase in loans to customers		(83,904)	(51,763)
Increase in investments in leases		(1,916)	(2,016)
(Increase)/decrease in assets held for sale		(173)	183
Increase in other assets		(636)	(2,205)
Increase in other liabilities		1,469	1,182
Net changes in operating assets and liabilities		**(95,051)**	**(70,789)**
Interest received		139,573	119,671
Other interest received		5,596	4,213
Interest paid		(43,975)	(41,291)
Income tax paid		(3,695)	(700)
Net cash used in operating activities		**(38,915)**	**(31,960)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in a subsidiary		(138)	(132)
Purchases of property and equipment	17	(2,463)	(1,633)
Purchases of intangible assets	18	(2,741)	(1,563)
Net cash used in investing activities		**(5,342)**	**(3,328)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from promissory notes	20	18,163	1,313
Proceeds from debt securities issued	21	-	25,000
Proceeds from borrowed funds	22	139,769	166,927
Proceeds from subordinated debt	23	8,258	3,146
Repayments of promissory notes	20	(6,651)	-
Repayments of borrowed funds	22	(91,244)	(176,620)
Repayments of subordinated debt	23	(2,762)	-
Repayments of lease liabilities	16	(3,960)	(3,392)
Dividends paid	25	(1,954)	(1,005)
Net cash generated from financing activities		**59,619**	**15,369**
Net increase/(decrease) in cash and cash equivalents		**15,362**	**(19,919)**
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,063	378
Cash and cash equivalents as at the beginning of the year	12	8,244	27,785
Net (decrease)/increase in cash and cash equivalents	12	**24,669**	**8,244**

June 3, 2025

Ilia Revia, General Director

Archil Bakuradze, Chairman of the Supervisory Board

* Corrections to the amounts in prior financial statements have been reflected in the comparative periods of the current period financial statements, as outlined in Note 4.

The notes on pages 69-127 form an integral part of these consolidated and separate financial statements.

1. ORGANIZATION

JSC Microbank Crystal (former JSC Microfinance Organization Crystal) ("the Bank") was established on August 23, 2007 on the basis of the decision of the Crystal Fund (Board's Resolution #20, August 21, 2007) according to the Georgian Law on Microfinance Organizations dated 18 July 2006 (identification # – 212896570). On February 12, 2025 Crystal received micro banking license from the National Bank of Georgia (the "NBG").

On January 26, 2018 the Company established 100% subsidiary – Crystal Consulting LLC. The subsidiary is now gradually starting the operations and its major activities will be business consulting, organizational development, leadership, technical and technological advice and service provision for micro and small entrepreneurs.

The legal address of JSC Microbank Crystal and Crystal Consulting LLC (the "Group") is 22 Nikea Street, Kutaisi, Georgia.

The supreme governing body of the Group is the General Meeting of Shareholders.

The supervision of the Group's operations is conducted by the Supervisory Board, members of which are appointed by the General Meeting of Shareholders. Daily management of the Group is carried out by the Board of Directors appointed by the Supervisory Board.

The Group objectives are to support and develop micro, small and medium businesses in Georgia, to improve the social and economic conditions of clients by providing them with accessible financial services.

The main activity of the Group is micro lending. The Group's financial products are: individual business loans, agricultural loans, consumer loans, pawnshop loans, housing loans, SME loans, auto loans and leases.

As at December 31, 2024 the Group has forty-eight branches (2023: forty-nine branches) around Georgia and the head offices are located in Tbilisi and Kutaisi.

The ownership of the Group as at December 31, 2024 and 2023 is disclosed in Note 25.

The Group does not have an ultimate controlling party.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance – These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (subsidiaries). Control is achieved when the Company: a) has power over the investee; b) is exposed, or has rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Going concern – These consolidated and separate financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. In making this assumption, the management considered the Group's financial position, current intentions, profitability of operations and access to financial resources**.**

Historical cost convention – These consolidated and separate financial statements have been prepared on the historical cost convention, except for the financial assets and financial liabilities at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair values – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability.

Functional and presentation currency – Items included in the consolidated and separate financial statements are measured using the currency of the primary of the economic environment in which the Bank and its subsidiary operate ("the functional currency"). Their functional currency is Georgian Lari ("GEL"). The presentational currency of the consolidated and separate financial statements of the Group is the GEL. Financial information presented in GEL is rounded to the nearest thousands, except when otherwise indicated.

Offsetting – Financial assets and financial liabilities are offset and the net amount reported in the consolidated and separate statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Notes to the consolidated and separate financial statements – Notes are disclosed for consolidated financial statements only, since the management believes that there are no material differences between consolidated and separate figures.

The principal accounting policies are set out below.

Segment reporting

Chief operating decision maker evaluates the Group as a single operating segment, based on its reported IFRS results. Majority of the Group's income and assets are located in Georgia. There was no single external counterparty amounting to more than 10% of Group's revenue for 2024 or 2023.

Recognition of interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method by applying the effective interest rate (EIR). 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 Group 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. Penalty income is included in interest income, as considered compensation of credit risk.

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

For purchased or originated credit–impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit–adjusted EIR and applying that rate to the amortised cost of the asset. The credit–adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

FINANCIAL INSTRUMENTS

Initial recognition of financial instruments

Financial assets and financial liabilities are recognised in the Group's financial position when the Group becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group accounts for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss).
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

FINANCIAL ASSETS

Classification and subsequent measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- FVPL.

Financial liabilities, other than loan commitments are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation option is applied.

All of the Group's financial assets and liabilities are measured at amortized cost, with exception to derivatives which are measured at FVPL.

The Group's financial assets classified into the measurement categories are as following:

Financial assets	Business model	SPPI	Measurement category
Derivative financial assets	Other business model	Cash flows are not solely payments of principal and interest	FVTPL
Cash balances in banks	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Loans to customers	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Other receivables	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

Loans to customers and other receivables

Loans to customers and other receivables included in other assets in the consolidated statement of financial position are non-derivative financial assets measured at amortised cost. Loans to customers and other receivables are initially measured at fair value, adjusted in respect of any transaction costs that are incremental and directly attributable to issue of the financial asset and, for fees received as these are subsequently included in the calculation of the effective interest rate. Subsequently, loans to customers and other receivables are measured at their amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and unrestricted balances in banks with original maturity of less or equal to 90 days and are free from contractual encumbrances. Cash and cash equivalents are carried at amortised cost.

Derivative financial instruments

Derivative financial instruments included in financial assets at fair value through profit or loss or loss in the consolidated statement of financial position comprise foreign currency forward contracts and currency swaps.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. All derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Investments in subsidiary

A subsidiary is an entity, that is controlled by the Company. Investment in subsidiary is recorded in these separate financial statements at cost less impairment loss, if any.

Net investments in leases

At the commencement of the lease, the lessor recognises a lease receivable in its statement of financial position at an amount equal to the net investment in the lease. Net investment in the lease is the sum of the following items discounted at the interest rate implicit in the lease:

- the lease payments receivable by a lessor under a finance lease; and
- any unguaranteed residual value accruing to the lessor.

Aside from the principal, interest, disbursement fee and life insurance, lease payments also include amounts covering for the following types of the expenses: property tax, inspection fee, monitoring fee, GPS control.

The rate implicit in the lease is the interest rate set by the lessor in the lease agreement. This is the rate at which the present value of the lease payments and the unguaranteed residual value equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

Initial direct costs are incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained.

Initial direct cost are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term.

The lessor reduces the net investment in the lease for payments received. A lessor shall recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. A lessor aims to allocate finance income over the lease term on a systematic and rational basis. A lessor shall apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on the financial assets that are not measured at FVTPL. With the exception of purchased or originated credit-impaired ("POCI") financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Group measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics.

More information on measurement of ECLs is provided in Note 30, including details on how instruments are grouped when they are assessed on a collective basis.

Credit-impaired financial assets
A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- commencement of legal proceedings against the borrower;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

Purchased or originated credit-impaired financial assets
POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favorable change for such assets creates an impairment gain.

Presentation of allowance for ECL in the consolidated statement of financial position
Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- for financial assets measured at amortised cost and net investments in leases: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the consolidated statement of financial position as the carrying amount is at fair value.
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

Information about default definition, significant increase in credit risk and incorporation of forward-looking information is provided in Note 30.

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan terms is modified in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to other terms.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is deemed substantial, the Group performs derecognition.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance) and accounts for it through the interest income. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

Derecognition and write off

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

Loans are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

FINANCIAL LIABILITIES AND EQUITY

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Ordinary shares

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

Preferred stock

The holders of preferred stock are entitled to receive dividends at annual interest rate of 10%. Preferred stock is classified as equity, since according to Georgian legislation any promise of dividends is void and based on profit for the year and management decision.

Share premium

When share capital is increased, any difference between the registered amount of share capital and the fair value of actual consideration received is recognized as share premium.

Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Georgian legislation. Dividends in relation to ordinary and preferred shares are reflected as an appropriation of retained earnings in the period when they are declared.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

Other financial liabilities

'Other financial liabilities', including borrowed funds, subordinated debt, debt securities issued, promissory notes and other non-derivative financial liabilities are initially measured at fair value, net of transaction costs.

'Other financial liabilities' are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

FOREIGN CURRENCIES

In preparing the consolidated financial statements, transactions in currencies other than the Company's and its Subsidiary's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	December 31, 2024	December 31, 2023
GEL/1 US Dollar	2.8068	2.6894
GEL/1 Euro	2.9306	2.9753

PROPERTY AND EQUIPMENT

Property and equipment is carried at historical cost less accumulated depreciation and any recognized impairment loss, if any.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the entity, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. Depreciation is calculated on a straight-line basis at the following useful lives:

Buildings	30 years
Vehicles	8 years
Furniture	5 or 10 years
IT equipment	5 or 7 years
Leasehold improvement	3 to 5 years
Other	4 to 10 years

Leasehold improvements are amortized over the life of the related right-of-use assets. Expenses related to repairs and renewals are charged when incurred and included in the operating expenses unless they qualify for capitalization.

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.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives range from 5 to 10 years.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets are assessed for impairment when there is an indication that the intangible assets may be impaired.

REPOSSESSED ASSETS

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. The Group views the repossessed assets as a form of settlement of amounts due under the defaulted loan and that it is an asset acquired and held for sale in the ordinary course of business.

Repossessed assets are initially recognized at fair value and subsequently measured at the lower of cost and fair value less costs to sell.

TAXATION

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax

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

On 12 June 2018, an amendment to the current corporate taxation model applicable to financial institutions, including microfinance organizations and insurance businesses, became effective. The change implied a zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings starting from 1 January 2023. On 16 December 2022, an amendment to the corporate tax code was passed into law abolishing the expected transition to taxation on distributed earnings from 1 January 2023. According to the amendment, effective from 1 January 2023, existing taxation rules for financial institutions, including banks, will be maintained. At the same time, the existing corporate tax rate for financial institutions increased from 15% to 20% from 2023 going forward. In addition, with effect from 2023, taxable interest income and deductible ECLs on loans to customers are defined as per IFRS, instead of NBG regulations.

Deferred tax

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Operating taxes

Georgia also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss and other comprehensive income.

EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

LEASES – GROUP AS A LESSEE

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

CONTINGENCIES

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Group's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other forward-looking information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Loss allowances for expected credit losses

The following are key estimations that the management have used in the process of applying the Group's accounting policies and that have the most significant effect on the loss allowances for expected credit losses:

- **Establishing forward-looking scenarios:** When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. See Note 30 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

- **Significant increase in credit risk:** As explained in note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative, reasonable and supportable information.

- **Probability of default:** PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See Note 30 for more details, including analysis of the sensitivity of the reported ECL to changes in PD.

- **Loss Given Default:** LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See Note 30 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD.

