

**JSC MICROFINANCE ORGANIZATION
SWISS CAPITAL**

Financial Statements

31 December 2024

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Independent auditor's report

To the Shareholders of JSC MFO Swiss Capital

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management Report

Management is responsible for the Management Report. Our opinion on the financial statements does not cover the Management Report.

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

We do not express any form of assurance conclusion on the Management Report. We have read the Management Report and based on the work we have performed, we conclude that the Management Report:

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

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditors' report is:

Nikoloz Chochua

KPMG Georgia LLC


20 May 2025

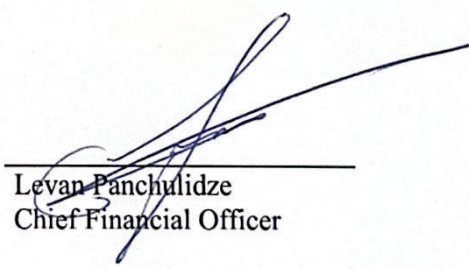


JSC Microfinance Organization Swiss Capital
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2024
(In '000 Gel)

	Note	2024	2023
Interest income	6	65,783	57,335
Interest expense	6	(16,845)	(16,865)
Net interest income		48,938	40,470
Loan impairment charge	11	(3,357)	(4,393)
Net interest income after impairment losses		45,581	36,077
Other income	7	6,570	5,663
Net loss on financial instruments at fair value through profit or loss		(14)	(437)
Personnel expenses	18	(14,082)	(11,451)
Depreciation and amortisation		(2,894)	(2,543)
Other operating expenses	8	(8,379)	(7,055)
Foreign exchange (loss)/gain, net		(370)	837
Profit before income tax		26,412	21,091
Income tax expense	9	(5,179)	(4,374)
Total comprehensive income		21,233	16,717

Financial statements for the year ended 31 December 2024 were approved on behalf of Management on 20 May 2025 by:


Givi Kereselidze
Chief Executive Officer


Levan Panchulidze
Chief Financial Officer

JSC Microfinance Organization Swiss Capital
Statement of Financial Position as at 31 December 2024
(In '000 Gel)

	Note	31 December 2024	31 December 2023
Assets			
Cash and cash equivalents	10	11,691	30,886
Loans to customers	11	215,727	183,374
Financial instruments at fair value through profit or loss		51	-
Other assets	12	1,732	1,423
Intangible assets		500	399
Right-of-use assets	13	10,347	6,262
Property and equipment	14	3,966	3,559
Total assets		244,014	225,903
Liabilities and equity			
Liabilities			
Borrowed funds	15	131,761	131,612
Financial instruments at fair value through profit or loss		185	124
Tax liabilities	16	885	1,999
Deferred tax liability	9	68	121
Lease liabilities	13	10,816	6,245
Other liabilities	17	919	968
Total liabilities		144,634	141,069
Equity			
Share capital	19	4,175	4,175
Share Premium	19	2,068	2,068
Retained earnings	19	93,137	78,591
Total equity		99,380	84,834
Total liabilities and equity		244,014	225,903

JSC Microfinance Organization Swiss Capital
Statement of Changes in Equity for the year ended 31 December 2024
(In '000 Gel)

	Share capital	Share premium	Retained earnings	Total Equity
At 1 January December 2023	4,175	2,068	66,441	72,684
Profit for the year	-	-	16,717	16,717
Dividends declared	-	-	(4,567)	(4,567)
At 31 December 2023	4,175	2,068	78,591	84,834
At 1 January 2024	4,175	2,068	78,591	84,834
Profit for the year	-	-	21,233	21,233
Dividends declared	-	-	(6,687)	(6,687)
At 31 December 2024	4,175	2,068	93,137	99,380

JSC Microfinance Organization Swiss Capital
Statement of Cash Flows for the year ended 31 December 2024
(In '000 Gel)

	2024	2023
Cash flows from operating activities		
Interest received	62,154	53,764
Proceeds from loans to customers	238,510	193,771
Receipts from penalties	5,672	4,976
Loans issued to customers	(264,134)	(215,245)
Purchase of loan portfolio	(3,086)	-
Other operating expenses paid	(9,184)	(7,468)
Salaries paid	(11,142)	(8,529)
Other inflows	2,981	2,323
Other outflows	(3,908)	(4,076)
Financial instruments at fair value through profit or loss	78	(437)
Other taxes paid	(3,286)	(3,353)
Income tax paid	(6,380)	(1,658)
Interest paid	(17,053)	(16,691)
Net cash used in operating activities	(8,778)	(2,623)
Cash flows from investing activities		
Sale of property, equipment and intangible assets	8	-
Purchases of property, equipment and intangible assets	(1,619)	(1,756)
Net cash used in investing activities	(1,611)	(1,756)
Cash flows from financing activities		
Receipts from borrowed funds excluding promissory notes	31,819	32,604
Repayment of borrowed funds excluding promissory notes	(32,593)	(2,329)
Principal paid on lease liabilities	(1,589)	(1,402)
Dividends paid	(6,687)	(4,817)
Net cash (used in)/from financing activities	(9,050)	24,056
Net (decrease) / increase in cash and cash equivalents	(19,439)	19,677
Cash and cash equivalents at the beginning of year	30,886	10,964
Effect of changes in foreign exchange rate on cash and cash equivalents	244	245
Cash and cash equivalents at the end of the year	11,691	30,886

Material Non-Cash item is disclosed in Note 15 of these financial statements.

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1. General information

(a) Organisation and operations

JSC Microfinance Organization Swiss Capital (hereinafter “the Company”) was initially registered in 2009 in Tbilisi, Georgia. The legal address of the Company is: Didube district, Akaki Tsereteli Avenue, N118, Pavilion I, Tbilisi, Georgia. The Company is registered by Tbilisi Tax Inspection Department, under identification number 205274273.

The supreme governing body of the Company is the General Meeting of Shareholders. The supervision of the Company’s operations is conducted by the Supervisory Board, members of which are appointed by the General Meeting of the Shareholders. Daily management of the Company is carried out by the Director appointed by the Supervisory Board.

The main business activity of the Company is micro lending. The Company’s aim is to become one of the leading micro lenders in Georgia by leveraging its customer tailored product mix, experience and dedicated staff. The Company’s credit products are consumer and business loans. Consumer loans can be collateralized by real estate, vehicles or gold. Both, immovable and movable property can be collateral for a business loan. In addition, the Company provides business loans without collateral. The Company’s non-credit products are foreign exchange operations and money transfers.

For the year ended 31 December 2024 the Company has a head office and 34 service centers around Georgia (2023: a head office and 31 service centers).

The Company has the following shareholders:

Shareholders	31 December 2024, %	31 December 2023, %
JSC Swiss Holdings	50.00%	50.00%
Eyal Elboim	30.00%	30.00%
Amir Yoeli	17.00%	17.00%
Paata Daiauri	2.00%	2.00%
LLC A.I. Investments	1.00%	1.00%
	100.00%	100.00%

As at 31 December 2024 and 2023 the Company’s immediate parent is JSC Swiss Holdings, an entity incorporated in Georgia.

As at 31 December 2024 and 2023 the Company’s ultimate controlling party is David Bechor who owns 61% shareholding in JSC Swiss Holdings.

As at 31 December 2024 and 2023, JSC “Microfinance Organization Swiss Capital” has a 100% ownership subsidiary company – “Swiss Capital Group” LLC. The subsidiary is a dormant entity and did not conduct substantial operations during 2024 and 2023, also it did not hold substantial assets and liabilities at the end of the reporting years.

(b) Business environment

The Company’s operations are located in Georgia. Consequently, the Company is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia.

The financial statements reflect management’s assessment of the impact of the Georgian business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (“IFRS Accounting Standards”).

