JSC MFO GEORGIAN CREDIT

Financial Statements for the year ended December 31, 2024

with

Independent Auditors' Report

Contents

		Page
Statement of management's responsibilities		1
INDEPENDENT AUDITORS' REPORT		2
Statement of Financial Position		4
Statement of comprehensive income		5
Statement of cash flows		6
Statement of changes in equity		7
Notes to the financial statements		
1	General information	8
2	Basis of preparation	8
3	Critial accounting estimates and judgements	9
4	Summary of significant accounting policies	10
5	Cash and cash equivalents	20
6	Loans to customers	20
7	Other assets	23
8	Intangible assets	23
9	Leases	24
10	Property and equipment	24
11	Subordinated and other borrowings	25
12	Other liabilities	26
13	Share capital, share premium and other reserves	27
14	Net interest income	27
15	Changes in expected credit loss	28
16	Penalties and commission income	29
17	Other income	29
18	Staff costs including salaries and bonuses	29
19	General and administrative expenses	29
20	Income tax expense and deferred tax assets	30
21	Financial instruments - risk management	30
22	Contingencies and commitments	34
23	Related parties	35
24	Going concern consideration	35
25	Subsequent events	36

The last page number of the Financial Statements is: **36**

Statement of management's responsibilities

Management of JSC MFO GEORGIAN CREDIT is responsible for accompanying financial statements of JSC MFO GEORGIAN CREDIT.

This responsibility includes:

- preparation of financial statements in accordance with International Financial Reporting Standards;
- selection of suitable accounting policies and their consistent application;
- making judgments and estimates which are reasonable and prudent;
- preparation of the financial statements on the going concern basis, unless circumstances make this inappropriate.

Management is also responsible for:

- creation, implementation and maintaining effective internal control system;
- keeping proper accounting records in compliance with local regulations;
- taking such steps that are reasonably open to them to safeguard the assets of the Organization, and
- prevention and detection of fraud and other irregularities.

Nika Chikviladze

CEO

JSC MFO Georgian Credit

June 11,2025

Statement of management's responsibilities

Management of JSC MFO GEORGIAN CREDIT is responsible for accompanying financial statements of JSC MFO GEORGIAN CREDIT.

This responsibility includes:

- preparation of financial statements in accordance with International Financial Reporting Standards;
- selection of suitable accounting policies and their consistent application;
- making judgments and estimates which are reasonable and prudent;
- preparation of the financial statements on the going concern basis, unless circumstances make this inappropriate.

Management is also responsible for:

- creation, implementation and maintaining effective internal control system;
- keeping proper accounting records in compliance with local regulations;
- taking such steps that are reasonably open to them to safeguard the assets of the Organization, and
- prevention and detection of fraud and other irregularities.

Nika Chikviladze

CEO

JSC MFO Georgian Credit

June 11,2025

MOORE abc, LLC
2, D. Gamrekeli Str.
0160, Tbilisi, Georgia
T +995 32 2 000 123
E info@moore.ge
www.moore-georgia.ge

INDEPENDENT AUDITORS' REPORT

To the Management and Those Charged With Governance of JSC MFO GEORGIAN CREDIT
7, Sandro Euli Str.

Opinion

We have audited the financial statements of JSC MFO GEORGIAN CREDIT (the "Company") which comprise the statement of financial position as at December 31, 2024 and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 standalone 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 which is not a financial statement and the auditors` report

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We are required to express an opinion whether certain parts of the Annual Report comply with the financial statements and to consider whether the Annual Report includes the information required by article 7 of the Law of Georgia on Accounting, Reporting and Auditing.

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

• the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements;

• the information given in the Annual Report complies with the requirements of article 7 of the Law of Georgia on Accounting, Reporting and Auditing;

Responsibilities of management and those charged with governance for the financial statements

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

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of management and those charged with governance for the financial statements (Continued)

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

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

Auditors' responsibility for the audit of the financial statements

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

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

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

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

Mikheil Abaiadze / Certified Auditor / Partner

Audit firm registration number: SARAS-F-320544
Auditor's registration number: SARAS-A-865011

Tbilisi, Georgia

June 11,2025

შპს მურ ეიბისი * Moore Abc LLC * 206331691 *

JSC MFO GEORGIAN CREDIT
Statement of Financial Position
As at 31 December 2024
Amounts expressed in Georgian Lari

	NOTE	31-Dec-2024	31-Dec-2023
Assets			
Cash and cash equivalents	5	239,838	1,036,090
Loans to customers	6	12,398,316	16,898,101
Other assets	7	5,679,198	6,317,331
Intangible assets	8	217,796	263,288
Right of use asset	9	833,045	964,330
Property and equipment	10	260,384	162,766
Total assets		**19,628,577**	**25,641,906**
Liabilities			
Borrowings	11	11,359,437	14,709,756
Subordinated borrowings	11	3,705,224	3,286,203
Lease liabilities	9	931,717	1,005,166
Other liabilities	12	1,936,908	2,141,986
Total liabilities		**17,933,286**	**21,143,111**
Equity			
Share capital	13	6,220,568	6,145,568
Share premium	13	5,827,501	5,827,501
Other reserve	13	1,014,671	1,405,097
Accumulated loss		(11,367,449)	(8,879,371)
Total equity		**1,695,291**	**4,498,795**
Total liabilities and equity		**19,628,577**	**25,641,906**

Nika Chikviladze

CEO

JSC MFO Georgian Credit

June 11,2025

JSC MFO GEORGIAN CREDIT
Statement of Financial Position
As at 31 December 2024
Amounts expressed in Georgian Lari

	NOTE	31-Dec-2024	31-Dec-2023
Assets			
Cash and cash equivalents	5	239,838	1,036,090
Loans to customers	6	12,398,316	16,898,101
Other assets	7	5,679,198	6,317,331
Intangible assets	8	217,796	263,288
Right of use asset	9	833,045	964,330
Property and equipment	10	260,384	162,766
Total assets		**19,628,577**	**25,641,906**
Liabilities			
Borrowings	11	11,359,437	14,709,756
Subordinated borrowings	11	3,705,224	3,286,203
Lease liabilities	9	931,717	1,005,166
Other liabilities	12	1,936,908	2,141,986
Total liabilities		**17,933,286**	**21,143,111**
Equity			
Share capital	13	6,220,568	6,145,568
Share premium	13	5,827,501	5,827,501
Other reserve	13	1,014,671	1,405,097
Accumulated loss		(11,367,449)	(8,879,371)
Total equity		**1,695,291**	**4,498,795**
Total liabilities and equity		**19,628,577**	**25,641,906**

Nika Chikviladze

CEO

JSC MFO Georgian Credit

June 11,2025

	Note	2024	2023
Interest income	14	4,543,228	5,255,816
Interest expense	14	(1,458,220)	(1,897,641)
Net interest income		**3,085,008**	**3,358,175**
Changes in expected credit loss	15	(2,645,215)	(613,658)
Net interest income after provision for loan impairment		**439,793**	**2,744,517**
Penalties and commission income	16	175,674	221,386
Other income	17	342,190	122,593
Staff costs including salaries and bonuses	18	(2,342,158)	(2,455,907)
General and administrative expenses	19	(892,306)	(782,443)
Depreciation and amortization	8,9,10	(432,599)	(446,546)
Change in repossessed collaterals, net	7	185,584	(188,194)
Non-operating income	11	139,158	199,192
Net gain on financial instruments at fair value through profit or loss	7	(290,382)	1,087,935
Gain/loss from exchange rate differences, net		186,969	(1,095,653)
Loss before income tax		**(2,488,077)**	**(593,120)**
Income tax benfit/(expense)		-	-
Net loss for the year		**(2,488,077)**	**(593,120)**

Nika Chikviladze

CEO

JSC MFO Georgian Credit

June 11,2025

JSC MFO GEORGIAN CREDIT
Statement of comprehensive income
As at 31 December 2024
Amounts expressed in Georgian Lari

