JSC ProCredit Bank

International Financial Reporting Standards
Consolidated and Separate Financial Statements,
Management Report and
Independent Auditors' Report
31 December 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of JSC ProCredit Bank

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of JSC ProCredit Bank (the "Bank") and its subsidiary (the "Group") which comprise:

- the consolidated and separate statements of financial position as at 31 December 2024;
- the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity, and consolidated and separate statements of cash flows for the year then ended; and
- notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 31 December 2024, and their consolidated and separate financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Other information comprises the information included in the Group's and the Bank's consolidated and separate management report. Other information was obtained before the date of auditor's report and management is responsible for it. Our opinion on the consolidated and separate financial statements does not cover the other information.

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

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

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

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

Those charged with governance are responsible for overseeing the Group's and the Bank's consolidated and separate financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Report on Other Legal and Regulatory Requirements

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

- The information given in the Group's and the Bank's 2024 consolidated and separate management report is consistent in all material respect with the 2024 consolidated and separate financial statements; and
- The 2024 consolidated and separate management report includes the information required by the Article 7 of the Georgian Law on Accounting, Reporting and Auditing in all material respect.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Management report

Management is responsible for the preparation of the consolidated and separate management report in accordance with the Georgian Law on Accounting, Reporting and Auditing.

Those charged with governance are responsible for overseeing the preparation process of consolidated and separate management report.

Auditor’s responsibilities for the Consolidated and Separate Management report

Our responsibility is to express opinion on the consolidated and separate management report provided by the Group and the Bank as of whether it is consistent with the consolidated and separate financial statements as well as whether it includes information required by Law on accounting, reporting and auditing, Article 7.

The engagement partner responsible for the audit resulting in this independent auditor’s report is:

Ivane Zhuzhunashvili (Registration # SARAS-A-720718)

For and on behalf of BDO Audit LLC

Tbilisi, Georgia

7 May 2025

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Consolidated and Separate Statements of Financial Position

in '000 GEL		Consolidated		Separate	
	Notes	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Assets					
Cash and balances with the NBG	6	148,473	176,536	148,473	176,536
Mandatory reserve deposits with NBG		224,526	170,304	224,526	170,304
Investments in debt securities	8	90,490	114,302	90,490	114,302
Investments in equity securities	9	139	139	139	139
Investments in associates	9	3,400	2,836	3,400	2,836
Investment in subsidiaries	9	-	-	6,100	6,100
Due from banks	7	121,605	106,603	121,605	106,603
Financial Assets at fair value through profit or loss		1	3	1	3
Loans and advances to customers	10	1,313,188	1,168,320	1,313,188	1,168,320
Current tax asset		4,293	-	4,293	-
Investment properties	11	4,132	4,283	4,132	4,274
Intangible assets	12	2,152	1,993	2,152	1,993
Property and equipment	13	40,629	38,778	40,629	38,778
Right-of-use assets	14	2,940	1,773	2,940	1,773
Other assets	15	11,425	7,521	8,759	7,105
Total assets		**1,967,393**	**1,793,391**	**1,970,827**	**1,799,066**
Liabilities					
Financial liabilities at fair value through profit or loss		9	4	9	4
Customer accounts	16	1,300,349	1,059,767	1,307,677	1,068,398
Other borrowed funds	17	316,563	407,742	316,563	407,742
Subordinated debt	21	20,795	14,886	20,795	14,886
Lease liabilities	23	3,154	1,817	3,154	1,817
Current tax liability		-	1,807	-	1,807
Other liabilities	18	2,431	2,438	2,276	2,338
Other provisions	19	2,792	2,170	2,792	2,170
Deferred tax liability	20	2,288	1,966	2,288	1,966
Total liabilities		**1,648,381**	**1,492,597**	**1,655,554**	**1,501,128**
Equity					
Share capital	22	112,483	112,483	112,483	112,483
Share premium	22	72,118	72,118	72,118	72,118
Retained earnings		134,411	116,193	130,672	113,337
Total equity		**319,012**	**300,794**	**315,273**	**297,938**
Total equity and liabilities		**1,967,393**	**1,793,391**	**1,970,827**	**1,799,066**

Approved for issue and signed on behalf of the Board of Directors on 7 May 2025.

e Tsintsadze

Elene Tsintsadze
Director

Nana Chikvaidze
Chief Accountant

The notes set out on pages 5 to 61 form an integral part of these Financial Statements.

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

in '000 GEL		Consolidated		Separate	
	Notes	2024	2023	2024	2023
Interest income calculated using effective interest rate method		131,070	117,490	131,070	117,490
Interest expense		(57,177)	(41,045)	(57,177)	(41,045)
Net interest income	24	**73,893**	**76,445**	**73,893**	**76,445**
Reversal of impairment losses on loans	10	3,360	6,972	3,360	6,972
Net interest income after provision for loan impairment		**77,253**	**83,417**	**77,253**	**83,417**
Fee and commission income	25	12,735	12,329	12,735	12,329
Fee and commission expenses	25	(9,851)	(10,178)	(9,851)	(10,178)
Net gain from trading in foreign currency		17,487	13,696	17,487	13,696
Net foreign exchange translation (loss), gain		(990)	264	(990)	264
Personnel expenses		(22,023)	(18,209)	(21,975)	(18,135)
Other administrative expenses	26	(40,847)	(30,371)	(40,807)	(30,327)
Other operating income	27(a)	6,064	5,124	4,762	2,505
Other operating expense	27(b)	(1,746)	(2,280)	(1,415)	(2,280)
Profit before income tax		**38,082**	**53,792**	**37,199**	**51,291**
Income tax expense	20	(4,864)	(7,548)	(4,864)	(7,548)
Profit and total comprehensive income for the year		**33,218**	**46,244**	**32,335**	**43,743**

Approved for issue and signed on behalf of the Board of Directors on 7 May 2025.

e. Tsintsadze

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Nana Chikvaidze
Chief Accountant

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Consolidated and Separate Statements of Changes in Equity

in '000 GEL	Consolidated				Separate			
	Share capital	**Share premium**	**Retained earnings**	**Total**	**Share capital**	**Share premium**	**Retained earnings**	**Total**
Balance at 1 January 2023	**112,483**	**72,118**	**112,731**	**297,332**	**112,483**	**72,118**	**112,376**	**296,977**
Total comprehensive income								
Profit for the year	-	-	46,244	**46,244**	-	-	43,743	**43,743**
Total comprehensive income for the year	**-**	**-**	**46,244**	**46,244**	**-**	**-**	**43,743**	**43,743**
Dividends declared	-	-	(42,782)	**(42,782)**	-	-	(42,782)	**(42,782)**
Transactions with owners, recorded directly in equity	**-**	**-**	**(42,782)**	**(42,782)**	**-**	**-**	**(42,782)**	**(42,782)**
Balance at 31 December 2023	**112,483**	**72,118**	**116,193**	**300,794**	**112,483**	**72,118**	**113,337**	**297,938**
Balance at 1 January 2024	**112,483**	**72,118**	**116,193**	**300,794**	**112,483**	**72,118**	**113,337**	**297,938**
Total comprehensive income								
Profit for the year	-	-	33,218	**33,218**	-	-	**32,335**	**32,335**
Total comprehensive income for the year		**-**	**33,218**	**33,218**	**-**	**-**	**32,335**	**32,335**
Dividends declared	-	-	(15,000)	**(15,000)**	-	-	(15,000)	**(15,000)**
Transactions with owners, recorded directly in equity	**-**	**-**	**(15,000)**	**(15,000)**	**-**	**-**	(15,000)	**(15,000)**
Balance at 31 December 2024	**112,483**	**72,118**	**134,411**	**319,012**	**112,483**	**72,118**	**130,672**	**315,273**

Approved for issue and signed on behalf of the Board of Directors on 7 May 2025.

Elene Tsintsadze
Director

Nana Chikvaidze
Chief Accountant

The notes set out on pages 5 to 61 form an integral part of these Financial Statements.

Consolidated and Separate Statements of Cash Flows

in '000 GEL		Consolidated		Separate	
	Notes	2024	2023	2024	2023
Profit before income tax		**38,082**	**53,792**	**37,199**	**51,291**
Release of provision for loan impairment	10	(3,360)	(6,972)	(3,360)	(6,972)
Depreciation and amortization	26, 27	4,992	4,546	4,992	4,546
Net foreign exchange translation loss/(gain)		990	(264)	990	(264)
Expenses for impairment of repossessed properties	27	338	-	7	-
Accrual of other provisions		607	1,408	607	1,408
Gain from disposal of property and equipment		(4)	(243)	(4)	(243)
Net interest income	24	(73,893)	(76,445)	(73,893)	(76,445)
Operating cash flows before changes in operating assets and liabilities		**(32,248)**	**(24,178)**	**(33,462)**	**(26,679)**
Net change in assets and liabilities from operating activities after non-cash items:					
Mandatory reserve deposit with the NBG		(49,424)	29,405	(49,424)	29,405
Loans and advances to customers		(125,599)	(32,314)	(125,599)	(32,314)
Other assets		(2,701)	(1,596)	(120)	(1,670)
Financial liabilities at fair value through profit or loss		(556)	(294)	(556)	(294)
Customer accounts		209,673	89,236	208,369	91,780
Other liabilities		(323)	(282)	(377)	(251)
Total net change in assets and liabilities from operating activities after non-cash items		**31,070**	**84,155**	**32,293**	**86,656**
Interest received		129,405	118,489	129,405	118,489
Interest paid		(52,052)	(34,264)	(52,052)	(34,264)
Income tax paid		(10,641)	(4,045)	(10,641)	(4,045)
Net cash from operating activities		**65,534**	**140,157**	**65,543**	**140,157**
Purchase of property and equipment and intangible assets		(6,265)	(4,019)	(6,265)	(4,019)
Proceeds from sale of property and equipment and investment properties		19	342	10	342
Purchase of investments in debt securities		(187,215)	(256,608)	(187,215)	(256,608)
Proceeds from sale of investments in debt securities		212,215	223,565	212,215	223,565
Net cash inflow/(outflow) from investing activities		**18,754**	**(36,720)**	**18,745**	**(36,720)**
Dividends paid	22	(15,000)	(42,782)	(15,000)	(42,782)
Payment of lease liabilities	23	(758)	(462)	(758)	(462)
Proceeds from other borrowed funds	23	41,869	44,636	41,869	44,636
Repayments of other borrowed funds	23	(130,261)	(69,922)	(130,261)	(69,922)
Proceeds from subordinated debts	23	5,924	-	5,924	-
Cash flows used in financing activities		**(98,226)**	**(68,530)**	**(98,226)**	**(68,530)**
Net increase/(decrease) in cash and cash equivalents		**(13,938)**	**34,907**	**(13,938)**	**34,907**
Cash and cash equivalents at the beginning of the year	6	283,139	247,150	283,139	247,150
Effects of exchange rate changes		877	1,082	877	1,082
Cash and cash equivalents at the end of the year	6	**270,078**	**283,139**	**270,078**	**283,139**

Approved for issue and signed on behalf of the Board of Directors on 7 May 2025.

e. tsintsadze

Elene Tsintsadze
Director

Nana Chikvaidze
Chief Accountant

The notes set out on pages 5 to 61 form an integral part of these Financial Statements.

1. ORGANIZATION AND OPERATIONS

These consolidated and separate financial statements (hereafter the "Financial Statements") include the financial statements of JSC ProCredit Bank (the Bank) and its subsidiary (together referred to as the Group). The Bank and its subsidiary are joint stock and limited liability companies, respectively, as it is defined under the Law of Georgia on Entrepreneurs and are incorporated and domiciled in Georgia. The Bank was registered by Vake District Court on 04 January 1999, registration number is 204851197.

JSC ProCredit Bank is a development-oriented bank specialized for small and medium enterprises operating on the territory of Georgia. For supervisory purposes the Bank has the general banking license number 233 issued on 13 May 1999 and is therefore supervised by the National Bank of Georgia (the NBG).

The address of the Bank's registered office is: 21 Al. Kazbegi Avenue, 0160, Tbilisi, Georgia. The Bank's head office is located in Tbilisi. The Bank serves its clients through 6 branches (including online branch), 5 service points with the self-service areas in Tbilisi, Kutaisi, Batumi and Zugdidi.

The Bank has one wholly-owned subsidiary, LLC ProCredit Properties, which was formed as a limited liability company under Georgian law on 23 July 2007 with the principal activity of holding and managing movable and immovable properties acquired through auctions resulting from defaults of the Bank's customers. The address of the LLC ProCredit Properties' registered office is: 21 Al. Kazbegi Avenue, 0160, Tbilisi, Georgia.

The Bank is wholly owned by its immediate and ultimate parent company ProCredit Holding AG (the Parent).
As of 31 December 2024 and 31 December 2023, the following shareholders directly owned more than 5% of the total outstanding shares of the Parent:

	% of ownership interest held as of 31 December	
	2024	**2023**
Zeitinger Invest GmbH	18.3	18.3
KfW - Kreditanstalt für Wiederaufbau	13.2	13.2
DOEN Foundation	12.5	12.5
EBRD - European Bank for Reconstruction and Development	8.7	8.7
TIAA-CREF - Teachers Insurance and Annuity Association	8.6	8.6
Other	38.7	38.7
Total	**100**	**100**

Other shareholders individually owned less than 5% of the outstanding shares. As at 31 December 2024 and 31 December 2023 the Group and Bank had no ultimate controlling party.

Refer to Note 31 for related party transactions.

2. BUSINESS ENVIRONMENT

The Group's and Bank's operations are located in Georgia. Consequently, the Group and Bank are 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 consolidated and separate financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group and Bank. The future business environment may differ from management's assessment.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Basis of preparation

These consolidated and separate Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The consolidated and separate Financial Statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss (FVTPL). Group and Bank accounts for derivative (foreign currency contracts) as fair value through profit or loss.

These consolidated and separate financial statements have been prepared on the assumption that the Group and Bank is a going concern and will continue its operations for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group and Bank in Georgia. As a result, the management believes that the going concern assumption is appropriate for the Group and Bank.

Basis of consolidation

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's and Bank's policies.

Subsidiaries

Subsidiaries are investees controlled by the Group and Bank. The Group and Bank controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances, including cases when protective rights arising from collateral agreements on lending transactions become significant. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Bank accounts for its investments in subsidiaries at cost and consistently applies same accounting policies for each category of investments. Investments in subsidiaries is measured at acquisition cost less impairment losses.

The Bank accounts for investment in subsidiaries from the date that control effectively commences until the date that control effectively ceases.

Financial instruments - key measurement terms

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. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group and/or Bank becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group and Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories

The Group and Bank classifies financial assets in the following measurement categories: Fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortised cost ("AC"). The classification and subsequent measurement of debt financial assets depends on: (i) the Group's and Bank's model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group and Bank manages the assets in order to generate cash flows – whether the Group's and Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group and Bank undertake to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group and Bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, and how risks are assessed and managed. Refer to Note 4 for critical judgements applied by the Group and Bank in determining the business models for its financial assets.

On initial recognition of an equity investment that is not held for trading, the Group/Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. The Group/Bank has elected to account as such Investments in equity securities.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group and Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group and Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group and Bank in performing the SPPI test for its financial assets.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Expected Credit Losses – ECL

The Group and Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group and Bank measures ECL and recognises credit loss allowance at each reporting date.

Expected credit loss (ECL) – an unbiased and probability-weighted amount, calculated as the difference between the cash flows due to the bank in accordance with contractual terms of a financial instrument and the cash flows that the bank expects to receive. ECL is based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions. ECL is calculated using the following parameters: exposure at default (EAD), probability of default (PD) and loss given default (LGD) and is discounted to a present value.

Non-financial guarantees such as performance letters of guarantee1 are treated within the IAS 37 framework (Provisions, Contingent Liabilities and Contingent Assets) and are thus excluded from the IFRS 9 impairment scope.

Debt instruments measured at AC are presented in the consolidated and separate statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated and separate statements of financial position.

The Group and Bank applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group and Bank identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 28 for a description of how the Group and Bank determines when a SICR has occurred. If the Group and Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL considering a 100% probability of default (lifetime ECL credit impaired). The Group’s and Bank’s definition of credit impaired assets and definition of default is explained in Note 28. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 28 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group and Bank incorporates forward-looking information in the ECL models.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group and Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group and Bank may write-off financial assets that are still subject to enforcement activity when the Group and Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. The bank established criteria and a process for assessing the expectation of further recovery. Potential indicators that are considered: the smaller the level of collateralization and/or the higher the number of days in arrears, and the greater the uncertainties surrounding recoveries (such as an unpredictable legal environment) are, the smaller will be the chances of reasonable expectation of recovery. Accordingly, the lower and/or more uncertain the expected recovery of receivables from a client, and/or the higher the expected direct and indirect costs of the recovery process, the reasonability of recovery decreases and a write-off should be considered.

- Typically, uncollateralized or partially collateralized credit exposures are written off after 360 days in arrears.
- Typically, fully collateralized credit exposures are written off after 720 days in arrears.

Financial assets – derecognition

The Group and Bank derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group and Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial assets – modification

The Group and Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group and Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, change of debtor, prolongation of maturity or changes in payment dates or in the overall payment plan.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group and Bank derecognizes the original financial asset and recognizes a new asset at its fair value. The Group and Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss.

The following qualitative factors are considered within the Group and Bank as substantial modifications:
▪ Change of the existing debtor of the credit facility (loan, Credit Line, Overdraft). Exception would be change within the same group of consolidated entities (e.g. from daughter to mother company).
▪ Modifications to the currency on which the financial instrument is denominated for future debt repayments.
▪ Contractual changes that are non-compliant with the SPPI criterion
The quantitative analysis for the substantial modification is so called “10% NPV test”. For the 10% NPV test, the GCA at the date of modification (without NPV calculation of the remaining cash flows of the original financial asset as the current GCA before its first modification equals the present value of the discounted remaining cash flow) is compared with the present value of the modified cash flows discounted at OEIR.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial

liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.
Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Foreign currency translation

(a) Functional and presentation currency

The national currency of Georgia is the Georgian lari (GEL), which is the Bank's and its subsidiary's functional currency and the currency in which these Consolidated and Separate Financial Statements are presented. Management has determined the functional currency to be the GEL as it reflects the economic substance of the underlying events and circumstances of the Group and Bank. The GEL is not convertible outside Georgia.