The preparation of financial statements in compliance with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements are disclosed in Note 4. The principal accounting policies adopted in the preparation of the financial statements are set in Note 3.

(b) Basis of measurement

These financial statements have been prepared under the historical cost basis except for the derivative financial instruments which are carried at fair value through profit or loss.

(c) Functional and presentation currency

The national currency of Georgia is the Georgian Lari (“GEL”), which is the Company’s functional currency and the currency in which these financial statements are presented .

Amounts in the financial statements are presented to the nearest thousand, unless otherwise stated.

The reporting period for the Company is the calendar year from 1 January to 31 December.

(d) Going concern

These financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. The management and the shareholders have the intention to further develop the business of the Company in Georgia. The Management is not aware of any significant uncertainties that may give rise to significant doubts about the Company’s ability to continue as a going concern. Therefore, the Management believes that going concern assumption is appropriate for the Company.

ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

A) STANDARDS AND AMENDMENTS MANDATORILY EFFECTIVE FROM 1 JANUARY 2024

Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7). On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (the Amendments). These Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the presentation requirements for liabilities and associated cash flows arising out of supply chain financing arrangements and related disclosures. In December 2020, the Committee published an Agenda Decision Supply Chain Financing Arrangements—Reverse Factoring that addressed this submission based on the requirements in IFRS Accounting Standards existing at that time. During this process, the feedback from stakeholders indicated limitations of the then existing requirements to address important information needs of users to understand the effects of supplier finance arrangements on an entity’s financial statements and to compare one entity with another. In response to this feedback, the IASB undertook a narrow-scope standard setting, leading to the Amendments. The Amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements.

The Company does not consider that the change has material effect on the financial statements.

Lease Liability in a Sale and Leaseback (Amendment to IFRS 16) . The IFRS Interpretations Committee issued an agenda decision in June 2020 – Sale and leaseback with Variable Payments. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

Classification of Liabilities as Current or Non-Current (Amendment to IAS 1). The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022. The amendments require that an entity’s right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.

Amendment – Noncurrent Liabilities with Covenants (Amendment to IAS 1). Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity’s right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of ‘settlement’ for the purpose of classifying a liability as current or non-current

B) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

Standards and Amendments Mandatorily Effective from 1 January 2025

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

If it is not stated otherwise, new standards and interpretations are not expected to have material effect on the Company’s financial statements.

Standards and Amendments Mandatorily Effective from 1 January 2026

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

settling financial liabilities using electronic payments system; and assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Company is in the process of assessing the impact of the new amendments.

Standards and Amendments Mandatorily Effective from 1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under indirect method.

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other".

3. Summary of material accounting policies

Principal accounting policies applied in the preparation of these financial statements are set out below.

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise

Foreign currency translation

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these financial statements are presented.

Monetary assets and liabilities are translated into functional currency at the official exchange rate for the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities at year-end official exchange rates are recognized in the statement of comprehensive income. Translation at year-end rates does not apply to non monetary items.

At 31 December 2024 and 2023 the closing exchange rates used for translating foreign currency balances to GEL/USD were 2.8068 and 2.6894 , respectively.

Financial instruments

In according to IFRS 9 – „Financial instruments”, the Company classifies all of its financial assets based on the business model. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). All of the Company's financial assets are measured at amortised cost.

All derivative instruments are measured at fair value through profit or loss (FVTPL).

Initial recognition of financial instruments

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

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

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

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Company recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Company recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognised.

Financial assets

Classification and subsequent measurement

On initial recognition, a financial asset is classified into one of the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL).

Financial assets at amortized cost

Financial asset at amortised cost is the most relevant measurement category to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

The Company's all financial assets are measured at amortised cost, except Derivative financial assets.

Business model assessment

There are three business models available under IFRS 9:

- **Hold to collect:** It is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the counterparty.
- **Hold to collect and sell:** this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- **Other:** all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

The assessment of business model requires judgment based on facts and circumstances at the date of the assessment. The business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on observable factors.

The Company has considered quantitative factors and qualitative factors such as how the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel; the risks that affect the performance of the business model and, in particular, the way those risks are managed; and how managers of the business are compensated.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL, because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Solely payments of principal and interest (SPPI)

If a financial asset is held in either to a Hold to Collect or a Hold to Collect and Sell business model, then assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition is required to determine the classification. The SPPI test is performed on an individual instrument basis.

Contractual cash flows, that represent solely payments of principal and Interest on the principal amount outstanding, are consistent with basic lending arrangement. Interest is consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are SPPI, the Company considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument which could affect whether the instrument is considered to meet the SPPI test.

If the SPPI test is failed, such financial assets are measured at FVTPL with interest earned recognised in other interest income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

Bases for ECL principles

In according to IFRS 9 requirements the Company records an allowance for expected credit loss (ECL) on all of its debt financial assets at amortised cost or FVOCI.

Equity instruments are not subject to impairment under IFRS 9.

The allowance is based on the ECL associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL.

Under IFRS 9, The Expected Credit Loss (ECL) is recognized as soon as a financial asset is recognized. The Company first evaluates individually whether objective evidence of impairment exists for loans that are individually significant. It then collectively assesses loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment available under the individual assessment.

Collectively assessed loans are grouped on the basis of shared credit risk characteristics, collateral type and product type.

Three stage approach

IFRS 9 introduces a three stage approach to impairment for Financial Instruments that are performing at the date of origination or purchase. This approach is summarised as follows:

Stage 1: The Company recognizes a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition. For those financial assets with a remaining maturity of less than 12 months, a PD is used that corresponds to the remaining maturity.

Stage 2: The Company recognizes a credit loss allowance at an amount equal to lifetime expected credit losses for those Financial Instruments which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default that represents the probability of default occurring over the remaining lifetime of the Financial Instrument.

Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1. Financial Instruments in stage 2 are not yet deemed to be credit-impaired.

Stage 3: If the Financial Instrument is credit-impaired, it is then moved to stage 3. The Company recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Default (PD) of 100 % for those Financial Instruments that are credit-impaired.

Allocating issued loans on stages based on overdue days are as follows:

Collateral type	Stage 1	Stage 2	Stage 3
Real estate	0-30	31-90	>90
Vehicles	0-30	31-90	>90
Gold	0-30	31-90	>90
Uncollateralized	0-30	31-90	>90

The Company automatically assigns stage 1 to the loan when it is issued. The loan is transferred to stage 2 if one of the following events occur:

- a) 31 days past due;
- b) Loan restructuring;
- c) Initiation of legal proceedings on collateral by third party;
- d) Criminal case against debtor or co-debtor;
- e) Loss of job by the borrower;
- f) Liquidation of a large part of the borrower's business;
- g) Significant deterioration of the sector in which the borrower operates.

Depending of the severity of last three cases the loan might be moved to Stage 3.

The loan is transferred from stage 2 to stage 1 if following events occur:

- h) Overdue days are between 0 and 30;
- i) Improvement of the circumstances for which the loan was moved to stage 2.

Restructured loans aren't transferred back to stage 1.

Defaulted loans are immediately moved to stage 3.

Definition of default

Default status is assigned/applied to the loan if one of the following events occur:

- a) 91 days past due;
- b) Death or disappearance of the debtor or co-debtor;
- c) Destruction or disappearance of collateral;
- d) Bankruptcy or liquidation of the business (Relevant in case of business loans).

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

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

Loan Restructuring

Restructuring operation/transaction is made within current liability. The agreement about changes in loan term is formed between the Company and borrower and the recalculation of loan schedule is done afterwards.