	Note	2024	2023
Interest income	14	4,543,228	5,255,816
Interest expense	14	(1,458,220)	(1,897,641)
Net interest income		**3,085,008**	**3,358,175**
Changes in expected credit loss	15	(2,645,215)	(613,658)
Net interest income after provision for loan impairment		**439,793**	**2,744,517**
Penalties and commission income	16	175,674	221,386
Other income	17	342,190	122,593
Staff costs including salaries and bonuses	18	(2,342,158)	(2,455,907)
General and administrative expenses	19	(892,306)	(782,443)
Depreciation and amortization	8,9,10	(432,599)	(446,546)
Change in repossessed collaterals, net	7	185,584	(188,194)
Non-operating income	11	139,158	199,192
Net gain on financial instruments at fair value through profit or loss	7	(290,382)	1,087,935
Gain/loss from exchange rate differences, net		186,969	(1,095,653)
Loss before income tax		**(2,488,077)**	**(593,120)**
Income tax benfit/(expense)		-	-
Net loss for the year		**(2,488,077)**	**(593,120)**

Nika Chikviladze

CEO

JSC MFO Georgian Credit

June 11,2025

JSC MFO GEORGIAN CREDIT
Statement of cash flows
As at 31 December 2023
Amounts expressed in Georgian Lari

	Note	2024	2023
Cash flows from operating activities			
Loss before income tax		(2,488,077)	(593,119)
Adjustments for:			
Provisions for loan impairement		2,645,215	613,657
Depreciation and amortization		432,599	446,546
Foreign exchange rate differences		(186,969)	1,095,653
Net loss from financial instruments at fair value through profit or loss		290,382	(1,087,935)
Change in repossessed collaterals, net		(185,584)	188,194
Interest income		(4,543,228)	(5,255,816)
Interest expense		1,458,220	1,897,641
Non-operating income		(139,158)	(156,076)
Non-cash employee benefit expense		75,000	-
Cash outflow from operating activities before changes in operating assets and liabilities		**(2,641,600)**	**(2,851,255)**
Decrease/(increase) in operating assets:			
Loans to customers		1,922,093	706,768
Other assets		638,133	(842,382)
Increase/(decrease) in operating liabilities:			
Other liabilities		(205,078)	748,348
Cash inflow/(outflow) from operating activities before interest and taxation		**(286,452)**	**(2,238,521)**
Interest paid on lease liabilities		(83,832)	(73,315)
Interest paid on borrowings and forward agreements		(1,300,800)	(1,879,641)
Interest received		4,007,773	5,120,992
Net cash outflow from operating activities		**2,336,689**	**929,515**
Cash flows from investing activities			
Purchase of property and equipment		(154,229)	(25,891)
Purchase of intangible assets		(2,078)	(15,186)
Net cash outflow from investing activities		**(156,307)**	**(41,077)**
Cash flows from financing activities			
Received/(paid) borrowings, net		(3,329,908)	(2,327,399)
Principal paid on lease liabilities		(409,424)	(410,589)
Net cash inflow/(outflow) from financing activities		**(3,739,332)**	**(2,737,988)**
Net increase/(decrease) in cash and cash equivalents		**(1,558,950)**	**(1,849,550)**
Cash and cash equivalents at the beginning of the period		1,036,090	602,645
Effect of exchange rate fluctuations on the cash and cash equivalents held in foreign currencies		762,699	2,282,994
Cash and cash equivalents at the end of the year	**5**	**239,838**	**1,036,090**

Nika Chikviladze

CEO

JSC MFO Georgian Credit

June 11,2025

JSC MFO GEORGIAN CREDIT
Statement of cash flows
As at 31 December 2023
Amounts expressed in Georgian Lari

	Note	2024	2023
Cash flows from operating activities			
Loss before income tax		(2,488,077)	(593,119)
Adjustments for:			
Provisions for loan impairement		2,645,215	613,657
Depreciation and amortization		432,599	446,546
Foreign exchange rate differences		(186,969)	1,095,653
Net loss from financial instruments at fair value through profit or loss		290,382	(1,087,935)
Change in repossessed collaterals, net		(185,584)	188,194
Interest income		(4,543,228)	(5,255,816)
Interest expense		1,458,220	1,897,641
Non-operating income		(139,158)	(156,076)
Non-cash employee benefit expense		75,000	-
Cash outflow from operating activities before changes in operating assets and liabilities		**(2,641,600)**	**(2,851,255)**
Decrease/(increase) in operating assets:			
Loans to customers		1,922,093	706,768
Other assets		638,133	(842,382)
Increase/(decrease) in operating liabilities:			
Other liabilities		(205,078)	748,348
Cash inflow/(outflow) from operating activities before interest and taxation		**(286,452)**	**(2,238,521)**
Interest paid on lease liabilities		(83,832)	(73,315)
Interest paid on borrowings and forward agreements		(1,300,800)	(1,879,641)
Interest received		4,007,773	5,120,992
Net cash outflow from operating activities		**2,336,689**	**929,515**
Cash flows from investing activities			
Purchase of property and equipment		(154,229)	(25,891)
Purchase of intangible assets		(2,078)	(15,186)
Net cash outflow from investing activities		**(156,307)**	**(41,077)**
Cash flows from financing activities			
Received/(paid) borrowings, net		(3,329,908)	(2,327,399)
Principal paid on lease liabilities		(409,424)	(410,589)
Net cash inflow/(outflow) from financing activities		**(3,739,332)**	**(2,737,988)**
Net increase/(decrease) in cash and cash equivalents		**(1,558,950)**	**(1,849,550)**
Cash and cash equivalents at the beginning of the period		1,036,090	602,645
Effect of exchange rate fluctuations on the cash and cash equivalents held in foreign currencies		762,699	2,282,994
Cash and cash equivalents at the end of the year	5	**239,838**	**1,036,090**

Nika Chikviladze

CEO

JSC MFO Georgian Credit

June 11,2025

	Share capital	Share premium	Other reserves	Accumulated loss	Total
Balance at December 31, 2022	**6,145,568**	**5,827,501**	**1,603,720**	**(8,286,254)**	**5,290,535**
Total comprehensive loss	-	-	-	(593,119)	**(593,119)**
Benefit from restructuring agreement	-	-	(198,622)	-	**(198,622)**
Balance at December 31, 2023	**6,145,568**	**5,827,501**	**1,405,098**	**(8,879,373)**	**4,498,794**
Total comprehensive loss	-	-	-	(2,488,077)	**(2,488,077)**
Changes in other reserves	-	-	(390,426)	-	**(390,426)**
Share-based payments	75,000	-	-	-	**75,000**
Balance at December 31, 2024	**6,220,568**	**5,827,501**	**1,014,672**	**(11,367,450)**	**1,695,291**

Nika Chikviladze

CEO

JSC MFO Georgian Credit

June 11,2025

JSC MFO GEORGIAN CREDIT
Statement of changes in equity
As at 31 December 2024
Amounts expressed in Georgian Lari

	Share capital	Share premium	Other reserves	Accumulated loss	Total
Balance at December 31, 2022	**6,145,568**	**5,827,501**	**1,603,720**	**(8,286,254)**	**5,290,535**
Total comprehensive loss	-	-	-	(593,119)	**(593,119)**
Benefit from restructuring agreement	-	-	(198,622)	-	**(198,622)**
Balance at December 31, 2023	**6,145,568**	**5,827,501**	**1,405,098**	**(8,879,373)**	**4,498,794**
Total comprehensive loss	-	-	-	(2,488,077)	**(2,488,077)**
Changes in other reserves	-	-	(390,426)	-	**(390,426)**
Share-based payments	75,000	-	-	-	**75,000**
Balance at December 31, 2024	**6,220,568**	**5,827,501**	**1,014,672**	**(11,367,450)**	**1,695,291**

Nika Chikviladze

CEO

JSC MFO Georgian Credit

June 11,2025

1 General information

Microfinance Organisarion Georgian Credit (hereinafter "the company") is a joint stock company which was established in 2006 in Tbilisi, Georgia, in accordance with the Georgian legislation. The company is registered by Tbilisi Tax Inspection Department, under identification number 206238800.

The company conducts its business under the Law of Microfinance Activity and is supervised by the National Bank of Georgia ("NBG").

The main business activity of the Company is lending (up to GEL 100,000). The company's financial products are: agro loans, business loans, consumer loans and pawshop loans.

The company had six branches as at December 31, 2024 and 2023, respectively.

The legal adress of JSC MFO Georgian Credit is located on 7 Sandro Euli Str., Saburtalo disctrict, Tbilisi, Georgia.