Fair valuation of financial instruments

As described in Note 28, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 28 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

4. CORRECTION OF PRIOR YEAR CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In 2024, the Group identified technical errors in the data inputs supporting expected credit loss (ECL) estimates affecting the financial information reported in prior periods. As a result of correcting those errors, the Group restated its comparative consolidated statements of financial position as at December 31, 2023 and January 1, 2023 and consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2023 for the effects of the correction on ECL and resulting interest income on credit-impaired loans and income tax accounts, as presented in the tables below:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023	**As previously reported**	**Correction of error**	**As corrected**
Loans to customers	431,198	(5,180)	426,018
Current income tax asset	-	175	175
Total assets	**480,525**	**(5,005)**	**475,520**
Current income tax liability	495	(495)	-
Total liabilities	**401,769**	**(495)**	**401,274**
Total equity	**78,756**	**(4,510)**	**74,246**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JANUARY 1 , 2023	**As previously reported**	**Correction of error**	**As corrected**
Loans to customers	387,752	(2,348)	385,404
Deferred tax assets	3,305	352	3,657
Total assets	452,693	(1,996)	450,697
Total liabilities	386,184	-	386,184
Total equity	66,509	(1,996)	64,513

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2023	**As previously reported**	**Correction of errors**	**As corrected**
Interest income calculated using EIR method	120,501	(384)	120,117
Net interest income before impairment losses	**82,964**	**(384)**	**82,580**
Impairment losses on interest bearing assets	(9,388)	(2,447)	(11,835)
Net interest income	**73,452**	**(2,831)**	**70,621**
Net non-interest expenses	**(2,812)**	**–**	**(2,812)**
Operating Income	**70,640**	**(2,831)**	**67,809**
Profit before income tax	**17,278**	**(2,831)**	**14,447**
Income tax expense	(4,035)	318	(3,717)
Net Income for the period	**13,243**	**(2,513)**	**10,730**

Correction of errors had equal effect on comparative separate statements of financial position as at December 31, 2023 and January 1, 2023 and separate statement of profit or loss and other comprehensive income for the year ended December 31, 2023. Comparative consolidated and separate statements of cash flows for the year ended December 31, 2023 as well as the explanatory notes have been amended accordingly.

5. AMENDMENTS TO IFRSS AFFECTING AMOUNTS REPORTED IN THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following standards/interpretations relevant to the Group's activities that became effective in 2024 had no material impact on the Group's financial position or results of operations:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1.

The amendments to IAS 1, effective from 1 January 2024, clarify the criteria for classifying liabilities with covenants as current or non-current. The amendment requires companies to provide additional information to stakeholders. The changes introduced by the amendments require companies to consider the potential impact for their loan arrangements and the presentation of their financial statements. The information about non-current liabilities subject to financial covenants is disclosed in the note 22.

- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16.

The amendment to IFRS 16 Leases specifies requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

- Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7.

NEW ACCOUNTING PRONOUNCEMENTS

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are not expected to have a material impact on the Group's financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

- 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;

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

- 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 Group is currently not intending to early adopt the Amendments.

the Group is currently assessing the impact of the amendments.

- 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, 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 Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

6. NET INTEREST INCOME

	2024	2023
Interest income calculated using the EIR method:		
Loans to customers	140,134	120,003
Cash and cash equivalents	161	114
	140,295	**120,117**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

	2024	2023
Other interest income:		
Net investments in leases	5,766	5,021
	146,061	**125,138**
Interest expenses		
Borrowed funds	(37,219)	(36,735)
Debt securities issued	(3,597)	(3,860)
Subordinated debt	(2,030)	(1,302)
Lease liability	(937)	(639)
Promissory notes	(791)	(22)
	(44,574)	**(42,558)**
Net interest income	**101,487**	**82,580**

7. NET FOREIGN EXCHANGE GAIN

	2024	2023
Net foreign exchange (loss)/gain	(7,532)	3,814
Net foreign currency trading income	11,474	1,370
Net foreign exchange gain	**3,942**	**5,184**

8. FEE AND COMMISSION INCOME

	2024	2023
SMS service	**739**	281
Money transfers	454	547
Other loan-related services	330	219
Utility payments	40	44
Other commission income	96	91
	1,659	**1,182**

9. OTHER INCOME

	2024	2023
Proceeds from property disposal	408	23
Proceeds from technical assistance	40	500
Consulting income – Management Consulting project	-	387
Consulting income – MSME Competencies project	-	80
Consulting income – Women Entrepreneurs project	-	70
Other income	151	32
	599	**1,092**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

10. OTHER OPERATING EXPENSES

	2024	2023
Utilities and communication	1,953	1,869
Software technical support and maintenance	1,468	1,285
Legal and other professional services	1,409	1,619
Bank charges	891	792
Insurance	857	742
Taxes other than on income	801	857
Consumables and office supplies	792	906
Membership fees	618	734
Marketing and advertising	640	533
Fuel and transportation	570	543
Expense related to short-term leases and low-cost items	470	190
Repairs and maintenance	415	254
Business trips	382	414
Loss on irrecoverable other assets	313	97
Security	276	245
Personnel training and recruitment	246	176
Representation expenses	35	97
Charity	11	8
Other	1,167	940
	13,314	**12,301**

AUDITOR'S REMUNERATION

Legal and advisory expenses include auditor's remuneration. Remuneration of the Group's auditor for the years ended December 31, 2024 and 2023 comprises:

	2024	2023
Fees for the audit of the Group's annual financial statements for the year ended 31 December	203	180
Expenditures for other professional services	-	4
	203	**184**

Fees and expenditures to other auditors and audit firms in respect of the other professional services comprised GEL 185 thousand (2023: GEL 159 thousand).

11. TAXATION

	2024	2023
Current year tax expense	5,414	1,224
	5,414	**1,224**
Movement in deferred tax assets and liabilities due to origination or/and reversal of temporary differences	(202)	2,493
Total income tax expense	**5,212**	**3,717**

The applicable Income tax rate is 20% for the years ended December 31, 2024 and 2023.

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

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

	2024	2023
Profit before tax	**27,875**	**14,447**
Income tax at the statutory rate	5,575	2,889
Other changes	(1,052)	675
Non-deductible expenses	689	153
Total income tax expense	**5,212**	**3,717**

DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at December 31, 2024 and 2023.

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

	January 1, 2024	Recognized in profit or loss	December 31, 2024
Property and equipment	4	(273)	(269)
Right-of-use assets	(1,896)	(439)	(2,335)
Intangible assets	381	243	624
Loans and borrowings	319	(50)	269
Lease liability	1,938	542	2,480
Other liabilities	418	179	597
Net deferred tax asset	**1,164**	**202**	**1,366**

	January 1, 2023 (as previously reported)	Restatement of prior period error	January 1, 2023 (restated)	Recognized in profit or loss (restated)	December 31, 2023 (restated)
Loans to customers	2,652	352	3,004	(3,004)	-
Property and equipment	59	-	59	(55)	4
Right-of-use assets	(1,630)	-	(1,630)	(266)	(1,896)
Intangible assets	255	-	255	126	381
Loans and borrowings	(21)	-	(21)	340	319
Lease liability	1,624	-	1,624	314	1,938
Other liabilities	366	-	366	52	418
Net deferred tax asset	**3,305**	**352**	**3,657**	**(2,493)**	**1,164**

12. CASH AND CASH EQUIVALENTS

	December 31, 2024	December 31, 2023
Cash on hand	15,785	6,811
Bank balances	8,901	1,442
Total cash and cash equivalents	**24,686**	**8,253**

None of the balances with Group are past due. No loss allowance is recognised for balances with banks due to short-term nature. Group balances include current accounts at banks in Georgia and are used for the purpose of the daily activities of the Group.

As at December 31, 2024 and 2023 the majority of the Group's cash in banks is with banks rated by Fitch Ratings as B (short-term rating), BB (long-term rating).

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

13. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2024	December 31, 2023
Financial assets at fair value through profit or loss		
Derivative financial assets		
Foreign currency forward contracts	20	-
Currency swap contracts	4,483	816
Financial assets at fair value through profit or loss	**4,503**	**816**

Financial assets and liabilities at fair value through profit or loss comprise foreign currency contracts.

As at December 31 2024 and December 31 2023 net loss on financial assets and liabilities at fair value through profit or loss of GEL 6,210 thousand and GEL 10,030 thousand, respectively, represent the net impact of these deals on the Groups' earnings. The amounts include transactions costs, i.e. any fee or interest these hedging instruments have as well as the effect of adjustments to bring them to their fair value.

Below table summarizes the deals that were entered into as of December 31, 2024 and 2023, respectively, and haven't yet been settled. Displayed are their notional amounts and currency pairs that are to be exchanged as a result:

	Notional amount	
	December 31, 2024	**December 31, 2023**
Sell USD buy GEL		
Less than 3 months	85,467	33,698
Between 3 and 12 months	51,364	110,266
More than 1 year	58,943	-
	195,774	**143,964**
Sell USD buy EUR		
Less than 3 months	2,252	1,275
	2,252	**1,275**
Sell USD buy CHF		
Less than 3 months	467	1,296
	467	**1,296**
Sell USD buy RUB		
Less than 3 months	105	-
	105	**-**
Sell USD buy GBP		
Less than 3 months	-	342
	-	**342**
Sell GEL buy USD		
Less than 3 months	406	7,409
Between 3 and 12 months	544	-
	950	**7,409**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

	Notional amount	
	December 31, 2024	**December 31, 2023**
Sell EUR buy GEL		
Less than 3 months	2,286	-
Between 3 and 12 months	14,653	-
More than 1 year	14,653	-
	31,592	**-**
Sell EUR buy USD		
Less than 3 months	821	-
	821	**-**

14. LOANS TO CUSTOMERS

	December 31, 2024	December 31, 2023 (restated)
Principal	514,043	443,352
Accrued interest	1,837	1,115
Less: expected credit losses	(15,415)	(18,449)
Total loans to customers	**500,465**	**426,018**

All loans to customers are measured at amortised cost. The loans to customers are aggregated into homogeneous product groups, whereby loans in each group display similar characteristics, considering their performance, related risks and underlying business processes.

The following table provides information by loans product groups as at December 31, 2024:

	Gross carrying amount	Loss allowance	Carrying amount at amortised cost
Loans to retail customers:			
Micro business loans	149,124	(3,276)	145,848
Agricultural loans	111,208	(6,195)	105,013
Consumer loans	83,328	(2,575)	80,753
Auto loans	51,539	(201)	51,338
SME loans	50,626	(2,073)	48,553
Fast instalment loans	39,337	(775)	38,562
Pawnshop loans	17,844	(51)	17,793
Housing loans	12,874	(269)	12,605
Total loans to customers	**515,880**	**(15,415)**	**500,465**

The following table provides information by loans product groups as at December 31, 2023:

	Gross carrying amount	Loss allowance	Carrying amount at amortised cost
Loans to retail customers:			
Micro business loans	120,499	(3,899)	116,600
Agricultural loans	101,590	(6,556)	95,034
Consumer loans	91,643	(3,825)	87,818
SME loans	42,925	(2,180)	40,745
Fast instalment loans	52,429	(1,634)	50,795
Pawnshop loans	18,933	(78)	18,855
Housing loans	16,448	(277)	16,171
Total loans to customers	**444,467**	**(18,449)**	**426,018**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Movements in the loan impairment allowance for the year ended December 31, 2024 are as follows:

	2024			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL – not credit-impaired	**Stage 3** Lifetime ECL – credit-impaired	**Total**
Balance at the beginning of the year	**6,613**	**2,204**	**9,632**	**18,449**
New loans originated	6,060	-	-	6,060
Transfer to 12-month ECL	166	(166)	-	-
Transfer to lifetime ECL not credit-impaired	(9,883)	6,271	3,612	-
Transfer to lifetime ECL credit-impaired	-	(10,132)	10,132	-
Repaid loans	(3,798)	(420)	(4,355)	(8,573)
Written off for the year	-	-	(16,647)	(16,647)
Recoveries of previously written off	-	-	3,429	3,429
Changes due to change in credit-risk	4,357	4,148	5,203	13,708
Interest income correction	-	-	(1,011)	(1,011)
Balance at the end of the year	**3,515**	**1,905**	**9,995**	**15,415**