Loan restructuring is considered as change in credit risk for the Company. Restructured loans are not moved directly to stage 3 because such modification does not lead to material losses for the Company. Accordingly, restructured loans are moved to Stage 2. Restructured loans aren't transferred back to stage 1.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company 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 Company'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 Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

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

- The criteria are capable of identifying 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.

Forward-looking information

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

The Company 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.

The Company 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 analyzed:

- Real growth rate of GDP of Georgia;
- Inflation rate.

Forecasting of forward-looking information

The Company uses last 5 years statistics (in case of existence) updated annually to estimate correlation between default rates and macroeconomic variables (GDP growth, inflation) and when calculating expected credit loss, specific macroeconomic forecast scenarios are taken into account if only correlation with inflation and GDP growth is more than 0.3 and less than -0.5, accordingly.

The Company uses baseline, upside and adverse scenarios provided by National Bank of Georgia. Based on the recommendation of National Bank of Georgia, probability of 50% is assigned to the baseline scenario, while the upside and adverse scenarios are given probability of 25%. The Company uses Vasicek model to adjust probability of default for forward-looking information.

As at 31 December 2024 and 31 December 2023 the correlation between Company's default rates and macroeconomic variables was not strong enough to consider them for expected credit loss' calculation.

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).

Expected credit loss is measured separately for all segments. 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. The variables (excluding EAD) are calculated annually. EAD is updated every time the loan loss provision is calculated.

Probability of default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical rating models.

If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

The Company uses last 5 years statistics in case of existence (but not less than 2 years) to determine probability of default. This figure is calculated separately for all segments by applying migration matrix to the loan portfolio, which shows the probability that the loan portfolio will move from one bucket to another. Migration matrix is divided into following buckets:

Bucket	Days overdue	Restructuring status	Stage
1	Closed		
2	0	No	I
3	1-30	No	I
4	31-60	No	II
5	61-90	No	II
6	0-90	Yes	II
7	>90	Yes	III
8	>90	No	III

In case of default, default probability of 100% is assigned to the loan.

Exposure at default (EAD)

Exposure of default (EAD): The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial asset. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals discounted at the EIR, that must not exceed the limits set by the legislation.

EAD is calculated separately for all segments and is used to determine the amount of portfolio that may be subjected to credit risk at the moment of default. This figure is measured from outstanding loan amount considering expected changes and assuming that default occurs in the mid-year. Expected changes are the scheduled principal repayments till the forecasted overdue date and interest accrued from overdue date till the date when the loan becomes default.

Prepayment rate calculated on historical data is also considered and it reduces outstanding balance till the default date (It is used in calculations if only the average maturity of the loan exceeds 12 months). Exposure at default is calculated for each year during the weighted average contractual maturity of the portfolio.

Loss given default (LGD)

LGD is used to determine the amount of losses that may arise in case of default. In order to calculate loss given default, the Company uses loan amounts that were defaulted during last 5 years (in case of existence) and related cash inflows from default moment till reporting date.

Cash inflows are discounted by the weighted average effective interest rate that must not exceed the limits set by the legislation. Loss given default is calculated separately for all segments.

The tables below summarise PD and LGD ranges applied by the Company in Expected Credit Loss calculations:

	31 December 2024		31 December 2023	
<i>Loans collateralized by Vehicles</i>	PD	LGD	PD	LGD
Stage 1	3.5% - 12.2%	58.2%	3.8% - 2.4%	58.1%
Stage 2	7.9%-78.8%	58.2%	10.2%-78.5%	58.1%
Stage 3	100%	58.2%	100%	58.1%

	31 December 2024		31 December 2023	
<i>Loans collateralized by Real Estate</i>	PD	LGD	PD	LGD
Stage 1	2.5% - 10.3%	33.2%	2.7% - 9.8%	29.5%
Stage 2	10.1%-75.2%	33.2%	12.6%-71.4%	29.5%
Stage 3	100%	33.2%	100%	29.5%

	31 December 2024		31 December 2023	
<i>Loans collateralized by Gold</i>	PD	LGD	PD	LGD
Stage 1	7.1% - 20.4%	17.4%	8.3% - 21.5%	17.5%
Stage 2	46.2%-76.3%	17.4%	76.6%-74.9%	17.5%
Stage 3	100%	17.4%	100%	17.5%

	31 December 2024		31 December 2023	
<i>Other uncollateralized consumer loans</i>	PD	LGD	PD	LGD
Stage 1	10.9% - 53%	66.2%	11% - 48.3%	60.5%
Stage 2	28.5%-93.4%	66.2%	33.5%-90.8%	60.5%
Stage 3	100%	66.2%	100%	60.5%

Interest income recognition

For Financial Instruments in Stage 1 and Stage 2, the Company calculates interest income by applying the Effective Interest Rate (EIR) to the gross carrying amount. Interest income for financial assets in Stage 3 is calculated by applying the EIR to the amortised cost (i.e. the gross carrying amount less credit loss allowance). For Financial Instruments classified as purchased or originated credit-impaired only, interest income is calculated by applying a credit adjusted EIR to the amortised cost of these purchased or originated credit-impaired assets.

Financial liabilities

In according to IFRS 9 financial liabilities could be classified for one of these categories – “Financial liability at fair value through profit or loss” and “Other financial liabilities”. The Company has estimated which business model was sufficient to the Company’s financial liabilities and has classified them as “Other financial liabilities”, except derivatives.

Derivatives are measured at fair value through profit or loss (FVTPL).

The Company’s other financial liabilities comprise other liabilities, lease liabilities and borrowings.

Other financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to their release. The liabilities of such interest are subsequently recorded at amortized cost using the effective interest rate method which ensures accrual of interest on the carrying amount of the financial liability at constant rate. Interest expenses for any financial liability include the initial transaction costs and any additional charges for the redemption of the obligation.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial liabilities

The Company derecognises financial assets when, and only when, when the rights to receive cash flows from the contract expires or these rights shall be transferred to the other party along with all risks and benefits related to the right of ownership. Any share in the financial asset which is retained by the Company shall be recognized as a separate asset or liability.

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in other comprehensive income.

Loans to customers and receivables

Loans to customers and other receivables included in other assets in the 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 and subsequently at their amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, non-restricted cash on current accounts in banks, and non-restricted cash on bank deposits. Bank deposits with original maturities of more than three months that can be converted into cash after a short notice to a bank and bear insignificant risk of change in value are also classified as cash and cash equivalents.

The Company creates allowance for cash and cash equivalents which are held in commercial banks. To estimate default probability the Company uses rating given to financial organization by Standard & Poor’s, and default probability according to the rating. Each year the Company conducts a test to determine how accurately the probability of default, as well as 1-year ECL calculated according to IFRS 9 reflects the reality.

For this, the Company uses historical data of model PD. The test is assumed to be passed if the difference between model PD and historical default rate does not exceed one standard deviation. Otherwise, the Company determines the reasons for the deviation and makes appropriate adjustments according to it.

Impairment reserve of cash and cash equivalents is immaterial as at 31 December 2024 and 2023.

Derivative financial instruments

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

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.

Borrowed funds and other liabilities

Borrowed funds and other liabilities are initially recognised at fair value. Subsequently they are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings, using the effective interest method.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. The right of use assets were depreciated for a period of 2-12 years during the current and comparable period.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the updated discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Reposessed collateral

Reposessed collateral represents non-financial assets acquired by the Company in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in property and equipment, investment property or inventories within other assets depending on their nature and the intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Assets, that are classified as inventories, are valued at lower of book value and net realizable value.

Property and equipment

All property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or devalued amounts to their residual values over their estimated useful lives, as follows:

Group	Useful life (year)
Vehicles	5
Furniture	5
IT equipment	2-5
Leasehold improvements	2-12

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

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity where there is an intention to settle the balances on a net basis.