As at December 31, 2024 the following shareholders owned the company's shares:

Shareholders	Numbers of shares	Type	% of total shares	Share capital GEL
Dr. Jörg Wulfken	1,737,496	Ordinary	27.94%	1,737,496
Frauenfinanz Treuhand GmbH	1,089,832	Ordinary	17.53%	1,089,832
Gert Warneke	907,855	Ordinary	14.60%	907,855
Dr. Norbert Kranz	867,548	Ordinary	13.95%	867,548
Thomas Schiffler	814,074	Ordinary	13.09%	814,074
Other shareholders owning less than 10%	803,763	Ordinary	12.89%	803,763
	6,220,568		**100.00%**	**6,220,568**

As at December 31, 2023 the following shareholders owned the company's shares:

Shareholders	Numbers of shares	Type	% of total shares	Share capital GEL
Dr. Jörg Wulfken	1,737,496	Ordinary	28.28%	1,737,496
Frauenfinanz Treuhand GmbH	1,089,832	Ordinary	17.74%	1,089,832
Gert Warneke	907,855	Ordinary	14.78%	907,855
Dr. Norbert Kranz	867,548	Ordinary	14.12%	867,548
Thomas Schiffler	814,074	Ordinary	13.25%	814,074
Other shareholders owning less than 10%	728,763	Ordinary	11.83%	728,763
	6,145,568		**100.00%**	**6,145,568**

For more information about the company's share capital, refer to Note 13.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB).

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention expect for derivative financial instruments which are measured at fair value.

The company maintains its records and prepares financial statements in Georgial Lari (GEL) in accordande with International Financial Reporting Standards (IFRS) as required by Georgian legislation. The numbers are rounded to the nearest GEL under otherwise indicated.

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

The principal accounting policies adopted in the preparation of the financial statements are set in Note 4.

The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires Company’s management to exercise judgment in the most appropriate application in applying the Company's accounting policies (Note 3).

2 Basis of preparation *(Continued)*

2.3 Going concern

These financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. It should be noted that the Company is facing some financial difficulties, in particular accumulated losses for the past several years.

Despite this fact, the Management believes that using going concern assumption is appropriate for the Company. The justifications are as follows:

• The Company signed a new amendment to the Restructuring Agreement with the international lenders group which entails further reduction of interest rates on the outstanding loans to 1.5% for the year 2024 and 2% for the year 2025. This significantly improved company's prospects for 2025 with significant savings of interest expense payments.

2.4 New and revised standards and interpretations

A number of new standards and amendments have become effective

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

This amendments together impact the classification as current or non-current for liabilities with covenants and covertible notes that the company has issued with liability classified features. This amendment has been applied retrospectively.

There has been no impact on the classification of the company's loans and borrowings subject to covenants.

• Amendments to IAS 7 and IFRS 7 Supplier Financial Agreements

The amendments has no impact on the amounts recognised in the financial statements, nor disclosures notes to the financial statements.

2.5 Standards and interpretations that have been issued but are not yet effective

The following standards and amendments are not yet effective but may have a material impact on the financial statements of the company in the future.
a) Amendments to IFRS 9 and IFRS 7 amendments to the classification and measurement of financial instruments

These amendments change the requirements as to when financial liability can be derecongnized when it settled via electronic transfer as well as when cash flows can be considered simply payments of principal and interest and hence the ability to classify assets at amortized cost.

While the company is still assessing the impacts, the current expectation is that the amendments relating to the timing of derecognition of the liabilities may impact company's financial liabilities, however the amendment relating to the classification of financial assets is not expected to have an impact on the company.

The amendments are applicable for the 2026 Financial Statements.

b) IFRS 18 Presentation and Disclosure of Financial Statememts

This standard will replace IAS 1 Presentation of Financial Statements. Whilst many of the requirements will be remain consistent, the new standard will have impacts on the presentation of the Statement of Profit and Loss and consequential impacts of the Statement of Cash Flows. It will also require the disclosure of non-IFRS management performance measures and may impact the level of aggregation and disaggregation throughout the primary financial statements and the notes.

IFRS 18 applies for periods beginning on or after 1 January 2027 and will be applied retrospectively. The company is still currently assessing the impact that IFRS 18 will have on the company.

There are no other new standards or amendments that are expected to have a material impact on the entity.

3 Critial accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Measurement of expected credit losses

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

3 Critial accounting estimates and judgements *(Continued)*

3.1 Measurement of expected credit losses *(Continued)*

• Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions;

• Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements;

• Establishing forward-looking scenarios: When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

3.2 Lease term, incremental borrowing rate (IBR) and lease payments

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

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

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

3.3 Determination of collateral value

Management monitors market value of collateral on a regular basis. Management uses its experienced judgment to adjust the fair value to reflect current circumstances. The amount and type of collateral depends on the assessment of credit risk of the counterparty.

3.4 Useful lives of property and equipment

Property and equipment are depreciated or amortised over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in

4 Summary of significant accounting policies

Principal accounting policies applied in the preparation of these financial statements are set out below. These policies are consistently applied to all the years presented, unless otherwise stated.

4.1 Foreign currency translation

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The Company’s functional and presentation currency is the national currency of Georgia, Lari.

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

The closing exchange rates used for translating foreign currency balances to Georgian Lari were:

	31-Dec-24	31-Dec-23
USD	2.8068	2.6894
EUR	2.9306	2.9753

4.2 Financial instruments

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

Financial liabilities are measured at amortized cost or at fair value through profit or loss (FVTPL).

4 Summary of significant accounting policies *(Continued)*

4.2 Financial instruments *(Continued)*

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

Initial recognition of financial instruments

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

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

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

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Company recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;

- in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Company recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognised.

4.3 Fianncial assets

Classification and subsequent measurement

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

Financial assets at amortized cost

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

Business model assessment

There are three business models available under IFRS 9

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

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

4 Summary of significant accounting policies *(Continued)*

4.3 Financial assets *(Continued)*

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

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

Solely payments of principal and interest (SSPI)

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

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

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

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

Derecognition of financial assets

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

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

Impairement of financial assets

• Bases for ECL principles

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

Equity instruments are not subject to impairment under IFRS 9.

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

Under IFRS 9, the Company first evaluates individually whether objective evidence of impairment exists for loans that are individually significant. It then collectively assesses loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment available under the individual assessment.

Collectively assessesed loans are grouped based on shared credit risk characteristics, collateral type and product type.

• Three stage approach

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

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

4 Summary of significant accounting policies *(Continued)*

4.3 Financial assets *(Continued)*

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

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

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

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

Business profile	**Stage 1**	**Stage 2**	**Stage 3**
Agro Loasns	0-30	31-90	>90
Business Loans	0-30	31-90	>90
Consumer Loans	0-30	31-90	>90
Pawnshop Loans	0-30	31-90	>90

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

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

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

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

Restructured loans aren't transferred back to stage 1.

Defaulted loans are immediately moved to stage 3 and could be transferred to the previous stages.

Definition of default

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

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

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

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

Loan Restructuring

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

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

Significant increase in credit risk

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

4 Summary of significant accounting policies *(Continued)*

4.3 Financial assets *(Continued)*

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

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and

There is no unwarranted volatility in loss allowance from transfers between 12-months PD (probability of default) and lifetime PD.

Forward-looking information

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

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

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

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

Forecasting of forward-looking information

The Company uses last 4 years statistics (in case of existence) updated annually to estimate correlation between default rates and macroeconomic variables (GDP growth, inflation) and when calculating expected credit loss, specific macroeconomic forecast scenarios are considered.

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

Measurement of ECL

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

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

Expected credit loss is measured separately for all segments. These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above. The variables (excluding EAD) are calculated annually. EAD is updated every time the loan loss provision is calculated.

Probability of default (PD)

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

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

The Company uses last 4 years statistics in case of existence (but not less than 2 years) to determine probability of default. This figure is calculated separately for all segments by applying migration matrix to the loan portfolio, which shows the probability that the loan portfolio will move from one bucket to another. Migration matrix is divided into following buckets:

4 Summary of significant accounting policies *(Continued)*

4.3 Financial assets *(Continued)*

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

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

Loss given default (LGD)

LGD is is used to determine the amount of losses that may arise in case of default. In order to calculate loss given default, the Company uses loan amounts that were defaulted during last 4 years (in case of existence) and related cash inflows from default moment till reporting date.

The determination of the LGD considers expected future cash flows from collateral and other credit enhancements or expected pay-outs from bankruptcy proceedings for unsecured claims and where applicable time to realisation of collateral and the seniority of claims. Recovery through collateral is further considered in LGD calculations individually for each Financial Instrument.