Respective movements in the gross carrying amounts of loans to customers for the year ended December 31, 2024 are as follows:

	2024			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL – not credit-impaired	**Stage 3** Lifetime ECL – credit-impaired	**Total**
Balance at the beginning of the year	**390,012**	**38,655**	**15,800**	**444,467**
New loans originated	394,715	-	-	394,715
Transfer to 12-month ECL	12,362	(12,362)	-	-
Transfer to lifetime ECL not credit-impaired	(30,390)	32,839	(2,449)	-
Transfer to lifetime ECL credit-impaired	-	(16,968)	16,968	-
Repaid loans	(291,871)	(17,511)	(6,803)	(316,185)
Written off for the year	-	-	(16,647)	(16,647)
Recoveries of previously written off	-	-	3,429	3,429
Other movements	717	959	4,425	6,101
Balance at the end of the year	**475,545**	**25,612**	**14,723**	**515,880**

Movements in the loan impairment allowance for the year ended December 31, 2023 are as follows:

	2023			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL – not credit-impaired	**Stage 3** Lifetime ECL – credit-impaired	**Total**
Balance at the beginning of the year	**5,499**	**3,783**	**6,828**	**16,110**
New loans originated	8,612	-	-	8,612
Transfer to 12-month ECL	126	(126)	-	-
Transfer to lifetime ECL not credit-impaired	(8,644)	3,378	5,266	-
Transfer to lifetime ECL credit-impaired	-	(9,862)	9,862	-

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

2023	Stage 1 12-month ECL	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	Total
Repaid loans	(2,909)	(547)	(5,621)	(9,077)
Written off for the year	-	-	(14,448)	(14,448)
Recoveries of previously written off	-	-	5,197	5,197
Changes due to change in credit-risk	3,929	5,578	1,300	10,807
Interest income correction	-	-	1,248	1,248
Balance at the end of the year	**6,613**	**2,204**	**9,632**	**18,449**

Respective movements in the gross carrying amounts of loans to customers for the year ended December 31, 2023 are as follows:

2023	Stage 1 12-month ECL	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	Total
Balance at the beginning of the year	**321,312**	**68,612**	**11,590**	**401,514**
New loans originated	325,729	-	-	325,729
Transfer to 12-month ECL	2,829	(2,829)	-	-
Transfer to lifetime ECL not credit-impaired	(27,648)	27,830	(182)	-
Transfer to lifetime ECL credit-impaired	-	(18,120)	18,120	-
Repaid loans	(232,615)	(36,660)	(7,591)	(276,866)
Written off for the year	-	-	(14,448)	(14,448)
Recoveries of previously written off	-	-	5,197	5,197
Other movements	405	(178)	3,114	3,341
Balance at the end of the year	**390,012**	**38,655**	**15,800**	**444,467**

15. NET INVESTMENTS IN LEASES

Lease payments receivables and their present values – investments in leases, net of expected credit losses as at December 31, 2024 are as follows:

	Due within 1 year	Due between 1 to 5 years	Total
Lease payments receivable	**11,579**	**12,524**	**24,103**
Less: unearned finance income	(846)	(8,344)	(9,190)
Investments in leases	**10,733**	**4,180**	**14,913**
Less: expected credit losses	(438)	(155)	(593)
Net investments in leases	**10,295**	**4,025**	**14,320**

Lease payments receivables and their present values – investments in leases, net of expected credit losses as at December 31, 2023 are as follows:

	Due within 1 year	Due between 1 to 5 years	Total
Lease payments receivable	**10,363**	**10,137**	**20,500**
Less: unearned finance income	(649)	(6,991)	(7,640)
Investments in leases	**9,714**	**3,146**	**12,860**
Less: expected credit losses	(331)	(110)	(441)
Net investments in leases	**9,383**	**3,036**	**12,419**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Movements in the impairment allowance for the year ended December 31, 2024 are as follows:

	2024			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL – not credit-impaired	**Stage 3** Lifetime ECL – credit-impaired	**Total**
Balance at the beginning of the year	**48**	**6**	**387**	**441**
New assets originated	209	-	-	209
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(88)	88	-	-
Transfer to lifetime ECL credit-impaired	-	(56)	56	-
Assets repaid	(21)	-	(77)	(98)
Assets repossessed	-	-	(33)	(33)
Changes due to change in credit-risk	2	71	1	74
Balance at the end of the year	**150**	**109**	**334**	**593**

Respective movements in the gross carrying amounts for the year ended December 31, 2024 are as follows:

	2024			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL – not credit-impaired	**Stage 3** Lifetime ECL – credit-impaired	**Total**
Balance at the beginning of the year	**9,946**	**1,070**	**1,844**	**12,860**
New assets originated	9,425	-	-	9,425
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(3,332)	3,332	-	-
Transfer to lifetime ECL credit-impaired	-	(2,422)	2,422	-
Assets repaid	(4,806)	(165)	(378)	(5,349)
Assets repossessed	(69)	(186)	(1,768)	(2,023)
Balance at the end of the year	**11,164**	**1,629**	**2,120**	**14,913**

Movements in the impairment allowance for the year ended December 31, 2023 are as follows:

	2023			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL – not credit-impaired	**Stage 3** Lifetime ECL – credit-impaired	**Total**
Balance at the beginning of the year	**106**	**9**	**98**	**213**
New assets originated	110	-	-	110
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(242)	242	-	-
Transfer to lifetime ECL credit-impaired	-	(306)	306	-
Assets Repaid	(69)	(2)	(13)	(84)
Assets repossessed	-	-	(18)	(18)
Changes due to change in credit-risk	143	63	14	220
Balance at the end of the year	**48**	**6**	**387**	**441**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Respective movements in the gross carrying amounts for the year ended December 31, 2023 are as follows:

	2023			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL – not credit-impaired	**Stage 3** Lifetime ECL – credit-impaired	**Total**
Balance at the beginning of the year	**9,033**	**782**	**239**	**10,054**
New assets originated	7,960	-	-	7,960
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(2,593)	2,593	-	-
Transfer to lifetime ECL credit-impaired	-	(1,775)	1,775	-
Assets repaid	(3,596)	(221)	(40)	(3,857)
Assets repossessed	(777)	(309)	(130)	(1,216)
Other movements	(81)	-	-	(81)
Balance at the end of the year	**9,946**	**1,070**	**1,844**	**12,860**

The following table provides information by investment sector as at December 31, 2024:

	Gross carrying amount	**Loss allowance**	**Carrying amount**
Construction	4,775	(130)	4,645
Transportation and logistics	2,761	(137)	2,624
Service	2,225	(47)	2,178
Trade	1,754	(106)	1,648
Manufacturing	944	(22)	922
Agriculture	808	(105)	703
Beauty and healthcare	633	(43)	590
Consumer	254	-	254
Car and auto part dealers	157	-	157
Science and education	140	-	140
Finance	140	(1)	139
Real estate development	92	(1)	91
Tourism	53	-	53
State organizations	7	-	7
Telecommunications	5	-	5
Other	165	(1)	164
Net investments in leases	**14,913**	**(593)**	**14,320**

The following table provides information by investment sector as at December 31, 2023:

	Gross carrying amount	**Loss allowance**	**Carrying amount**
Construction	4,183	(142)	4,041
Transportation and logistics	1,835	(51)	1,784
Service	983	(28)	955
Trade	2,063	(38)	2,025
Manufacturing	814	(21)	793
Agriculture	566	(71)	495
Beauty and healthcare	510	(12)	498
Consumer	1,811	(78)	1,733
Science and education	12	-	12
Real estate development	12	-	12
Tourism	43	-	43

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

	Gross carrying amount	Loss allowance	Carrying amount
Telecommunications	8	-	8
HoReCa	15	-	15
Other	5	-	5
Net investments in leases	**12,860**	**(441)**	**12,419**

16. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Buildings and offices are represented by the Group's branch network, rented around the country; whereas vehicles are the transportation services the Group employs by contracting car drivers. Weighted average lease term for the right-of-use assets as of December 31, 2024 and December 31, 2023 is 7.0 and 4.2 years respectively.

	Buildings and Offices	Vehicles	Total
Cost			
Balance at 1 January 2024	22,067	2,009	24,076
Additions	1,157	-	1,157
Cancellations	(225)	-	(225)
Modification of leases	5,010	434	5,444
Balance at 31 December 2024	**28,009**	**2,443**	**30,452**
Depreciation			
Balance at 1 January 2024	(13,153)	(1,442)	(14,595)
Depreciation for the year	(3,955)	(226)	(4,181)
Balance at 31 December 2024	**(17,108)**	**(1,668)**	**(18,776)**
Carrying amount			
At 31 December 2024	**10,901**	**775**	**11,676**

	Buildings and Offices	Vehicles	Total
Cost			
Balance at 1 January 2023	17,571	1,442	19,013
Additions	3,068	567	3,635
Cancellations	(67)	-	(67)
Modification of leases	1,495	-	1,495
Balance at 31 December 2023	**22,067**	**2,009**	**24,076**
Depreciation			
Balance at 1 January 2023	(9,646)	(1,215)	(10,861)
Depreciation for the year	(3,507)	(227)	(3,734)
Balance at 31 December 2023	**(13,153)**	**(1,442)**	**(14,595)**
Carrying amount			
At 31 December 2023	**8,914**	**567**	**9,481**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Movements in lease liabilities in 2024 and 2023 were as follows:

	2024	2023
Balance at 1 January	9,689	8,121
Additions	1,157	3,635
Cancellations	(225)	(67)
Modifications	5,281	1,495
Interest expense	937	639
Foreign exchange loss/(gain)	400	(14)
Repayment of lease interest	(880)	(728)
Repayment of lease principal	(3,960)	(3,392)
Total	**12,399**	**9,689**

Weighted average lease term for the right-of-use assets as of December 31, 2024 and December 31, 2023 is 7.0 and 4.2 years respectively and the weighted average lessee's incremental borrowing rate applied to the lease liabilities as of December 31, 2024 and December 31, 2023 is 8.5% and 9.1% respectively.

Lease Liability	**December 31, 2024**	**December 31, 2023**
Maturity analysis	**Amounts payable under leases**	**Amounts payable under leases**
Year 1	4,583	4,057
Year 2	4,304	3,304
Year 3	2,589	2,460
Year 4	1,364	612
Year 5	757	239
Onwards	798	78
Less: future interest	(1,996)	(1,061)
Total lease Liability	**12,399**	**9,689**

Amounts recognised in profit and loss	2024	2023
Depreciation expense	(4,181)	(3,734)
Interest expense	(937)	(639)
Foreign exchange (loss)/gain	(400)	14
Expenses related to short-term leases and low-cost items	(470)	(190)
Gain on lease cancellation	163	-
Total	**(5,825)**	**(4,549)**

Total cash outflows for leases amounted to GEL 5,436 thousand (2023: GEL 4,323 thousand). There are no lease payments subject to termination options expected to be exercised and in respect of which no lease liability was recognised as at 31 December 2024 and 31 December 2023.