All financial information presented in GEL has been rounded to the nearest thousand except when otherwise indicated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Non-monetary items measured at historical cost denominated in foreign currency are translated with the exchange rate as of the date of initial recognition.

Foreign currency differences arising on retranslation are recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

The reporting exchange rates and average rates for the period used in the consolidated and separate statement of financial position and the consolidated and separate statement of profit or loss and other comprehensive income are listed in Note 28.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, amounts due from the National Bank of Georgia (NBG), excluding mandatory reserves, and all interbank placements and interbank receivables with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the consolidated and separate statement of cash flows represent the Group's and Bank's transfers of cash and cash equivalents, including amounts charged or credited to current accounts of the Group and Bank's counterparties held with the Group and Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represent cash or cash equivalent from the customer's perspective.

Mandatory reserve deposits with the National Bank of Georgia

Mandatory reserve deposits with the NBG are carried at AC and are not available to finance the Group's and Bank's day to day operations. Hence they are not considered as part of cash and cash equivalents for the purposes of the consolidated and separate statements of cash flows.

On November 27, 2024 the NBG's Monetary Policy Committee raised the minimum reserve requirement on banks' foreign currency liabilities by five percentage points. With this change, the Bank have to hold 20-25 percent of foreign currency funds at the NBG.

Due from banks

Amounts due from banks include placements with the banks with original maturities of more than three months. Amounts due from banks are recorded when the Group and Bank advances money to counterparty banks. Amounts due from banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Otherwise they are carried at Fair value ("FV").

Repossessed collateral

Repossessed collateral represents financial and non-financial assets acquired by the Group and Bank in settlement of overdue loans. The Group and Bank recognises repossessed assets in the consolidated and separate statement of financial position when it has the full and final settlement rights to the collateral, and when it is entitled to retain any excess proceeds from the realisation of the collateral.

At initial recognition repossessed assets are measured at the lower of the cost and the fair value less costs to sell and are included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Group's and Bank's intention with respect to recovery of these assets. They are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

The carrying amount of the repossessed assets is measured based on the carrying value of the defaulted loan, including expenditure incurred in the process of collateral foreclosure. Fair value less costs to sell is the estimated selling price of the collateral in the ordinary course of business, less the related selling costs.

Investments in debt securities

Based on the business model and the cash flow characteristics, the Group and Bank classifies investments in debt securities as carried at AC, these are initially measured at fair value plus incremental transaction costs, and subsequently at their amortised cost using the effective interest method. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

The Group and Bank considers investment securities to have low credit risk. If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

The Group and Bank measures loss allowances at an amount equal to 12-month ECL. ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

For PD purposes, counterparties (financial institutions, sovereigns) and countries, rating information provided by Moody's is used. As empirical default rates are not available for all rating classes, PDs for classes without empirical information are linearly interpolated from the next available empirical rates above or below the considered class. For Financial Institutions, country-specific LGDs published by Moody's are used.

<u>Release of loss allowances</u>

In the event of decrease of credit risk, the already recognised loss allowance is reduced accordingly.

<u>Write-offs, recoveries and direct write-offs</u>

When a loan is uncollectible, it is written off against the related loss allowance set aside. Such write-offs occur after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the consolidated and separate Statement of Profit or Loss and other comprehensive income under "(Charge)/Reversal of impairment losses on loans". Uncollectible loans for which no loss allowances have been set aside in full are recognised as direct write-offs.

<u>Non-substantial modification</u>

Non-substantial modification is a modification event that does not result in derecognition of the original asset. The effect is recognised through profit or loss as a modification gain or modification loss. The modification gain or loss is calculated as the difference between the original gross carrying amount and the present value of the modified contractual cash flows discounted at the original effective interest rate.

Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Component parts of an asset are recognised separately if they have different useful lives or provide benefits to the enterprise in a different pattern.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Land and assets under construction are not depreciated. Depreciation on other major classes of assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings 2-2.5%
- Capital expenditures and other remaining fixed assets 10-50%
- Furniture and fixtures 3.33-20%
- IT and other equipment 4.16-50%

The assets' residual carrying values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated and separate statements of profit or loss.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. These include properties with currently undetermined future use. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in Consolidated and Separate profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Software has an expected useful life of one to ten years.

Impairment of non-financial assets

Non-financial assets are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in Consolidated and Separate profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

Deferred tax

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Liabilities to banks and customers and other borrowed funds

Liabilities to banks and customers and other borrowed funds are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognised if:

- there is a present legal or constructive obligation resulting from past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation;
- and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in a settlement is determined by considering the class of obligations as a whole.

Provisions for which the timing of the outflow of resources is known are measured at the present value of the expenditures, if the outflow will be no earlier than in one year's time. The increase in the present value of the obligation due to the passage of time is recognised as interest expense.

Credit related commitments

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

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

Subordinated debt

Subordinated debt consists mainly of liabilities to shareholder which in the event of insolvency or liquidation are not repaid until all non-subordinated creditors have been satisfied. There is no obligation to repay early.

Following initial recognition at fair value, the subordinated debt is measured at amortised cost. Premiums and discounts are accounted for over the respective terms in the profit or loss under "interest expense".

Share capital and share premium

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 actual consideration received is recognized as share premium.

Dividends

Dividends on ordinary shares are recognised as a distribution from equity in the period in which they are approved by the Group's and Bank's shareholders.

Interest income and expense

Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. As part of interest income or expense this method defers 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. The Group and Bank does not have interest income on debt instruments at FVTPL calculated at nominal interest rate during 2024.

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. Commitment fees received by the Group and Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group and Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group and Bank does not designate loan commitments as financial liabilities at FVTPL.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest income is calculated by applying the effective interest rate to their AC, net of the ECL, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fee and commission income and expenses

Fee and commission income and expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Fee income earned from services that are provided over a certain period of time The Group and Bank recognises fees income for the provision of services over a period of time over that period.

Commissions for payment transfers and cash transactions and debit/credit card issuance fees, which are earned on execution of the underlying transaction, are recorded upon completion of the transaction. Account maintenance, internet bank and SMS service fees are recognized based on the applicable service contracts, usually on a time-proportion basis.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group and Bank have retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Leases

At inception of a contract, the Group and Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

Group and Bank recognize a right-of-use asset and a lease liability at a lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the minimum lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's/Bank's incremental borrowing rate. Generally, incremental borrowing rate is used as the discount rate.

Lease payments included in the measurement of the lease liability comprise of fixed payments, including in-substance fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments or in assessment of whether the Bank will exercise extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset, or the amount is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank and Group presents right-of-use assets and lease liabilities as separate line-item in the consolidated and separate statement of financial position.

The Bank and Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank and Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of consolidated and separate financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

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

- **Classification of financial assets:** assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

- **Modification of financial assets:** When financial assets are contractually modified (e.g. renegotiated), the Group and Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Group and Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

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

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year is included in the following notes:

- Establishing the criteria for determining whether credit risk on financial assets has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of model used in ECL.– Note 28(a);

5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group and Bank has not early adopted the new or amended standards in preparing these consolidated and separate financial statements.

The following new and amended standards are not expected to have a significant impact on the Group’s consolidated financial statements.

(a) Standards, amendments and interpretations that are already effective

- Amendments to IAS 1: “Classification of Liabilities as Current or Non-Current” and “Non-current Liabilities with Covenants” have a minor impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024
- Amendments to IFRS 16: “Lease Liability in a Sale and Leaseback” have a minor impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.

(b) Standards, amendments and interpretations issued but not yet effective

- Amendments to IAS 21: “Lack of Exchangeability” have no impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2025.
- Amendments to IFRS 9 and IFRS 7: “Classification and Measurement of Financial Instruments” have a minor impact on the consolidated financial statements with regard to additional disclosures on financial assets at fair value with changes in fair value recognised in other comprehensive income. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026
- Annual improvements to IFRS (Volume 11) with amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 have a minor impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026.
- Amendments to IFRS 9 and IFRS 7: “Contracts Referencing Nature-dependent Electricity” have no impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026.
- IFRS 18 “Presentation and Disclosure in Financial Statements” replaces IAS 1 and affects the presentation of the consolidated statement of profit or loss. This standard defines categories and subtotals for the consolidated statement of profit or loss. Furthermore, additional disclosure requirements for management-defined performance measures have been introduced and the guidelines on the aggregation and disaggregation of items have been expanded. There are no effects on the presentation of the consolidated statement of financial position or the consolidated statement of cash flows. IFRS 18 is, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2027.
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” will not have an impact on the consolidated financial statements. This standard is, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2027.

There was no early adoption of any standards, amendments and interpretations not yet effective.

6. CASH AND BALANCES WITH THE NBG

Consolidated and Separate

The cash and balances with the National Bank of Georgia (NBG) comprise the following items:

in '000 GEL	31 December 2024	31 December 2023
Cash on hand	47,573	40,270
Balances at the NBG excluding mandatory reserves	41,814	76,869
Nostro accounts other than with NBG	23,932	46,637
Current accounts with local financial institutions	35,155	12,895
Loss allowance for balances with NBG, Nostro accounts and current accounts with local financial institutions	(1)	(135)
Total cash and balances with the NBG in the statement of financial position	**148,473**	**176,536**

In 2024, Fitch Ratings affirmed the Government of Georgia’s short term Issuer Default Rating of “B” and long-term Issuer Default Rating of “BB” while revising the Outlook on Georgia's Long-Term Foreign-Currency Issuer Default Rating to Negative from Stable.

The following cash and equivalents were considered as cash for the cash flow statement:

in '000 GEL	31 December 2024	31 December 2023
Cash and balances with NBG, net	148,473	176,536
Due from banks with a maturity up to three months (Note 7)	121,605	106,603
Total cash and cash equivalents in the consolidated and separate statement of cash flows	**270,078**	**283,139**

Balances with the NBG above exclude the mandatory reserve deposit which is a non-interest bearing deposit calculated in accordance with regulations issued by the NBG. Refer to Note 29 for the estimated fair value of cash and cash equivalents. The interest rate analysis of cash and cash equivalents is disclosed in Note 28. As at 31 December 2024 the Group and Bank has one bank (2023: one bank), whose balance exceeds 10% of equity. The gross amount of the balance as at 2024 was GEL 63,466 thousand (2023: GEL 46,460 thousand).

As at 31 December 2024 the Group and Bank allocates cash equivalents under Stage 1 for the purposes of identifying expected credit loss under IFRS 9 (31 December 2023 Stage 1). Management estimates that ECL is immaterial at reporting dates.

7. DUE FROM BANKS

Consolidated and Separate

in '000 GEL	31 December 2024	31 December 2023
Due from Banks in OECD* countries	91,600	48,056
Due from Banks in non-OECD countries	30,007	58,549
Loss allowance for loans to banks	(2)	(2)
Total due from banks	**121,605**	**106,603**

* Organisation for Economic Cooperation and Development

The following table details the credit ratings of due from banks as assessed by Fitch Ratings:

in '000 GEL Neither past due nor impaired	AA-	A+	B+	BB	Total
31 December 2024	63,445	28,154	-	30,006	**121,605**
31 December 2023	48,056		20,015	38,532	**106,603**

Refer to Note 29 for the estimated fair value of each class of amounts due from banks. The interest rate analysis is disclosed in Note 28. Information on related party balances is disclosed in Note 31.

8. INVESTMENTS IN DEBT SECURITIES

Consolidated and Separate

Figures below represent Investment securities measured at amortized cost.

in '000 GEL	31 December 2024	31 December 2023
Certificates of deposit of the NBG	19,853	23,794
Treasury bills issued by the Government of Georgia	70,637	90,508
Total investments in debt securities	**90,490**	**114,302**

No investment in debt securities are past due or impaired. As at 31 December 2024 the Group and Bank allocates investment securities under Stage 1 for the purposes of identifying expected credit loss under IFRS 9 (31 December 2023: Stage 1). Management estimates that ECL is immaterial at reporting dates.

9. INVESTMENTS

Investments in subsidiaries

Separate

Investment in subsidiaries (related to separate financial statements)

Investment in subsidiaries as at the reporting dates were as follows:

Subsidiary	Country of incorporation	Ownership as at 31 December 2024	Investment as at 31 December 2024 ('000 GEL)
LLC ProCredit Properties	Georgia	100.00%	6,100

Subsidiary	Country of incorporation	Ownership as at 31 December 2023	Investment as at 31 December 2023 ('000 GEL)
LLC ProCredit Properties	Georgia	100.00%	6,100

LLC Procredit Properties is a wholly-owned subsidiary of Procredit Bank Georgia, which was formed under Georgian Law on 23 July 2007. The principal operations of LLC Procredit Properties is holding and managing movable and immovable properties acquired through auctions from the Bank's defaulted customers. As at 31 December 2024 net assets of the Subsidiary is GEL 13,933 thousand (2023: GEL 13,120 thousand).
The LLC ProCredit Properties is included in the scope of consolidation as of 31 December 2024.

Investments in equity securities

Consolidated and Separate

Equity investments comprise shares in the following companies:

in '000 GEL	Ownership interest	Amount At 31 December 2024	Ownership interest	Amount At 31 December 2023
JSC United Clearing Center Georgia	6.250%	54	6.250%	54
JSC American Academy in Tbilisi	4.730%	50	4.730%	50
S.W.I.F.T.SCRL	0.005%	35	0.005%	35
Total		**139**		**139**

The Bank has significant influence with the ownership more than 20% over JSC Creditinfo Georgia.

in '000 GEL	Ownership interest	Amount At 31 December 2024	Ownership interest	Amount At 31 December 2023
JSC Creditinfo Georgia	21.08%	3,400	21.08%	2,836

The Group applies equity method to account for its investments in associates and adjusts the carrying amount by recognizing share of the profit or loss of the investee after the date of the investment.

JSC Credit Information Bureau Creditinfo Georgia is a credit information bureau registered by the National Bank of Georgia, whose main activity is to collect credit information and provide it to credit or other types of organizations.

The company provides banks, leasing companies and other organizations whose activities are related to lending, delivery of services or goods on credit, important data in the decision-making process. The activities of the Bureau are regulated by the Organic Law of Georgia on the National Bank of Georgia and by the orders of the President of the National Bank of Georgia.

in '000 GEL	**2024**	**2023**
Current assets	11,651	8,888
Non-current assets	5,076	5,098
Current liabilities	601	445
Total Equity	16,126	13,541
Profit and total comprehensive income for the year	6,391	4,758

10. LOANS AND ADVANCES TO CUSTOMERS

Consolidated and Separate

The table below presents contractual size and outstanding amounts of loans and advances to customers as at 31 December 2024:

in '000 GEL (except for number of outstanding loans and loan sizes) **At 31 December 2024**	**Gross amount**	**ECL allowance for impairment**	**Net amount**	**Share of total portfolio**
Wholesale and trade loans				
loan size up to EUR 100,000	44,886	(409)	44,477	3.39%
loan size EUR 100,000 to EUR 250,000	96,465	(1,112)	95,353	7.26%
loan size more than EUR 250,000	317,367	(717)	316,650	24.11%
Total wholesale and trade loans	**458,718**	**(2,238)**	**456,480**	**34.76%**
Agricultural, forestry and fishing loans				
loan size up to EUR 100,000	5,071	(34)	5,037	0.38%
loan size EUR 100,000 to EUR 250,000	8,510	(132)	8,378	0.64%
loan size more than EUR 250,000	10,724	(24)	10,700	0.81%
Total agricultural, forestry and fishing loans	**24,305**	**(190)**	**24,115**	**1.84%**
Production loans				
loan size up to EUR 100,000	24,358	(1,064)	23,294	1.77%
loan size EUR 100,000 to EUR 250,000	50,763	(3,321)	47,442	3.61%
loan size more than EUR 250,000	118,875	(6,198)	112,677	8.58%
Total production loans	**193,996**	**(10,583)**	**183,413**	**13.97%**
Transportation and storage loans				
loan size up to EUR 100,000	6,320	(30)	6,290	0.48%
loan size EUR 100,000 to EUR 250,000	14,908	(54)	14,854	1.13%
loan size more than EUR 250,000	28,186	(3,806)	24,380	1.86%
Total transportation and storage loans	**49,414**	**(3,890)**	**45,524**	**3.47%**
Other economic activities				
loan size up to EUR 100,000	40,168	(1,489)	38,679	2.95%
loan size EUR 100,000 to EUR 250,000	93,372	(4,446)	88,926	6.77%
loan size more than EUR 250,000	352,229	(3,582)	348,647	26.55%
Total other economic activities loans	**485,769**	**(9,517)**	**476,252**	**36.27%**
Total Business loans	**1,212,202**	**(26,418)**	**1,185,784**	**90.30%**
Housing loans				
loan size up to EUR 100,000	59,646	(918)	58,728	4.47%
loan size EUR 100,000 to EUR 250,000	35,297	(664)	34,633	2.64%
loan size more than EUR 250,000	14,308	(207)	14,101	1.07%
Total housing loans	**109,251**	**(1,789)**	**107,462**	**8.18%**
Investment loans				
loan size up to EUR 100,000	5,669	(183)	5,486	0.42%
loan size EUR 100,000 to EUR 250,000	650	(6)	644	0.05%
Total investment loans	**6,319**	**(189)**	**6,130**	**0.47%**
Consumer loans				
loan size up to EUR 100,000	13,475	(361)	13,114	1.00%
loan size EUR 100,000 to EUR 250,000	701	(3)	698	0.05%
Total Consumer loans	**14,176**	**(364)**	**13,812**	**1.05%**
Total Private loans	**129,746**	**(2,342)**	**127,404**	**9.70%**
Total	**1,341,948**	**(28,760)**	**1,313,188**	**100.00%**

The table below presents contractual size and outstanding amounts of loans and advances to customers as at 31 December 2023:

in '000 GEL (except for number of outstanding loans and loan sizes) **At 31 December 2023**	**Gross amount**	**ECL allowance for impairment**	**Net amount**	**Share of total portfolio**
Wholesale and trade loans				
loan size up to EUR 100,000	42,274	(383)	41,891	3.59%
loan size EUR 100,000 to EUR 250,000	90,310	(947)	89,363	7.65%
loan size more than EUR 250,000	239,093	(2,940)	236,153	20.21%
Total wholesale and trade loans	**371,677**	**(4,270)**	**367,407**	**31.45%**
Agricultural, forestry and fishing loans				
loan size up to EUR 100,000	5,853	(68)	5,785	0.50%
loan size EUR 100,000 to EUR 250,000	9,221	(147)	9,074	0.78%
loan size more than EUR 250,000	15,498	(95)	15,403	1.32%
Total agricultural, forestry and fishing loans	**30,572**	**(310)**	**30,262**	**2.59%**
Production loans				
loan size up to EUR 100,000	23,075	(1,119)	21,956	1.88%
loan size EUR 100,000 to EUR 250,000	51,537	(3,164)	48,373	4.14%
loan size more than EUR 250,000	124,255	(2,428)	121,827	10.43%
Total production loans	**198,867**	**(6,711)**	**192,156**	**16.45%**
Transportation and storage loans				
loan size up to EUR 100,000	5,925	(27)	5,898	0.50%
loan size EUR 100,000 to EUR 250,000	13,933	(35)	13,898	1.19%
loan size more than EUR 250,000	30,210	(5,320)	24,890	2.13%
Total transportation and storage loans	**50,068**	**(5,382)**	**44,686**	**3.82%**
Other economic activities				
loan size up to EUR 100,000	38,750	(795)	37,955	3.25%
loan size EUR 100,000 to EUR 250,000	79,343	(3,192)	76,151	6.52%
loan size more than EUR 250,000	330,072	(6,814)	323,258	27.67%
Total other economic activities loans	**448,165**	**(10,801)**	**437,364**	**37.44%**
Total Business loans	**1,099,349**	**(27,474)**	**1,071,875**	**91.74%**
Housing loans				
loan size up to EUR 100,000	49,928	(889)	49,039	4.20%
loan size EUR 100,000 to EUR 250,000	29,390	(427)	28,963	2.48%
loan size more than EUR 250,000	9,815	(199)	9,616	0.82%
Total housing loans	**89,133**	**(1,515)**	**87,618**	**7.50%**
Investment loans				
loan size EUR 100,000 to EUR 250,000	5,753	(164)	5,589	0.48%
loan size more than EUR 250,000	704	(6)	698	0.06%
Total investment loans	**6,457**	**(170)**	**6,287**	**0.54%**
Consumer loans				
loan size up to EUR 100,000	2,667	(127)	2,540	0.22%
loan size EUR 100,000 to EUR 250,000	-	-	-	-
Total Consumer loans	**2,667**	**(127)**	**2,540**	**0.22%**
Total Private loans	**98,257**	**(1,812)**	**96,445**	**8.26%**
Total	**1,197,606**	**(29,286)**	**1,168,320**	**100.00%**

The size categories above refer to the amounts originally disbursed to one single borrower.