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

Exposure at default (EAD)

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

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

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

4.4 Interest income recongition

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

4.5 Financial liabilities

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

The Company's other financial liabilities comprise of other liabilities and borrowings.

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

4 Summary of significant accounting policies *(Continued)*

4.5 Financial liabilities *(Continued)*

Financial liabilities modification

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

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, company recalculates the gross carrying amount of the financial liability and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial liability is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liability's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial liability).

The Company adjusts carrying amount of the modified financial liability by any costs or fees incurred. and amortise it over the remaining term of the modified financial liability.

The Company uses 10 % test for determination weather financial liability should be derecognized or not. Company compares Initial financial liability's discounted cash flows to new financial liabilities discounted cash flows. If difference between discounted cash flows is less than 10%, the Company assumes that change is modification and there is no need of derecognition of initial financial liability.

offseting of financial assets and liabilities

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

Derecognition of financial assets and liabilities

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

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

4.6 Fair value measurement

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

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

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

4.7 Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, and all bank placements or 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.

4 Summary of significant accounting policies *(Continued)*

4.8 Derivative financial instruments

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

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

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

4.9 Borrowed funds

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

4.10 Leases

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

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

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

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

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

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

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

4.11 Share capital, share premium, other reserve and dividends

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

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

Other reserve is a benefit, that the Company received from shareholders as a result of reduced interest rates and waiving part of loan liabilities according to loan restructuring agreements. Benefit from reduced interest rates represents the difference between nominal and fair values of borrowings.

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

4.12 Repossessed collaterals

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

4 Summary of significant accounting policies *(Continued)*

4.13 Property, equipment and intangible assets

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

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

Property and equipment are depreciated on a straight-line basis over expected useful lives. Residual values are not considered.

Company's intangible assets primarily include capitalized computer software. They are stated at historical cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over expected useful lives.

Company's intangible assets primarily include capitalized computer software. They are stated at historical cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over expected useful lives.

Group	Useful life (year)
Leasehold improvements	3-9
Furniture	3-7
IT equipment	2-7
Vehicles	5
Intangible assets	7-10

4.14 Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

4.15 Current and deferred income tax

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

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss.

4 Summary of significant accounting policies *(Continued)*

4.15 Current and deferred income tax *(Continued)*

Deferred income tax is determined using tax rate (and laws) that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

4.16 Recognition of interest income and expenses

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

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

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

4.17 Staff cost and related contributions

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

4.18 Recognition of operating and administrative expenses

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

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

4.19 Events after the reporting period

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

4.20 Provisions, contingent liabilities and contingent assets

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

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

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

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

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

4 Summary of significant accounting policies *(Continued)*

4.20 Provisions, contingent liabilities and contingent assets *(Continued)*

(a) By an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and

(b) As a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities

5 Cash and cash equivalents

Cash and cash equivalents can be presented as follows:

	31-Dec-2024	31-Dec-2023
Cash on hand	115,953	190,635
Cash on current accounts with banks in GEL	88,287	753,923
Cash on current accounts with banks in foreign currencies	35,598	91,532
Total cash and cash equivalents	**239,838**	**1,036,090**

6 Loans to customers

Loans to customers can be presented as follows:

	31-Dec-2024	31-Dec-2023
Principal*	13,225,837	18,447,263
Interest	440,575	1,758,441
Imapirement allowance	(1,268,096)	(3,307,603)
Total loans to customers	**12,398,316**	**16,898,101**

* To enhance portfolio transparency and align with prudent risk practices, the company adopted an aggressive write-off policy in 2024, primarily targeting loans over 365 days past due. Only 11% were retained based on strong recovery prospects. Most written-off loans (65%) originated before or during the pandemic. Recovery efforts remain ongoing, with expected future inflows to positively impact results.

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

		ECL					
	Gross Amount	Stage 1	Stage 2	Stage 3	Total ECL	Net Amount	ECL %
Agro Loan	7,755,297	(182,996)	(267,133)	(353,750)	(803,879)	6,951,418	10.08%
Business Loan	3,610,509	(67,779)	(71,525)	(198,440)	(337,744)	3,272,765	9.03%
Consumer Loan	2,023,749	(15,674)	(24,798)	(86,000)	(126,473)	1,897,277	6.38%
Pawnshop Loan	276,857	-	-	-	-	276,857	0.00%
Total Portfolio	**13,666,412**	**(266,449)**	**(363,457)**	**(638,190)**	**(1,268,096)**	**12,398,316**	**9.28%**

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

		ECL					
	Gross Amount	Stage 1	Stage 2	Stage 3	Total ECL	Net Amount	ECL %
Agro Loan	12,211,918	(197,803)	(251,905)	(1,730,072)	(2,179,779)	10,032,138	17.85%
Business Loan	5,740,179	(86,571)	(99,557)	(787,299)	(973,426)	4,766,753	16.96%
Consumer Loan	2,204,433	(17,157)	(18,617)	(118,625)	(154,398)	2,050,035	7.00%
Pawnshop Loan	49,174	-	-	-	-	49,174	0.00%
Total Portfolio	**20,205,704**	**(301,530)**	**(370,078)**	**(2,635,996)**	**(3,307,603)**	**16,898,101**	**16.37%**

Information about movements in provision for loan impairement is given in Note 15.

Currency analysis of loans to customers is given in Note 20.

Fair value of loans to customers is not materially different from its book value.

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

6 Loans to customers *(Continued)*

Agro Loan

	Principal	Interest	Gross Amount	ECL	Net Amount	ECL %
-no overdue	5,457,766	196,895	5,654,661	(140,271)	5,514,390	2.48%
-overdue less than 31 days	1,611,628	21,597	1,633,226	(287,393)	1,345,832	17.60%
-overdue 31-60 days	25,749	526	26,275	(10,052)	16,223	38.26%
-overdue 61-90 days	21,567	226	21,794	(12,413)	9,381	56.95%
-overdue more than 90 days	407,451	11,891	419,342	(353,750)	65,592	84.36%
Total Agro Loans	**7,524,161**	**231,136**	**7,755,297**	**(803,879)**	**6,951,418**	**10.37%**

Business Loan

	Principal	Interest	Gross Amount	ECL	Net Amount	ECL %
-no overdue	2,646,510	64,007	2,710,517	(53,215)	2,657,302	1.96%
-overdue less than 31 days	635,482	7,828	643,311	(85,303)	558,008	13.26%
-overdue 31-60 days	979	11	990	(325)	665	32.80%
-overdue 61-90 days	3,676	140	3,817	(462)	3,355	12.10%
-overdue more than 90 days	251,056	819	251,875	(198,440)	53,435	78.79%
Total Business Loan	**3,537,703**	**72,805**	**3,610,509**	**(337,744)**	**3,272,765**	**9.35%**

Consumer Loan

	Principal	Interest	Gross Amount	ECL	Net Amount	ECL %
-no overdue	1,683,289	60,524	1,743,812	(14,894)	1,728,919	0.87%
-overdue less than 31 days	113,091	11,725	124,816	(25,579)	99,237	21.29%
-overdue 31-60 days	-	-	-	-	-	0.00%
-overdue 61-90 days	-	343	343	-	343	0.00%
-overdue more than 90 days	92,913	61,865	154,778	(86,000)	68,778	55.73%
Total Consumer Loan	**1,889,293**	**134,457**	**2,023,749**	**(126,473)**	**1,897,277**	**6.25%**

Pawnshop Loan

	Principal	Interest	Gross Amount	ECL	Net Amount	ECL %
-no overdue	247,507	1,650	249,158	-	249,158	0.00%
-overdue less than 31 days	27,173	527	27,700	-	27,700	0.00%
Total Pawnshop Loan	**274,680**	**2,177**	**276,857**	**-**	**276,857**	**0%**

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

Agro Loans

	Principal	Interest	Gross Amount	ECL	Net Amount	ECL %
-no overdue	8,001,593	360,537	8,362,130	(180,582)	8,181,548	2.16%
-overdue less than 31 days	422,169	41,485	463,654	(17,221)	446,433	3.71%
-overdue 31-60 days	54,849	7,734	62,583	(5,251)	57,332	8.39%
-overdue 61-90 days	76,951	17,446	94,397	(26,703)	67,694	28.29%
-overdue more than 90 days	2,471,674	757,481	3,229,155	(1,950,023)	1,279,131	60.39%
Total Agro Loan	**11,027,235**	**1,184,683**	**12,211,918**	**(2,179,779)**	**10,032,138**	**17.85%**