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

17. PROPERTY AND EQUIPMENT

	Buildings	Vehicles	Furniture	IT equipment	Leasehold improvements	Other	Total
Cost							
at January 1, 2024	105	1,186	1,508	6,870	6,902	4,439	21,010
Additions	-	210	98	1,069	621	469	2,467
Disposals	2	(42)	78	(459)	1	(435)	(855)
at December 31, 2024	**107**	**1,354**	**1,684**	**7,480**	**7,524**	**4,473**	**22,622**
Accumulated depreciation							
at January 1, 2024	(57)	(1,071)	(1,307)	(4,309)	(6,285)	(3,994)	(17,023)
Depreciation for the year	(4)	(73)	(57)	(694)	(436)	(120)	(1,384)
Eliminated on disposals	-	66	(45)	296	367	451	1,135
at December 31, 2024	**(61)**	**(1,078)**	**(1,409)**	**(4,707)**	**(6,354)**	**(3,663)**	**(17,272)**
Carrying amount							
At December 31, 2024	**46**	**276**	**275**	**2,773**	**1,170**	**810**	**5,350**
Cost							
at January 1, 2023	105	1,194	1,378	6,088	6,561	4,262	19,588
Additions	-	30	132	873	423	180	1,638
Disposals	-	(38)	(2)	(91)	(82)	(3)	(216)
at December 31, 2023	**105**	1,186	1,508	6,870	6,902	4,439	**21,010**
Accumulated depreciation							
at January 1, 2023	(53)	(1,019)	(1,232)	(3,678)	(5,835)	(3,799)	(15,616)
Depreciation for the year	(4)	(90)	(76)	(722)	(531)	(198)	(1,621)
Eliminated on disposals	-	38	1	91	81	3	214
at December 31, 2023	**(57)**	(1,071)	(1,307)	(4,309)	(6,285)	(3,994)	**(17,023)**
Carrying amount							
At December 31, 2023	**48**	115	201	2,561	617	445	**3,987**

Other property and equipment mainly consist of security systems and generators. As at December 31, 2024 and December 31, 2023 fully depreciated items which are still in use represented GEL 10,560 thousand and GEL 10,671 thousand, respectively.

18. INTANGIBLE ASSETS

	Intangible assets
Cost	
at 1 January 2023	**8,889**
Additions	1,563
at December 31, 2023	**10,452**
Additions	2,741
Disposals	(3,738)
at December 31, 2024	**9,455**
Accumulated amortization	
at January 1, 2023	**(4,742)**
Amortization for the year	(1,447)
at December 31, 2023	**(6,189)**
Amortization for the year	(1,871)
Eliminated on disposals	3,390
at December 31, 2024	**(4,670)**
Carrying amounts	

	Intangible assets
At December 31, 2023	**4,263**
At December 31, 2024	**4,785**

Intangible assets consist of software and licenses, including internally developed software in an amount of GEL 1,677 thousand (2023: GEL 407 thousand).

19. OTHER ASSETS

	December 31, 2024	December 31, 2023
Other receivables	1,889	3,517
Other receivable from leasing	1,878	1,684
Less: expected credit losses	(313)	(165)
Total other financial assets	**3,454**	**5,036**
Repossessed assets	2,784	2,315
Assets to be leased out	1,720	233
Prepayments	820	887
Inventory	133	108
Taxes other than on income	-	351
Total other non-financial assets	**5,457**	**3,894**
Total other assets	**8,911**	**8,930**

The Group holds repossessed property which represent land, buildings and movable property (mostly vehicles) taken into Group's ownership as a settlement of non-performing loans. The Group intends to sell those assets in normal course of business.

In 2024, the Bank repossessed properties of GEL 676 thousand, represented by movable property, and GEL 634 thousand, represented by real estate, in non-cash settlement of loans issued (2023: GEL 168 thousand and GEL 898 thousand, respectively). The Group engages external appraiser to assess the fair values of the repossessed properties on a regular basis to identify the need of write-downs.

20. PROMISSORY NOTES

This note provides information about the contractual terms of interest-bearing promissory notes which are measured at amortized cost. For more information about exposure to interest rate, foreign currency and liquidity risks, see Note 30.

Terms and conditions of outstanding promissory notes are as follows:

				December 31, 2024	December 31, 2023
	Currency	Nominal interest rate	Year of maturity	Carrying Amount	Carrying Amount
Unsecured promissory notes	GEL	10.50% – 14.50%	2024-2026	8,241	223
Unsecured promissory notes	USD	5.00% – 7.25%	2024-2026	4,912	1,107
Unsecured promissory notes	EUR	4.50%	2025	297	-
Total promissory notes				**13,450**	**1,330**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Reconciliation of changes arising from financing activities

	January 1, 2024	Issuance of promissory notes during the year 2024	Repayment of promissory notes during the year 2024	Interest accrual during the year 2024	Interest paid during the year 2024	Foreign exchange loss during the year 2024	December 31, 2024
Promissory notes	1,330	18,163	(6,651)	791	(339)	156	**13,450**

	January 1, 2023	Issuance of promissory notes during the year 2023	Repayment of promissory notes during the year 2023	Interest accrual during the year 2023	Interest paid during the year 2023	Foreign exchange (gain) during the year 2023	December 31, 2023
Promissory notes	-	1,313	-	22	(3)	(2)	**1,330**

Promissory note

In January 2023, the Group introduced a way of attracting funding from physical individuals, sole proprietors and other non-financial legal entities, in a form of a promissory-note product named “Coin” (“Moneta”), whereby the Buyer of a coin has a choice between a) open and closed note, and b) interest withdrawal frequency, via contractual terms.

A closed promissory note bears higher interest rate, since the principal is repaid to the Lender in a single bullet payment at maturity, whereby in case of an open note use of invested funds is up to Client’s discretion and can be withdrawn with a short notice. In addition, the Lender can choose to receive interest earnings at a specified upon frequency or as a lump sum at maturity.

The minimum term for the promissory note is 3 months; in a minimum amount of GEL 100 thousand (or equivalent) up to GEL 1,000 thousand (or equivalent) in case of an open note or up to a maximum amount of GEL 3,000 thousand (or equivalent), in case of a closed note.

Covenant requirements

The are no covenant requirements applicable to promissory notes.

21. DEBT SECURITIES ISSUED

This note provides information about the contractual terms of interest-bearing debt securities which are measured at amortized cost. For more information about exposure to interest rate, foreign currency and liquidity risks, see Note 30.

	December 31, 2024	December 31, 2023
Debt securities issued	26,406	26,406
Total debt securities issued	**26,406**	**26,406**

The Group’s borrowed funds short-term and long-term classification is as following:

	December 31, 2024	December 31, 2023
Non-current liabilities		
Debt securities issued	-	24,848
Current liabilities		
Debt securities issued	26,297	1,558
Total debt securities issued	**26,297**	**26,406**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

TERMS AND DEBT REPAYMENTS

Terms and conditions of outstanding debt securities issued are as follows:

	Currency	Nominal interest rate	Year of maturity	December 31, 2024 Carrying Amount	December 31, 2023 Carrying Amount
Unsecured debt securities issued	GEL	4.75% + 6-month Tbilisi Inter Bank Rate (TIBR)	2025	26,297	26,406
Total debt securities issued				**26,297**	**26,406**

Reconciliation of changes arising from financing activities

	January 1, 2024	Issuance of debt securities during the year 2024	Repayment of debt securities during the year 2024	Interest accrual during the year 2024	Interest paid during the year 2024	Foreign exchange gain during the year 2024	December 31, 2024
Debt securities issued	26,406	-	-	3,597	(3,706)	-	**26,297**

	January 1, 2023	Issuance of debt securities during the year 2023	Repayment of debt securities during the year 2023	Interest accrual during the year 2023	Interest paid during the year 2023	Foreign exchange gain during the year 2023	December 31, 2023
Debt securities issued	-	25,000	-	3,860	(2,454)	-	**26,406**

CORPORATE BOND

In February 2023, the Group issued GEL 25,000 thousand face value first ever certified gender bond in the region, with Asian Development Bank (ADB) being an anchor investor (75%) and co-funded by the local commercial bank (25%), maturing in 2 years and bearing a contractual rate of interest of 4.75% over the 6-month Tbilisi Inter Bank Rate (TIBR) per annum on the notional amount.

COVENANT REQUIREMENTS

The Group is obliged to comply with financial covenants in relation to debt securities issued. These covenants include stipulated ratios, as well as leverage, liquidity, profitability and risk coverage ratios. As at December 31 2024 the Group is in full compliance with these financial covenants.

22.BORROWED FUNDS

This note provides information about the contractual terms of interest-bearing loans and borrowings which are measured at amortized cost. For more information about exposure to interest rate, foreign currency and liquidity risks, see Note 30.

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

The Group's borrowed funds short-term and long-term classification is as following:

	December 31, 2024	December 31, 2023
Non-current liabilities		
Borrowed funds	224,300	143,273
Current liabilities		
Borrowed funds	163,808	189,030
Total borrowed funds	**388,108**	**332,303**

TERMS AND DEBT REPAYMENTS

Terms and conditions of outstanding borrowed funds are as follows:

	Currency	Nominal interest rate	Year of maturity	December 31, 2024 Carrying Amount	December 31, 2023 Carrying Amount
Unsecured loans from financial institutions	GEL	11.00% – 14.58%	2024 – 2029	196,555	218,764
Unsecured loans from financial institutions	USD	5.25% – 8.10%	2024 – 2028	159,132	113,539
Unsecured loans from financial institutions	EUR	6.38% – 6.50%	2026 – 2027	32,421	-
Total borrowed funds				**388,108**	**332,303**

RECONCILIATION OF CHANGES ARISING FROM FINANCING ACTIVITIES

	January 1, 2024	Receipt of loans during the year 2024	Repayment of loans during the year 2024	Interest accrual during the year 2024	Interest paid during the year 2024	Foreign exchange loss during the year 2024	December 31, 2024
Borrowed funds	332,303	139,769	(91,244)	37,219	(37,143)	7,204	**388,108**

	January 1, 2023	Receipt of loans during the year 2023	Repayment of loans during the year 2023	Interest accrual during the year 2023	Interest paid during the year 2023	Foreign exchange (gain) during the year 2023	December 31, 2023
Borrowed funds	342,923	166,927	(176,620)	36,735	(36,931)	(731)	**332,303**

UNUSED CREDIT LINE FACILITIES

As at December 31, 2024, and December 31, 2023, the Group has credit lines amounting to GEL 29,250 thousand and GEL 30,000 thousand, respectively, all expiring during the following year. These instruments are of revolving nature and up until their maturity the Group is at liberty to withdraw and repay repeatedly as much amount within the limit of the underlying facilities, as needed, for the Group's daily operations and liquidity management. As at December 31, 2024, the Group has fully utilized these funds, while the unused amount as at December 31, 2023, is GEL 5,000 thousand.

COVENANT REQUIREMENTS

The Group is obligated to comply with financial covenants in relation to borrowed funds disclosed above. These covenants include stipulated ratios, as well as leverage, liquidity, profitability and risk coverage ratios.

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

There were several breaches of covenants during 2024. The Group notified all counterparties and obtained the waiver letters and/or managed to amend the requirements to more suitable limits, prior to December 31, 2024. As a result, the respective liabilities are not immediately repayable.

The carrying value of the borrowed funds in respect of which breaches occurred at any point throughout 2024, maturing in more than one year from the reporting date, was GEL 60,495 thousand as at 31 December 2024. The Group does not expect further covenant breaches to occur, also since it negotiated an update to financial covenant requirements (both – definition and limit – wise), to ones that are more suitable to a Commercial Bank and, hence, capture the nature of Group's operations more accurately; or, in case of occurrence, it expects to be able to obtain further waivers from the lenders.

23. SUBORDINATED DEBT

This note provides information about the contractual terms of interest-bearing subordinated debt which are measured at amortized cost. For more information about exposure to interest rate, foreign currency and liquidity risks, see Note 30.

The Group's subordinated debt short-term and long-term classification is as following:

	December 31, 2024	December 31, 2023
Non-current liabilities		
Subordinated debt	20,072	13,892
Current liabilities		
Subordinated debt	3,259	2,975
Total subordinated debt	**23,331**	**16,867**

TERMS AND DEBT REPAYMENTS

Terms and conditions of outstanding subordinated debt are as follows:

				December 31, 2024	December 31, 2023
Lender	**Currency**	**Nominal interest rate**	**Year of maturity**	**Carrying Amount**	**Carrying Amount**
Unsecured loans from financial institutions	USD	7.80% – 11.05%	2025 – 2030	23,331	16,867
Total subordinated debt				**23,331**	**16,867**

In case of bankruptcy, the repayment of the subordinated debt will be made after repayment in full of all other liabilities of the Group.