Share capital, share premium and dividends

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.

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.

Other reserves represent share issued by the Company and transferred to existing shareholders as an increase of share capital free of charge.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Recognition of interest income and expense

Interest income and expense are recorded in the statement of comprehensive income for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided.

Additional information for recognition of interest income is disclosed above, in the article **“Interest Income Recognition”**.

Staff costs and related contributions

Wages, salaries, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

Recognition of operating and administrative expenses

Operating and administrative expenses are recognized in the statement of comprehensive income if there arises any decrease of future economic profit related to the decrease of an asset or increase of a liability that can be reliably assessed.

Operating and administrative expenses are recognized in the statement of comprehensive income immediately, if the expenses do not result in future economic profit any more, or if future economic profit do not meet or stop to meet the requirements of recognition as an asset in the balance sheet.

Events after the reporting period

Events after the reporting period and events before the date of the financial statements authorization for issue, that provide additional information about the Company’s financial statements, are reported in the financial statements. Events after the reporting period that do not affect the financial position of the Company at the balance sheet date are disclosed in the Notes to the financial statements when material.

Provisions, contingent liabilities and contingent assets

Contingent liabilities are not reflected in the financial statements, except for the cases when the outflow of economic benefits is likely to begin and the amount of such liabilities can be reliably measured. The information on contingent liabilities is disclosed in the Notes to the financial statements except for cases when the outflow of economic benefits is unlikely.

Contingent assets are not reflected in the financial statements, but the information on them is disclosed when inflow of economic benefits is possible. If economic benefits are sure to occur, an asset and related income are recognized in the financial statements for the period, when the evaluation change occurred.

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. An obligating event is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.

A legal obligation is an obligation that derives from:

- (a) A contract (through its explicit or implicit terms);
- (b) Legislation; or
- (c) Other operation of law.

A constructive obligation is an obligation that derives from an entity's actions where:

- (a) By an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and
- (b) As a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

4. Use of estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

- 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.
- 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.
- Establishing forward-looking scenarios: When measuring ECL the Company 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.

Information about critical judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Measurement of expected credit losses. Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Lease term, incremental borrowing rate (IBR) and lease payments. The lease term is defined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease (including the renewal option implied through customary business practices) if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. Management applies judgement to determine the lease term when lease contracts include renewal options that are exercisable only by the Company. It considers all relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Company reassesses the lease term if there is a significant event or a change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew, or to terminate the lease.

The Management applies judgement to estimate the IBR. The Management uses an observable information to determine the base rate and adjustments for the lessee specific factors and the asset factors (the adjustment for security).

In Georgia it is customary that lease renewal option is implied through customary business practices and not all renewal options are documented within the lease agreements. In such cases, the initial measurement of the lease liability assumes the payments for renewal periods equal to the contractual amount and will remain unchanged throughout the lease term.

5. Financial instruments – risk management

Like other financial institutions, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Management of risk is fundamental to the business and is an essential element of the Company's operations. The Company is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk:
 - Interest rate risk
 - Currency risk

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

	31 December 2024	31 December 2023
Cash and cash equivalents	11,691	30,886
Loans to customers	215,727	183,374
Other financial assets	180	477
Borrowed funds	131,761	131,612
Other financial liabilities	919	968
Lease liabilities	10,816	6,245

General objectives, policies and processes

The risk management policies aim to identify, analyze and manage the risks faced by the Company, 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 have overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

Both external and internal risk factors are identified and managed throughout the Company. 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 Management monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

The overall objective of the Board is to set policies that seek to reduce risks as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the lending and other transactions with counterparties giving rise to financial assets.

The main business of the Company is to provide micro-loans. Respectively credit risk is of crucial importance in the Micro Financing Organisations (MFO) risk management. To avoid significant financial damage caused by this, the Company uses various methods to identify and manage effectively the credit risks.

The Company's credit policy is determined by the Credit Manual, where all the related procedures and requirements, along with respective controls are clearly defined, including loan disbursement, monitoring of delinquent loans, etc.

The Company established a number of credit committees which are responsible for approving credit limits.

The Credit Committee is the analytical body responsible for analysing the information in the loan applications, assessing and reducing the credit risks as much as possible. The Credit Committee is the independent body within MFO and authorized to make the final decision about financing or rejecting the loan application.

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. Eventually the Credit Committee members assess the application against the established criteria (applicant's credit history, financial condition, competitive ability, etc.).

Exposure to credit risk is also managed, in part, by securing loans with real estate or other materially valuable item.

Assessment of the applicant's creditworthiness through complete monitoring of its business allows timely avoiding the risk of financial loss. Monitoring is performed by credit officers who report the results to the management. For timely response to potential risks, monitoring results are presented to the management on a regular basis. The monitoring system helps to manage credit risks and timely neutralize them.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date in the statement of financial position was:

	31 December 2024	31 December 2023
Cash and cash equivalents (excluding cash on hand)	5,780	24,753
Loans to customers	215,727	183,374
Other financial assets	180	477
	221,687	208,604

The Company's credit department reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers it to be appropriate to provide ageing and other information about credit risk as disclosed in Note 11 and Note 3.

Market risk

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors.

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and foreign exchange rates (currency risk).

Interest rate risk

Interest rate risk arises from potential changes in market interest rates that can adversely affect the fair values of the financial assets and liabilities of the Company. This risk can arise from maturity mismatches of assets and liabilities, as well as from the re-pricing characteristics of such assets and liabilities.

The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's interest-bearing financial assets and interest-bearing financial liabilities at carrying amounts:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Total interest bearing financial assets	219,901	204,417
Total interest bearing financial liabilities	(142,577)	(137,857)
	<u>77,324</u>	<u>66,560</u>

The information about maturities of interest-bearing financial assets and interest-bearing financial liabilities is given in liquidity risk quantitative disclosures below.

The Company performs analysis of interest rate risk sensitivity.

The Company's all interest-bearing assets and liabilities are at fixed interest rates except for several borrowings. Total outstanding balances of these borrowings are GEL 78,493 thousand as at 31 December 2024 (2023: GEL77,083 thousand).

The Company's Management estimates that market interest rate fluctuations by 1% will affect profit or loss by GEL785 thousand (2023: GEL 771 thousand).

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company's exposure to foreign currency exchange rate risk as at 31 December 2024 is presented in the table below:

	<u>GEL</u>	<u>USD</u>	<u>Other currencies</u>	<u>Total</u>
Financial assets				
Cash and cash equivalents	5,038	4,860	1,793	11,691
Loans to customers	215,152	575	-	215,727
Other financial assets	180	-	-	180
	<u>220,370</u>	<u>5,435</u>	<u>1,793</u>	<u>227,598</u>
Financial liabilities				
Borrowed funds	104,023	26,266	1,472	131,761
Other financial liabilities	743	169	7	919
Lease liabilities	1,322	9,494	-	10,816
	<u>106,088</u>	<u>35,930</u>	<u>1,479</u>	<u>143,496</u>
Open balance sheet position*	<u>114,282</u>	<u>(30,495)</u>	<u>314</u>	<u>84,102</u>

The Company's exposure to foreign currency exchange rate risk as at 31 December 2023 is presented in the table below:

Financial assets	GEL	USD	Other currencies	Total
Cash and cash equivalents	15,046	13,791	2,049	30,886
Loans to customers	182,651	723	-	183,374
Other financial assets	421	37	19	477
	198,118	14,551	2,068	214,737
Financial liabilities				
Borrowed funds	106,413	25,199	-	131,612
Other financial liabilities	767	187	14	968
Lease liabilities	452	5,793	-	6,245
	107,632	31,179	14	138,825
Open balance sheet position*	90,486	(16,628)	2,054	75,912

* Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. Where the risk to the Company is considered to be significant, the Company's treasury will enter into a USD/GEL exchange forward and swap contracts with a local commercial banks. At 31 December 2024 and 31 December 2023 the contracts are collateralized with the credit lines.