6 Loans to customers *(Continued)*

Business Loans

	Principal	Interest	Gross Amount	ECL	Net Amount	ECL %
-no overdue	3,730,981	112,572	3,843,553	(79,906)	3,763,647	2.08%
-overdue less than 31 days	311,262	24,758	336,020	(6,664)	329,356	1.98%
-overdue 31-60 days	45,857	2,332	48,189	(1,144)	47,045	2.37%
-overdue 61-90 days	22,360	1,919	24,279	(324)	23,954	1.34%
-overdue more than 90 days	1,193,983	294,155	1,488,138	(885,388)	602,750	59.50%
Total Business Loan	**5,304,443**	**435,736**	**5,740,179**	**(973,426)**	**4,766,753**	**16.96%**

Consumer Loans

	Principal	Interest	Gross Amount	ECL	Net Amount	ECL %
-no overdue	1,806,965	31,772	1,838,736	(16,209)	1,822,528	0.88%
-overdue less than 31 days	59,393	6,785	66,178	(948)	65,230	1.43%
-overdue 31-60 days	247	15	262	(34)	228	13.06%
-overdue 61-90 days	1,986	138	2,124	-	2,124	0.00%
-overdue more than 90 days	198,626	98,507	297,132	(137,207)	159,925	46.18%
Total Consumer Loan	**2,067,217**	**137,216**	**2,204,433**	**(154,398)**	**2,050,035**	**7.00%**

Pawnshop Loan

	Principal	Interest	Gross Amount	ECL	Net Amount	ECL %
-no overdue	48,369	806	49,175	-	49,175	0%
Total Pawnshop Loan	**48,369**	**806**	**49,175**	**-**	**49,175**	**0.00%**

Loans with collaterals outstanding at December 31, 2024 can be presented as follows:

	Gross Amount	ECL	Net Amount	ECL %
Collateralized Loans	5,728,134	(763,167)	4,964,967	13.32%
Uncollateralized Loans	7,938,278	(504,929)	7,433,349	6.36%
Total Loans	**13,666,412**	**(1,268,096)**	**12,398,316**	**0.00%**

Loans with collaterals outstanding at December 31, 2023 can be presented as follows:

	Gross Amount	ECL	Net Amount	ECL %
Collateralized Loans	9,415,069	(1,973,955)	7,694,530	20.42%
Uncollateralized Loans	10,790,635	(1,333,648)	9,748,590	12.03%
Total Loans	**20,205,704**	**(3,307,603)**	**17,443,121**	**15.75%**

Loans with collaterals by collateral's type can be presented as follows:

Collateral Type	**31-Dec-2024**	**31-Dec-2023**
Real Estate	4,048,995	5,859,048
Personal	1,209,780	3,491,123
Jewelry	276,857	49,177
Machinery	192,502	15,721
Total	**5,728,134**	**9,415,069**

7 Other assets

Other assets can be presented as follows:

	31-Dec-2024	31-Dec-2023
Reposessed collaterals**	4,379,597	4,744,979
Prepayments	303,115	307,473
Other**	1,133,257	1,401,650
Impairement of prepayments	(136,771)	(136,771)
Total other assets	**5,679,198**	**6,317,331**

*GEL 1,232,744 out of GEL 1,388,205 represents effect of forward contracts which was classified as cash and cash equivalents in reporting period for the year ended at December 31, 2024.

**As at December 31, 2024 and 2023 the movements of the balance of repossessed collaterals can be presented as follows:

	2024	2023
January 1, 2024	**4,744,979**	**5,416,231**
Additions	225,488	359,842
Disposals	(523,687)	(673,756)
Impairement	(67,183)	(357,338)
December 31, 2023	**4,379,597**	**4,744,979**

Changes that are presented in the statement of total comprehensive income related to repossessed collateras can be presented as follows:

	2024	2023
Gain at initial recognition	74,031	108,801
Impairement of repossessed collaterals	(67,183)	(357,338)
Net gain on sale of repossessed collaterals	(74,486)	60,344
	(67,638)	**(188,193)**

8 Intangible assets

Intangible assets can be presented as follows:

Historical cost	**Accounting and other software**	**Other intangible assets**	**Total**
As of 31-Dec-2022	**571,206**	**44,517**	**615,723**
Additions	-	15,186	**15,186**
As of 31-Dec-2023	**571,206**	**59,703**	**630,909**
Additions	-	2,078	**2,078**
As of 31-Dec-2024	**571,206**	**61,781**	**632,987**
Accumulated amortization			
As of 31-Dec-2022	**(299,896)**	**(13,373)**	**(313,269)**
Period amortization	(50,254)	(4,097)	**(54,351)**
As of 31-Dec-2023	**(350,150)**	**(17,470)**	**(367,620)**
Period amortization	(40,437)	(7,134)	**(47,571)**
As of 31-Dec-2024	**(390,587)**	**(24,604)**	**(415,191)**
Net book value			
As of 31-Dec-2022	**271,310**	**31,144**	**302,454**
As of 31-Dec-2023	**221,056**	**42,233**	**263,289**
As of 31-Dec-2024	**180,619**	**37,177**	**217,796**

9 Leases

The Company leases a head office and six (2023: head office and six) service centres around Georgia. Rent for these spaces is fixed over the lease term and are denominated in USD. The lease term is defined as 3 years (2023: 3 years). The incremental borrowing rate for 2024 was 10.70%-12.82% per annum in terms of lease terms and currency (2023: 8.91-14.24%).

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

	Head office and branches
At December 31, 2022	**1,056,447**
Disposal	-
Modification	261,153
Depreciation	(353,269)
At December 31, 2023	**964,330**
Disposal	-
Modification	210,264
Depreciation	(341,549)
At December 31, 2024	**833,045**

Lease liabilities can be presented as follows:

	Head office and branches
At December 31, 2022	**1,095,007**
Effect of modification to lease terms	261,153
Interest expense	73,315
Lease payments	(410,589)
Foreign exchange movements	(13,719)
At December 31, 2023	**1,005,167**
Effect of modification to lease terms	210,264
Interest expense	83,832
Lease payments	(409,424)
Foreign exchange movements	41,878
At December 31, 2024	**931,717**

10 Property and equipment

	Leasehold improvements	Furniture and office equipment	Computer and communication equipment	Vehicles	Total
Historical cost					
Historical cost 31.12.2022	**164,577**	**444,055**	**833,534**	**52,033**	**1,494,199**
Additions	-	349	25,891	-	**26,240**
Disposals	-	(3,259)	(28,304)	-	**(31,563)**
Historical cost 31.12.2023	**164,577**	**441,145**	**831,121**	**52,033**	**1,488,875**
Additions	57,785	40,192	1,833	54,418	**154,228**
Disposals	(13,130)	(5,036)	-	(16,792)	**(34,958)**
Historical cost 31.12.2024	**209,232**	**476,301**	**832,954**	**89,659**	**1,608,145**
Accumulated depreciation					
Accumulated depreciation 31.12.2022	**(86,618)**	**(399,259)**	**(811,995)**	**(20,875)**	**(1,318,747)**
Depreciation for the year	(17,851)	(11,474)	(8,057)	(1,544)	**(38,926)**
Accumulated depreciation of disposals	-	3,259	28,304	-	**31,563**
Accumulated depreciation 31.12.2023	**(104,469)**	**(407,474)**	**(791,748)**	**(22,419)**	**(1,326,110)**
Depreciation for the year	(8,107)	(11,302)	(21,461)	(2,610)	**(43,480)**
Accumulated depreciation of disposals	-	5,036	-	16,792	**21,828**
Accumulated depreciation 31.12.2024	**(112,576)**	**(413,740)**	**(813,209)**	**(8,237)**	**(1,347,762)**

10 Property and equipment *(Continued)*

	Leasehold improvements	Furniture and office equipment	Computer and communication equipment	Vehicles	Total
Net book value					
Net book value 31.12.2022	**77,959**	**44,796**	**21,539**	**31,158**	**175,452**
Net book value 31.12.2023	**60,108**	**33,671**	**39,372**	**29,614**	**162,766**
Net book value 31.12.2024	**96,656**	**62,561**	**19,744**	**81,422**	**260,384**

11 Subordinated and other borrowings

Borrowings can be presented as follows:

	31-Dec-2024	31-Dec-2023
Current	150,300	140,605
Non-current*	14,914,361	17,855,354
Total borrowings	**15,064,661**	**17,995,959**

Non-current borrowings include subordinated borrowings from related parties (shareholders) in amount of GEL3,705,224 equivalent nominated in EUR and USD. According to updated agreements that were signed in December 2022 some shareholders loans were converted into subordinated borrowings. The contract terms are favorable for the Company in terms of reduced interest payments. The benefit that the Company received from shareholders amount GEL 589,048 and is presented in capital as other reserve. The maturity of these borrowings is December 2031.