As at 31 December 2024 and 2023 the Group and the Bank had no borrowers or groups of connected borrowers whose loan balances exceeded 10% of equity.

The following table discloses the changes in the expected credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period:

Consolidated and Separate

in '000 GEL	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as at 1 January 2024	**1,126,557**	**33,367**	**37,218**	**464**	**1,197,606**
New financial assets originated	480,750	-	-	-	**480,750**
Modification of contractual cash flows of financial assets	(111)	8	-	-	**(103)**
Derecognitions	(153,013)	(21,066)	(4,147)	-	**(178,226)**
Write-offs	-	-	(4,045)	-	**(4,045)**
Changes in interest accrual	1,194	76	1,190	(18)	**2,442**
Repayments	(158,431)	(11,337)	(6,364)	(173)	**(176,305)**
Transfer from Stage 1 to Stage 2	(43,931)	43,931	-	-	**-**
Transfer from Stage 1 to Stage 3	(65)	-	65	-	**-**
Transfer from Stage 2 to Stage 1	6,801	(6,801)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(7,798)	7,798	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
Transfer from Stage 3 to Stage 1	67	-	(67)	-	**-**
Foreign exchange and other movements	19,819	261	(262)	11	**19,829**
Gross outstanding amount as at 31 December 2024	**1,279,637**	**30,641**	**31,386**	**284**	**1,341,948**

in '000 GEL	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as at 1 January 2023	**1,072,131**	**48,819**	**34,740**	**668**	**1,156,358**
New financial assets originated	358,046	-	-	-	**358,046**
Modification of contractual cash flows of financial assets	522	43	(80)	-	**485**
Derecognitions	(136,287)	(13,308)	(1,508)	-	**(151,103)**
Write-offs	-	-	(4,361)	-	**(4,361)**
Changes in interest accrual	2,023	92	610	(39)	**2,686**
Repayments	(167,308)	(4,854)	(2,550)	(177)	**(174,889)**
Transfer from Stage 1 to Stage 2	(26,342)	26,342	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	-	**-**
Transfer from Stage 2 to Stage 1	13,619	(13,619)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(10,305)	10,305	-	**-**
Transfer from Stage 3 to Stage 2	-	240	(240)	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	-	**-**
Foreign exchange and other movements	10,153	(83)	302	12	**10,384**
Gross outstanding amount as at 31 December 2023	**1,126,557**	**33,367**	**37,218**	**464**	**1,197,606**

The total amount of loans recoveries of amounts previously written off during the year 2024 was GEL 5,417 thousand (2023: GEL 7,898 thousand).

As at 31 December 2024 the Group and the Bank had no written-off exposures subject to enforcement activity (2023: GEL 188.6 thousand).

Further analysis of loans is detailed in Note 28.

The table below show reconciliations from the opening to the closing balances of the expected credit loss allowance of loans to customers:

Consolidated and Separate

in '000 GEL	Stage 1	Stage 2	Stage 3	(POCI)	Total
Balance at 1 January 2024	**(4,650)**	**(1,484)**	**(22,687)**	**(465)**	**(29,286)**
New financial assets originated	(2,098)	-	-	-	**(2,098)**
Release due to derecognition	491	435	2,561	-	**3,487**
Transfer from Stage 1 to Stage 2	196	(196)	-	-	**-**
Transfer from Stage 1 to Stage 3	1	-	(1)	-	**-**
Transfer from Stage 2 to Stage 1	(33)	33	-	-	**-**
Transfer from Stage 2 to Stage 3	-	149	(149)	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	-	**-**
Transfer from Stage 3 to Stage 1	(1)	-	1	-	**-**
Increase in PDs/LGDs/EaDs	(2,776)	(727)	(13,186)	(60)	**(16,749)**
Decrease in PDs/LGDs/EaDs	3,548	952	7,227	237	**11,964**
Usage of allowance	-	-	4,045	-	**4,045**
Increase due to modification without derecognition	-	(44)	-	-	**(44)**
Decrease due to modification without derecognition	18	2	-	-	**20**
Foreign exchange and other movements	(70)	(1)	(32)	4	**(99)**
Balance at 31 December 2024	**(5,374)**	**(881)**	**(22,221)**	**(284)**	**(28,760)**

in '000 GEL	Stage 1	Stage 2	Stage 3	(POCI)	Total
Balance at 1 January 2023	**(5,643)**	**(3,480)**	**(20,524)**	**(643)**	**(30,290)**
New financial assets originated	(1,108)	-	-	-	**(1,108)**
Release due to derecognition	401	693	514	-	**1,608**
Transfer from Stage 1 to Stage 2	235	(235)	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	-	**-**
Transfer from Stage 2 to Stage 1	(115)	115	-	-	**-**
Transfer from Stage 2 to Stage 3	-	731	(731)	-	**-**
Transfer from Stage 3 to Stage 2	-	(26)	26	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	-	**-**
Increase in PDs/LGDs/EaDs	(2,782)	(1,593)	(8,789)	(51)	**(13,215)**
Decrease in PDs/LGDs/EaDs	4,246	2,238	2,754	242	**9,480**
Usage of allowance	-	-	4,361	-	**4,361**
Increase due to modification without derecognition	(2)	(29)	(7)	-	**(38)**
Decrease due to modification without derecognition	118	99	43	-	**260**
Foreign exchange and other movements	-	3	(334)	(13)	**(344)**
Balance at 31 December 2023	**(4,650)**	**(1,484)**	**(22,687)**	**(465)**	**(29,286)**

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

in '000 GEL	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Transportation and storage	Other economic activities	Housing	Investment	Other	Total
Stage 1									
Not in Arrears	451,266	23,563	176,862	41,228	456,554	104,946	6,033	13,701	**1,274,153**
- less than 30 days overdue	573	-	1,944	1,490	1,378	-	43	56	**5,484**
Total Stage 1 loans	**451,839**	**23,563**	**178,806**	**42,718**	**457,932**	**104,946**	**6,076**	**13,757**	**1,279,637**
Stage 2									
Not in Arrears	4,625	619	1,092	469	17,522	2,342	122	163	**26,954**
- less than 30 days overdue	-	-	1,248	-	435	1,506	5	15	**3,209**
- 31 to 90 days overdue	414	-		-	-	-	-	64	**478**
Total Stage 2 loans	**5,039**	**619**	**2,340**	**469**	**17,957**	**3,848**	**127**	**242**	**30,641**

in '000 GEL	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Transportation and storage	Other economic activities	Housing	Investment	Other	Total
Stage 3									
Not in Arrears	430	-	109	-	490	130	-	1	**1,160**
- less than 30 days overdue	262	-	-	6,227	4,626	20	6	-	**11,141**
- 31 to 90 days overdue	-	-	166	-	-	-	-	127	**293**
- over 90 days overdue	1,149	123	12,575	-	4,481	307	111	46	**18,792**
Total Stage 3 loans	**1,841**	**123**	**12,850**	**6,227**	**9,597**	**457**	**117**	**174**	**31,386**
POCI									
Not in Arrears	-	-	-	-	284	-	-	-	**284**
- over 90 days overdue	-	-	-	-	-	-	-	-	-
Total POCI loans	**-**	**-**	**-**	**-**	**284**	**-**	**-**	**-**	**284**
Less impairment provisions	**(2,238)**	**(190)**	**(10,584)**	**(3,890)**	**(9,517)**	**(1,789)**	**(189)**	**(363)**	**(28,760)**
Total loans and advances to customers	**456,481**	**24,115**	**183,412**	**45,524**	**476,253**	**107,462**	**6,131**	**13,810**	**1,313,188**

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

in '000 GEL	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Transportation and storage	Other economic activities	Housing	Investment	Other	Total
Stage 1									
Not in Arrears	352,610	24,946	183,922	40,325	414,842	85,307	6,325	2,416	**1,110,693**
- less than 30 days overdue	5,859	3,435	2,392	394	3,375	351	34	24	**15,864**
Total Stage 1 loans	**358,469**	**28,381**	**186,314**	**40,719**	**418,217**	**85,658**	**6,359**	**2,440**	**1,126,557**
Stage 2									
Not in Arrears	6,319	1,558	2,178	1,334	14,754	2,576	4	53	**28,776**
- less than 30 days overdue	2,068	340	-	-	404	122	-	-	**2,934**
- 31 to 90 days overdue	325	-	210	-	1,094	17	-	11	**1,657**
Total Stage 2 loans	**8,712**	**1,898**	**2,388**	**1,334**	**16,252**	**2,715**	**4**	**64**	**33,367**
Stage 3									
Not in Arrears	434	-	1,095	-	3,857	211	45	119	**5,761**
- less than 30 days overdue	526	-	77	-	248	-	-	-	**851**
- 31 to 90 days overdue	-	269	-	-	6,174	352	8	4	**6,807**
- over 90 days overdue	3,536	26	8,993	8,015	2,952	196	41	40	**23,799**
Total Stage 3 loans	**4,496**	**295**	**10,165**	**8,015**	**13,231**	**759**	**94**	**163**	**37,218**

in '000 GEL	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Transportation and storage	Other economic activities	Housing	Investment	Other	Total
POCI									
Not in Arrears	-	-	-	-	464	-	-	-	**464**
- over 90 days overdue	-	-	-	-	-	-	-	-	-
Total POCI loans	**-**	**-**	**-**	**-**	**464**	**-**	**-**	**-**	**464**
Less impairment provisions	**(4,270)**	**(310)**	**(6,711)**	**(5,382)**	**(10,801)**	**(1,515)**	**(170)**	**(127)**	**(29,286)**
Total loans and advances to customers	**367,407**	**30,264**	**192,156**	**44,686**	**437,363**	**87,617**	**6,287**	**2,540**	**1,168,320**

Impaired loans are classified as:

- Loans past due for more than 90 days
- Non-performing forborne (Impaired restructured loans)
- Court proceedings
- Bankruptcy
- Credit fraud risk (Class 8)
- Other signs of impairment

A client has to be considered impaired as long as the bank considers it unlikely that the obligation will be paid in full without recourse to actions such as realising collateral. Only after an analysis of the behaviour of the obligor and of its financial situation during the healing period, it is possible to assess whether the improvement of the credit quality is factual and permanent. Such an assessment should be performed in particular before reclassification of impaired exposures back to non-impaired status. In order to ensure that sufficient information exists to perform such an assessment and that it is done in a prudent manner minimum periods are specified. The return to non-impaired status cannot be done before 12 consecutive months for impaired restructuring and 3 consecutive months for all other triggers, during which period no impaired conditions are met.

The size categories above refer to the amounts originally disbursed to the groups of connected borrowers.

Analysis by credit risk rating grades at 31 December 2024 is as follows:

Consolidated and Separate

in '000 GEL		Stage 1	Stage 2	Stage 3	(POCI)	Total
Risk classification						
Performing	1	26,527	-	-	-	**26,527**
	2	251,357	-	-	-	**251,357**
	3	454,254	2,794	-	-	**457,048**
	4	251,629	1,196	-	-	**252,825**
	5	156,259	2,113	-	-	**158,372**
Underperforming	6	-	17,050	-	-	**17,050**
	7	-	1,960		-	**1,960**
Defaulted	8	-	-	8,469	-	**8,469**
Non-rated exposures		134,237	4,650	693	-	**139,580**
Balance at 31 December 2024		**1,274,263**	**29,763**	**9,162**	**-**	**1,313,188**

Analysis by credit risk rating grades at 31 December 2023 is as follows:

Consolidated and Separate

in '000 GEL		Stage 1	Stage 2	Stage 3	(POCI)	Total
Risk classification						
Performing	1	27,277	-	-	-	**27,277**
	2	258,290	-	-	-	**258,290**
	3	344,977	2,219	-	-	**347,196**
	4	224,747	1,026	-	-	**225,773**
	5	167,665	5,077	-	-	**172,741**
Underperforming	6	-	17,986	-	-	**17,986**
	7	-	2,085		-	**2,085**
Defaulted	8	-	-	13,377	-	**13,377**
Non-rated exposures		98,951	3,491	1,152	-	**103,595**
Balance at 31 December 2023		**1,121,907**	**31,884**	**14,529**	**-**	**1,168,320**

Collateral

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Group and Bank generally requests the borrowers to provide it.

For loans to customers which are performing, the fair value of collateral was estimated at the inception of the loans and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group and Bank does not necessarily update the valuation of collateral as at each reporting date.

The following tables provide information on collateral securing loans and advances to customers by type of collateral as at 31 December 2024 and 2023:

in ‘000 GEL **At 31 December 2024**	**Real estate**	**Financial guarantees ***	**Cash collateral**	**Other**	**Guarantors**	**No collateral**	**Total**
Wholesale and trade	393,162	18,637	324	9,880	29,926	4,552	456,481
Agriculture, forestry and fishing	14,043	2,573	4,976	83	2,070	370	24,115
Production	133,639	24,251	3,505	12,356	8,454	1,207	183,412
Transportation and storage	32,641	2,020	3,904	5,805	885	269	45,524
Other economic activities	432,520	16,904	564	14,202	9,646	2,417	476,253
Housing	106,167	-	183	196	12	904	107,462
Investment loans	3,375	-	-	1,877	86	793	6,131
Other	4,501	-	1,331	709	179	7,090	13,810
Total	**1,120,048**	**64,385**	**14,787**	**45,108**	**51,258**	**17,602**	**1,313,188**

in ‘000 GEL **At 31 December 2023**	**Real estate**	**Financial* guarantees**	**Cash collateral**	**Other**	**Guarantors**	**No collateral**	**Total**
Wholesale and trade	304,559	22,947	163	8,575	26,750	4,413	367,407
Agriculture, forestry and fishing	18,534	3,963	4,450	133	1,650	1,532	30,262
Production	124,050	33,852	3,547	17,817	12,063	827	192,156
Transportation and storage	35,003	2,531	-	6,901	236	15	44,686
Other economic activities	385,623	21,339	175	17,264	11,853	1,110	437,364
Housing	85,727	-	269	-	114	1,508	87,618
Investment loans	4,341	-	-	309	103	1,534	6,287
Other	781	-	128	-	37	1,594	2,540
Total	**958,618**	**84,632**	**8,732**	**50,999**	**52,806**	**12,533**	**1,168,320**

*From international financial institutions.

As at 31 December 2024 and 2023 ‘Other’ collateral consists from: Shares in companies, Movable properties (Vehicles, Equipment), Household Goods, Livestock, Inventory, Receivables.

The tables above exclude overcollateralization and include value of collateral (mainly real estate) for Stage 3 loans, which exceeds the carrying amount of the Stage 3 loans at each reporting date.

If loan is collateralized by multiple type of collateral the collateral should be considered in the indicated order: Cash collateral, Financial Guarantees, Real estate and only last Movable collateral.

Refer to Note 29 for the estimated fair value of each class of loans and advances to customers. For more information on credit risk management and interest rate analysis of loans and advances to customers refer to Note 28.

11. INVESTMENT PROPERTIES

Consolidated

in '000 GEL	**2024**	**2023**
Net book value at 1 January	**4,283**	**4,382**
Additions		43
Disposals	(10)	-
Depreciation for the year	(142)	(142)
Disposal of depreciation	1	-
Net book value at 31 December	**4,132**	**4,283**
Total acquisition costs	5,870	5,880
Accumulated depreciation	(1,738)	(1,597)
Net book value at 31 December	**4,132**	**4,283**

Rental income in 2024 under operating leases was GEL 1,473 thousand (2023: GEL 1,041 thousand).

Separate

in '000 GEL	2024	2023
Net book value at 1 January	**4,274**	**4,373**
Additions	-	43
Disposals	-	-
Depreciation for the year	(142)	(142)
Disposal of depreciation	-	-
Net book value at 31 December	**4,132**	**4,274**
Total acquisition costs	5,870	5,870
Accumulated depreciation	(1,738)	(1,596)
Net book value at 31 December	**4,132**	**4,274**

Investment property comprises buildings leased to third parties. These are recognised using the acquisition cost model. Gains and losses on disposals (determined by comparing sale proceeds with carrying amount) are recognised in profit or loss at the time of disposal. As in the previous year, no impairment was recognised for investment property during the 2024 financial year.