These financial instruments are mainly used for managing foreign currency exchange risks related to future lease and borrowing payments.

The principal amounts of outstanding forward and swap foreign exchange contracts amounted GEL 26,798 (USD 9,500) thousand and GEL 16,758 (USD 6,231) thousand as at 31 December 2024 and 2023, respectively.

Total gain (loss) from fair value change of forward and swap contracts amounted to GEL 14 thousand (loss) and GEL 437 thousand (loss) during the 2024 and 2023 years, respectively.

To manage foreign currency exchange rate risks, the Company enters into a USD/GEL forward contract with local commercial banks.

Currency risk sensitivity

The following table details the Company's sensitivity to a 20% increase and decrease in the USD against the GEL. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates.

Impact on total comprehensive income and equity based on asset values, considering the effect of forward contracts can be presented as follows:

Currency rate sensitivity	31 December 2024		31 December 2023	
	+20%	-20%	+20%	-20%
USD impact	(766)	766	26	(26)
Other impact	63	(63)	411	(411)
	(703)	703	437	(437)

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet loan repayments and other financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching 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 transactions are often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to meet all cash flow obligations as they become due. The liquidity policy is reviewed and approved by Supervisory Board. The Company seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from banks, related parties, promissory notes, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

In order to manage liquidity risk, the Company performs regular monitoring of future expected cash flows, which is a part of assets/liabilities management process. Liquidity position is monitored by the Finance Department. Under the normal market conditions, information on the liquidity position are presented to the Management periodically.

An analysis of the liquidity is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the Company.

Liquidity of financial liabilities as at 31 December 2024 can be presented as follows:

Financial liabilities	On demand and less than 1 month	More than 1 month and less than 1 year	More than 1 year	Total
Borrowed funds	1,284	65,170	85,749	152,203
Other financial liabilities	919	-	-	919
Lease liabilities	219	2,447	11,973	14,639
	2,422	67,617	97,722	167,761

Liquidity of financial liabilities as at 31 December 2023 can be presented as follows:

Financial liabilities	On demand and less than 1 month	More than 1 month and less than 1 year	More than 1 year	Total
Borrowed funds	1,523	76,638	76,461	154,622
Other financial liabilities	868	100	-	968
Lease liabilities	164	1,805	5,692	7,661
	2,555	78,543	82,153	163,251

As at 31 December 2024 and 31 December 2023 the Company is exposed to financial and non-financial covenants (see Note 15).

Management of capital

The Company's objectives when maintaining capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to operate sufficiently; and
- To comply with the capital requirements set by NBG and borrowers.
- To provide an adequate return to shareholders.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and adjusts 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company is in compliance with minimum statutory capital requirements of GEL1,000,000 as defined by the National Bank of Georgia as at 31 December 2024 and 2023, respectively.

Fair value measurement

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined based on the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

Fair value measurement requires judgement for interpretation of market data. 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.

Derivative Financial instruments are measured at fair value by the level 2 in the fair value hierarchy.

Fair value of cash and cash equivalents is measured based on level 1. Fair values of all other financial assets and financial liabilities are measured on level 3. Fair values of these financial assets and financial liabilities approximate their book values, except for loans to customers. Fair value of loans to customers is disclosed in Note 11.

6. Net interest income

	2024	2023
Interest income calculated using effective interest method from:		
Loans to customers	65,512	56,906
Bank accounts	271	429
	65,783	57,335
Interest expense from:		
Loans and borrowings	(16,176)	(16,319)
Lease liabilities	(669)	(546)
	(16,845)	(16,865)
	48,938	40,470

7. Other income

	2024	2023
Income from penalty and early commission fee	5,672	4,976
Gain from sale of repossessed assets	245	220
Other income	653	467
	6,570	5,663

8. Other operating expenses

	2024	2023
Marketing and advertising	(2,618)	(1,865)
Legal and other professional services*	(1,166)	(1,127)
Utilities and communication	(799)	(722)
Bank fees	(783)	(803)
Insurance	(666)	(510)
Consumables and office supplies	(639)	(564)
Repairs and maintenance	(405)	(252)
Short-term leases	(205)	(137)
Business trips	(155)	(118)
Security	(154)	(121)
Fuel	(131)	(123)
Other	(658)	(713)
	(8,379)	(7,055)

*Audit fee for the financial statements was 76 thousand (2023: 72 thousand).

9. Deferred tax liability

	2024	2023
At 1 January	(121)	(98)
Recognized in profit and loss		
Tax expense	53	(23)
Derecognized deferred tax assets	-	-
At 31 December	(68)	(121)

Temporary differences as at 31 December 2024 can be presented as follows:

	Asset	Liability	Net	(Charged)/ credited to comprehensive income
Temporary differences	2024	2024	2024	2024
Cash and cash equivalents	7	-	7	(18)
Property and equipment	-	(319)	(319)	(1)
Intangible assets	15	-	15	(2)
Loans and borrowings	9	-	9	(1)
Other assets	-	-	-	-
Other liabilities	125	-	125	(22)
Right of use assets	-	(2,068)	(2,068)	(817)
Lease liabilities	2,163	-	2,163	914
	2,319	(2,387)	(68)	53
Tax assets/(liabilities)	2,319	(2,387)	(68)	53
Set off of tax	-	-	-	-
Net tax assets	2,319	(2,387)	(68)	53

Temporary differences as at 31 December 2023 can be presented as follows:

	Asset 2023	Liability 2023	Net 2023	(Charged)/ credited to comprehensive income 2023
Temporary differences				
Cash and cash equivalents	25	-	25	21
Property and equipment	-	(318)	(318)	(139)
Intangible assets	17	-	17	(8)
Loans and borrowings	10	-	10	3
Other assets	-	-	-	(10)
Other liabilities	147	-	147	79
Right of use assets	-	(1,251)	(1,251)	(114)
Lease liabilities	1,249	-	1,249	145
	1,448	(1,569)	(121)	(23)
Tax assets/(liabilities)	1,448	(1,569)	(121)	(23)
Set off of tax	-	-	-	-
Net tax assets	1,448	(1,569)	(121)	(23)

Income tax expense can be presented as follows:

	2024	2023
Current tax	(5,232)	(4,351)
Effect of temporary differences	53	7
Effect in change of tax rates on deferred tax	-	(30)
	(5,179)	(4,374)

Reconciliation of income tax expense based on statutory rate with actual income tax is as follows:

	2024	2023
Profit before income tax	26,412	21,091
Applicable tax rate	20%	20%
Theoretical income tax	(5,282)	(4,218)
Effect in change of tax rates on deferred tax	-	(30)
Origination and reversal of permanent differences	103	(126)
	(5,179)	(4,374)

* According to the amendments to the Tax Code of Georgia (hereinafter "TCG") introduced in 2022, starting from 1 January 2023, financial institutions such as banks, credit unions, microfinance organizations, and loan providers — will continue to be subject to corporate income tax based on their taxable income and applicable deductions. Consequently, the so-called “Estonian model” of corporate income taxation, which imposes a 15% tax on distributed earnings, will not apply to the aforementioned entities.

Additionally, the rules for loan loss provision deductions and taxation of interest income has been changed - the reference has been made to IFRS rather than to rules established by the National Bank of Georgia. Particularly a Section 5 was added to Article 141 of the TCG, effective 1 January 2023, defining the timing of income recognition under the accrual method. Under this amendment, banks, credit unions, and microfinance organizations must recognize interest income on loans in accordance with IFRS Accounting Standards. Additionally, per the revised Article 109, provisions for loan losses are now deductible based on IFRS, replacing the previous approach set by the National Bank of Georgia. As a result, the Company fully de-recognized temporary differences on loans to customers at the end of 2022.