Subordinated borrowings are unsecured loans that rank below other, more senior loans with respect to claims on assets or earnings. In the case of borrower default, creditors who own subordinated debt will not be paid out until after senior creditors are paid in full.

Principal balance and accrued interest can be presented as follows:

	31-Dec-2024	31-Dec-2023
Principal balance	14,914,361	17,855,354
Accrued interest*	150,300	140,605
Total borrowings	**15,064,661**	**17,995,959**

As of December 31, 2024 Borrowings can be presented as follows:

	Interest rate	Currency	31-Dec-2024
Non-resident financial institutions	5%-8.5%	USD/EUR	10,464,856
Shareholders	5.5%-14%	GEL/USD	4,441,670
Foreign currency forward contract accrued expense		EUR	103,762
Resident financial institutions		GEL/USD	54,373
Total borrowings			**15,064,661**

As of December 31, 2023 Borrowings can be presented as follows:

	Interest rate	Currency	31-Dec-2023
Non-resident financial institutions	5%-8.5%	USD/EUR	13,670,848
Shareholders	5.5%-14%	GEL/USD	4,127,389
Foreign currency forward contract accrued expense		EUR	103,762
Resident financial institutions		GEL/USD	93,960
Total borrowings			**17,995,959**

In 2021 the Company signed restructuring agreement between lenders on each borrowing, according to which the Company’s borrowings and subordinated borrowings with amount GEL 3,690,935 was converted to share capital.

11 Subordinated and other borrrowings *(Continued)*

In addition to the above, the following changes occurred in borrowings:

- The company signed the amendment in agreement which states that the company shall bear a per annual interest rate of 1.5% for the period beginning on January 1, 2024 and ending on December 31, 2024
- The company signed the amendment in agreement which states that the company shall bear a per annual interest rate of 2% for the period beginning on January 1, 2025 and ending on December 31, 2025
- The repayments of the remaining principal outstanding amounts under each of the credit facilities (amounts due after partial early pay-out is executed) shall be resumed in October 31, 2024 and all borrowings shall be fully repaid no later than October 31, 2027

In addition, borrowings from shareholders were classified as subordinated borrowings in the total amount of GEL 3,998,728. The company benefits from below-market interest rates from the borrowings which is presented as other reserves and non-operating income with total amounut of GEL 1,603,720 and GEL 139,158 respectively.

Under the restructuring agreement, the Company has several financial covenants to satisfy, main of which are presented as follows:

- Capital adequacy ratio
- Cost to income ratio
- Non-performing loans ratio
- Non-hedged FX position ratio

There is a regular communication between the lenders and the Company regarding the covenants. The Company satisfied all the covenants included in the agreement at the end of 2024 (2023: cost to income ratio, the covenant limit has been increased). The Company had communication about this case in 2023 with financial institutions and got waiver from the creditors for the breaches before the reporting date. According to the waiver, the creditors do not require early repayment of loans. As a result the Company classified the borrowings according to their contractual terms.

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

	2024	**2023**
January 1	**17,995,959**	**17,854,741**
Cash flows		
Recived/(paid) loans, net	(3,329,908)	2,088,222
Interest paid	(930,186)	(1,493,206)
Non-cash flows		
Interest accruals	1,235,231	1,733,359
Benefit from restructuring agreements with shareholders	(299,071)	(689,496)
Foreign exchange gain	392,636	(1,497,661)
December 31	**15,064,661**	**17,995,959**

12 Other liabilities

Other liabilities can be presented as follows:

	31-Dec-2024	**31-Dec-2023**
Received advances*	551,787	641,781
Accounts payable to employees	29,230	42,317
Taxes payable**	23,458	34,432
Derivative financial instruments***		
"Back to back loans"	-	-
Forward contracts	1,322,433	1,322,433
Other liabilities	10,000	101,023
Total other liabilities	**1,936,908**	**2,141,986**

*Received advances represents amounts received from previous owners of repossessed assets. The agreements have been arranged between JSC MFO Georgian Credit and previous owners for a repurchase of those assets. Value of repossessed assets on which there is a prepurchase agreement is GEL914 thousand (2023: GEL 1,697 thousand). Reconciliation of received advances can be presented as follows:

12 Other liabilities *(Continued)*

	2024	2023
January 1	**641,782**	**570,308**
Cash payments	1,398,531	1,055,632
Sales	(1,488,526)	(984,158)
December 31	**551,787**	**641,782**

**According to the Georgian Tax Legislation, the Company should pay taxes on unified treasury code applicable for all taxes. As a result, as at 31 December 2024 and 2023 the Company presents tax assets and liabilities on a net basis.

***Derivative financial instruments

"Back to back loans"

The Company aggregates non-derivative transactions of back-to-back loans from banks guaranteed by foreign currency deposits placed at the same banks as derivative instruments (foreign currency contracts), due to the fact that the transactions (placement of deposit and receiving of the loan) result, in substance, in a derivative.

The conclusion is based on the following indicators:

- They are entered into at the same time and in contemplation of one another;
- They have the same counterparty;
- They relate to the same risk;
- There is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction;
- There is an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and future settlement.

Forward contracts

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than their functional currency. Where the risk to the Company is considered to be significant, the Company's treasury will enter into a USD/GEL or EUR/GEL exchange forward contract with a local commercial banks.

13 Share capital, share premium and other reserves

The Company's share capital as at December 31, 2024 of 6,220,568 ordinary shares in issue with a value of GEL1 each (December 31, 2023: 6,145,568).

Information about Shareholders is disclosed in Note 1.

Share premium with amount GEL 5,827,501 represents a difference between the par value of issued ordinary shares and the fair value of actual consideration received.

Other reserve with amount GEL 1,014,671 represents benefit received from forgiving loan principal and interest in 2024 (GEL 325,176) as well benefit generated from reduced interest rates according to shareholder loan agreements (GEL 689,496). Difference between nominal and fair values of borrowings because of waiving part of interest as well as difference between restructured discounted future cash flows and nominal value has been recognised in capital, in other reserve.

14 Net interest income

Net interest income can be presented as follows:

	2024	2023
Interest income of financial assets recorded at amortized cost comprise:		
Loans to customers	4,535,192	5,226,686
Bank accounts	8,036	29,130
Total interest income	**4,543,228**	**5,255,816**
Interest expense of financial liabilities recorded at amortized cost comprise:		
Borrowings and subordinated borrowings	(455,637)	(402,138)
Foreig currency forward contract expenses	(918,751)	(1,422,188)
Lease liabilities	(83,832)	(73,315)
Total interest expense	**(1,458,220)**	**(1,897,641)**
Net interest income	**3,085,008**	**3,358,175**

15 Changes in expected credit loss

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

	Stage 1	Stage 2	Stage 3	
	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	**Total**
Balance at January 1, 2024	**301,529**	**370,077**	**2,635,997**	**3,307,603**
New loans issued	253,413	-	-	**253,413**
Transfer to Stage 1	4,605	(4,560)	(45)	**0**
Transfer to Stage 2	(152,875)	198,672	(45,797)	**-**
Transfer to Stage 3	(45)	(520,159)	520,204	**-**
Repaid loans	(186,574)	(43,096)	(338,888)	**(568,558)**
Write off for the year	-	-	(3,272,440)	**(3,272,440)**
Recoveries of previously write off	-	-	246,187	**246,187**
Changes due to change in credit-risk	118,684	145,665	1,037,544	**1,301,892**
Balance at December 31, 2024	**338,737**	**146,599**	**782,762**	**1,268,097**