Depreciation on Investment property is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Investment property/buildings 2-2.5%

For disclosure purposes a latest fair valuation exercise was carried out for investment properties as of 31 December 2023. The valuation was carried out by external valuators who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. Based on the valuation fair value of the investment properties are estimated to amount USD 4,415,000. As of 31 December 2024 there have been no major changes in the market and the fair value was approximately same. In the process of comparison, they have used comparative analogues (registered sale and/or offer for sale), in which prices were applied adjustments based on the difference between subject assets and analogues. The fair value estimate is categorized into Level 3 of the fair value hierarchy, because of unobservable adjustments used in the valuation method.

12. INTANGIBLE ASSETS

The development of intangible assets is shown in the following table:

Consolidated and Separate

in '000 GEL	2024	2023
Net book value as at 1 January	**1,992**	**1,370**
Additions	1,742	1,897
Disposal	(1,359)	(803)
Amortisation for the year	(1,582)	(1,274)
Disposal of amortisation	1,359	803
Net book value as at 31 December	**2,152**	**1,993**
Total acquisition costs as at 31 December	3,898	3,517
Accumulated amortisation as at 31 December	(1,746)	(1,524)
Net book value as at 31 December	**2,152**	**1,993**

Intangible assets consists of software licences.

13. PROPERTY AND EQUIPMENT

The development of property and equipment was as follows:

Consolidated and Separate

in '000 GEL	Land and buildings	Furniture and fixtures	IT and other equipment	Other fixed assets	Total
Net book value at 1 January 2023	**33,394**	**949**	**3,631**	**2,294**	**40,268**
Additions	6	20	1,179	84	1,289
Disposals - at cost	(43)	(300)	(1,517)	(644)	(2,504)
Depreciation for the year	(859)	(214)	(1,297)	(366)	(2,736)
Disposals - accumulated depreciation	-	300	1,517	644	2,461
Net book value at 31 December 2023	**32,498**	**755**	**3,513**	**2,012**	**38,778**
Total acquisition costs	41,882	10,059	14,773	9,255	75,969
Accumulated depreciation	(9,384)	(9,304)	(11,260)	(7,243)	(37,191)
Net book value at 1 January 2024	**32,498**	**755**	**3,513**	**2,012**	**38,778**
Additions	363	474	3,407	293	4,537
Disposals - at cost	(128)	(151)	(393)	(98)	(770)
Depreciation for the year	(900)	(106)	(1,343)	(331)	(2,680)
Disposals - accumulated depreciation	128	151	393	92	764
Net book value at 31 December 2024	**31,961**	**1,123**	**5,577**	**1,968**	**40,629**
Total acquisition costs	42,117	10,382	17,787	9,450	79,736
Accumulated depreciation	(10,156)	(9,259)	(12,210)	(7,482)	(39,107)
Net book value at 31 December 2024	**31,961**	**1,123**	**5,577**	**1,968**	**40,629**

14. RIGHT-OF-USE ASSETS

Consolidated and Separate

Right-of-use assets

in '000 GEL	2024	2023
Net book value at 1 January	**1,773**	**1,431**
Additions	1,755	789
Disposals	(181)	(285)
Depreciation for the year	(588)	(394)
Disposals - accumulated depreciation	181	232
Net book value at 31 December	**2,940**	**1,773**

The Group and Bank leases branches, service centers and service points. Rental contracts are typically made for fixed periods of 2 to 14 years.

Leases are recognized as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group and Bank.

15. OTHER ASSETS

At 31 December 2024 and 2023, other assets were as follows:

Consolidated

in '000 GEL	31 December 2024	31 December 2023
Accounts receivable from credit card and online payment system companies and money transfer agencies	2,319	2,173
Security deposit	788	754
Other	519	623
Loss allowance for account receivables	(17)	(13)
Total other financial assets	**3,609**	**3,537**
Non-current		
Repossessed properties	2,363	356
Prepayments for court fees and charges, net of provision	187	133
Prepayments for fixed assets	614	619
Current		
Prepayments for various services	4,149	2,469
Inventory and other	503	407
Total other non-financial assets	**7,816**	**3,984**
Total	**11,425**	**7,521**

Separate

in '000 GEL	31 December 2024	31 December 2023
Accounts receivable from credit card and online payment system companies and money transfer agencies	2,319	2,173
Security deposit	788	754
Other	519	623
Loss allowance for account receivables	(17)	(13)
Total other financial assets	**3,609**	**3,537**
Non-current		
Repossessed properties	13	69
Prepayments for court fees and charges, net of provision	187	133
Prepayments for fixed assets	614	619
Current		
Prepayments for various services	3,833	2,341
Inventory and other	503	406
Total other non-financial assets	**5,150**	**3,568**
Total	**8,759**	**7,105**

The Group and Bank allocates other financial assets under Stage 1 for the purposes of identifying expected credit loss under IFRS 9 (31 December 2023: Stage 1). ECL is calculated based on a simple average of PD parameters for SMEs in risk classes 1 to 4 and average LGD parameters for small and medium exposures.

ECL at the year ends is shown in the above table.

Refer to Note 29 for the estimated fair value of other financial assets. Information on related party balances is disclosed in Note 31.

16. CUSTOMER ACCOUNTS

Customer accounts consist of deposits due on demand, savings deposits and term deposits. The following table shows a breakdown by customer groups:

Consolidated

in '000 GEL	31 December 2024	31 December 2023
Current accounts	**275,641**	**261,913**
- private individuals	53,347	49,426
- legal entities	222,294	212,487
Savings accounts	**492,520**	**474,159**
- private individuals	220,391	223,336
- legal entities	272,129	250,823
Term deposit accounts	**530,192**	**320,914**
- private individuals	313,104	214,771
- legal entities	217,088	106,143
Other liabilities to customers	**1,996**	**2,781**
Total	**1,300,349**	**1,059,767**

Separate

in '000 GEL	31 December 2024	31 December 2023
Current accounts	**282,969**	**270,544**
- private individuals	53,348	49,426
- legal entities	229,621	221,118
Savings accounts	**492,520**	**474,159**
- private individuals	220,391	223,336
- legal entities	272,129	250,823
Term deposit accounts	**530,192**	**320,914**
- private individuals	313,104	214,771
- legal entities	217,088	106,143
Other liabilities to customers	**1,996**	**2,781**
Total	**1,307,677**	**1,068,398**

At 31 December 2024, the Group and Bank had included pending client transfers of GEL 1,996 thousand (2023: GEL 2,781 thousand) in other liabilities to customers.

The category “legal entities” includes liabilities to non-governmental organisations (NGOs) and public-sector institutions.

The following table shows a breakdown of customer accounts by economic sector:

Consolidated

in '000 GEL	31 December 2024	31 December 2023
Private individuals	586,843	487,533
Trade and services	502,308	405,400
Transportation and communications	61,317	44,733
Construction	59,941	47,414
Manufacture	48,255	31,194
Government	22,456	22,456
Agriculture and forestry	15,504	16,558
Mining and mineral processing	318	199
Other	3,407	4,280
Total	**1,300,349**	**1,059,767**

Separate

in '000 GEL	31 December 2024	31 December 2023
Private individuals	586,843	487,533
Trade and services	509,635	414,031
Transportation and communications	61,317	44,733
Construction	59,941	47,414
Manufacture	48,255	31,194
Government	22,456	22,456
Agriculture and forestry	15,504	16,558
Mining and mineral processing	318	199
Other	3,408	4,280
Total	**1,307,677**	**1,068,398**

At 31 December 2024, the Group and Bank had 219 customers (2023: 191 customers) with balances above GEL 1,000 thousand. The aggregate balance of these customers was GEL 738,745 thousand (2023: GEL 552,408 thousand) or 56 % (2023: 52 %) of total customer accounts.

At 31 December 2024, customer accounts included deposits of GEL 14,760 thousand (2023: GEL 8,892 thousand) held as collateral for on-balance exposures and GEL 12,842 thousand (2023: GEL 18,153 thousand) held as collateral for irrevocable commitments under financial and performance guarantees and letters of credit refer to Note 30.

Interest rate analysis is disclosed in Note 28. Information on related party balances is disclosed in Note 31. Refer to Note 29 for the estimated fair value of each class of customer accounts.

17. OTHER BORROWED FUNDS

Consolidated and Separate

Liabilities to international financial institutions are an important source of financing for the Group and Bank. Below are reported medium- to long-term loans from international financial institutions:

in '000 GEL

Liabilities with fixed interest rates	Due	31 December 2024	31 December 2023
Ministry of Finance of Georgia	December 2026	530	810
European Investment Bank (EIB)	April 2024	-	2,014
European Investment Bank (EIB)	December 2026	-	3,551
European Investment Bank (EIB)	August 2027	-	494
European Investment Bank (EIB)	December 2026	9,964	14,935
European Investment Bank (EIB)	August 2027	12,594	14,941
Council of Europe Development Bank (CEB)	April 2027	21,940	29,779
European Bank for Reconstruction and Development (EBRD)	August 2024	-	44,704
ProCredit Holding AG	May 2027	46,141	45,886
ProCredit Bank AG, Frankfurt am Main	April 2024	-	13,443
ProCredit Bank AG, Frankfurt am Main	August 2027	25,143	25,592
ProCredit Bank AG, Frankfurt am Main	April 2024	-	13,444
Total liabilities with fixed interest rates		**116,312**	**209,593**
Liabilities with variable interest rates			
European Bank for Reconstruction and Development(EBRD)	July 2026	17,046	26,015
European Bank for Reconstruction and Development(EBRD)	February 2024	-	6,927
GREEN FOR GROWTH FUND, SOUTHEAST EUROPE S.A., SICAV-SIF(GGF)	December 2025	8,351	16,990
ProCredit Bank AG, Frankfurt am Main	July 2026	26,974	27,494
Council of Europe Development Bank (CEB)	March 2029	36,872	37,632
Oesterreichische Entwicklungsbank AG(OEeB)	January 2026	12,627	20,121
Oesterreichische Entwicklungsbank AG(OEeB)	January 2026	11,655	18,572
The European Fund For Southeast Europe S.A., SICAV-SIF	June 2027	29,149	29,597
GN FOR GROWTH FUND, SOUTHEAST EUROPE S.A., SICAV-SIF(GGF)	December 2027	14,572	14,801
European Bank for Reconstruction and Development (EBRD)	October 2028	14,173	-
European Bank for Reconstruction and Development (EBRD)	October 2028	14,169	-
European Bank for Reconstruction and Development (EBRD)	October 2028	14,663	-
Total liabilities with variable interest rates		**200,251**	**198,149**
Total liabilities		**316,563**	**407,742**

Below table shows maturity analysis of other borrowed funds as at 31 December 2024 and 31 December 2023 based on carrying amount.

As at 31 December 2024 (in '000 GEL)	less than 1 year	1 - 5 years	More than 5 years	Total
Other borrowed funds	84,190	232,373	-	**316,563**
As at 31 December 2023 (in '000 GEL)	**less than 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
Other borrowed funds	136,076	264,227	7,439	**407,742**

Refer to Note 29 for the estimated fair value of other borrowed funds. The interest rate analysis is disclosed in Note 28. Information on related party balances is disclosed in Note 31. Undiscounted cash flows are shown in note 28.

18. OTHER LIABILITIES

Consolidated

in '000 GEL	31 December 2024	31 December 2023
Account payable	591	789
Other	1,587	1,428
Total other financial liabilities	**2,178**	**2,217**
Received prepayments and deferred fees from guarantees issued	253	221
Total other liabilities	**2,431**	**2,438**

Guarantee amounts received from EIF against defaulted exposures are reflected in the loan portfolio in 2024.

Note for the separate other liabilities is not materially different from consolidated note, hence one schedule is presented above which provides consolidated balances of other liability as at 31 December 2024 and 2023.

Refer to Note 29 for the estimated fair value of other financial liabilities.

19. PROVISIONS

Provisions are established when we have a present legal or constructive obligation resulting from past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount of provisions represents the best possible estimate, taking into account estimation uncertainties regarding the amount to be paid or the probability of occurrence. The majority our obligations will be settled within a one-year period. Multi-year obligations are discounted at an average interest rate of 7.63%.

Unwinding is recognised as interest expense over time.

Consolidated and Separate

in '000 GEL	Non-financial off-balance sheet transactions	Financial off-balance sheet transactions	Untaken Vacation	Legal Risk	Unbilled services	Other provisions	Total Provisions
Book value as of 1 January 2024	**1,286**	**128**	**365**	**137**	**5**	**249**	**2,170**
Used	-	-	(365)		(5)	-	**(370)**
Releases	(1,286)	-	-	-	-	(77)	**(1,363)**
Change in Loss allowance	-	(23)	-	-	-	-	**(23)**
Additions	-	-	367	299	5	1,669	**2,340**
Unwinding	-	-	-	22	-	16	**38**
Exchange rate movements	-	1	-	(1)	-	-	**-**
Book value as of 31 December 2024	**-**	**106**	**367**	**457**	**5**	**1,857**	**2,792**
Expected amount to be settled later than 12 months	**-**	**-**	**-**	**294**	**-**	**187**	
Expected latest date of settlement	**-**	**-**	**-**	**2026**	**-**	**2027**	

in '000 GEL	Non-financial off-balnce sheet transactions	Financial off-balnce sheet transactions	Untaken Vacation	Legal Risk	Unbilled services	Other provisions	Total Provisions
Book value as of 1 January 2023	-	133	316	39	5	249	**742**
Used	-	-	(316)	-	(5)	-	**(321)**
Releases	-	-	-	(19)	-	-	**(19)**
Change in Loss allowance	-	(6)	-	-	-	-	**(6)**
Additions	1,286	-	365	117	5	-	**1,773**
Unwinding	-	-	-	-	-	-	**-**
Exchange rate movements	-	1	-	-	-	-	**1**
Book value as of 31 December 2023	**1,286**	**128**	**365**	**137**	**5**	**249**	**2,170**
Expected amount to be settled later than 12 months	**-**	**-**	**-**	**-**	**-**	**-**	
Expected latest date of settlement	**-**	**-**	**-**	**-**	**-**	**-**	

20. INCOME TAXES

Income taxes include current taxes and deferred taxes. Income tax expenses are generally recognised in the consolidated statement of profit or loss, except for items that are recognised directly in equity or in other comprehensive income, net of tax.

Deferred taxes are recognised in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the IFRS consolidated financial statements and their tax bases. Deferred tax assets and liabilities are determined using tax rate that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The applicable income tax rate is 20 % for Georgian financial institutions.

Income tax expenses recorded in profit or loss for the year comprise the following:

Consolidated and Separate

in '000 GEL	2024	2023
Current tax charge	4,541	9,154
Deferred tax charge	323	(1,606)
Income tax expense for the year	**4,864**	**7,548**

Reconciliation between the expected and the actual taxation charge is provided below:

in '000 GEL	2024	2023
Profit before tax	**38,083**	**53,792**
Theoretical tax charge at statutory rate of 20%	7,617	10,759
Tax effect of items which are not deductible:		
− Non-tax deductible expenses/(income)/ effects of change of tax legislation	(2,753)	(3,211)
Income tax expense for the year	**4,864**	**7,548**

There are no material unrecognised deferred tax assets or liabilities, or any taxes recognised directly in equity or other comprehensive income.

Note for the separate income tax is not materially different from the consolidated note, hence one schedule is presented above which includes consolidated balances related to income taxes as at and for the year ended 2024 and 2023.

21. SUBORDINATED DEBT

Consolidated and Separate

The subordinated debt can be broken down as follows:

in '000 GEL	Due	31 December 2024	31 December 2023
Subordinated debt with fixed interest rates			
ProCredit Holding AG	September 2028	-	14,886
ProCredit Holding AG	October 2034	20,795	
Total		**20,795**	**14,886**

Creditors’ claims to repayment of these liabilities are subordinated to the claims of other creditors. There is no obligation to repay early. In the case of liquidation or insolvency, these creditors will only be paid after the claims of all non-subordinated creditors have first been satisfied.

Refer to Note 29 for the disclosure of the fair value of subordinated debt. The interest rate analysis is disclosed in Note 28. Information on related party balances is disclosed in Note 31.

22. SHARE CAPITAL AND SHARE PREMIUM

Shareholder structure is as follows:

in ‘000 GEL (except for the number of shares)	31 December 2024			31 December 2023		
Shareholder	**Size of stake in %**	**Number of shares**	**Amount of share capital**	**Size of stake in %**	**Number of shares**	**Amount of share capital**
ProCredit Holding AG	100%	22,496,561	112,483	100%	22,496,561	112,483
Total	**100%**	**22,496,561**	**112,483**	**100%**	**22,496,561**	**112,483**

in ‘000 GEL (except for the number of shares)	Number of ordinary shares issued	Share capital Amount	Share premium Amount
At 31 December 2023	**22,496,561**	**112,483**	**72,118**
At 31 December 2024	**22,496,561**	**112,483**	**72,118**

In 2024 par value per share were GEL 5 (2023: GEL 5).

Dividends

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Croup. The Group may determine the distribution of annual and interim profits in the form of dividends.

In 2024 dividends were declared and paid GEL 15,000 thousand GEL 0.67 per share (2023: GEL 42,782 thousand).

23. NET DEBT RECONCILIATION

Consolidated and Separate

The table below sets out an analysis of our debt and the movements in our debt for each of the periods presented. The debt items are those that are reported as financing in the statement of cash flows.

	Liabilities from financing activities			
	Other borrowed funds	**Subordinated debt**	**Lease Liabilities**	**Total**
Balance at 1 January 2024	**407,742**	**14,886**	**1,817**	**424,445**
Proceeds	41,869	5,924	-	47,793
Repayments	(130,261)		(758)	(131,019)
Total changes from financing cash flows	**(88,392)**	**5,924**	**(758)**	**(83,226)**
The effect of changes in foreign exchange rates	**(3,175)**	**(326)**	**187**	**(3,314)**
Other changes				
Interest expense	18,992	1,069	140	20,201
New lease liability	-	-	1,768	1,768
Interest paid	(18,604)	(758)	-	(19,362)
Balance at 31 December 2024	**316,563**	**20,795**	**3,154**	**340,512**

	Liabilities from financing activities			
	Other borrowed funds	**Subordinated debt**	**Lease Liabilities**	**Total**
Balance at 1 January 2023	**424,024**	**14,399**	**1,426**	**439,849**
Proceeds	44,635	-	-	**44,635**
Repayments	(69,923)	-	(462)	**(70,385)**
Total changes from financing cash flows	**(25,288)**	**-**	**(462)**	**(25,750)**
The effect of changes in foreign exchange rates	**2,415**	**510**	**(1)**	**2,924**
Other changes				
Interest expense	16,244	855	75	**17,174**
New lease liability	-	-	779	**779**
Interest paid	(9,653)	(878)	-	**(10,531)**
Balance at 31 December 2023	**407,742**	**14,886**	**1,817**	**424,445**

Lease liabilities are recognised at the present value of the lease payments not yet made at the reporting date. The lease payments are discounted at the lessee’s incremental borrowing rate of interest. They are subsequently measured at amortised cost using the effective interest method.