RECONCILIATION OF CHANGES ARISING FROM FINANCING ACTIVITIES

	January 1, 2024	Receipt of subordinated debt during the year 2024	Repayment of subordinated debt during the year 2024	Interest accrual during the year 2024	Interest paid during the year 2024	Foreign exchange loss during the year 2024	December 31, 2024
Subordinated debt	16,867	8,258	(2,762)	2,030	(1,907)	845	**23,331**

	January 1, 2023	Receipt of subordinated debt during the year 2023	Repayment of subordinated debt during the year 2023	Interest accrual during the year 2023	Interest paid during the year 2023	Foreign exchange loss during the year 2023	December 31, 2023
Subordinated debt	13,576	3,146	-	1,302	(1,174)	17	**16,867**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

COVENANT REQUIREMENTS

The Group is obligated to comply with financial covenants in relation to subordinated debt, but their non-compliance will not result in a default while the debt satisfies the criteria of the National Bank of Georgia for including it in a regulatory capital. As at December 31, 2024, the Group is in full compliance with these financial covenants.

24. OTHER LIABILITIES

	December 31, 2024	December 31, 2023
Payments received for future installment	9,012	8,709
Accruals for employee compensation	2,808	1,790
Payables to suppliers	2,616	2,576
Payables to customers	703	584
Total other financial liabilities	**15,139**	**13,659**
Taxes other than on income	3	-
Other non-financial liabilities	28	23
Total other non-financial liabilities	**31**	**23**
Total other liabilities	**15,170**	**13,682**

As at December 31, 2024, and December 31, 2023, Payments received for future installment of GEL 9,012 thousand and GEL 8,709 thousand, respectively, represent payments made by the customers towards covering their respective loan obligations in advance to their contractual schedules. The Group records such early repayment amounts on its transit account as a liability towards customers until the actual scheduled repayment date rather than applying them towards loan repayment immediately, so that the customers are not charged with the early repayment fees. The amounts are always settled within a month and are included in the earliest liquidity buckets.

As at December 31, 2024, and December 31, 2023, payables to customers of GEL 703 thousand and GEL 584 thousand, respectively, represent loan repayments in excess of clients' actual outstanding exposures. The amounts remain as the Group's liability towards customers for 3 years post loan settlement, during which the amounts can be requested any time and are subject to immediate repayment. After a 3-year period, the amounts are recognized in Group's earnings.

25. SHARE CAPITAL AND RESERVES

SHARE CAPITAL

Share capital as at December 31, 2024:

Shareholder	Number of shares	Common/ non-redeemable preference	Share %	Voting rights	Capital GEL'000
AGRIF COÖPERATIEF U.A.	1,454,938	Common	40.03%	40.03%	1,455
DWM Funds S.C.A-SICAV SIF	683,332	Common	18.80%	18,80%	683
Individual shareholders	1,496,306	Common	41.17%	41.17%	1,497
	3,634,576		**100.00%**	**100.00%**	**3,635**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Share capital as at December 31, 2023:

Shareholder	Number of shares	Common/ non-redeemable preference	Share %	Voting rights	Capital GEL'000
AGRIF COÖPERATIEF U.A.	1,186,157	Common	38.75%	38.75%	1,185
DWM Funds S.C.A-SICAV SIF	378,719	Common	12.37%	12.37%	379
Individual shareholders	1,496,306	Common	48.88%	48.88%	1,497
	3,061,182		**100.00%**	**100.00%**	**3,061**
DWM Funds S.C.A-SICAV SIF	304,613	Preferred	53.12%	0.00%	305
AGRIF COÖPERATIEF U.A.	268,781	Preferred	46.88%	0.00%	269
	573,394		**100.00%**	**0.00%**	**574**

All ordinary shares have a nominal value of GEL 1 and are fully paid.

All ordinary shares and all preferred shares rank equally with regard to the Group's residual assets, but in case of bankruptcy, preferred shares have priority over common ones. On the other hand, preferred shareholders have no voting rights.

On December 16, 2024 General Meeting of the Group's Shareholders approved conversion of the existing preferred shares – 573,394 shares – into the common shares, with 1:1 proportion, to the same shareholders. As a result, shareholding structure and voting rights were altered a bit, since the 2 shareholders previously having preferred shares, now end up with additional common shares, carrying additional ownership and voting rights.

SHARE PREMIUM

Share premium represents the amount received for a share in excess of its registered value. Hence, it can be generated via the same sources as the share capital – actual issuance of shares.

Share premium was GEL 22,110 thousand for the years ended December 31, 2024 and December 31, 2023.

DIVIDENDS

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Group.

The holders of preferred stock are entitled to receive dividends at annual interest rate of 10%. According to Georgian legislation any promise of dividends is void and based on profit for the year and management decision.

Based on shareholders' decisions, dividends of GEL 959 thousand and GEL 997 thousand were declared and paid to preferred shareholders, dividends per share being GEL 1.67 and GEL 1.74, for the years 2024 and 2023, respectively.

In accordance with Georgian legislation the Group's distributable reserves are limited to the balance of retained earnings as recorded in the Group's consolidated financial statements prepared in accordance with IFRS.

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

26. CONTINGENCIES

LITIGATION

In the ordinary course of business, the Group 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.

TAXATION CONTINGENCIES

Tax legislation in Georgia is subject to varying interpretations and changes can occur frequently. These circumstances may create tax risks in Georgia that are more significant than in other developed economics. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements, and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

Operating environment

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

For the last few years Georgia has experienced a number of legislative changes, which have been largely related to Georgia's accession plan to the European Union. Whilst the legislative changes implemented during the years paved the way, more can be expected as Georgia's action plan for achieving accession to the European Union continues to develop.

Additionally, Georgia achieved EU candidacy status in 2023, which increased consumer and business confidence.

27. RELATED PARTY TRANSACTIONS

CONTROL RELATIONSHIPS

As at December 31, 2024 the Group does not have any controlling shareholder.

TRANSACTIONS WITH MEMBERS OF THE SUPERVISORY AND EXECUTIVE BOARDS

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

	2024	**2023**
Salaries and bonuses	1,942	1,685
Consulting fees	600	596
	2,542	**2,281**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Total funding attracted for the years ended December 31, 2024 and 2023 is as follows:

	Transaction value 2024	Transaction value 2023	Outstanding balance 2024	Outstanding balance 2023
Promissory note	554	217	564	215
Interest expense	12	2	12	2

Included in other operating expenses is GEL 9 thousand of business trip expenses (2023: 7 thousand).

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Georgia continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

FAIR VALUE HIERARCHY

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

- **Level 1:** quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2:** inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Cash and cash equivalents – Cash and cash equivalents are carried at amortized cost which approximates their current fair value.

Other financial assets and liabilities – Other financial assets and liabilities are mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be reasonable estimate of their fair value.

Loans to customers – The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates of new instruments with similar credit risk and remaining maturity. Discount rates depend on currency, maturity of the instrument and credit risk of the counterparty.

Borrowed funds, debt securities issued, promissory notes and subordinated debt – The fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using current interest rates of new instruments. For the borrowings received at variable rates management believes that carrying rate may be assumed to be market interest rate.

Lease liability – The fair value of lease liability is based on estimated future cash outflows discounted at current interest rate. Discount rate depends on currency and maturity of the instruments. The fair value of lease liability approximates its cost.

The following table shows the carrying amount and fair value of financial assets and financial liabilities recognised in the consolidated financial statements.

	Fair value hierarchy	December 31, 2024		December 31, 2023	
		Carrying value	Fair value	Carrying value	Fair value
Loans to customers	Level 3	500,465	514,023	426,018	438,004
Net investments in leases	Level 3	14,320	14,320	12,419	12,419
Other financial assets	Level 3	3,454	3,454	5,036	5,036
Lease liability	Level 3	12,399	12,399	9,689	9,689
Promissory notes	Level 3	13,450	13,450	1,330	1,330
Debt securities issued	Level 3	26,297	26,297	26,406	26,406
Borrowed funds	Level 3	388,108	386,422	332,303	331,705
Subordinated debt	Level 3	23,331	22,670	16,867	16,593
Other financial liabilities	Level 3	15,139	15,139	13,659	13,659

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

Derivative financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Derivative financial instruments	Fair value as at December 31, 2024	December 31, 2023	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	4,503	816	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates.	N/A	N/A

The Group uses widely recognised valuation models for determining the fair value of derivative financial instruments, like foreign exchange forward contracts and currency swaps that use only observable market data and require less management judgment and estimation.

29. CAPITAL MANAGEMENT

The Group's objectives when maintaining capital are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and
- To provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group is in compliance with minimum statutory capital requirements – the minimum cash contribution in the equity should not be less than GEL 1,000 thousand.

Starting from 1 September 2018, the Group also has to comply with the financial covenants established by the National Bank of Georgia (NBG), such as: capital adequacy, liquidity, property investment, investment, related party exposure and pledged assets ratios. The compliance with these ratios is monitored by the NBG on a monthly basis.

According to the NBG regulations, the Group has to hold minimum level of CAR at least 18%.

The below table discloses the compliance with NBG CAR ratio as at December 31, 2024 and December 31, 2023. Basis of calculation are NBG rules and guidelines, as issued and monitored by the regulator, rather than IFRSs:

	2024	2023
Share capital	3,635	3,635
Share premium	22,110	22,110
Retained earnings	79,487	61,445
Eligible subordinated debt	14,483	9,144
Regulatory capital before reductions	**119,715**	**96,334**
Less intangible assets	(5,082)	(3,935)
Less investment in a subsidiary	(610)	(472)
Regulatory capital	**114,023**	**91,927**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

	2024	2023
Total assets before reductions	573,886	478,923
Less intangible assets	(5,082)	(3,935)
Less investment in a subsidiary	(610)	(472)
Total assets after reductions	**568,194**	**474,516**

	December 31, 2024	December 31, 2023
Capital adequacy ratio *	20.07%	19.37%

The Group also monitors its capital adequacy levels to comply with debt covenants, calculated in accordance with the lenders' requirements. See Note 22 for the details of compliance with covenants.

30. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the business and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk and liquidity risk.

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

The Supervisory Board, together with its committees, has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Group's Executive Board Risk Committee and the Finance Department are responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of the Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Executive Board.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Group established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organization. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

* Not audited

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group has policies and procedures for the management of credit exposures, including the establishment of Credit Committees, the analytical bodies responsible for analysing the information in the loan applications, assessing and reducing the credit risks. The credit policy (in the form of a Credit Manual) is reviewed and approved by the Supervisory Board.

The credit policy establishes:

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

The Credit Committee is authorized to make the final decision about financing or rejecting the loan/lease applications. The loans/leases presented to the Committee for approval are based on limits established by the credit policy. Maximum limits for single client and/or group of interrelated clients are defined by the Risk Appetite document, approved by the Supervisory Board.

Accuracy and correctness of information presented to the Credit Committee is the responsibility of the credit officer, who fills in the initial application after the due scrutiny of the applicant's business and its credit risks through the use of scoring models and application data verification procedures). Eventually the Credit Committee members assess the application against the established criteria (applicant's credit history, financial condition, competitive ability, creditworthiness, etc.).

Assessment of the applicant's creditworthiness through monitoring of its business allows timely avoidance the risk of financial loss. The Group has the following monitoring procedures in place:

- obligatory quarterly monitoring of disbursed loans (certain percentage), which is performed by branch manager or credit team leader, covering transactions defined by respective procedure;
- monitoring performed by credit control team, covering randomly selected single transactions, compliance with credit policy and established standards;
- monitoring of investments in leases once every 6 months by specialized team.

For timely response to potential risks, monitoring results are presented to the top management on a monthly basis. The monitoring system helps to manage credit risks and to minimize them in a timely manner.

Exposure to credit risk is also managed, in part, by obtaining collateral and personal guarantees.

Apart from individual customer analysis, the credit portfolio is assessed by the Credit Risk Management Department with regard to credit concentration, market risks, portfolio quality and compliance indicator defined by the Risk Appetite document.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position.

As at December 31, 2024 and 2023, the Group has no debtors or groups of connected debtors, credit risk exposure to whom exceeds 10% of the Group's equity.