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

	Stage 1	Stage 2	Stage 3	
	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	**Total**
Balance at January 1, 2023	**426,257**	**585,386**	**3,200,690**	**4,212,333**
New loans issued	453,596	-	-	**453,596**
Transfer to Stage 1	30,062	(18,651)	(11,411)	**-**
Transfer to Stage 2	(517,922)	578,344	(60,422)	**-**
Transfer to Stage 3	(11,411)	(1,097,060)	1,108,471	**-**
Repaid loans	(265,783)	(99,601)	(1,121,337)	**(1,486,721)**
Write off for the year	-	-	(1,654,231)	**(1,654,231)**
Recoveries of previously write off	-	-	81,161	**81,161**
Changes due to change in credit-risk	186,730	421,659	1,093,076	**1,701,465**
Balance at December 31, 2023	**301,529**	**370,077**	**2,635,997**	**3,307,603**

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

	Stage 1	Stage 2	Stage 3	
	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	**Total**
Balance at January 1, 2024	**10,965,715**	**3,189,922**	**6,050,067**	**20,205,704**
New loans issued	12,653,762	-	-	**12,653,762**
Transfer to Stage 1	39,762	(37,977)	(1,785)	**-**
Transfer to Stage 2	(635,357)	991,834	(356,477)	**-**
Transfer to Stage 3	(1,785)	(907,363)	909,148	**-**
Repaid loans	(13,823,550)	(1,910,461)	(186,603)	**(15,920,614)**
Write off for the year	-	-	(3,272,440)	**(3,272,440)**
Balance at December 31, 2024	**9,198,547**	**1,325,955**	**3,141,910**	**13,666,412**

15 Changes in expected credit loss *(Continued)*

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

	Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Balance at January 1, 2023	**12,026,394**	**3,674,650**	**6,533,263**	**22,234,307**
New loans issued	16,564,895	-	-	**16,564,895**
Transfer to Stage 1	811,704	(320,794)	(490,910)	**-**
Transfer to Stage 2	(2,490,929)	3,167,042	(676,113)	**-**
Transfer to Stage 3	(490,910)	(2,274,534)	2,765,444	**-**
Repaid loans	(15,455,439)	(1,056,442)	(388,390)	**(16,900,271)**
Write off for the year	-	-	(1,693,227)	**(1,693,227)**
Balance at December 31, 2023	**10,965,715**	**3,189,922**	**6,050,067**	**20,205,704**

16 Penalties and commission income

Penalties and commission income includes penalties on early payments, actual penalties on overdue days and other service commission fees, which in 2024 and 2023 amounted GEL 175,674 and GEL 221,386 respectively.

17 Other income

Other income can be presented as follows:

	2024	2023
Write-off recovery	310,572	-
Other	31,618	122,593
Total other income	**342,190**	**122,593**

18 Staff costs including salaries and bonuses

	2024	2023
Employee salary expense	1,795,609	1,873,776
Bonus and premium	428,654	469,273
Insurance expense	75,490	75,244
TCWG compensation expense	42,405	37,614
Total staff costs	**2,342,158**	**2,455,907**

19 General and administrative expenses

	2024	2023
Professional services	305,170	237,968
Software maintenance	100,227	97,402
Office maintenance	85,897	86,017
Utilities	75,878	76,395
Communication expenses	71,059	72,431
Business trips and representative expenses	65,932	70,443
Taxes other than income tax	60,813	55,603
Fuel	50,130	36,190
Court related expenses	45,169	20,494
Bank fees	9,821	13,867
Stationary	7,942	13,060
Other expenses	14,268	2,573
Total general and administrative expenses	**892,306**	**782,443**

20 Income tax expense and deferred tax assets

On 27 December 2022, Georgian law was published that made an amendment into the Tax Code of Georgia. It came into the force from 1 January 2023. The mentioned amendments have following effects on the companies operating in financing sector: before the amendment, according to the Tax Code of Georgia, it was determined that banking institutions, credit unions, microfinance organizations and loan providers would be taxed under the new (Estonian) corporate income tax (CIT) regime from January 1, 2023. The amendment stipulated that the time schedule will no longer be established and in the future these entities will be taxed again according to the old CIT regime, namely according to the difference between the gross income gained during a calendar year and the deductions according to GTC (Article 97, Paragraph 12).

Also, a new section 4 was added to the Article 98 of GTC, which determines CIT rate, according to which the taxable profit of a banking institution, credit union, microfinance organization and loan provider shall be taxed at the rate of 20%.

Although, taxation will be done according to the so-called old regime of CIT, the method of recognition of income and expenses determined by the GTC for the financial sector has been changed. In particular, the new section 5 has been added to the article 142 of GTC, that defines the moment of earning of income under the accrual method. According to this amendment from 1 January 2023, banking institutions, credit unions and microfinance organizations shall recognize interest income accrued on loans in accordance with International Financial Reporting Standards (IFRS). As for the deduction of allocations to reserve funds, according to the updated Article 109 of the GTC, from 1 January 2023, the mentioned persons will deduct the reserves for possible loan losses from the gross income according to the International Financial Reporting Standards (IFRS), instead of the rule established by the National Bank of Georgia.

The abovementioned changes in Georgian legislation did not have effect on the Company, as in 2021, the Company fully wrote off its deferred tax asset. According to the Company judgment, due to its material tax losses deferred tax asset would not be used or recovered in the future periods.

21 Financial instruments - risk management

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

21.1 Principal financial instruments

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

	31-Dec-2024	31-Dec-2023
Cash and cash equivalents	239,838	1,036,090
Loans to customers	12,398,316	16,898,101
Borrowings	11,359,437	14,709,756
Subordinated borrowings	3,705,224	3,286,203
Other liabilities	1,936,908	2,141,986
Lease liabilities	931,717	1,005,166

21.2 General objectives, policies and processes

The Supervisory Board has overall responsibility for the determination of the Company’s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company’s finance function.

The Supervisory Board and appropriate committees receive bimonthly reports from the Company Managers through which they review the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company’s internal auditor also reviews the risk management policies and processes and reports its findings to the Management.

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

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

21 Financial instruments - risk management *(Continued)*

21.3 Credit risk

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

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

Based on experience the Company uses an established credit policy which establishes the following basic stages of credit risk management:

- Tasks of the credit committee
- Monitoring of issued loans
- Ways of working on delinquent loans

The Credit Committee is the body responsible for analyzing the information contained in loan applications and assessing and reducing the credit risks as far as possible. The Committee is an independent body authorized to make the final decision about approving or rejecting a loan application.

Accuracy and correctness of information presented to the Committee is the responsibility of the credit officer, who fills in the initial application after due scrutiny of the applicant's business and its credit risks. Committee members assess the application against established criteria (applicant's credit history, financial condition, competitive ability, etc.) and will frequently ask the credit officer for more information about the applicant before making a decision.

Mitigation of credit risk is also achieved in some cases through securing loan with real estate or other material assets.

Assessment of the applicant's creditworthiness through careful analysis of its business reduces the risk of financial loss. Monitoring is performed by credit officers who report the results to the Management. The Company does not maintain a strictly determined schedule for monitoring.

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

	31-Dec-2024	31-Dec-2023
Cash and cash equivalents (excluding cash on hand)	123,885	845,456
Loans to customers	12,398,316	16,898,101
Total credit risk exposure	**12,522,201**	**17,743,557**

The Company's credit department reviews aging analysis of outstanding loans and takes action to recover past due balances. Management therefore considers it to be appropriate to provide aging and other information about credit risk as disclosed in Note 14.

21.4 Market risk

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

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

Interest rate risk

Interest rate risk arises from potential changes in market interest rates that can adversely affect the fair values of the financial assets and liabilities of the Company. This risk can arise from maturity mismatches of assets and liabilities, as well as from the re-pricing characteristics of such assets and liabilities. All interest-bearing assets and liabilities of the Company have fixed interest rate as at 31 December 2023 and 2022.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates, which can have adverse effects if there are mismatches by currency of financial assets and liabilities. The Company is exposed to the risks of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows.