24. NET INTEREST INCOME

Consolidated and Separate

Included within “net interest income” are interest income and expenses, as well as the unwinding of premiums and discounts on financial instruments at amortised cost.

in '000 GEL

Interest and similar income calculated using effective interest rate method	**2024**	**2023**
Loans and advances to customers	110,869	97,905
Cash and cash equivalents and due from banks	10,753	9,670
Investment in debt securities	9,448	9,915
Total interest income calculated using effective interest rate method	**131,070**	**117,490**

Interest and similar expenses		
Customer accounts	(36,937)	(23,871)
Other borrowed funds	(18,992)	(16,244)
Subordinated debt	(1,069)	(855)
Lease liabilities	(140)	(75)
Other	(39)	-
Total interest expenses	**(57,177)**	**(41,045)**
Net interest income	**73,893**	**76,445**

25. FEE AND COMMISSION INCOME AND EXPENSES

Consolidated and Separate

in '000 GEL

Fee and commission income	**2024**	**2023**
Payment transfers and cash transactions	3,461	3,253
Account maintenance fee	3,798	3,943
Debit/credit card service fee	2,887	2,772
Letters of credit and guarantees	2,406	2,182
Internet bank fee	25	27
SMS service fee	3	3
Other fee and commission income	155	149
Total fee and commission income	**12,735**	**12,329**
Fee and commission expenses		
Debit/credit card service fee	(5,694)	(5,221)
Account maintenance fee	(1,640)	(1,538)
Letters of credit and guarantees	(2,354)	(3,316)
Payment transfers and transactions	(51)	(21)
Service fee	(113)	(83)
Total fee and commission expenses	**(9,851)**	**(10,178)**
Net fee and commission income	**2,884**	**2,151**

26. OTHER ADMINISTRATIVE EXPENSES

Consolidated and Separate

Other administrative expenses include the following items:

in '000 GEL	**2024**	**2023**
Communication and IT expenses	10,887	8,666
Personnel recruitment, training and other staff-related expenses	9,295	6,150
Depreciation and amortization	4,850	4,404
Consulting and legal services	4,869	3,860
Taxes other than on income	2,549	1,997
Marketing, advertising and entertainment	3,495	1,782
Utilities and electricity	1,079	977
Transport	1,430	967
Insurances	345	345
Repair and maintenance	920	519
Audit and other financial services	162	152
Office rent	132	126
Security service	21	19
Other	813	407
Total	**40,847**	**30,371**

Administrative expenses above includes GEL 162 thousand (2023: GEL 152 thousand) fees incurred for audit and other professional services provided by Auditor/Audit Firm as defined in the Law of Georgia on Accounting, Reporting and Auditing.

Of the total personnel and administrative expenses, expenses of GEL 2,807 thousand were incurred on staff training and related activities during 2024 (2023: GEL 2,745 thousand).

In 2024 the monthly average number of persons employed by the Group and Bank was 336 people (2023: 271).

Breakdown of monthly average number of employees by categories is as follows:

	2024	2023
Senior Management	4	2
Middle Management	24	23
Other staff	308	246
Total	**336**	**271**
Service contractors	120	107

Consolidated other administrative expenses presented above are not materially different from separate amounts.

27. OTHER OPERATING INCOME AND EXPENSES

Consolidated

(a) *Other operating income*

in '000 GEL	2024	2023
Share of the investee's profit recognized under the equity method	1,412	985
Rental income from investment properties	1,473	1,041
Income from sale of repossessed properties	1,410	2,655
Income from reversals of provisions on non-financial off-balance items	1,363	-
Gain from disposal of property, and equipment	4	65
Other operating income	402	378
Total	**6,064**	**5,124**

(b) *Other operating expenses*

in '000 GEL	2024	2023
Loss related to write/sale off of repossessed property	338	23
Expenses for provisions on non-financial off-balance items	-	1,286
Expenses related for deposit insurance fund	746	468
Expenses from disposal of property and equipment	6	1
Depreciation of investment property	142	142
Other operating expense	514	360
Total	**1,746**	**2,280**

Separate

(a) *Other operating income*

in '000 GEL	2024	2023
Share of the investee's profit recognized under the equity method	1,412	985
Rental income from investment properties	1,473	1,020
Income from reversals of provisions on non-financial off-balance items	1,363	-
Income from sale of repossessed properties	99	47
Gain from disposal of property, and equipment	4	65
Other operating income	411	388
Total	**4,762**	**2,505**

(b) *Other operating expenses*

in '000 GEL	**2024**	**2023**
Expenses for provisions on non-financial off-balance items	-	1,286
Expenses related for deposit insurance fund	746	468
Loss related to write/sale off of repossessed property	7	23
Expenses from disposal of property and equipment	6	1
Other operating expense	656	502
Total	**1,415**	**2,280**

28. FINANCIAL RISK AND CAPITAL MANAGEMENT

Consolidated and Separate unless otherwise indicated.

Management of the Overall Group and Bank Risk Profile – Capital Management

Objectives

Overall, the Group and Bank is not allowed to take on more risk than it is capable of bearing. The capital management of the Group and Bank has the following objectives:

- Ensuring that the Group and Bank is equipped with a sufficient volume and quality of capital at all times to cope with (potential) losses arising from different risks even under extreme circumstances.
- Ensuring full compliance by the Bank with external capital requirements set by the regulator of the Georgian banking sector.
- Meeting the internally defined minimum capital adequacy requirements, as well as keeping capital indicators within the acceptable levels under risk management framework.
- Enabling the Group and Bank to implement its plans for growth while following its business strategy.

Processes and procedures

The capital management of the Group and Bank is governed by the Policy on Capital Management and the Policy on ICAAP (Internal Capital Adequacy Process). To ensure that the above stated objectives are met, the Group and Bank uses four indicators. Aside from regulatory and Basel III/Capital Requirements Regulation (CRR) ratios, the Tier1 leverage ratio and ICAAP are monitored on a monthly and quarterly basis respectively by the General Risk Department and the Parent’s General Risk Management Committee.

Compliance with external and internal capital requirements

External minimum capital requirements are imposed and monitored by the local banking supervision authorities of Georgia. Capital adequacy is calculated and reported to the members of the Group and Bank General Risk Management Committee on a quarterly basis. These reports include rolling forecasts to ensure not only current but also future compliance (quarterly). Regulatory Tier 1 and total capital ratios are also reported to the Bank’s ALCO on a monthly basis.

As at 31 December 2024 the Group and Bank was in compliance with the regulatory capital adequacy requirements imposed by the NBG. The following table shows the capital adequacy ratios as calculated in accordance with those requirements:

As at 31 December (Pillar I + Pillar II)	**2024 Actual**	**2024 Requirement**	**2023 Actual**	**2023 Requirement**
Tier 1 Capital /RWA	20.07%	14.73%	21.39%	14.63%
Tier 1 + Tier 2 Capital /RWA	21.42%	18.22%	22.27%	18.22%

NBG introduced Pillar II buffers which were to be maintained from December 2017. As of 31 December 2024, the minimum requirements including set buffers for Tier 1 equals to 14.73% and for Regulatory capital 18.22% of the total risk weighted assets. Unhedged credit risk is excluded from total risk weighted assets for Pillar I and added as a buffer.
Additionally, capital adequacy is monitored by using a uniform capital adequacy calculation across the Parent in compliance with the Basel III requirements as set forth under the European Capital Requirements Directive and Capital Requirements Regulation (CRR). The following table shows the Basel III / CRR capital adequacy ratios of the Group and Bank:

Consolidated:

As at 31 December	2024*	2023*
Tier 1 Capital / RWA	21.30%	21.45%
Tier 1 + Tier 2 Capital / RWA	22.75%	22.52%

in '000 GEL

As at 31 December	2024*	2023*
Ordinary share capital	112,483	112,483
Share premium	72,118	72,118
Prior period retained earnings	116,193	112,731
Profit for first nine months	26,336	40,569
Less other adjustments	-	-
Less dividends paid in current year	(15,000)	(42,782)
Less planned dividends in next year	(11,056)	(11,056)
Less intangible assets	(2,152)	(1,993)
Tier I capital	**298,922**	**282,070**
Adjusted Tier I capital	**298,922**	**282,070**
Subordinated loans	**20,462**	**14,121**
Tier II capital	**20,462**	**14,121**
Total regulatory capital	**319,384**	**296,191**

in '000 GEL

As at 31 December	2024*	2023*
RWA on balance	1,212,141	1,139,277
RWA off balance	27,189	28,666
RWA from CVA	36	67
RWA from operational risk	164,229	147,255
Total RWA	**1,403,595**	**1,315,265**

* These amounts are unaudited.

The Group and Bank uses a combination of straight equity and subordinated debt, mainly issued by the Parent for capital management purposes.

With respect to leveraging, a lower limit for the ratio of Tier 1 capital to recognized and unrecognized exposures (Tier 1 leverage ratio) was introduced in 2011 according to which the leverage ratio of the Group and Bank should not fall below 5%. As at 31 December 2024 and 2023 the Group and Bank's leverage ratio was above 10%.

ICAAP

In addition to regulatory capital ratios, the Group and Bank assesses its capital adequacy by using the concept of ICAAP to reflect the specific risk profile of the Group and Bank, i.e. comparing potential losses arising from its operations with its total Resources Available to Cover Risk (RAtCR). The economic capital requirement is determined on the basis of statistical models or other procedures which enable quantification of the risks incurred. The Bank considers the significant risks which it faces, i.e. credit risk, counterparty risk, interest rate, currency risk and operational risk, to be quantifiable.

According to the changes made in 2023, balance sheet subordinated debt is not added to the risk-taking potential. In order to ensure sufficient internal capital adequacy, a maximum of 80% (limit) of the risk-taking potential was made available as resources (RAtCR) as of 2023 which can be used to cover credit, market and operational risks. Risk-taking potential was GEL 302 million as at 31 December 2024 (2023: GEL 284 million). The Resources Available to Cover Risk (RAtCR) was set at 80% of the risk-taking potential, i.e. GEL 242 million, unaudited for 2024 (2023: GEL 227 million). For calculating potential losses in the different risk categories the following concepts are used:

- Credit risk (clients): Based on a regularly updated migration analysis on the loan portfolio, the historical loss rates are calculated and applied to the current loan portfolio as well as the off-balance portfolio to calculate potential loan losses;
- Counterparty risk: The calculation of potential losses due to counterparty risk is based on the probability of default arising from the respective international rating of the counterparty or its respective country of operation;
- Market risks: Whereas historical currency fluctuations are statistically analysed and the highest variances (99% confidence level) are applied to current currency positions, interest rate risk is measured by the economic value impact which represents the change in present value of the bank's future cash flows which would result in the case of interest rate shock. The economic value risk has a longer term perspective;
- Operational risk: The calculation of economic capital required to cover operational risk on bank level is made according to Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR). The value used for the internal capital adequacy calculation equals the capital charge under the Standardised Approach.

Credit Risk Counterparty, interest rate and currency risk limit utilisation remained low. All risks combined, as quantified by the methods established in the Group and Bank Standards for Bank ICAAP, are below 80% of the Group and Bank's total risk taking potential as defined. Furthermore, for the following aspects a management buffer is built: funding pricing risk, business risk, sum of non-material risks and ESG risks. Management can define in addition an unallocated buffer on top. This combined management buffer is deducted from the RTP before determining the RAtCR. ProCredit Bank differentiates between the total risk-taking potential (RTP) and resources available to cover risk (RAtCR). The differentiation between RAtCR and RTP is intended to cover risks that are not (yet) explicitly included in the calculations at bank level (funding risk, business risk and model risk) and to serve as a "security buffer". For the ProCredit banks the RAtCR are defined as: RAtCR = 80% of RTP.

The table below shows the distribution of the RAtCR among the different risk categories as determined by the Parent's Risk Management Committee and the level of utilisation for the Group and Bank as at the end of December 2024.

Risk Factor	**Risk Detail**	**Limit** (in %) *	**Limit** (in '000 GEL)*	**Actual** (in '000 GEL)*	**Limit Used** (in % of risk taking potential)*
Credit Risk	Credit Risk (Clients)	44.0%	132,940	45,350	15.0%
Counterparty Risk	Sovereign and Commercial Banks	7.0%	21,150	5,001	1.7 %
Market Risk	Interest Rate Risk	13.0%	39,278	4,482	1.5%
Market Risk	Currency Risk	3.0%	9,064	715	0.2%
Operational Risk	Operational Risk	13.0%	39,278	13,138	4.3%
Resources Available to Cover Risk		80.0%	241,710	68,686	22.7%

As at the end of December 2023 the distribution of RAtCR was as follows:

Risk Factor	**Risk Detail**	**Limit** (in %)*	**Limit** (in '000 GEL)*	**Actual** (in '000 GEL)*	**Limit Used** (in % of risk taking potential)*
Credit Risk	Credit Risk (Clients)	44.0%	124,988	50,043	17.6%
Counterparty Risk	Sovereign and Commercial Banks	7.0%	19,884	5,489	1.9 %
Market Risk	Interest Rate Risk	13.0%	36,928	7,257	2.6%
Market Risk	Currency Risk	3.0%	8,522	736	0.3%
Operational Risk	Operational Risk	13.0%	36,928	11,780	4.1%
Resources Available to Cover Risk		80.0%	227,250	75,305	26.5%

* These amounts are unaudited.

(a) Credit risk

Credit risk is defined as the danger that the party to a credit transaction will not be able, or will only partially be able, to meet its contractually agreed obligations towards the Group and Bank. As house bank for small and medium businesses, ProCredit bank is lending institution in which loans to customers dominate statement of financial position Consequently, customer credit risk is the most important risk that the Group and Bank faces.

Credit risk is defined as the risk of losses due to a potential non-fulfilment of the contractual payment obligations associated with a customer credit exposure.

The management of credit risk from customer credit exposures is based on a thorough implementation of the following lending principles:

- Analysis of the debt capacity of borrowers.
- Documentation of the credit risk assessments, assuring that the analysis performed can be understood by knowledgeable third parties.
- Avoidance of over indebting the Group and Bank’s borrowers.
- Building a personal and long term relationship with the client and maintaining regular contact.
- Regular monitoring of borrower's capacity.
- Monitoring of loan repayment, fulfilment of covenants.
- Practicing effective arrears management.
- Exercising strict collateral collection in the event of default.
- Investing in well-trained and highly motivated staff implementing carefully designed and well-documented processes.
- Application of the “four-eyes principle”.

The differentiation between significant and insignificant credit exposures leads to distinct processes in lending for the different types of credit exposures. The processes are distinguished mainly in terms of segregation of duties; the information collected from the clients, ranging from audited Consolidated and Separate to self-declarations; the key criteria for credit exposure decisions based on the financial situation of the borrower. All credit decisions are taken by a credit committee consisting representatives of front and back office staff members.

The core business of the Group and Bank, lending to SME, PI and Very Small clients, necessitated a high degree of standardization in lending processes and ultimately led to a high degree of diversification of these exposures in terms of economic sectors.

The Group and Bank offer financial services to business clients, typically the very small, small and medium-sized businesses which provide livelihoods for many families and which drive economic growth and job creation in country. The group also offers its financial services to ordinary private clients in those countries, primarily to clients who receive their salaries at the bank, self employed and/or owners of very small, small and medium-sized businesses.

The Group and Bank have developed robust processes for its lending operations under which it is able to successfully manage the specific credit risks. Different methods of credit risk management are applied when dealing with different categories of clients and credit exposures. The key features of the credit processes for business and private clients are as follows: segregation of duties, informational basis for credit analysis, criteria for credit exposure decisions (The decision to grant credit exposures to clients is based mainly on an assessment of the quality and capacity of the management of the Group and Bank, an assessment of creditworthiness, the purpose of the loan, collateral (serves as protection for the Group and the Bank from losses due to a borrower's default).

The quality of the loan portfolio is monitored on an ongoing basis.

The central element of IFRS 9 Impairment Model approach for the Group and Bank is the expected credit loss model for the recognition and measurement of impairment.

The model requires the recognition of expected credit losses in a timely manner to ensure that the amount of expected credit losses recognised at each reporting date reflects the changes in the credit risk of the financial instruments.

As such, the model is forward-looking and credit losses not necessarily triggered by a potential loss event.

Specifically, the model addresses the IFRS 9 requirements on measurement of expected credit losses based on reasonable and supportable information that is available without undue cost or effort, including historical, current and forecasted information.

Credit risk in the context of the calculation of loan loss provisions is quantified by the expected loss due to client default risk. In general, the expected loss (*EL*) is determined by the exposure at default (*EAD*), the probability of a default (*PD*), and the loss rate (*LGD*):
$ECL = EAD \times PD \times LGD.$

Exposure at default:

- Only a part of the off-balance amount might be used in the case of a default. This is quantified by the credit conversion factors (CCF).
- All or a part of the total exposure might be repaid prematurely within the considered time period. This situation is quantified by the methods for full and partial prepayments.

Probability of default:

- The PDs are specified for the relevant time horizon (one year or lifetime). In particular, there is an adaption for maturities below one year.
- PDs are defined for all risk-relevant sub-portfolios (like business, private, or restructured clients), and depend on several client characteristics (like the risk classification for business clients).
- PDs are specified as point-in-time (PiT) forecasts, that is, they take into account the macroeconomic outlook of the upcoming period, and time trend.
- The uncertainty inherent in the macroeconomic outlook of the upcoming period is addressed by considering several macroeconomic scenarios, using them to derive alternative PiT PD forecasts, and applying a weighted average of them as the final parameter for the LLP calculation.