The new amendment requires the financial institutions to reimburse any tax reliefs previously obtained due to differences in provisioning and interest income calculations arising from differences between tax rules and IFRS standards. The change in the corporate taxation model had an immediate impact on deferred tax balances and a corresponding income tax, attributable to temporary difference between financial and tax accounting balances, arising from prior periods.

Deferred tax assets for deductible temporary difference are recognized only to the extent that it is probable that future taxable profits and reversals of deferred tax liabilities will be available against which the deductions can be utilized.

Effective from 2023, the existing corporate tax rate for financial institutions increased from 15% to 20%, while dividends were no longer taxed with 5% dividend tax.

10. Cash and cash equivalents

	<u>31 December 2024</u>	<u>31 December 2023</u>
Cash on hand	5,911	6,133
Bank balances including on-demand deposits	5,780	4,485
Term deposits at banks	-	20,268
	<u>11,691</u>	<u>30,886</u>

None of the balances of cash and cash equivalents are past due. Loss allowance recognized for balances with banks was immaterial as at 31 December 2024 and 31 December 2023.

Additional information about the currency and liquidity of cash and cash equivalents are disclosed in the Note 5.

11. Loans to customers

	<u>31 December 2024</u>	<u>31 December 2023</u>
Principle	227,269	193,551
Interest	4,666	3,943
Impairment allowance	(16,208)	(14,120)
	<u>215,727</u>	<u>183,374</u>

Loans to customers with the amount GEL 145,409 thousand and GEL 141,741 thousand were pledged as collaterals for borrowings from financial institutions as at 31 December 2024 and 2023, respectively.

Fair value of loans to customers is GEL 218,024 thousand as at 31 December 2024. Difference between carrying amount and fair value of the loans amounts to GEL 2,297 thousand. Fair value of loans to customers was GEL 186,355 thousand as at 31 December 2023. Difference between carrying amount and fair value of the loans amounted to GEL 2,981 thousand.

The fair value of loans to customers are estimated using 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.

The Company has purchased loans portfolios collateralized by gold and real estate in 2024 with total value of GEL 2,764 thousand. The Company conducted concentration test under IFRS 3 and, as a result, did not consider the operation as a business combination.

Portfolio distribution as at 31 December 2024, by loan type is as follows:

	<u>Gross Amount</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u>
Loans collateralized by real estate	27,821	(519)	(183)	(1,393)	(2,095)
Loans collateralized by vehicles	154,940	(2,559)	(675)	(9,682)	(12,916)
Loans collateralized by gold	47,914	(431)	(41)	(468)	(940)
Other uncollateralized consumer loans	1,260	(61)	(7)	(189)	(257)
	<u>231,935</u>	<u>(3,570)</u>	<u>(906)</u>	<u>(11,732)</u>	<u>(16,208)</u>

Portfolio distribution as at 31 December 2023, by loan type is as follows:

	Gross Amount	Stage 1	Stage 2	Stage 3	Total ECL
Loans collateralized by real estate	21,537	(321)	(244)	(1,096)	(1,661)
Loans collateralized by vehicles	135,444	(2,387)	(713)	(8,160)	(11,260)
Loans collateralized by gold	39,985	(423)	(44)	(526)	(993)
Other uncollateralized consumer loans	528	(11)	(1)	(194)	(206)
	197,494	(3,142)	(1,002)	(9,976)	(14,120)

Analysis by credit quality of loans outstanding at 31 December 2024 is as follows:

Loans collateralized by real estate	Gross Amount	ECL	Net Amount	ECL %
-no overdue	23,472	(592)	22,880	3%
-overdue less than 31 days	1,366	(117)	1,249	9%
-overdue 31-60 days	242	(73)	169	30%
-overdue 61-90 days	165	(74)	91	45%
-overdue more than 90 days	2,576	(1,239)	1,337	48%
	27,821	(2,095)	25,726	8%

Loans collateralized by vehicles	Gross Amount	ECL	Net Amount	ECL %
-no overdue	127,339	(2,190)	125,149	2%
-overdue less than 31 days	9,188	(543)	8,645	6%
-overdue 31-60 days	1,234	(310)	924	25%
-overdue 61-90 days	886	(318)	568	36%
-overdue more than 90 days	16,293	(9,555)	6,738	59%
	154,940	(12,916)	142,024	8%

Loans collateralized by gold	Gross Amount	ECL	Net Amount	ECL %
-no overdue	44,740	(627)	44,113	1%
-overdue less than 31 days	1,576	(91)	1,485	6%
-overdue 31-60 days	547	(51)	496	9%
-overdue 61-90 days	299	(37)	262	12%
-overdue more than 90 days	752	(134)	618	18%
	47,914	(940)	46,974	2%

Other uncollateralized consumer loans	Gross Amount	ECL	Net Amount	ECL %
-no overdue	958	(61)	897	6%
-overdue less than 31 days	7	(2)	5	29%
-overdue 31-60 days	9	(5)	4	56%
-overdue 61-90 days	13	(8)	5	62%
-overdue more than 90 days	273	(181)	92	66%
	1,260	(257)	1,003	20%

Analysis by credit quality of loans outstanding at 31 December 2023 is as follows:

<i>Loans collateralized by real estate</i>	Gross Amount	ECL	Net Amount	ECL %
-no overdue	17,645	(397)	17,248	2%
-overdue less than 31 days	827	(96)	731	12%
-overdue 31-60 days	679	(100)	579	15%
-overdue 61-90 days	325	(136)	189	42%
-overdue more than 90 days	2,061	(932)	1,129	45%
	21,537	(1,661)	19,876	8%
<i>Loans collateralized by vehicles</i>	Gross Amount	ECL	Net Amount	ECL %
-no overdue	110,919	(2,088)	108,831	2%
-overdue less than 31 days	8,451	(512)	7,939	6%
-overdue 31-60 days	1,448	(315)	1,133	22%
-overdue 61-90 days	876	(317)	559	36%
-overdue more than 90 days	13,750	(8,028)	5,722	58%
	135,444	(11,260)	124,184	8%
<i>Loans collateralized by gold</i>	Gross Amount	ECL	Net Amount	ECL %
-no overdue	35,900	(583)	35,317	2%
-overdue less than 31 days	2,189	(135)	2,054	6%
-overdue 31-60 days	694	(75)	619	11%
-overdue 61-90 days	352	(46)	306	13%
-overdue more than 90 days	850	(154)	696	18%
	39,985	(993)	38,992	2%
<i>Other uncollateralized consumer loans</i>	Gross Amount	ECL	Net Amount	ECL %
-no overdue	217	(22)	195	10%
-overdue more than 90 days	311	(184)	127	59%
	528	(206)	322	39%

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

	Stage 1	Stage 2	Stage 3	
	12 month ECL	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	Total
Balance as at 1 January 2024	3,142	1,002	9,976	14,120
New loans issued and purchased	4,526	2	1	4,529
Transfer to Stage 1	182	(182)	-	-
Transfer to Stage 2	(4,584)	4,584	-	-
Transfer to Stage 3	-	(5,953)	5,953	-
Repaid loans	(1,846)	(516)	(2,018)	(4,380)
Unwinding of discount	-	-	(-342)	(-342)
Write off for the year	-	-	(1,728)	(1,728)
Recoveries of previously written off	-	-	152	152
Changes due to change in credit-risk	2,150	1,969	(262)	3,857
Balance at 31 December 2024	3,570	906	11,732	16,208