Portfolio segmentation

For the purpose of portfolio segmentation, according to the homogeneity of the risk of portfolio grouping, the portfolio is divided in the groups according to product types: Micro Business, SME, Agricultural, Housing, Consumer, Auto, Installment and Pawnshop loans. Portfolio of investments in leases is not further broken into segments. Vintage analysis and default rate analysis are performed to further ensure the homogeneity of identified segments. PD is calculated separately for each of the above-mentioned groups.

The client exposure is further broken down into collateralized and non-collateralized loans, as the two display different characteristics and bear different risks.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure;
- As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria can identify significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-months PD (probability of default) and lifetime PD.

Definition of default

The Group recognizes default in the following cases:

- Arrears including restructured loans > 90 days
- Financial instruments under litigation
- Decease of a client or force majeure, when a client becomes insolvent due to external factors beyond their control, as a result of which loan is written-off
- Pawnshop default point is > 30 days in arrears

The definition of default is in line with relevant regulations, taking into account the 90 days past due cap presumption of IFRS 9.

The loans for which the Group recognizes default, are credit-impaired loans.

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Incorporation of forward-looking information

The Group incorporates forward-looking information into both: its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL (expected credit loss).

The Group has identified and documented the key drivers of credit risk and credit losses for the portfolio using an analysis of historical data, has assessed impact of macro-economic variables on probability of default and recovery rate. The following macro-economic variables were involved in the analysis:

- Real growth rate of GDP of Georgia;
- Inflation rate;
- Monetary policy interest rate;
- Nominal effective exchange rate.

The table below summarizes the principal macroeconomic indicators included in the economic scenarios used at December 31, 2024 for the years 2025 to 2027, for Georgia:

	2025	2026	2027
GDP Growth			
Base scenario	4.9	5.8	5.7
Upside scenario	7.0	6.0	6.0
Downside scenario	2.0	3.0	5.0
Inflation rate			
Base scenario	2.9	3.6	2.7
Upside scenario	3.0	3.0	3.0
Downside scenario	8.0	5.0	3.0
Monetary policy interest rate			
Base scenario	7.2	6.6	6.5
Upside scenario	7.0	6.5	6.5
Downside scenario	9.5	8.5	7.5
Nominal effective exchange rate			
Base scenario	416.0	416.0	416.0
Upside scenario	420.1	428.5	428.5
Downside scenario	378.5	378.5	389.9

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Probability of default (PD)

Cox model is a well-known statistical concept widely used in survival analysis, which is the area of statistics that deals with lifetime data. The variable of interest is the time to the occurrence of an event. It is commonly used in medical drug studies and reliability studies in engineering. In the case of credit risk, the event in question is default.

As mentioned in the ECL paragraph, ECL calculation utilizes PD (Marginal Probability of Default) through CPD (cumulative Probability of Default). It occurs that both parameters can be easily obtained from hazard functions calculated for each exposure.

As a result of the application of survival models, there is a transition from old model based only on delinquency migration to individual assessment in new model. In addition to applicative factors, behavioral factors are added to the new model, which demonstrates the potential for the development of this approach in assessing the probability of default.

Full procedure of PD model estimation consisted of five main steps:

- Data preparation and selection of candidates for explanatory variables;
- Single analysis;
- multi-factor analysis;
- Estimation of covariates in Cox proportional hazard model;
- Quality and back testing.

Main assumptions and segmentation
For the modelling purposes the following assumptions were taken:

- Only first default for each exposure was consider as valid (i.e. remaining data after default entry was cut off)
- All facilities which are in default at their first observation date were excluded from the sample
- Default was defined by 2 criteria: days past due and written off status
- Each occurrence of a loan within a timeline was considered as a separate observation

Modeling was based on a product group segmentation that separates loans looking at common characteristics.

As at December 31, 2024, 10% increase/(decrease) in average PD per each segment results in ECL increase/(decrease) by 3.8% that represents GEL 538/(538) thousand. Respective impact on investments on leases is 4.4%, representing GEL 30/(30) thousand increase/(decrease).

As at December 31, 2023, 10% increase/(decrease) in average PD per each segment results in ECL increase/(decrease) by 6.6% that represents GEL 1,103/(1,103) thousand.

For investments in leases separate PD model was developed in 2024, previously being based on loan PD model, before establishing enough history and statistical data of its own to construct analysis on. The impact of separate PD model development amounts GEL 152 thousand, i.e. this much less ECL would have been recognized, had the Group carried on with the old approach of relying on loan data.

Loss given default (LGD)
LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD model considers cash recoveries only. LGD is calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

In addition, in 2024 few of the refinements were introduced to the model:

- future recovery rates are forecasted based on the historical average yearly growth rates of actual recoveries;

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

- LGD-in-default model is developed by considering the time elapsed since default (while LGD remains consistent for recently defaulted, Stage 1 and Stage 2 loans, it gradually increases for loans in default for more than one year, reaching 100% for loans that have been in default for over five years);

- Collateral-based LGD model is developed for Auto Loans and Investments in Leases, using historical data to calculate weighted averages for Realization Period and Haircut, which are then applied to determine the LGD for the current portfolio (while LGD could theoretically be 0% if collateral value in Auto segment covers the Exposure at Default, the Group applies a minimum LGD of 5% for fully or over-collateralized loans, per internal guidelines).

While other methodological changes are immaterial, GEL 748 thousand is the impact (decrease of ECL), that the establishment of collateral-based LGD model for Auto Loans has on ECL 2024.

As at December 31, 2024, 10% increase/(decrease) in average LGD per each segment results in ECL increase/(decrease) by 10.0% that represents GEL 1,427/(1,427) thousand. Respective impact on investments on leases is 10.0%, representing GEL 67/(67) thousand increase/(decrease).

As at December 31, 2023, 10% increase/(decrease) in average LGD per each segment results in ECL increase/(decrease) by 10.0% that represents GEL 1,680/(1,680) thousand.

Exposure at default (EAD)
EAD represents the expected exposure in the event of default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

Credit quality of loans to customers

The following tables provide information on the credit quality of loans to customers as at December 31, 2024:

	Gross loans Stage 1 12-month ECL	Gross loans Stage 2 Lifetime ECL – not credit-impaired	Gross loans Stage 3 Lifetime ECL – credit- impaired	ECL	Net loans	ECL allowance to gross loans %
Analysis by product group:						
Micro business loans						
Not overdue	138,921	3,759	1,163	(1,001)	142,842	1%
1 to 30 days overdue	237	896	389	(301)	1,221	20%
31 to 60 days overdue	-	642	225	(175)	692	20%
61 to 90 days overdue	-	403	345	(280)	468	37%
91 to 180 days overdue	-	-	2,144	(1,519)	625	71%
Over 180 days overdue	-	-	-	-	-	0%
Total micro business loans	**139,158**	**5,700**	**4,266**	**(3,276)**	**145,848**	**2%**
Agricultural loans						
Not overdue	102,007	3,645	1,470	(4,149)	102,973	4%
1 to 30 days overdue	177	479	242	(242)	656	27%
31 to 60 days overdue	-	500	214	(236)	478	33%
61 to 90 days overdue	-	448	276	(326)	398	45%
91 to 180 days overdue	-	-	1,750	(1,242)	508	71%
Over 180 days overdue	-	-	-	-	-	0%

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

	Gross loans Stage 1 12-month ECL	Gross loans Stage 2 Lifetime ECL – not credit- impaired	Gross loans Stage 3 Lifetime ECL – credit- impaired	ECL	Net loans	ECL allowance to gross loans %
Total agricultural loans	**102,184**	**5,072**	**3,952**	**(6,195)**	**105,013**	**6%**
Consumer loans						
Not overdue	78,182	2,088	776	(1,405)	79,641	2%
1 to 30 days overdue	84	368	153	(134)	471	22%
31 to 60 days overdue	-	265	106	(140)	231	38%
61 to 90 days overdue	-	144	158	(182)	120	60%
91 to 180 days overdue	-	-	1,004	(714)	290	71%
Over 180 days overdue	-	-	-	-	-	0%
Total consumer loans	**78,266**	**2,865**	**2,197**	**(2,575)**	**80,753**	**3%**
Auto loans						
Not overdue	47,057	1,916	242	(73)	49,142	0%
1 to 30 days overdue	236	776	120	(11)	1,121	1%
31 to 60 days overdue	-	186	19	(5)	200	2%
61 to 90 days overdue	-	130	43	(10)	163	6%
91 to 180 days overdue	-	-	814	(102)	712	13%
Over 180 days overdue	-	-	-	-	-	0%
Total auto loans	**47,293**	**3,008**	**1,238**	**(201)**	**51,338**	**0%**
Fast instalment loans						
Not overdue	36,910	752	60	(182)	37,540	0%
1 to 30 days overdue	32	362	14	(17)	391	4%
31 to 60 days overdue	-	236	33	(47)	222	17%
61 to 90 days overdue	-	158	32	(55)	135	29%
91 to 180 days overdue	-	-	748	(474)	274	63%
Over 180 days overdue	-	-	-	-	-	0%
Total fast instalment loans	**36,942**	**1,508**	**887**	**(775)**	**38,562**	**2%**
SME loans						
Not overdue	44,048	4,384	1,306	(1,656)	48,082	3%
1 to 30 days overdue	28	247	113	(111)	277	29%
31 to 60 days overdue	-	25	55	(45)	35	56%
61 to 90 days overdue	-	18	96	(80)	34	70%
91 to 180 days overdue	-	-	306	(181)	125	59%
Over 180 days overdue	-	-	-	-	-	0%
Total SME loans	**44,076**	**4,674**	**1,876**	**(2,073)**	**48,553**	**4%**
Pawnshop loans						
Not overdue	15,547	2,016	89	(46)	17,606	0%
1 to 30 days overdue	76	104	9	(4)	185	2%
31 to 60 days overdue	-	-	3	(1)	2	33%
61 to 90 days overdue	-	-	-	-	-	0%
91 to 180 days overdue	-	-	-	-	-	0%
Over 180 days overdue	-	-	-	-	-	0%
Total pawnshop loans	**15,623**	**2,120**	**101**	**(51)**	**17,793**	**0%**

Housing loans						
Not overdue	11,979	522	129	(196)	12,434	2%
1 to 30 days overdue	23	137	6	(16)	150	10%

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

31 to 60 days overdue	-	6	-	(1)	5	17%
61 to 90 days overdue	-	-	26	(13)	13	50%
91 to 180 days overdue	-	-	46	(43)	3	93%
Over 180 days overdue	-	-	-	-	-	0%
Total housing loans	**12,002**	**665**	**207**	**(269)**	**12,605**	**5%**
Total loans to customers	**475,544**	**25,613**	**14,723**	**(15,415)**	**500,465**	**3%**

The following tables provide information on the credit quality of loans to customers as at December 31, 2023:

	Gross loans Stage 1 12-month ECL	**Gross loans Stage 2 Lifetime ECL – not credit- impaired**	**Gross loans Stage 3 Lifetime ECL – credit- impaired**	**ECL**	**Net loans**	**ECL allowance to gross loans %**
Analysis by product group:						
Micro business loans						
Not overdue	111,634	3,339	2,007	(2,405)	114,575	2%
1 to 30 days overdue	218	648	291	(245)	912	21%
31 to 60 days overdue	-	396	73	(105)	364	22%
61 to 90 days overdue	-	392	103	(182)	313	37%
91 to 180 days overdue	-	-	1,398	(962)	436	69%
Over 180 days overdue	-	-	-	-	-	0%
Total micro business loans	**111,852**	**4,775**	**3,872**	**(3,899)**	**116,600**	**3%**
Agricultural loans						
Not overdue	92,626	3,419	2,784	(5,280)	93,549	5%
1 to 30 days overdue	179	421	173	(184)	589	24%
31 to 60 days overdue	-	361	46	(93)	314	23%
61 to 90 days overdue	-	331	183	(241)	273	47%
91 to 180 days overdue	-	-	1,067	(758)	309	71%
Over 180 days overdue	-	-	-	-	-	0%
Total agricultural loans	**92,805**	**4,532**	**4,253**	**(6,556)**	**95,034**	**6%**
Consumer loans						
Not overdue	84,268	3,580	1,436	(2,772)	86,512	3%
1 to 30 days overdue	204	517	146	(189)	678	22%
31 to 60 days overdue	-	264	86	(140)	210	40%
61 to 90 days overdue	-	223	153	(201)	175	53%
91 to 180 days overdue	-	-	766	(523)	243	68%
Over 180 days overdue	-	-	-	-	-	0%
Total consumer loans	**84,472**	**4,584**	**2,587**	**(3,825)**	**87,818**	**4%**
Fast instalment loans						
Not overdue	50,510	457	76	(1,117)	49,926	2%
1 to 30 days overdue	154	201	13	(28)	340	8%
31 to 60 days overdue	-	192	11	(44)	159	22%
61 to 90 days overdue	-	152	31	(62)	121	34%
91 to 180 days overdue	-	-	632	(383)	249	61%
Over 180 days overdue	-	-	-	-	-	0%
Total fast instalment loans	**50,664**	**1,002**	**763**	**(1,634)**	**50,795**	**3s%**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