Loss given default:

- LGDs are specified in such a way that allows direct inclusion of collaterals and financial guarantees in the calculation of the loss rate as well as it incorporates explicit modelling of the probability of cured defaults. In addition, this setting accounts for the fact that not all collaterals are sold by the bank after a non-cured default.
- As PDs, LGDs are specified as weighted averages of PiT forecasts based on different scenarios of the macroeconomic outlook.

Loans and advances to customers

Loans and advances to customers are recorded when the Group and Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group and Bank classifies loans and advances to customers into AC category.

Impairment allowances are determined based on the forward-looking ECL models. Note 28 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group and Bank incorporates forward-looking information in the ECL models.

<u>Increase of loss allowances</u>

For the recognition of loss allowances, a three-stage model is used based on expected credit losses.

- Stage 1: All financial assets are generally classified as “Stage 1” at initial recognition except for purchased or originated credit impaired (POCI) assets which are treated and reported separately within Stage 3. The Group and Bank establishes loss allowances in an amount equivalent to the 12 month expected credit losses, insofar as there has not been a significant increase in credit risk since initial recognition. For exposures with a remaining maturity of less than 12 months, the used probability of default (PD) reflects the remaining maturity.
- Stage 2: If the credit risk increases significantly, then “Stage 2” classification is assigned, and loss allowances are established in an amount equivalent to the lifetime expected credit losses.
- Stage 3: Defaulted financial assets are assigned to “Stage 3” and loss allowances are likewise established in an amount equivalent to the lifetime expected credit losses considering a 100% probability of default (lifetime ECL credit impaired). For significant exposures, risk provisioning is determined on the basis of recoverable cash flows. For insignificant exposures, loss allowances are determined on the basis of portfolio-based parameters. Stage 3 also includes financial assets which are already impaired at initial recognition (“POCI”). These are measured initially at fair value and without loss allowances.

This model outlines three stages based on changes in the exposure’s credit risk since the date of initial recognition.

Stage 1 includes exposures that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date, including those that transfer back from Stage II due to decrease in credit risk. For these exposures, one-year expected credit losses are recognised in the profit or loss and a loss allowance is established. One-year expected losses refer to the expected credit losses that result from default events possible within 12 months after the reporting date.

For exposures with a remaining maturity of less than 12 months, the used probability of default (PD) reflects the remaining maturity.

Credit exposures are not considered to have low credit risk based on the quantity or quality of collateral used for securitization of that exposure. Loan contracts are also not considered to have low credit risk simply because they have a lower risk of default than other credit products or relative to the credit risk of the jurisdiction within which an entity operates.

All exposures in this stage 1 consist of the portfolio that does not show any signs of increased credit risk.

Stage 2 comprises financial assets for which credit risk has significantly increased since initial recognition, but for which there is no objective indication of impairment. This assessment takes account for appropriate and plausible information. Loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity, i.e. lifetime expected losses (lifetime ECL not credit impaired).

The significant increase in credit risk is established based on both quantitative and qualitative information

Based on the comparison of the remaining lifetime PD of an exposure at each reporting date against its remaining lifetime PD at the date of origination. The loss parameters are based on the internal risk classification system for the rated exposures. A SICR occurs if the difference in PDs exceeds a pre-defined threshold (the threshold is specified as a separate parameter, predetermined threshold for each risk class is set as 2.5) and the respective asset will be transferred from Stage 1 to Stage 2. Inversely, a transfer from Stage 2 to 1 is possible when the associated credit risk is reduced significantly.

Significant increase in credit risk occurs when at least one of the following events is detected:

- customer is in arrears more than 30 days (including DPD 30 during month) but less than 90 days

- performing forborne standard or watch restructuring event(s)

- customer is assigned to Risk Classification 6 / 7

After being transferred into Stage 2, the lifetime expected credit loss must be determined.

Stage 3 includes all exposures that are credit impaired as of the reporting date. The respective calculation of loss allowances is performed based on the lifetime expected credit losses considering a 100% probability of default (lifetime ECL credit impaired).

An exposure is considered as credit impaired and transferred to Stage 3 when the following or similar characteristics apply at the reporting date:

- Exposure more than 90 days past due
- Qualitative and quantitative criteria based on which the bank considers the clients' unlikeliness to pay in full without realising collateral
- Client is assigned to Risk Classification 8
- Non-Performing Forborne (Impaired)
- Bankruptcy procedure is initiated
- The bank has started legal proceedings against the client
- Credit fraud event
- Other signs of impairment

After being transferred into Stage 3, the lifetime expected credit loss considering a 100% probability of default (lifetime ECL credit impaired) must be determined.

Individually insignificant credit exposures

For individually insignificant credit exposures showing signs of impairment, an individualised impairment test is typically not performed, as the operational costs do not justify an extensive impairment test for each of these clients. Instead, the assessment of expected losses is based on the methodology as defined in the Description of the credit risk model for LLPs. Only in exceptional cases may the bank perform an impairment test for individually insignificant credit exposures through an assessment for specific individual impairment.

Individually significant credit exposures are monitored by the respective Credit Committee and Business Client Adviser or Credit Analyst. For such credit exposures, the committee assesses whether objective evidence of impairment exists, i.e.:

- Non-Performing Forborne (Impaired)
- The bank has initiated court procedures.
- Bankruptcy proceedings have been initiated.
- Past due days in arrears of 90 days.
- A credit fraud event.
- A downgrade of risk classification to 8 for all clients with small and medium credit exposures.
- Originated Credit Impairment exposures (POCI) at initial recognition.
- Other signs of impairment.

For individually significant exposures a discounted cash flow approach is applied in order to calculate the respective ECL. Expectations regarding both the timing and the amount of future cash flows are conservative and adequately reflects the uncertainties of the future. In the assessment and measurement of ECL the Group and Bank is using at least two different scenarios based on forward-looking information including macroeconomic factors. This concerns any net expected future payments from the customer and its guarantor (s), as well as expected net recoveries on collateral. The expected direct costs of collateral recoveries is based on actually incurred costs in previous, comparable cases as well as on external standards such as established costs for presenting cases to the court, execution costs as percentages of the collateral value etc. The expected cash inflows from the customer or its guarantor(s) are based on the assessment of the payment capacity of the respective customer or guarantor(s). Additionally, in using multiple scenarios, the client's payment capacity should be affected by one or several relevant macroeconomic indicators.

In cases where a relevant financial analysis showing the payment capacity of the customer or guarantor(s) is not available, only cash flows from collateral are assumed. The amount that can be recovered on collateral and the expected time until recovery is estimated based on the previous relevant experience of the Bank with collateral enforcement on comparable collateral items and forward looking information formed on projected macroeconomic data and the forecasted collateral price. At least two different scenarios are used for focused cash flows received from collateral sales.

Risk classification process

The risk classification system for small and medium clients comprises an important part of the process for determining an increase in credit risk and, consequently, the classification of the loan portfolio. Prior to initial disbursement, each credit exposure is assigned one of the risk classes – 1 to 8 (1 being the best and 8 the worst). Assigning a risk class implies an extensive analysis of multiple qualitative and quantitative criteria at client level, which are assessed in regular basis to identify the increase in credit risk through the classes.

ProCredit grants new loan exposures to performing clients. Additional exposures for clients with risk classification 6, 7 or 8 are not allowed.

	Stage 2	Stage 3 and POCI
At 31 December 2024	**2.3%**	**2.4%**
At 31 December 2023	**2.8%**	**3.1%**

According to the policies of the Bank, usually only short-term credit exposures may be issued without being well collateralised. Credit exposures with a higher risk profile are always covered with solid collateral, typically real estate.

The Group and Bank's policy on the treatment of repossessed property requires that all goods obtained due to customers' defaults be sold to third parties in order to avoid any conflict of interest arising from the below-market valuation of collateral. Also, repossessed property is sold at the highest possible price via public auction, and any remaining balance after the payment of principal, interest and penalty is credited to the customer's account. Most repossessed property consists of land and buildings.

The structure of the loan portfolio is regularly reviewed by the Credit Risk Department, in order to identify potential events which could have an impact on large portion of the loan portfolio (common risk factors) and, if necessary, limit the exposure towards certain sectors of the economy.
The maximum credit exposure which a bank may grant to a single borrower or a group of connected clients other than financial institutions shall only in exceptional circumstances exceed 10% of the bank's total Tier 1 capital. Credit exposures equal to or exceeding 10% of the bank's Tier 1 capital are defined as large credit exposures and the bank shall request the Group Risk Management Committee (or the Risk Management Sub-committee) to authorise in principle the credit exposure before the case is analysed and before the Credit Committee takes a decision on the credit exposure in question. No large credit exposure may exceed 25% of the bank's Tier 1 capital.

Larger credit exposures are analysed and monitored, both by the responsible employees through regular monitoring activities enabling early detection of risks, and through the regular reviews carried out by the Credit Committee. Information about related parties of the borrowers is typically collected prior to lending.

Credit risk from interbank placements and issuer risk

Conceptual risk management framework

The objective of counterparty and issuer risk management is to prevent the Group and Bank from incurring losses caused by the unwillingness or inability of a financial counterparty (e.g. a commercial bank) or issuer to fulfil its obligations towards the Group and Bank. This type of risk is further divided into:

- principal risk: the risk of losing the amount invested due to the counterparty's failure to repay the principal in full on time;
- replacement risk: the risk of loss of an amount equal to the incurred cost of replacing an outstanding deal with an equivalent one on the market;
- settlement risk: the risk of loss due to the failure of a counterparty to honor its obligation to deliver assets as contractually agreed;
- issuer risk: the probability of loss resulting from the default and insolvency of the issuer of a security;
- market price risk: the risk of loss due to the drop of the market value of securities as interest rates increase.

Counterparty and issuer risks evolve especially from the Group and Bank's need to invest its liquidity reserve, to conclude foreign exchange transactions, or to buy protection on specific risk positions. Excess liquidity is placed in the interbank market with short maturities, typically up to three months. Foreign exchange transactions are also concluded with short maturities, typically up to two days. Derivative contracts, which are used to protect the Group and Bank against foreign currency risk, may have maturity of up to one year. Furthermore, as a result of the Group and Bank's efforts to finance its lending activities with retail deposits, there is also an exposure towards the NBG. This is because the NBG requires banks operating in its territory to hold a mandatory reserve on a NBG account, the size of which depends on the amount of deposits taken from customers or other funds used to fund the Group and Bank's operations.

The counterparty and issuer risks are managed according to the Counterparty Risk Management Policy (incl. Issuer Risk), which describes the counterparty/issuer selection and the limit setting process, as well as by the Treasury Policy, which specifies the set of permissible transactions and rules for their processing. As a matter of principle, only large international banks and, for local currency business, local banks with a good reputation and financial standing are eligible counterparties. As a general rule, the Group and Bank applies limits of up to 10% of its regulatory capital for exposures to banking groups in non-OECD countries and up to 25% for those in OECD countries with maximum remaining maturity of 3 months. Higher limits and longer maturities are subject to approval by the Parent's General Risk Management Committee.

The Asset Liability Committee (ALCO) ensures that every counterparty is subject to a thorough analysis, typically conducted by the General Risk Unit in collaboration with the Compliance and Anti-Money Laundering (AML) Unit. If the counterparty is approved, a limit for the maximum exposure is set.

According to the Counterparty Risk Management Policy the Group and Bank is not supposed to conduct any speculative trading activities. However, for liquidity management purposes, the Group and Bank is allowed to buy and hold securities (treasury bills and certificates of deposits). The inherent issuer risk is managed by the provisions of the Treasury Policy. Among other requirements, the policy stipulates that the securities in GEL should preferably be issued by the Government of Georgia or the NBG, or in case of foreign currency by international and/or multinational institutions with very high credit ratings (i.e. an international rating of AA- or better).

The following table provides an overview of the types of counterparties and issuers with whom the Group and Bank concludes transactions.

in '000 GEL	31 December 2024	In %	31 December 2023	In %
Banking groups	**180,692**	**34%**	**166,012**	**32%**
OECD banks	115,530	22%	94,570	18%
Non-OECD banks	65,162	12%	71,442	14%
NBG	**286,193**	**53%**	**270,955**	**51%**
Mandatory reserve	224,526	42%	170,304	32%
Other exposures	61,667	11%	100,651	19%
Government of Georgia	**70,637**	**13%**	**90,507**	**17%**
Treasury bills	70,637	13%	90,507	17%
Total counterparty and issuer exposure	**537,522**	**100%**	**527,474**	**100%**

The exposure to the NBG is primarily related to the mandatory reserve requirement which makes up 78% (2023: 63%) of the NBG's exposure. The distribution of the NBG and government exposures across currencies can be seen in the following table:

in '000 GEL

31 December 2024	GEL	EUR	USD	Total
NBG	**61,661**	**67,397**	**157,135**	**286,193**
Mandatory reserve	-	67,393	157,133	224,526
Balances at NBG excluding mandatory reserves	41,808	4	2	41,814
Certificates of deposits of NBG	19,853	-		19,853
Government of Georgia	**70,637**	-	**-**	**70,637**
	132,298	**67,397**	**157,135**	**356,830**

in '000 GEL

31 December 2023	GEL	EUR	USD	Total
NBG	**100,631**	**57,719**	**112,605**	**270,955**
Mandatory reserve	-	57,707	112,597	170,304
Balances at NBG excluding mandatory reserves	76,836	12	8	76,857
Certificates of deposits of NBG	23,794	-		23,794
Government of Georgia	**90,507**	-	**-**	**90,507**
	191,137	**57,719**	**112,605**	**361,462**

(b) Liquidity risk

"Liquidity risk' is the risk that the Group and Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financials asset. Liquidity risk arise from mismatches in the timing and amounts of cash flows, which is inherent to the Group's and Bank's operations and investments.

The liquidity risk management (LRM) system is tailored to the specific characteristics of the Group and Bank. Portfolio of loans given comprises of large number of short and medium-term exposures to small and medium sized businesses. The majority of the loans are disbursed as annuity term loans and have low default rates. This leads to highly diversified, reliable cash inflows. The usage of financial markets instruments is low. All of these factors limit possible liquidity risk concentrations and warrant a relatively simple and straightforward LRM system.

Liquidity risk in the narrowest sense (risk of insolvency) is the danger that the Group and Bank will no longer be able to meet its current and future payment obligations in full, or in a timely manner. Liquidity risk in a broader sense (funding risk) is the danger that additional funding can no longer be obtained, or can only be obtained at increased market interest rates.
The ALCO determines the liquidity strategy of the Group and Bank and sets the liquidity risk limits. The Treasury and Cash Management Department manage the Group and Bank's liquidity on a daily and is responsible for the execution of the ALCO's decisions. Compliance with strategies, policies and limits are constantly monitored by the General Risk Department.

In addition to the requirements set by the local regulatory authorities, the standards that the Group and Bank applies in this area are guided by the Liquidity Risk Management Policy and the Treasury Policy. Both policies were first implemented by the Group and Bank in 2009 and are updated on an annual basis. These policies are also in line with the Principles for Sound Liquidity Risk Management defined by the Basel Committee on Banking Supervision EU regulation 575/2013 [Capital Requirement Regulation -CRR] and EU directive 2013/36/EU [Capital Requirement Directive - CRD IV]. Limit breaches and exceptions to these policies are subject to decisions of the Parent's ALCO and Parent's General Risk Management Committee.

The key tools for measuring liquidity risks includes a forward-looking liquidity gap analysis, which shows the contractual maturity structure of assets and liabilities and estimates future funding needs based on certain assumptions.

Starting with the estimation of future liquidity in a normal financial environment, the assumptions are increasingly tightened in order to analyse the Group and Bank's liquidity situation in adverse scenarios (stress tests). Based on the gap analyses, a set of key liquidity risk indicators and early warning indicators are calculated on daily and monthly basis and are closely monitored.

The main indicator of short-term liquidity is the sufficient liquidity indicator (SLI), which compares the amounts of assets available and liabilities assumed to be due within the next 30 days. The indicator must be above 1, which implies that the Group and Bank has sufficient funds to repay the liabilities simulated to be due within the next 30 days. This is complemented by the indicators, which was implemented in 2018 – "survival period", which is the time-period during which the bank can meet all its payments due without needing to generate additional (i.e. still not contracted) funds, i.e. the period within which the bank does not have negative liquidity gaps in any of the time-buckets. The defined minimum survival period limits are at least 90 days on total currency level, as well as on total hard currency level and local currency level.

The Group and Bank also analyses its liquidity situation from a more structural perspective, considering the liquidity gaps of the later time buckets and additional sources of potential liquidity. The respective key indicator is defined as the Liquidity Position.

In addition to prescribing the close monitoring of these early warning indicators, the Liquidity Risk Management Policy also defines reporting triggers related to interbank market indicator, negative short-term liquidity gap, deposit concentration NSFR and Liquidity Coverage Ratio (set forth under Basel III), also several external indicators. If one of the reporting triggers is passed the ALCO or General Risk Management Committee must be involved in decisions on appropriate measures.

To safeguard the liquidity of the Group and Bank even in stress situations, the potential liquidity needs in different scenarios are determined. The result is analysed and on this basis the Group and Bank's liquidity reserve target is determined by the ALCO. The results of these stress tests are also used to determine liquidity standby lines provided by the Parent to the Group and Bank if necessary.

The Group and Bank also aims to diversify its funding sources. Depositor concentrations are monitored to avoid dependencies on a few large depositors.

The Group and Bank also minimises its dependency on the interbank market. The Group and Bank's policies stipulate that the total amount of interbank liabilities should not be higher than the minimum of 4% of total liabilities of the bank / EUR 20m. In addition, total amount of overnight funding should not be higher than the minimum of 3% of total liabilities / EUR 15m. Higher limits need to be approved by the Parent's ALCO.