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

	Stage 1	Stage 2	Stage 3	
	12 month ECL	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	Total
Balance as at 1 January 2023	3,083	740	10,538	14,361
New loans issued	3,886	-	-	3,886
Transfer to Stage 1	193	(193)	-	-
Transfer to Stage 2	(4,388)	4,388	-	-
Transfer to Stage 3	-	(5,196)	5,196	-
Repaid loans	(1,703)	(336)	(4,416)	(6,455)
Unwinding of discount	-	-	(478)	(478)
Write off for the year	-	-	(4,709)	(4,709)
Recoveries of previously written off	-	-	75	75
Changes due to change in credit-risk	2,071	1,599	3,770	7,440
Balance at 31 December 2023	3,142	1,002	9,976	14,120

Movements in the gross amount of issued loans for the year ended 31 December 2024 are as follows:

	Stage 1	Stage 2	Stage 3	
	12 month	Lifetime ECL-	Lifetime ECL-	
	ECL	not credit-	credit-	Total
	impaird	impaird	impaird	
Balance as at 1 January 2024	171,577	6,204	19,713	197,494
New loans issued and purchased	319,002	20	4	319,026
Transfer to Stage 1	8,050	(8,050)	-	-
Transfer to Stage 2	(27,461)	27,461	-	-
Transfer to Stage 3	-	(11,893)	11,893	-
Unwinding of discount	-	-	342	342
Repaid loans	(267,349)	(7,972)	(8,058)	(283,379)
Write off for the year	-	-	(1,728)	(1,728)
Recoveries of previously written off	-	-	152	152
Foreign exchange loss	10	-	18	28
Balance at 31 December 2024	203,829	5,770	22,336	231,935

Movements in the gross amount of issued loans for the year ended 31 December 2023 are as follows:

	Stage 1	Stage 2	Stage 3	
	12 month	Lifetime ECL-	Lifetime ECL-	
	ECL	not credit-	credit-	Total
	impaird	impaird	impaird	
Balance as at 1 January 2023	148,443	4,686	20,862	173,991
New loans issued and purchased	255,057	-	-	255,057
Transfer to Stage 1	8,586	(8,586)	-	-
Transfer to Stage 2	(27,181)	27,181	-	-
Transfer to Stage 3	-	(11,012)	11,012	-
Repaid loans	(213,319)	(6,065)	(6,671)	(226,055)
Unwinding of discount	-	-	478	478
Write off for the year	-	-	(6,028)	(6,028)
Recoveries of previously written off	-	-	75	75
Foreign exchange loss	(9)	-	(15)	(24)
Balance at 31 December 2023	171,577	6,204	19,713	197,494

The primary factors that the Company considers whether a loan is impaired are its overdue status and financial position of the borrower. Detailed information about impairment policy is disclosed in Note 3.

12. Other Assets

	31 December 2024	31 December 2023
Prepayments	1,078	636
Assets of repossessed collateral	474	310
Other receivables	180	477
	1,732	1,423

13. Leases

The Company leases a head office, land, warehouse and 34 service centers (2023: 31 service centers) around Georgia. The Company has 43 contracts. Lease for these spaces are fixed over the lease term and are denominated in USD and GEL. Lease terms are determined between 3 and 12 years in 2024 and 2023.

Incremental borrowing rates were between 7.36%-13.01% and 12.74%-15.49% for USD and GEL denominated leases for the year ended 31 December 2024 (2023: USD denominated 6.24%-11.43%, GEL denominated 10.74%-15.49%).

Right-of-use assets can be presented as follows:

	Branches	Other	Total
At 1 January 2023	7,104	482	7,586
Addition	503	-	503
Effect on modification to lease terms	44	-	44
Depreciation	(1,572)	(81)	(1,653)
Disposal	(48)	(170)	(218)
At 31 December 2023	6,031	231	6,262
Addition	2,782	-	2,782
Effect on modification to lease terms	3,203	-	3,203
Depreciation	(1,768)	(6)	(1,774)
Disposal	(126)	-	(126)
At 31 December 2024	10,122	225	10,347

Lease liabilities can be presented as follows:

	Branches	Other	Total
At 1 January 2023	6,807	555	7,362
Addition	503	-	503
Effect on modification to lease terms	44	-	44
Interest expense	529	17	546
Lease payments	(1,856)	(92)	(1,948)
Disposal	(45)	(174)	(219)
Foreign exchange movements	(42)	(1)	(43)
At 31 December 2023	5,940	305	6,245
Addition	2,782	-	2,782
Effect on modification to lease terms	3,203	-	3,203
Interest expense	667	2	669
Lease payments	(2,248)	(10)	(2,257)
Disposal	(126)	-	(126)
Foreign exchange movements	301	-	300
At 31 December 2024	10,519	297	10,816

Amounts recognised in profit or loss

	2024	2023
Interest on lease liabilities	669	546

Amounts recognized in the statement of cash flows

	2024	2023
Payments of lease liabilities (-)	(1,589)	(1,402)
Interest paid (-)	(669)	(546)
Total cash outflow for leases	-2,258	-1,948

14. Property and equipment

	Vehicles	Furniture	IT equipment	Leasehold improvements	Other	Total
Historical cost						
Balance at 1 January 2023	112	1,207	1,836	2,200	-	5,355
Additions	167	281	298	854	59	1,659
Disposals	(30)	(7)	-	(23)	-	(60)
Balance at 31 December 2023	249	1,481	2,134	3,031	59	6,954
Additions	11	454	219	734	18	1,436
Disposals	(9)	-	-	-	-	(9)
Balance at 31 December 2024	251	1,935	2,353	3,766	77	8,381
Accumulated depreciation						
Balance at 1 January 2023	(83)	(683)	(1,176)	(707)	-	(2,649)
Depreciation for the year	(37)	(181)	(241)	(341)	(-1)	(801)
Accumulated depreciation of disposals	30	2	-	23	-	56
Balance at 31 December 2023	(90)	(862)	(1,417)	(1,025)	(-1)	(3,395)
Depreciation for the year	(45)	(239)	(267)	(469)	(9)	(1,029)
Accumulated depreciation of disposals	9	-	-	-	-	9
Balance at 31 December 2024	(126)	(1,101)	(1,684)	(1,494)	(10)	(4,415)
Carrying amount						
As at 31 December 2023	159	619	717	2,006	57	3,559
As at 31 December 2024	125	834	669	2,272	66	3,966

15. Borrowed funds

	31 December 2024	31 December 2023
Principal	131,046	130,716
Interest	715	896
	131,761	131,612

The Company's major lenders are local financial institutions.

	31 December 2024	31 December 2023
Non-current liabilities		
Secured loans from financial institutions	72,829	59,310
Unsecured loans from financial institutions	1,878	-
Unsecured promissory notes and other long-term loans	157	1,169
Unsecured loans from International financial organization	3,368	8,068
	78,232	68,547
Current liabilities		
Secured loans from financial institutions	43,045	59,648
Unsecured loans from financial institutions	935	-
Unsecured promissory notes and other short-term loans	4,464	3,385
Unsecured loans from International financial organization	5,085	32
	53,529	63,065
Total liabilities	131,761	131,612

As per contracts with financial institutions, borrowings are collateralized with the certain amounts of loans to customers, additionally refer to Note 11.