	Gross loans Stage 1 12-month ECL	Gross loans Stage 2 Lifetime ECL – not credit- impaired	Gross loans Stage 3 Lifetime ECL – credit- impaired	ECL	Net loans	ECL allowance to gross loans %
SME loans						
Not overdue	35,372	3,755	3,192	(1,884)	40,435	4%
1 to 30 days overdue	-	44	183	(90)	137	40%
31 to 60 days overdue	-	57	-	(8)	49	14%
61 to 90 days overdue	-	12	23	(14)	21	40%
91 to 180 days overdue	-	-	287	(184)	103	64%
Over 180 days overdue	-	-	-	-	-	0%
Total SME loans	**35,372**	**3,868**	**3,685**	**(2,180)**	**40,745**	**5%**
Pawnshop loans						
Not overdue	15,529	2,969	206	(68)	18,636	0%
1 to 30 days overdue	39	153	12	(3)	201	1%
31 to 60 days overdue	-	-	21	(6)	15	29%
61 to 90 days overdue	-	-	4	(1)	3	25%
91 to 180 days overdue	-	-	-	-	-	0%
Over 180 days overdue	-	-	-	-	-	0%
Total pawnshop loans	**15,568**	**3,122**	**243**	**(78)**	**18,855**	**0%**
Housing loans						
Not overdue	14,846	1,195	306	(236)	16,111	1%
1 to 30 days overdue	-	34	26	(18)	42	30%
31 to 60 days overdue	-	-	3	(2)	1	67%
61 to 90 days overdue	-	27	1	(14)	14	50%
91 to 180 days overdue	-	-	10	(7)	3	70%
Over 180 days overdue	-	-	-	-	-	0%
Total housing loans	**14,846**	**1,256**	**346**	**(277)**	**16,171**	**2%**
Total loans to customers	**405,579**	**23,139**	**15,749**	**(18,449)**	**426,018**	**4%**

During the years ended December 31, 2024 and 2023, the Group modified the contractual cash flows on certain loans to customers. All such loans were transferred to at least Stage 2 with a loss allowance measured at an amount equal to lifetime expected credit losses. Therefore, there are no loans with modified contractual cash flows transferred to Stage 1 from Stage 2 or Stage 3.

Credit quality of net investments in leases

The following tables provide information on the credit quality of net investments in leases as at December 31, 2024:

	Investments in leases Stage 1 12-month ECL	Investments in leases Stage 2 Lifetime ECL – not credit- impaired	Investments in leases Stage 3 Lifetime ECL – credit- impaired	ECL	Net investments in leases	ECL allowance to investments in leases %
Not overdue	10,802	734	519	(215)	11,840	2%
1 to 30 days overdue	362	194	50	(41)	565	7%
31 to 60 days overdue	-	475	214	(123)	566	18%
61 to 90 days overdue	-	225	251	(40)	436	8%
91 to 180 days overdue	-	-	868	(120)	748	14%
Over 180 days overdue	-	-	219	(54)	165	25%
Total investments in leases	**11,164**	**1,628**	**2,121**	**(593)**	**14,320**	**4%**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

The following tables provide information on the credit quality of net investments in leases as at December 31, 2023:

	Investments in leases Stage 1 12-month ECL	Investments in leases Stage 2 Lifetime ECL – not credit- impaired	Investments in leases Stage 3 Lifetime ECL – credit- impaired	ECL	Net investments in leases	ECL allowance to investments in leases %
Not overdue	9,308	216	277	(95)	9,706	1%
1 to 30 days overdue	638	73	38	(5)	744	1%
31 to 60 days overdue	-	595	64	(7)	652	1%
61 to 90 days overdue	-	186	-	(1)	185	1%
91 to 180 days overdue	-	-	1,273	(293)	980	23%
Over 180 days overdue	-	-	192	(40)	152	21%
Total investments in leases	**9,946**	**1,070**	**1,844**	**(441)**	**12,419**	**3%**

Analysis of collateral and other credit enhancements

The following table provides the analysis of the loan portfolio, net of impairment:

	December 31, 2024	% of loan portfolio	December 31, 2023	% of loan portfolio
Loans with no collateral	376,351	75%	315,299	74%
Loans with collateral	124,114	25%	110,719	26%
Total	**500,465**	**100%**	**426,018**	**100%**

	December 31, 2024	December 31, 2024	December 31, 2024	December 31, 2024
Type of collateral	**Gross carrying amount**	**ECL**	**Carrying amount**	**Collateral Fair Value**
Real estate	57,540	(2,727)	54,813	257,958
Precious metals	12,545	(16)	12,529	21,054
Movable property	57,030	(258)	56,772	116,741
Non-collateralized	388,765	(12,414)	376,351	-
Total	**515,880**	**(15,415)**	**500,465**	**395,753**

	December 31, 2023	December 31, 2023	December 31, 2023	December 31, 2023
Type of collateral	**Gross carrying amount**	**ECL**	**Carrying amount**	**Collateral Fair Value**
Real estate	60,554	(2,939)	57,615	244,510
Precious metals	18,930	(78)	18,852	21,902
Movable property	35,118	(866)	34,252	73,306
Non-collateralized	329,865	(14,566)	315,299	-
Total	**444,467**	**(18,449)**	**426,018**	**339,718**

Loans with collateral are mainly secured by real estate, movable property and precious metals. In addition, the majority of the loans are collateralized by sureties. Secured loans are mainly included in the pawn shop, service, trade and agricultural loan categories.

Stage 3 loans are mostly collateralized by real estate, however a certain part of portfolio is not secured.

Management estimates that the fair value of collateral estimated at the inception of the loans is at least equal to the carrying amounts of corresponding secured loans as at December 31, 2024 and 2023, excluding the effect of overcollateralization. Due to the low loan-to-value ratio, the management does not expect any possible negative movements in market prices to have a significant impact on recoverability of the loans.

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

Sureties received from individuals are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral.

Repossessed assets are presented in other assets. Refer to Note 19.

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 net investments in leases as at December 31, 2024 and December 12, 2023 would have been higher by GEL 1,865 thousand and GEL 1,483 thousand, respectively.

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 auto loans as at December 31, 2024 would have been higher by GEL 927 thousand.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk for the Group arises from open positions in interest rates, which are exposed to general and specific market movements and changes in the level of foreign currency rates.

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

Overall authority for market risk is vested in the ALCO.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position is presented by the lower of interest rate receipt date or maturity date of financial instruments:

	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
December 31, 2024							
ASSETS							
Cash and cash equivalents	5,827	-	-	-	-	18,859	24,686
Financial assets at fair value through profit or loss	472	403	-	3,628	-	-	4,503
Loans to customers	98,548	63,652	116,262	219,404	2,599	-	500,465
Net investments in leases	2,573	2,574	5,148	4,025	-	-	14,320
Other financial assets	-	-	-	-	-	3,454	3,454
	107,420	**66,629**	**121,410**	**227,057**	**2,599**	**22,313**	**547,428**

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
LIABILITIES							
Promissory notes	4,297	2,828	5,479	846	-	-	13,450
Debt securities issued	26,297	-	-	-	-	-	26,297
Borrowed funds	207,395	3,466	22,072	155,175	-	-	388,108
Subordinated debt	5,893	2,942	2,788	11,708	-	-	23,331
Lease liability	1,263	898	1,842	7,744	652		12,399
Other financial liabilities	-	-	-	-	-	15,139	15,139
	245,145	**10,134**	**32,181**	**175,473**	**652**	**15,139**	**478,724**
Interest sensitivity gap	**(137,725)**	**56,495**	**89,229**	**51,584**	**1,947**	**7,174**	
Cumulative interest sensitivity gap	**(137,725)**	**(81,230)**	**7,999**	**59,583**	**61,530**	**68,704**	

	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
December 31, 2023							
ASSETS							
Cash and cash equivalents	305	-	-	-	-	7,948	8,253
Financial assets at fair value through profit or loss	123	221	472	-	-	-	816
Loans to customers	89,834	55,354	99,415	179,049	2,366	-	426,018
Net investments in leases	2,345	2,346	4,692	3,036	-	-	12,419
Other financial assets	-	-	-	-	-	5,036	5,036
	92,607	**57,921**	**104,579**	**182,085**	**2,366**	**12,984**	**452,542**
LIABILITIES							
Dividends payable	-	997	-	-	-	-	997
Promissory notes	473	540	317	-	-	-	1,330
Debt securities issued	26,406	-	-	-	-	-	26,406
Borrowed funds	222,228	15,032	24,430	70,613	-	-	332,303
Subordinated debt	149	154	2,671	10,687	3,206	-	16,867
Lease liability	1,157	856	1,658	5,952	66	-	9,689
Other financial liabilities	-	-	-	-	-	13,659	13,659
	250,413	**17,579**	**29,076**	**87,252**	**3,272**	**13,659**	**401,251**
Interest sensitivity gap	**(157,806)**	**40,342**	**75,503**	**94,833**	**(906)**	**(675)**	
Cumulative interest sensitivity gap	**(157,806)**	**(117,464)**	**(41,961)**	**52,872**	**51,966**	**51,291**	

Average effective interest rates

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

	2024			2023		
	Average effective interest rate, %			Average effective interest rate, %		
	GEL	USD	EUR	GEL	USD	EUR
Interest bearing assets						
Cash and cash equivalents	5.47%	1.00%	-	5.69%	1.00%	-
Loans to customers	35.77%	19.88%	-	35.54%	18.73%	-
Net investments in leases	39.72%	-	-	38.63%	-	-

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

	2024			2023		
	Average effective interest rate, %			Average effective interest rate, %		
	GEL	USD	EUR	GEL	USD	EUR
Interest bearing liabilities						
Promissory notes	13.36%	5.93%	4.50%	13.75%	6.37%	-
Debt securities issued	13.46%	-	-	15.57%	-	-
Borrowed funds	12.68%	7.58%	6.84%	13.46%	6.61%	-
Subordinated debt	-	9.79%	-	-	8.83%	-

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2024 and 2023, is as follows:

	2024	2023
100 bp parallel fall	503	752
100 bp parallel rise	(503)	(752)

Part of the Group's borrowings are at floating rates, linked to NBG refinance, TIBR and SOFR rate. Loan rates can be changed upon renewal of the loans. Therefore, Group aims to obtain preferably fixed rate debt funding to reduce the risk of re–pricing from the funding side.

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 of financial liabilities held at 31 December:

Currency	2024	2023
GEL (+1%/–1%)	2,194 / (2,194)	2,406 / (2,406)
USD (+1/–1%)	84 / (84)	30 / (30)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk through use of back to back loans which are classified as derivatives (see Note 13), such activities do not qualify as hedging relationships in accordance with IFRS.