The following tables show the remaining contractual maturities of the undiscounted financial assets and financial liabilities. The remaining contractual maturity is defined as the period between the reporting date and the contractually agreed due date of the asset or liability, or the due date of a partial payment under the contract for an asset or liability.

in '000 GEL **At 31 December 2024**	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 -5 years**	**More than 5 years**	**Total gross amount inflow (outflow)**	**Carrying amount**
Non-derivative Financial Assets							
Cash and balances with the NBG (including mandatory reserve)	293,293	11,626	44,519	21,861	1,720	373,019	372,999
Due from banks	121,730	10	-	-	-	121,740	121,605
Loans and advances to customers	37,342	113,389	442,461	703,662	322,815	1,619,669	1,313,188
Investments in debt securities	14,979	19,920	34,986	28,241	-	98,126	90,490
Other financial assets	2,821	-	-	-	788	3,609	3,609
- Inflow	4,562		-	-	-	4,562	1
- Outflow	(4,570)		-	-	-	(4,570)	(9)
Total Financial Assets	**470,157**	**144,945**	**521,966**	**753,764**	**325,323**	**2,216,155**	**1,901,883**
Non-derivative Financial Liabilities							
Customer accounts	843,977	67,764	259,481	127,421	10,026	1,308,669	1,300,349
Other borrowed funds	13,256	10,558	68,789	244,530	-	337,133	316,563
Other financial liabilities	1,852	125	201	-	-	2,178	2,178
Lease liability	47	171	605	1,960	545	3,328	3,154
Subordinated debt	-	-	1,927	7,714	30,104	39,745	20,795
Total Financial Liabilities	**859,132**	**78,618**	**331,003**	**381,625**	**40,675**	**1,691,053**	**1,643,039**
Liquidity Gap	**(388,975)**	**66,327**	**190,963**	**372,139**	**284,648**		
Cumulative Liquidity Gap, excluding credit related commitments and guarantees	**(388,975)**	**(322,648)**	**(131,685)**	**240,454**	**525,102**		
Credit related commitments and guarantees	**151,567**	**-**	**-**	**-**	**-**	**151,567**	

in '000 GEL **At 31 December 2023**	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 -5 years**	**More than 5 years**	**Total gross amount inflow (outflow)**	**Carrying Amount**
Non-derivative assets Financial Assets							
Cash and balances with the NBG (including mandatory reserve)	291,923	5,546	27,734	19,829	1,807	346,840	346,840
Due from banks	106,649	-	-	-	-	106,649	106,603
Loans and advances to customers	50,274	90,183	381,401	592,449	296,077	1,410,384	1,168,320
Investments in debt securities	20,103	21,998	54,026	29,704	-	125,830	114,302
Other financial assets	3,537	-	-	-	-	3,537	3,537
- Inflow	6,738		-	-	-	6,738	4
- Outflow	(6,739)		-	-	-	(6,739)	(4)
Total Financial Assets	**472,485**	**117,727**	**463,161**	**641,982**	**297,884**	**1,993,239**	**1,739,602**
Non-derivative Financial Liabilities							
Due to banks	-	-	-	-	-	-	-
Customer accounts	737,310	33,377	166,909	119,336	10,876	1,067,808	1,059,767
Other borrowed funds	13,747	9,001	123,590	291,495	7,587	445,421	407,742
Other financial liabilities	1,561	315	342	-	-	2,217	2,217
Lease liability	26	69	303	1,361	160	1,919	1,818
Subordinated debt	-	-	893	18,241	-	19,134	14,886
Total Financial Liabilities	**752,644**	**42,762**	**292,037**	**430,433**	**18,623**	**1,536,499**	**1,486,430**
Liquidity Gap	**(280,160)**	**74,966**	**171,125**	**211,548**	**279,261**		
Cumulative Liquidity Gap, excluding credit related commitments and guarantees	**(280,160)**	**(205,194)**	**(34,069)**	**177,479**	**456,741**		
Credit related commitments and guarantees	**171,459**	**-**	**-**	**-**	**-**	**171,459**	

Customer Accounts of Group consists from Current account of subsidiary , LLC ProCredit Properties for amount of GEL 7,327 thousand at 31 December 2024 (2023: GEL 8,630 thousand)

The Group/Bank’s capability to discharge its liabilities relies on its ability to realize an equivalent amount of assets within the same period of time.

As at 31 December 2024, total current accounts within ‘Customer accounts’ amounted to GEL 277,635 thousand (2023: GEL 261,913 thousand). Within amounts of the customer accounts for the period of the preceding three years on a monthly basis, current accounts end-of-month balances have not fallen below GEL 20=8,575 thousand. Significant part of total current accounts represents current accounts from legal entities (around 78%) which historically are of long-term nature.

The Parent’s financial risk management team together with the Group/Bank’ risk management conducts historical analysis, annually to determine cash flow behavior of customer accounts. Based on the result of this analysis, the outflow rates are applied on customer accounts. The Group/Bank performs regular estimation and stress test analysis of liquidity position for all financial assets and liabilities including customer accounts. Based on expected liquidity analysis Bank maintains robust liquidity position for next 12 months from the date these Consolidated and Separate Financial Statements are authorized for issues. The longer-term liquidity and funding needs are covered in the 5-year business plan.

As at 31 December 2024, the Group and Bank was in compliance with the sufficient liquidity indicator limit set at 1 according to the Liquidity Risk Management Policy as well, as with “survival period” limit set at 90 days.

As mentioned above, the Group and Bank also performs stress test calculations in order to safeguard its liquidity. The result is analysed and the Group and Bank’s liquidity reserve target is determined by ALCO. The results of the stress tests are also used to determine liquidity stand-by lines provided by the Parent to the Group and Bank if necessary.

The Group and Bank aims to rely primarily on customer deposits for its funding. This source is supplemented by funding received from international financial institutions (IFIs), such as the CEB, OeEB, EIB,GGF and EBRD which provide earmarked funds under targeted financing programmes (e.g. for lending to SMEs). In order to further diversify its sources of funds, the Group and Bank also maintains relationships with other banks, especially for short-term liquidity lines. In addition, the Parent and also ProCredit Bank Germany provide short- and long-term funding.

To maintain a high level of diversification among its customer deposits, the Group and Bank has implemented a deposit concentration indicator, which is the share of deposits of 5 largest non-financial customer depositors or of all non-financial customer depositors having more than 1% share in the total non-financial customer deposit portfolio which can be withdrawn in the next 30 days in the total non-financial customer deposits. Customers excluding financial institutional clients include all private individuals and legal entities, excluding financial institutional clients. Financial institutional clients are the ones which are assigned to the client category “Institutional” and sub-category “Financial and insurance activities”.

The table below shows the approximate distribution of funding sources as at 31 December 2024and 2023. It shows that, as mentioned above, customer deposits are by far the largest source of funds. Other main sources of funding are liabilities to the companies under Parent’s control and IFIs.

In %	**31 December 2024**	**31 December 2023**
Customer deposits	80.3%	73.3%
Liabilities to the companies under Parent’s control	6.1%	8.2%
Liabilities to IFIs	13.5%	18.3%
Other liabilities	0.1%	0.2%

Overall, the Group and Bank considers its funding sources to be sufficiently diversified, especially given that the bulk of the funds are provided by a large number of customer deposits.

I. Funding risk

The business plan, which is reviewed annually, serves as the basis for determining medium-term funding needs in regard to both equity and debt financing for the Group and Bank. To ensure sufficient liquidity at all times, the Parent holds a liquidity reserve, which can be tapped in case of emergency.

The Group and Bank still considers funding risk to be low due to strong reliance on customer deposits as well as the fact that the Group and Bank continues to access funding from various international sources.

(c) Market risk

Market price risk for the Group and Bank is defined as currency risk (i) and interest rate risk (ii).

(i) Currency risk

The assets and liabilities of the Group and Bank are denominated in more than one currency. If the assets and liabilities in one currency do not match, the Group and Bank has an open currency position (OCP) and is exposed to potentially unfavorable changes in exchange rates.

Due to the still developing financial market, a history of high inflation and exchange rate fluctuations a considerable part of private savings in Georgia is held in USD or EUR. Also, loans in USD and EUR which are available at (nominally) lower interest rates and have longer maturities (as compared to GEL loans) still play an important role in the financing of many of the country's businesses. As a result, foreign currencies play a major role in the Group and Bank's operations.

Currency risk management is guided by the Foreign Currency Risk Management Policy. This policy was first implemented by the Group and Bank in 2009 and is updated on an annual basis. Its adherence to this policy is constantly monitored by the Parent's financial risk team at the group level, and amendments as well as exceptions to this policy are decided by the Parent's ALCO or General Risk Management Committee.

The Treasury and Cash Management Department is responsible for continuously monitoring the developments of exchange rates and foreign currency markets. The Treasury and Cash Management Department also manages the currency positions of the Group and Bank on a daily. As a general principle, all currency positions should be kept as low as possible at end-of-day; long or short positions for speculative purposes are not permitted. According to the Treasury Policy, derivatives may only be used for hedging purposes to close positions of the Group and Bank as well as for liquidity purposes. Permissible foreign exchange derivatives are currency forwards (including non-deliverable forwards) and currency swaps. The Group and Bank's foreign currency exposures are monitored and controlled on a daily basis by the Treasury back office and General Risk Department.

Developments in the foreign exchange markets and the currency positions are regularly reported to the ALCO, which is authorised to take strategic decisions with regard to Treasury activities. In cases where exceptions to the Group and Bank's policy may be necessary or violations to the limits may have occurred, the General Risk reports to the Parent's ALCO or General Risk Management Committee and proposes appropriate measures.

The Group and Bank aims to keep currency positions as low as possible and ensures that an open currency position always remains within the limits. For the purpose of currency risk management the Group and Bank has established two levels of control: early warning indicators and limits. In cases where the positions cannot be brought back below 5% of the CRR capital for a single currency, or 7.5% for the aggregate of all currencies, the bank's ALCO and the Parent's ALCO must be informed and appropriate measures taken. This mechanism helps to ensure that the Group and Bank's total Open currency position (OCP) does not exceed 10% of CRR capital. Exemptions from the limit or strategic positions are subject to approval by the Parent's ALCO or General Risk Management Committee.

The Group's OCPs were within the aforementioned limits as at 31 December 2024.

The following significant exchange rates applied during the year:

in GEL	Average rate 2024	Average rate 2023	Reporting date spot rate 31 December 2024	Reporting date spot rate 31 December 2023
Group exchange rates				
USD 1	2.7193	2.6235	2.8137	2.6929
EUR 1	2.9423	2.8368	2.9232	2.9757

The Consolidated financial statements of the Group are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that statement of financial position.

The Group exchange rates are obtained from the Bloomberg FX rates as published at 16:00 CET.

The following tables show the distribution of financial monetary assets and liabilities across its material operating currencies:

in '000 GEL As at 31 December 2024	EUR	USD	Other currencies	GEL	Total
Assets					
Cash and balances with the NBG (including Mandatory reserve deposits with NBG)	99,522	213,705	4,074	55,698	372,999
Investments in debt securities	-	-	-	90,490	90,490
Due from banks	40,930	50,668	-	30,007	121,605
Loans and advances to customers	328,494	513,448	-	471,246	1,313,188
Other financial assets	575	2,090	-	944	3,609
Total financial assets	**469,521**	**779,911**	**4,074**	**648,385**	**1,901,891**
Liabilities					
Customer accounts	192,190	723,779	4,302	380,078	1,300,349
Other borrowed funds	253,975	52,624	-	9,964	316,563
Subordinated debt	20,795	-	-	-	20,795
Lease liability	-	3,154	-	-	3,154
Other financial liabilities	1,272	16	-	890	2,178
Total financial liabilities	**468,232**	**779,573**	**4,302**	**390,932**	**1,643,039**
Net position	**1,289**	**338**	**(228)**	**257,453**	**258,852**
The effect of derivatives	**877**	**2,191**	**308**	**(3,384)**	**(8)**
Net position after derivatives	**2,166**	**2,529**	**80**	**254,069**	**258,844**

in '000 GEL As at 31 December 2023	EUR	USD	Other currencies	Local currency	Total
Assets					
Cash and balances with the NBG (including mandatory reserve)	104,780	146,477	1,710	93,874	346,840
Investments in debt securities	-	-	-	114,302	114,302
Due from banks	23,811	24,244	-	58,547	106,603
Loans and advances to customers	371,170	442,053	-	355,098	1,168,320
Other financial assets	490	2,042	-	1,006	3,537
Total financial assets	**500,251**	**614,816**	**1,710**	**622,827**	**1,739,602**
Liabilities					
Due to banks					
Customer accounts	148,127	562,446	1,748	347,446	1,059,767
Other borrowed funds	341,128	51,679	-	14,935	407,742
Subordinated debt	14,886	-	-	-	14,886
Lease liability	32	1,786	-	-	1,818
Other financial liabilities	1,157	61	-	999	2,217
Total financial liabilities	**505,330**	**615,972**	**1,748**	**363,380**	**1,486,430**
Net position	**(5,079)**	**(1,157)**	**(39)**	**259,445**	**253,171**
The effect of derivatives	**2,381**	**798**	**587**	**(3,766)**	**(1)**
Net position after derivatives	**(2,698)**	**(359)**	**548**	**255,679**	**253,170**

Customer Accounts of Group consists from Current account of subsidiary LLC ProCredit Properties for amount of GEL 7,327 thousand at 31 December 2024 (2023: GEL 8,630 thousand).

In order to identify maximum expected losses associated with currency fluctuations (USD and EUR), seven years of historical currency movements are statistically analyzed and considered to be reasonably possible at the reporting date. Historical rate of fluctuation is used to stress the net foreign currency position subject to 99% and 95% confidence levels.

1-year holding period are applied to current currency positions:

in '000 GEL As at 31 December 2024	95% confidence	99% confidence

Maximum loss (VaR)	717	985
Average loss in case confidence interval is exceeded	757	899

in '000 GEL

As at 31 December 2023	95% confidence	99% confidence
Maximum loss (VaR)	(804)	(936)
Average loss in case confidence interval is exceeded	(718)	(799)

During 2024, the local currency appreciated by 1.8% against EUR and depreciated by 4.3% against USD. The Bank maintains its “closed-positions” policy, any fluctuations on the foreign currency markets will have a minor effect on the Bank’s financial results.

ii. Interest rate risk

Interest rate risk specifies the risk that movements in market interest rates will adversely affect the Bank’s economic value and its interest earnings and eventually capital. Interest rate risk arises from structural differences between the maturities of assets and those of liabilities. The average maturity of loans typically exceeds that of customer deposits, thus exposing the Group to interest rate risk as described above. In order to keep the interest rate risk at acceptable level, the most of the Group’s short-term loans are offered at fixed interest rates while loans with longer maturities are disbursed with floating interest rates. Given that financial instruments to mitigate interest rate risks (hedges) are only available for hard currencies such as EUR and USD, this requires the Group to closely monitor interest rate risk.

The Group’s and Bank’s approach to measuring and managing interest rate risk is guided by the Interest Rate Risk Management Policy.

There are two indicators, which the bank uses for managing interest rate risk: economic value impact and interest earnings indicator.

Economic value risk

The economic value of the Bank is the net present value of all future expected cash flows, i.e. the present value of expected cash inflows from assets minus the present value of expected cash outflows from liabilities. The present value of expected cash flows that depend on interest rates from the Bank’s off-balance sheet items is also considered. Economic value risk is the risk that the net present value of expected cash flows from already contracted interest rate sensitive assets and liabilities will decrease.

The economic value risk is measured by the economic value impact which represents the change in present value of the bank’s future cash flows which would result in the case of an interest rate shock. The economic value risk has a longer-term perspective and therefore identifies the risk arising from long term re-pricing. The size of the economic value impact depends on the repricing structure and characteristics of interest sensitive assets and liabilities, as well as on the assumed interest rate change.

Interest earnings risk

Interest earnings risk considers how changes in interest rate could affect the Bank’s profitability over a defined time horizon given its current re-pricing structure. The interest earnings risk has a short-term perspective (up to one year) and identifies the risk arising from shorter term re-pricing mismatches. It is measured by the interest earnings impact, factoring in also the effect of fair-value change of financial instruments.
For EUR or USD, a parallel shift of the interest rate curve by +/- 200 bps is assumed. For the local currency, the definition of a shock is derived from historic interest rate volatilities over the last seven deviations from the Interest Rate Risk Policy and violations of interest rate limits are subject to approval by the Parent’s General Risk Management Committee.

The Group’s interest rate risk position is monitored by the General Risk Management Committee and ALCO. The indicators are also reported to the Parent’s General Risk Management Committee.

Beyond monitoring and limiting interest rate risk in the sense of re-pricing risk, the Group also aims to align the maturities of its assets and liabilities which generate interest earnings and interest expenses.

The table below presents the aggregated amounts of the Group's and the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest re-pricing or maturity dates.

in '000 GEL **As at 31 December 2024**	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 -12 months**	**1 -5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Assets								
Cash and balances with the NBG (including Mandatory reserve deposits with NBG)	317,118	18	-	-	-	-	55,863	372,999
Due from banks	93,434	28,136	-	-	-	-	35	121,605
Investments in debt securities	14,932	19,785	9,681	23,691	22,354	-	47	90,490
Loans and advances to customers	192,744	172,835	221,754	293,714	414,026	9,940	8,175	1,313,188
Other financial assets							3,609	3,609
Total financial assets	**618,228**	**220,774**	**231,435**	**317,405**	**436,380**	**9,940**	**67,729**	**1,901,891**
Liabilities								
Customer accounts	563,743	64,093	88,343	162,629	111,397	9,556	300,588	1,300,349
Other borrowed funds	40,085	38,624	104,309	30,908	97,286	-	5,350	316,563
Other financial liabilities	-	-	-	-	-	-	2,178	2,178
Lease liability	42	162	567	1,860	522	-	-	3,154
Subordinated debt	-	-		-	20,462		333	20,795
Total liabilities	**603,871**	**102,879**	**193,219**	**193,537**	**229,668**	**9,556**	**308,449**	**1,643,039**
Net interest sensitivity gap	**14,357**	**117,895**	**38,216**	**122,008**	**206,712**	**384**		

in '000 GEL **As at 31 December 2023**	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 -12 months**	**1 -5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Assets								
Cash and balances with the NBG (including mandatory reserve)	277,088	-	-	-	-	-	69,752	346,840
Due from banks	106,542	-	-	-	-	-	61	106,603
Investment securities available-for-sale	19,905	21,693	27,127	23,221	22,354	-	-	114,302
Loans and advances to customers	34,827	261,047	188,392	285,059	375,603	15,698	7,694	1,168,320
Other financial assets							3,537	3,537
Total financial assets	**438,362**	**282,740**	**215,519**	**308,280**	**397,957**	**15,698**	**81,044**	**1,739,602**
Liabilities								
Customer accounts	484,225	33,985	46,904	117,598	96,968	9,723	270,365	1,059,767
Other borrowed funds	62,725	44,851	100,243	77,648	116,663	-	5,613	407,742
Other financial liabilities	-	-	-	-	-	-	2,217	2,217
Lease liability	28	63	274	1,294	158	-	-	1,818
Subordinated debt	-	-	-	-	14,879		7	14,886
Total liabilities	**546,950**	**78,836**	**147,147**	**195,246**	**228,510**	**9,723**	**280,020**	**1,486,430**
Net interest sensitivity gap	**(108,588)**	**203,904**	**68,372**	**113,034**	**169,448**	**5,975**		

Customer Accounts of Group consists from Current account of subsidiary LLC ProCredit Properties for amount of GEL 7,327 thousand at 31 December 2024 (2023: GEL 8,630 thousand).