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2024	31 December 2023
Unsecured promissory notes and other long term loans	USD	6.5%	2026	157	1,169
Secured loans from financial institutions	GEL	5.0%- 5.7%+NBG Refinance Rate / 13%-14.15%	2025-2027	101,744	104,112
Secured loans from financial institutions	USD	7.7%-8%	2025-2026	12,658	14,846
Secured loans from financial institutions	EUR	6m EURORIBOR + 4.65%	2027	1,472	-
Unsecured loans from financial institutions	USD	8%	2025-2026	2,813	-
Unsecured promissory notes and other short-term loans	USD	6% - 7.5%	2025	2,185	1,084
Unsecured promissory notes and other short-term loans	GEL	5.5%+NGB Refinance Rate / 14%	2025	2,279	2,301
Unsecured loans from International financial organization	USD	8.5%-10%	2025-2026	8,453	8,100
				131,761	131,612

Part of the Company's short and long-term loan contracts contain different financial and non-financial covenants, linked to DEBT, CAPEX, open currency positions and Capital adequacy, Secured/Non secured loan portfolio, PAR 90 loans to loan portfolio, ROA, operating cost to income, dividend to net income, asset to equity ratios and operations, structure, financing and investing activities of the Company. There is a regular communication between the lenders and the Company regarding the compliance with covenants.

As at 31 December 2024 the Company has complied with all covenants and expects to remain in compliance throughout the term of the loans. Accordingly, loans (excluding balances contractually repayable within 12 months from the reporting date) are classified as non-current as at 31 December 2024.

As at 31 December 2023 the Company was in breach with one of the non-financial covenants related to capital expenditure for loans from local financial institutions. The amount of such borrowings was GEL18,000 thousand, however, the Company obtained waiver from financial institution before the end of the reporting period.

Additional information on borrowed funds is disclosed in Note 5.

Changes in borrowings arising from financing activities in 2024 and 2023, including both changes arising from cash flows and non-cash changes can be presented as follows:

	Loans from financial institutions	Other borrowings	Total
As at 1 January 2024	127,058	4,554	131,612
Cash flows			
Proceeds from Borrowings*	31,819	-	31,819
Repayments of Borrowings**	(48,484)	(500)	(48,984)
Non-cash flows			
- Interest accrued in period	15,707	469	16,176
- Effects of foreign exchange	1,040	98	1,138
As at 31 December 2024	127,140	4,621	131,761

	Loans from financial institutions	Other borrowings	Total
As at 1 January 2023	95,783	5,150	100,933
Cash flows			
Proceeds from Borrowings*	32,604	-	32,604
Repayments of Borrowings**	(17,370)	(1,114)	(18,484)
Non-cash flows			
- Interest accrued in period	15,782	537	16,319
- Effects of foreign exchange	259	(19)	240
As at 31 December 2023	127,058	4,554	131,612

* During 2024 the Company received new borrowings through replacement of existing loan by a new loan on arm's length terms, with the same lenders, in the amount of GEL 3,316 thousand.

** The amount of repayment of borrowings during 2024 comprises interest paid of GEL 16,391 thousand (2023: GEL 16,155).

16. Tax liabilities

According to the Georgian Tax Legislation, the Company should pay taxes on unified treasury code applicable for all taxes. As a result, as at 31 December 2024 and 2023 the Company presents tax liabilities, amounting GEL885 thousand and GEL 1,999 thousand, respectively.

17. Other liabilities

	31 December 2024	31 December 2023
Bonuses payable	553	446
Payables to marketing companies	214	225
Other liabilities	152	297
	919	968

18. Personnel expenses

	2024	2023
Salaries	9,606	7,807
Bonuses	3,077	2,448
Other benefits	1,399	1,196
	14,082	11,451

The average number of employees employed by the Company in 2024 and 2023 equaled 445 and 420, respectively.

19. Share capital and reserves

Shareholders	31 December 2024, %	Type	31 December 2023, %	Number of shares, 2024	Number of shares, 2023
JSC Swiss Holdings	50.00%	Ordinary	50.00%	1,250,120	1,250,120
Eyal Elboim	30.00%	Ordinary	30.00%	749,880	749,880
Amir Yoeli	17.00%	Ordinary	17.00%	425,000	425,000
Paata Daiauri	2.00%	Ordinary	2.00%	50,000	50,000
LLC A.I. Investments	1.00%	Ordinary	1.00%	25,000	25,000
	100.00%		100.00%	2,500,000	2,500,000

All shares have a nominal value of USD 1.

Share premium

As at 31 December 2024 and 2023 the Company has share premium of GEL 2,068 thousand which represents a difference between the par value of issued ordinary shares and the fair value of actual consideration received.

Dividends

The shareholders are entitled to receive dividends as declared by the Company and are entitled to one vote per share at annual and general meeting of the Company.

In 2024, based on the decision of the Supervisory Board, dividends with amount of GEL 6,687 thousand were declared and paid to the shareholders (2023: GEL 4,567 thousand was declared and GEL 4,817 thousand was paid). Declared dividend per ordinary share amounted to GEL 2.6748 (2023: 1.8268).

Declared dividends can be presented as follows:

Name of the shareholder	2024	2023
JSC Swiss Holdings	3,343	2,301
Eyal Elboim	2,006	1,375
Amir Yoeli	1,137	779
Paata Daiauri	134	75
LLC A.I. investments	67	37
	6,687	4,567

20. Commitments and Contingencies

Litigation

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

NBG regulations

On 5 July 2018 the president of the National Bank of Georgia has approved regulation on assets classification and the creation of reserves for possible losses by Microfinance Organisations.

The Management states that the Company is in compliance with the requirements of NBG for 2024, except for the pledged assets to total capital ratio which was breached in 2024. The Company received a waiver from NBG before the reporting date, that set the mentioned coefficient limit at 220% until 1 May 2025. Additionally, the Company has received a waiver from NBG subsequent to the reporting date, setting the mentioned coefficient limit at 220% until 1 May 2026.

Taxes

Georgian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. As per currently effective tax legislation in Georgia fiscal periods remain open to review by the authorities in respect of taxes for 3 calendar years preceding the period of review.

Provisions for tax liabilities are recognised when the amount can be measured reliably. No provision is recognised for uncertain tax positions if no reliable estimate can be made. The Company's management believes that Georgian tax legislation does not give rise to any further obligation other than already recorded and the Company's tax positions will be sustained.

21. Transactions with related parties

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

- a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives them significant influence over the Company; and that have joint control over the Company;
- b) Members of key management personnel of the Company;
- c) Close members of the family of any individuals referred to in (a) or (b);
- d) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (b);

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Company and other related parties are disclosed below.

Related party outstanding balances for the year ended 31 December 2024:

Financial statement caption	Note	Shareholders	Other related parties
Lease liabilities	13	-	(87)
Other liabilities	17	-	(437)

Related party outstanding balances for the year ended 31 December 2023:

Financial statement caption	Note	Shareholders	Other related parties
Lease liabilities	13	-	(73)
Other liabilities	17	-	(350)

Amounts included in profit or loss in relation to transactions with related parties are mainly with entities under common control and for the year ended 31 December 2024 are as follows

Financial statement caption	Note	Shareholders	Other related parties
Interest expense	6	-	(13)
Other operating expenses	8	(74)	-

Amounts included in profit or loss in relation to transactions with related parties are mainly with entities under common control and for the year ended 31 December 2023 are as follows:

Financial statement caption	Note	Shareholders	Other related parties
Interest expense	6	-	(10)
Other operating expenses	8	-	(34)

The remuneration of directors and other members of key management were as follows:

	<u>2024</u>	<u>2023</u>
Key management personnel compensation:		
- Short term employee benefits including salaries and bonuses	(2,971)	(2,717)

22. Events after reporting period

The Company has borrowed additional funds from local financial institutions. Total value of the loans is GEL 26,450 thousand.

The maximum limit of microcredits issued by microfinance organizations has been increased from GEL 100,000 to GEL 200,000. The amendment will be effective from May 16th 2025.

Starting from 1 January 2025, until the issuance of these financial statements, the Company declared and paid dividends in the amount of GEL 4,000 thousand.

In February 2025, the Company purchased loan portfolio with amount of GEL 2,388 thousand.