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

	EUR	USD	Other	Total
ASSETS				
Cash and cash equivalents	3,564	3,740	768	8,072
Loans to customers	-	47	-	47
Other financial assets	5	115	-	120
Total assets	**3,569**	**3,902**	**768**	**8,239**
LIABILITIES				
Promissory notes	297	4,912	-	5,209
Borrowed funds	32,421	159,132	-	191,553
Subordinated debt	-	23,331	-	23,331

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

	EUR	USD	Other	Total
Lease liability	-	10,259	-	10,259
Other financial liabilities	6	120	-	126
Total liabilities	**32,724**	**197,754**	**-**	**230,478**
Net position	**(29,155)**	**(193,852)**	**768**	**(222,239)**
The effect of derivatives held for risk management	**30,156**	**196,826**	**(563)**	**226,419**
Net position after derivatives held for risk management purposes	**1,001**	**2,974**	**205**	**4,180**

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

	EUR	USD	Other	Total
ASSETS				
Cash and cash equivalents	1,175	1,566	247	2,988
Loans to customers	-	109	-	109
Other financial assets	131	170	-	301
Total assets	**1,306**	**1,845**	**247**	**3,398**
LIABILITIES				
Promissory notes	-	1,107	-	1,107
Borrowed funds	-	113,539	-	113,539
Subordinated debt	-	16,867	-	16,867
Lease liability	-	7,497	-	7,497
Other financial liabilities	1	4	-	5
Total liabilities	**1**	**139,014**	**-**	**139,015**
Net position	**1,305**	**(137,169)**	**247**	**(135,617)**
The effect of derivatives held for risk management	**(1,279)**	**139,480**	**(1,626)**	**136,575**
Net position after derivatives held for risk management purposes	**26**	**2,311**	**(1,379)**	**958**

The following significant exchange rates were applied during the year:

in GEL	**Average rate**		**Reporting date spot rate**	
	2024	**2023**	**2024**	**2023**
USD 1	2.7191	2.6279	2.8068	2.6894
EUR 1	2.9469	2.8416	2.9306	2.9753

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

	2024	**2023**
10% appreciation of USD against GEL	238	185
10% appreciation of EUR against GEL	80	2

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

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Executive and Supervisory Boards.

The Group seeks to actively support a diversified and stable funding base comprising long- term and short-term loans from other banks and other financial institutions, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- Projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining debt financing plans;
- Maintaining liquidity and funding contingency plans.

Liquidity position is monitored by the Finance Department and the ALCO. Under the normal market conditions, information on the liquidity position are presented to the Management Risk Committee on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Finance Department.

The Group defines certain limits and early indicators to monitor its liquidity, predict and detect potential issues and act upon them in a timely manner. Monitoring inter-bank dependence ratio, whereby liabilities to banks shouldn't exceed an internally established limit, and ensuring 3-month liquidity horizon, whereby available liquid funds should be sufficient to meet obligations for the next 3 months, are a few of them. In addition, the Group complies with the Regulatory Liquidity ratio, as established by the National Bank of Georgia, whereby the average liquid assets should at least be 18% of the average total liabilities post deductions.

The following tables show the undiscounted cash flows on financial liabilities and on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liabilities.

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Financial liabilities							
Promissory notes	1,036	3,328	2,912	5,553	846	13,675	13,450
Debt securities issued	-	28,342	-	-	-	28,342	26,297
Borrowed funds	2,567	29,398	41,168	108,744	247,502	429,379	388,108
Subordinated debt	142	175	154	3,747	25,070	29,288	23,331
Lease liability	379	765	1,153	2,286	9,812	14,395	12,399
Other financial liabilities	11,011	94	-	3,490	544	15,139	15,139
Total financial liabilities	**15,135**	**62,102**	**45,387**	**123,820**	**283,774**	**530,218**	**478,724**

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Financial liabilities							
Dividends payable	-	-	997	-	-	997	997
Promissory notes	473	5	547	323	-	1,348	1,330
Debt securities issued	-	1,560	-	1,990	26,902	30,452	26,406
Borrowed funds	1,751	32,547	44,340	126,961	163,974	369,573	332,303
Subordinated debt	149	-	154	3,379	17,191	20,873	16,867
Lease liability	356	700	1,032	1,969	6,693	10,750	9,689
Other financial liabilities	11,099	-	-	2,560	-	13,659	13,659
Total financial liabilities	**13,828**	**34,812**	**47,070**	**137,182**	**214,760**	**447,652**	**401,251**

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Overdue	Total
ASSETS							
Cash and cash equivalents	24,686	-	-	-	-	-	24,686
Financial assets at fair value through profit or loss	453	19	403	3,628	-	-	4,503
Loans to customers	43,560	44,784	179,914	219,404	2,599	10,204	500,465
Net investments in leases	858	1,716	7,201	4,025	-	520	14,320
Other financial assets	1,391	17	164	1,846	-	36	3,454
Total assets	**70,948**	**46,536**	**187,682**	**228,903**	**2,599**	**10,760**	**547,428**
LIABILITIES							
Promissory notes	1,036	3,261	8,307	846	-	-	13,450
Debt securities issued	-	26,297	-	-	-	-	26,297
Borrowed funds	2,566	28,827	132,415	224,300	-	-	388,108
Subordinated debt	142	175	2,942	15,890	4,182	-	23,331
Lease liability	597	666	2,740	7,744	652	-	12,399
Other financial liabilities	11,011	94	3,490	544	-	-	15,139
Total liabilities	**15,352**	**59,320**	**149,894**	**249,324**	**4,834**	**-**	**478,724**
Net position	**55,596**	**(12,784)**	**37,788**	**(20,421)**	**(2,235)**	**10,760**	**68,704**

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

Notes to the consolidated and separate financial statements for the year ended 31 december 2024 (in thousands of georgian lari)

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Overdue	Total
ASSETS							
Cash and cash equivalents	8,253	-	-	-	-	-	8,253
Financial assets at fair value through profit or loss	11	112	693	-	-	-	816
Loans to customers	43,655	39,905	154,769	179,049	2,366	6,274	426,018
Net investments in leases	782	1,564	6,478	3,036	-	559	12,419
Other financial assets	3,123	3	70	1,797	9	34	5,036
Total assets	**55,824**	**41,584**	**162,010**	**183,882**	**2,375**	**6,867**	**452,542**
LIABILITIES							
Dividends payable	-	-	997	-	-	-	997
Promissory notes	473	-	857	-	-	-	1,330
Debt securities issued	-	1,558	-	24,848	-	-	26,406
Borrowed funds	1,750	32,062	155,218	143,273	-	-	332,303
Subordinated debt	149	-	2,826	10,686	3,206	-	16,867
Lease liability	583	574	2,514	5,952	66	-	9,689
Other financial liabilities	11,099	-	2,560	-	-	-	13,659
Total liabilities	**14,054**	**34,194**	**164,972**	**184,759**	**3,272**	**-**	**401,251**
Net position	**40,140**	**7,390**	**(2,962)**	**(877)**	**(897)**	**8,497**	**51,291**

GEOGRAPHICAL RISK

As at December 31, 2024 and 2023 the Group's all financial assets are located in Georgia and its business plans are critically dependent on the stability and rule of law in the country. Georgia continues to display certain characteristics of an emerging market. As such, the Group is exposed to any deterioration of the business or legal environment within the country.

As at December 31, 2024 Group has borrowed funds (including subordinated debt, debt securities issued and promissory notes) of GEL 266,298 thousand, GEL 132,831 thousand, GEL 26,521 thousand and GEL 25,536 thousand received from counterparties registered in Europe, Georgia, Asia and the USA, respectively. As at December 31, 2023 Group has borrowed funds (including subordinated debt, debt securities issued and promissory notes) of GEL 210,609 thousand, GEL 146,940 thousand and GEL 20,357 thousand received from counterparties registered in Europe, Georgia and the USA, respectively.

31. SUBSEQUENT EVENTS

The Group has received the following funding subsequent to the reporting period:

- Borrowed funds of GEL 38,138 thousand and USD 10,500 thousand from different international financial institutions and local commercial banks;
- Subordinated debt of USD 2,700 thousand from an international financial institution, which will further strengthen the Group's regulatory capital adequacy position;
- Multiple promissory notes amounting to GEL 8,034 thousand, USD 2,127 thousand and EUR 1,104 thousand from local physical individuals and legal entities.

In February 2025 the Group repaid GEL 25,000 thousand first ever certified gender bond in the region, issued 2-years prior.

In February 2025, having successfully undergone all of the steps of banking transformation and met respective regulatory requirements, the Bank succeeded in obtaining micro banking license from the National Bank of Georgia. This enables the Group to offer a wider range of products and services to its existing customer base, expand beyond its current segment and gain access to additional fundings mechanisms.

In 2025 the Group declared and paid dividends of GEL 3,340 thousand to its shareholders, dividends per share amounting to GEL 0.92.

ANNEX


ES

Annex 1

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE AS OF 2024*

UK Corporate Governance Code	Status
1. Board Leadership and Company Purpose	5.0
A.: Effective Board	Fully
B: Company purpose and culture	Fully
C: Resources and controls	Fully
D: Engagement with stakeholders	Fully
E: Workforce policies	Fully
2. Division of Responsibilities	5.0
F: Role of a Chair	Fully
G: Independent members	Fully
H: Board effectiveness	Fully
I: Sufficient Board resources	Fully
3. Composition, Succession and Evaluation	3.0
J: Appointment and succession	Partly
K: Combination of skills, re-election	Fully
L: Annual evaluation	Fully
4. Audit, Risk and Internal Control	5.0
M: Effectiveness of audit	Fully
N: Risk disclosure	Fully
O: Internal controls and risk management	Fully
5. Remuneration	5.0
P: Executive remuneration	Fully
Q: Transparent procedure	Fully
R: Independent judgement	Fully
TOTAL SCORE	23.0

Note: Fully compliant is measured by 5, partly by 3 and non-compliant by 0.

For the full text of the code please see: https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code

COMMENTS ON COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

D: There is no effective engagement with employees, i.e. in the form of a workforce advisory panel. Thus, the company partly meets this standard.

F: While the Chairman is separate from the Chief Executive, he cannot be considered independent according to UK Corporate Governance Code, as, being the largest individual shareholder, he has served for over nine years on the Board. Nevertheless, within all other criteria, including those related to overall effectiveness in directing the company, promotion of a culture of openness and debate, assessment of the Chairman, and appointment of Senior Independent Director, the company is in compliance with the standards, thus partly meeting the requirement for principle F.

J: Whilst there is a rigorous appointment procedure for members of the Board, there are no succession plans in place, leaving this criterion partly fulfilled.

K: Re-election does not take place on an annual basis. The chair has been appointed for over nine years, although he assumed the renewed role of Chairman of the Supervisory Board in 2023. Crystal does not use any external consultancy for appointing Board members. Therefore, the criterion is partly fulfilled.

* Not audited

Annex 2

A LIST OF ABBREVIATIONS:

ACCA Association of Chartered Certified Accountants

ADB Asian Development Bank

AFD Agence Française de Développement

ALCO Assets and Liabilities Committee

AML Anti-money laundering

BARTA Best Annual Report and Transparency Competition

BCP Business Continuity Plan

BIC Bank Identifier Code

CA Current Account

CAR Capital Adequacy Ratio

CHCA Charity Humanitarian Centre Abkhazeti

CO2 Carbon Dioxide

EBRD European Bank for Reconstruction and Development

E&S Environmental and social

ESG Environmental Social and Governance

EU European Union

FDI Foreign Direct Investment

GDP Gross Domestic Product

GEL Georgian Lari

IFRS International Financial Reporting Standards

JSC Joint Stock Company

KPI Key Performance Indicator

LLC Limited Liability Company

MPR Monetary Policy Rate

MSME Micro, Small and Medium Enterprises

NRA New Risk Assessment

NPL Non-Performing Loans

PAR Portfolio at Risk

PP Percentage Point

RED Risk Events Database

ROA Return on Assets

ROE Return on Equity

SB Supervisory Board

SDG Sustainable Development Goal

SID Senior Independent Director

SMS Short Messaging Service

SWIFT Society for Worldwide Interbank Financial Telecommunication

UN United Nations

USD United States Dollar

USAID United States Agency for International Development

YoY Year-over-year