In quantitative terms, the risks associated with interest rate fluctuations are currently limited by stipulating that the interest rate risk exposure (economic value impact in present value) of the Group and the Bank following an interest rate shock of +/- 200 bps on EUR/USD and historical worst case for local currency, may not exceed 15% of total capital for all currencies. As at 31 December 2024, the Group and the Bank were in compliance with these requirements. Cumulative interest earnings impact for 12 months shows the following figures as at 31 December 2024:

in '000 GEL	Impact on profit or loss (equals impact on equity)			
	Probable adverse case scenario		Stress scenario	
	2%	-2%	5%	-5%
EUR	-	(1,121)	-	(1,185)
USD	-	(208)	-	(675)
GEL	-	(4,676)	-	(8,437)
	-	**(6,005)**	**-**	**(10,297)**

As at 31 December 2023, the impact of cumulative interest earnings was as follows:

in '000 GEL	Impact on profit or loss (equals impact on equity)			
	Probable adverse case scenario		Stress scenario	
	2%	-2%	5%	-5%
EUR	-	(1,180)	-	(2,800)
USD	-	(615)	-	(2,520)
GEL	-	(6,327)	-	(14,462)
	-	**(8,122)**	**-**	**(19,782)**

The scenarios for interest rate sensitivity calculations are taken from Basel regulations.

The Group and Bank monitors interest rates for its financial instruments by each major currency. The table below summarises average interest rates based on reports reviewed by key management personnel:

At 31 December 2024 in % p.a.	**EUR**	**USD**	**GEL**
Financial assets			
Due from banks	2.50	4.21	8.60
Loans and advances to customers	6.61	7.32	11.47
Financial liabilities			
Customer accounts	0.89	2.75	5.85
Other borrowed funds	4.66	7.00	8.45
Subordinated debt	9.29	-	-

At 31 December 2023 in % p.a.	**EUR**	**USD**	**GEL**
Financial assets			
Due from banks	3.00	4.00	9.73
Loans and advances to customers	6.42	6.83	13.06
Financial liabilities			
Customer accounts	0.66	1.98	4.72
Other borrowed funds	3.45	6.70	8.45
Subordinated debt	5.94	-	-

iii. Country risk

Country risk is defined as the risk that the Group and the Bank may not be able to enforce rights over certain assets in a foreign country (expropriation risk) or that a counterparty in a foreign country is unable to perform an obligation because specific political, economic or social risks prevailing in that country have an adverse effect on the credit exposures (transfer and convertibility risk). Given the nature of the Group's and the Bank's business and the environment in which it operates, the Group/Bank defines country risk more broadly to refer to the possible adverse impact that significant country-specific external macroeconomic, socio-political or regulatory factors can have on the Group's/Bank's earnings, capital or liquidity. In particular, it includes the risk of direct or indirect government intervention in the business operations of the Group/Bank in the form of nationalisation or seizure of assets, or significant market or regulatory intervention.

The Group's/Bank's business strategy is to focus on meeting the demand for credit exhibited by small and medium businesses in the local market. Therefore, it does not normally enter into cross-border transactions or incur country risks. However, as stated above, for the purpose of financial risk management the Group/Bank may need to enter into cross-border transactions, e.g. for the purpose of investing excess liquidity in bond exposures to highly rated international or multinational institutions.

Broader country risk issues are addressed by, and inherent in the Group's/Bank's policies and methodologies for the management of credit, market, liquidity, counterparty/issuer and operational risk. As cross-border exposures are controlled by the Group's/Bank's and the Parent's risk management functions, the Group/Bank is exposed to country risk only to a limited degree.

(d) Operational risk

The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This definition includes fraud risk, IT and information security risks, legal risk, reputational risk and outsourcing risk. Policies on operational risk management have been implemented since 2009; they have been approved by the Management of the bank and are updated annually. The principles set forth in the ICAAP policies are in compliance with the requirements for the standardized approach for operational risk pursuant to CRR and for the regulatory reporting comply with the basic indicator method according to the Capital Adequacy Requirement (order 100/04) regulation. The operational risk management policies are in compliance with the operational risk management regulations of the National Bank of Georgia, the cybersecurity framework of the National Bank of Georgia and international best practices.

The aim of operational risk management is to detect risks at an early stage and to avoid recurrence of loss events. The main tools utilized are the group-wide Risk Event Database (RED), the annual risk assessments of operational and fraud risks, established Key Risk Indicators (KRI) and the analysis of all new services and processes in a structured procedure, the New Risk Approval (NRA) process.

The Risk Event Database was developed to ensure that all operational risk events identified in the ProCredit group are documented, analyzed and communicated effectively. All ProCredit banks document their risk events using the provided framework, which ensures that adequate attention is paid to the implementation of necessary corrective or preventive measures for reducing or avoiding operational and fraud risk.

In contrast to the ex-post analysis of risk events as recorded in the Risk Event Database, annual risk assessments are systematically performed to identify and evaluate key risks and assess the adequacy of the control environment. These two tools complement each other and provide an overall picture of the operational risk profile for ProCredit Bank.

Risk indicators are also used to identify elevated fraud risk in specific areas of banking operations or specific outlets that could be used by potential fraudsters. These indicators are analyzed regularly and where needed preventive measures are agreed on.

To complete the management of operational risk, all new services need to be analyzed to identify and manage potential risks before implementation (NRA process).

To limit IT risks, the ProCredit group has defined standards for IT infrastructure, business continuity and information security. At bank level, ProCredit Bank incorporates the requirements from the National Bank of Georgia into the IT/information security risk management framework. Regular controls of information security and business continuity are part of existing processes and procedures. The bank carries out a classification of its information assets and conducts an annual risk assessment on its critical information assets. The business continuity framework implemented in the bank ensures that these risks are understood by all members of staff that critical processes are identified and that resources are allocated to restore operations, in line with the prioritization of processes.

(e) Anti-money laundering activities

ProCredit Bank attaches great importance to providing transparent and socially responsible banking services. The group’s code of conduct and the exclusion list, together form a binding frame of reference for all of Bank’s staff members by documenting ProCredit’s refusal to enter into business relationships with individuals or companies whose activities are incompatible with the ProCredit group’s ethical values.
The prevention of money laundering and terrorist financing is a key function of the Bank. The business ethics and strong corporate values of the ProCredit group and the Bank play a key role in this regard. The AML/CTF procedures of ProCredit Bank, which are themselves subject to AML/CTF legislation at their location, collectively referred to as the AML/CTF Programme of the ProCredit group, have been prepared to comply with legal requirements and market standards (best practices) of the Federal Republic of Germany serving as minimum standard for all ProCredit banks. It describes the basic principles and minimum standards governing the following elements of the group-wide AML/CTF Programme:

• AML/CTF governance framework
• Customer Due Diligence (CDD) implementing the Know Your Customer (KYC) principle
• The Group Money Laundering and Terrorism Financing Risk Analysis (Group ML/TF Risk Analysis)
• Prohibitions and restrictions regarding business relationships (ProCredit Code of Conduct, incl. Exclusion List and Group Blacklist)
• Management information and group-wide AML reporting
• Documentation and information retention
• Submission of suspicious activity reports (SAR)
• AML/CTF training for AML staff of ProCredit banks
• Independent controls of the Group Anti-Money Laundering Officer.

Group-wide applicable minimum standards as per Policy as well as local anti-money laundering and counter terrorism financing laws and regulations are implemented by Bank and aligned to each other. In order to implement the highest standards in AML/CTF, the prevention of financial crime and other acts punishable by law, and as a matter of principle, any national AML/CTF or customer due diligence (CDD) legislation which is of a higher standard than that provided by group Policy must be applied by the respective ProCredit bank.
The management board of Bank appoints an Anti-Money Laundering Officer and Deputy Anti-Money Laundering Officer in accordance with the applicable local legislation and group Policy. The Anti-Money Laundering Officer and Deputy Anti-Money Laundering Officer of the bank are responsible for compliance with AML/CTF provisions under Group Policy as well as national AML/CTF legislation and regulations.

The AML/CTF Program of the Bank ensures that:

- AML Officer/Deputy Anti-Money Laundering Officer regularly reports to the Management Board as well as to the Group AML Officer at ProCredit Holding.
- The Bank applies a strict Know Your Customer and Know Your Correspondent approach in its customer due diligence and correspondent banking procedures.
- Group AML and the Bank annually assesses the risk of money laundering and terrorist financing throughout the ProCredit group on the basis of a distinct risk model.

- The Bank staff members receive AML training when they first join the institution and thereafter on an ongoing basis within the framework of the Risk-Based training plans.
- The Bank maintains a risk classification of its customers to prevent money laundering and terrorist financing and applies due diligence and monitoring procedures accordingly.
- The Bank applies adequate and uniform risk-oriented procedures for monitoring accounts in order to identify unusual or otherwise conspicuous transactions carrying potential risks of money laundering or terrorism financing, including the use of IT-based monitoring systems. Banks monitor customer-related transactions in order to identify conspicuous payments and comply with all financial sanctions and embargoes against certain persons, entities and countries.

Bank has established the compliance function, which bears responsibility for adhering to national banking regulations and reports regularly and on an ad-hoc basis to the Management and to the group Compliance officer.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

A number of accounting policies and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes.

The Group’s fair value determination gives the highest priority to (unadjusted) quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. For short-term financial instruments (maturity up to six months) carried at amortised costs, the carrying value represents a reasonable estimate of fair value to the extent that there are no significant interest rate changes

The fair value is determined in accordance with the IFRS valuation hierarchy. This categorises the inputs used in the valuation techniques to measure fair value into three levels:

- Level 1 Inputs: quoted market price (unadjusted) in an active market for an identical instrument that the entity can access at the measurement date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.
- Level 2 Inputs: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 Inputs: inputs that are unobservable. If observable market interest rates are not available, internal rates are used as an input for a discounted cash flow model. Internal rates reflect the cost of funds, taking into account foreign currency effects and maturities as well as a risk margin, e.g. ProCredit Group Funding interest rates. Internal rates are regularly compared to those applied for third-party transactions and are consistent with the parameters of an orderly transaction between market participants under market conditions at the measurement date.

The Group and Bank estimates the fair value of all financial assets and liabilities as at 31 December 2024.

The following table provides a reconciliation of classes of financial assets and liabilities with these measurement categories :

Consolidated

		2024				
in '000 GEL	Category	Carrying value	Fair Value	Level 1	Level 2	Level 3
Financial assets						
Cash and cash equivalents	AC	148,473	148,473	-	148,473	-
Mandatory reserve deposits with NBG	AC	224,526	224,526	-	224,526	-
Investments in debt securities	AC	90,490	91,245	-	91,245	-
Investments in equity securities	FVOCI	139	616	-	-	616
Due from other banks	AC	121,605	121,605	-	121,605	-
Financial Assets at fair value through profit or loss	FV	1	1	-	1	-
Loans and advances to customers	AC	1,313,188	1,294,827	-	-	1,294,827
Other financial assets	AC	3,609	3,609	-	-	3,609
Total financial assets		**1,902,031**	**1,884,902**	**-**	**585,850**	**1,299,052**
Financial liabilities						
Customer accounts						
Current accounts	AC	275,641	275,641	-	275,641	-
Savings accounts	AC	492,520	492,520	-	492,520	-
Term accounts	AC	530,192	522,769	-	-	522,769
Other liabilities to customers	AC	1,996	1,996	-	1,996	-
Financial liabilities at fair value through profit or loss	FV	9	9	-	9	-
Other borrowed funds	AC	316,563	314,845	-	-	314,845
Other financial liabilities	AC	2,178	2,178	-	-	2,178
Subordinated debt	AC	20,795	20,626	-	-	20,626
Total financial liabilities		**1,639,894**	**1,630,584**	**-**	**770,166**	**860,418**

Consolidated

		2023				
in '000 GEL	Category	Carrying value	Fair Value	Level 1	Level 2	Level 3
Financial assets						
Cash and cash equivalents	AC	176,536	176,536	-	176,536	-
Mandatory reserve deposits with NBG	AC	170,304	170,304	-	170,304	-
Investments in debt securities	AC	114,302	115,078	-	115,078	-
Investments in equity securities	FVOCI	139	565	-	-	565
Due from other banks	AC	106,603	106,603	-	106,603	-
Financial Assets at fair value through profit or loss	FV	4	4	-	4	-
Loans and advances to customers	AC	1,168,320	1,167,566	-	-	1,167,566
Other financial assets	AC	3,537	3,537	-	-	3,537
Total financial assets		**1,739,745**	**1,740,193**	**-**	**568,525**	**1,171,668**
Financial liabilities						
Customer accounts						
Current accounts	AC	261,913	261,913	-	261,913	-
Savings accounts	AC	474,159	474,159	-	474,159	-
Term accounts	AC	320,914	318,199	-	-	318,199
Other liabilities to customers	AC	2,781	2,781	-	2,781	-
Financial liabilities at fair value through profit or loss	FV	4	4	-	4	-
Other borrowed funds	AC	407,742	401,642	-	-	401,642
Other financial liabilities	AC	2,217	2,217	-	-	2,217
Subordinated debt	AC	14,886	10,350	-	-	10,350
Total financial liabilities		**1,484,616**	**1,471,265**	**-**	**738,857**	**732,408**

Categories: FV - at fair value through profit or loss; AC - at amortised cost; FVOCI - at fair value through other comprehensive income

Customer Accounts of Group consists from Current account of subsidiary LLC ProCredit Properties for amount of GEL 7,327 thousand at 31 December 2024 (2023: GEL 8,630 thousand).

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

The Group has determined fair values using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model.

The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. In case observable market rates are not available to determine the fair value of financial liabilities measured at amortized cost, rates from Parent’s treasury are used as an input for a discounted cash flow model. The Parent’s Treasury rates are determined considering the cost of capital depending on currencies and maturities plus a risk margin that depends on an internal risk rating for each institution. These internal rates are regularly compared to those applied for third party transactions.

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using the Group’s own fair value model, such as the discounted cash flow technique. Input using the valuation technique includes expected lifetime credit losses, interest rates and prepayment rates. The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

30. CONTINGENT LIABILITIES AND COMMITMENTS

The Group/Bank has outstanding commitments to extend credit. These commitments take the form of approved loans limits and overdraft facilities. The Group/Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

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

in '000 GEL

As at 31 December	**2024**	**2023**
Financial guarantees and stand-by letters of credit	9,592	9,873
Performance guarantees	62,590	69,268
Commitments to extend credit:		
- Original term to maturity of one year or less	78,449	91,202
- Original term to maturity of more than one year	936	1,116
Total	**151,567**	**171,459**

As at 31 December 2024 the Group/Bank allocates commitments to extend credit, financial guarantees and stand-by letters of credit in Stage 1 and 2 (major part of this exposures are in stage 1) for the purposes of identifying expected credit loss under IFRS 9 (31 December 2023: Stage 1and 2). The Group/Bank calculates provision of performance guarantees according to IAS 37. Management estimates that ECL is immaterial at reporting dates. The table discloses the nominal principal amounts of contingent liabilities, commitments and guarantees, i.e. the amounts at risk, should contracts be fully drawn upon and clients default. The management believes that a significant portion of guarantees and commitments will expire without being drawn upon; therefore the total of the contractual amounts is not representative of future liquidity requirements.

Tax legislation

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

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

Litigation

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

31. RELATED PARTY TRANSACTIONS

The Group and Bank’s immediate parent company is ProCredit Holding AG, which produces publicly available Consolidated and Separate financial statements.

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The key management personnel include the executive directors of the Group and Bank and their close family members.

The Group and Bank had the following balances outstanding as at 31 December 2024 and 2023 with related parties:

in '000 GEL **As at 31 December**	**Contractual interest rate, p.a.**	**2024**	**2023**
Assets			
Due from banks and cash			
- Entities under common control	(0.25%) to 3.25 %	23,911	46,460
Loans and advance to customers			
- Key management	4.3%-12 %	433	484
Received guarantees			
- Parent	0,88%-1,5%	121,105	206,513
Customer accounts			
- Key management	0.0%-9%	841	158
- Associates	0.0%-10%	4,142	1,153
Other borrowed funds			
- Parent	6.5%	46,141	45,886
- Entities under common control	3.2%-6.62%	52,117	79,974
Subordinated debt			
- Parent	9.28%	20,795	14,886

Included in the profit or loss for the year ended 31 December 2024 and 2023 are the following amounts which arose due to transactions with related parties:

in '000 GEL	2024	2023
Interest income		
- Entities under common control	1,385	492
Other operating income		
- Key management	26	25
- Associates	1,366	985
Interest expense		
- Parent	3,443	2,095
- Entities under common control	3,528	3,062
- Key management	18	5
- Associates	205	123
Fees and commission expenses		
- Parent	2,170	3,014
- Entities under common control	1,945	1,798
Personnel expenses		
- Key management	1,447	876
Other administrative expenses		
- Parent	3,612	2,820
- Entities under common control	9,032	6,598
- Supervisory Board members	147	33

Related parties of the Group include subsidiary as well as persons in key management positions and their family members. Supervisory Board independent members' remuneration is recognised as an Other administrative expenses. All related party transactions related to key management personnel is short term employee benefits.

The transactions leading to the above balances were made in the ordinary course of business and on substantially the same terms as for comparable transactions with entities or persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of payment defaults nor did they comprise other unfavorable features.

The Bank had the following balances outstanding as at 31 December 2024 and 2023 with it subsidiary:

in '000 GEL **As at 31 December**	2024	2023
Assets		
Investment in Subsidiaries - Subsidiary	6,100	6,100
Liabilities		
Customer accounts - Subsidiary	7,327	8,630

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

New Fund Acquired from PROPARCO

On February 3, the Bank obtained the first portion of the EUR 18 million loan from the PROPARCO, in the amount of EUR 10 million with maturity date 15.05.2031.