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

21 Financial instruments - risk management *(Continued)*

	GEL	USD	EUR	Total
Financial assets				
Cash and cash equivalents*	198,490	25,953	15,395	**239,838**
Loans to customers**	12,093,824	304,492	-	**12,398,316**
Total financial assets	**12,292,314**	**330,445**	**15,395**	**12,638,154**
Financial liabilities				
Borrowings	109,334	10,988,089	262,014	**11,359,437**
Subordinated borrowings	-	1,209,125	2,496,099	**3,705,224**
Lease liabilities	-	931,717	-	**931,717**
Other liabilities	1,936,908	-	-	**1,936,908**
Total financial liabilities	**2,046,242**	**13,128,931**	**2,758,113**	**17,933,286**
Financial assets net position	**10,246,072**	**(12,798,486)**	**(2,742,718)**	**(5,295,132)**

*	GEL	USD	EUR	Total
Forward contracts	-	6,927,829	7,993,153	**14,920,982**

**				
Loans to customers including				
Gross amount	13,302,319	364,093	-	**13,666,412**
impairement allowance	(1,265,460)	(2,636)	-	**(1,268,096)**

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

	GEL	USD	EUR	Total
Financial assets				
Cash and cash equivalents*	933,803	100,934	1,353	**1,036,090**
Loans to customers**	16,593,609	304,492	-	**16,898,101**
Total financial assets	**17,527,412**	**405,426**	**1,353**	**17,934,191**
Financial liabilities				
Borrowings	25,227	7,597,538	7,086,991	**14,709,756**
Subordinated borrowings	-	1,004,493	2,281,710	**3,286,203**
Lease liabilities	-	1,005,166	-	**1,005,166**
Other liabilities	2,141,986	-	-	**2,141,986**
Total financial liabilities	**2,167,213**	**9,607,197**	**9,368,701**	**21,143,111**
Financial assets net position	**15,360,199**	**(9,201,771)**	**(9,367,348)**	**(3,208,920)**

*	GEL	USD	EUR	Total
Forward contracts	-	7,530,320	9,418,015	**16,948,335**

**	GEL	USD	EUR	Total
Loans to customers including				
Gross amount	19,841,611	364,093	-	**20,205,704**
impairement allowance	(3,115,617)	(191,986)	-	**(3,307,603)**

21 Financial instruments - risk management *(Continued)*

21.4 Market risk *(Continued)*

Currency risk sensitivity

The following table details the Company's sensitivity to a 20% increase and 20% decrease in the exchange rate of GEL per USD and per EUR. 20% is the sensitivity rate used when reporting foreign currency risk internally to key Management personnel and represents Management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% change in foreign currency exchange rates.

December 31, 2024		Effect	
Changes in foreign exchange rates:		Income before taxes	Equity
GEL depreciated against the USD	20%	(1,174,131)	(998,012)
GEL depreciated against the EUR	20%	(1,050,087)	(892,574)
GEL appreciated against the USD	20%	1,174,131	998,012
GEL appreciated against the EUR	20%	1,050,087	892,574

December 31, 2023		Effect	
Changes in foreign exchange rates:		Income before taxes	Equity
GEL depreciated against the USD	20%	(334,290)	(284,147)
GEL depreciated against the EUR	20%	10,133	8,613
GEL appreciated against the USD	20%	334,290	284,147
GEL appreciated against the EUR	20%	(10,133)	(8,613)

21.5 Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet loan repayments and other financial commitments associated with financial instruments as they actually fall due.

Liquidity of financial liabilities as at December 31, 2025 can be presented as follows:

	Up to 1 year	1 to 5 years	More than 5 years	**Total**
Borrowings	150,300	11,209,137	-	**11,359,437**
Subordinated borrowings	64,375	134,499	3,506,350	**3,705,224**
lease liabilities	124,308	223,718	583,691	**931,717**
Other liabilities	1,936,908	-	-	**1,936,908**
Total financial liabilities	**2,275,891**	**11,567,354**	**4,090,041**	**17,933,286**

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

	Up to 1 year	1 to 5 years	More than 5 years	**Total**
Borrowings	985,134	13,724,622	-	**14,709,756**
Subordinated borrowings	-	1,060,990	2,225,213	**3,286,203**
lease liabilities	333,937	671,229	-	**1,005,166**
Other liabilities	2,141,986	-	-	**2,141,986**
Total financial liabilities	**3,461,057**	**15,456,841**	**2,225,213**	**21,143,111**

21.6 Fair value measurement

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

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

21 Financial instruments - risk management *(Continued)*

21.6 Fair value measurement *(Continued)*

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.The Company has financial liabilities measured at fair value – “Financial instruments at fair value through profit or loss”; accordingly, they are presented under the IFRS 7 fair value measurement hierarchy on level 2. Fair value of cash and cash equivalents is measured based on level 1. Fair values of all other financial assets and financial liabilities are measured on level 3. Fair value of these financial assets and liabilities are close to book value.

21.7 Capital disclosures

The Company’s objectives when maintaining capital are:

- To safeguard the Company’s ability to continue as a going concern, so that it can continue to provide returns for shareholders;
- To comply with the capital requirements set by NBG and borrowers; and
- To provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of capital distributed to shareholders, return capital to shareholders, increase its capital, or sell assets to reduce debt.

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

22 Contingencies and commitments

Litigation

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

NBG regulations

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

The Management states that the Company is in compliance with the requirements of NBG for the year of 2024 and 2023. In 2022 the Company was in compliance with the requirements of NBG except the following ratios - Supervisory capital ratio and liquidity ratio. The Company got waiver from the NBG, according to which the Company is obliged to meet these ratios by 31 December 2023. It should be noted that this assessment relies on estimates and assumptions and may involve a series of complex judgments about future events and could be different from the judgments of regulators.

Management report

In accordance with the Law on accounting, reporting and auditing (article 7) the Company has an obligation to prepare and submit Management Report to the State Regulatory Authority, together with Independent Auditors’ Report no later than 1 October of the year following the reporting period. The Company has fulfilled this obligation at the date of issue of the financial statements.

Taxes

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

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

23 Related parties

A related party is a person or enterprise related to the enterprise that prepares the financial statements (The above enterprise is referred to in this standard as an "Accountable Enterprise").

A) A person or a member of his family is considered to be a related party to an accountable enterprise if:

(i) This person controls or jointly controls the accountable enterprise;
(ii) Has a significant impact on the accountable enterprise; or:
(iii) Is a member of the top management of the accountable enterprise or its parent enterprise.

B) An enterprise is considered a related party to an accountable enterprise if any of the following conditions exist:

(i) This enterprise and the accountable enterprise are members of the same group (meaning that the parent enterprise, the subsidiary, and the other subsidiaries of the same parent enterprise are related to each other);
(ii) One enterprise is an affiliated enterprise or joint venture of the other (or an affiliated enterprise or joint venture of any member of the group of which the other enterprise is a member);
(iii) Both enterprises are joint ventures of the same third party;
(iv) One enterprise is a joint venture of a third party and the other enterprise is a joint venture of the same third party;
(v) This enterprise is either an accountable enterprise or an implementer of a remuneration program for employees of any party affiliated with the accountable enterprise. If the accountable enterprise itself is the implementer of such a program, the sponsoring employers are also considered to be related parties to the accountable enterprise;
(vi) This enterprise is controlled, or jointly controlled, by any of the persons referred to in paragraph A;
(vii) Any of the persons referred to in paragraph A (i) has significant influence over that enterprise, or that person is the senior management of that enterprise (or its parent enterprise)
(viii) This enterprise, or any other enterprise in the same group to which that enterprise belongs, provides management services for the accountable enterprise, or the parent enterprise of the accountable enterprise.

Related party balances and transactions as and for the year ended 31 December 2024:

Description	**Share holders**	**Key management personnel**	**Total as per financial statement caption**
Borrowings	736,446	-	**11,359,437**
Subordinated borrowings	3,705,224	-	**3,705,224**
Interest expense	(246,385)	-	**(1,458,220)**
Staff cost including salaries and bonuses	-	(207,000)	**(2,342,158)**

Related party balances and transactions as and for the year ended 31 December 2023:

Description	**Share holders**	**Key management personnel**	**Total as per financial statement caption**
Borrowings	854,939	-	**14,709,756**
Subordinated borrowings	3,286,203	-	**3,286,203**
Interest expense	(257,598)	-	**(1,897,641)**
Staff cost including salaries and bonuses	-	(29,175)	**(2,455,907)**

24 Going concern consideration

At the end of each reporting period, management reviews issues related to the continuity of the enterprise to ensure that the presentation of financial statements is fair on a going concern basis. Management believes and is confident that the continued operation of the company is not endangered, nor does it have any plans to liquidate the company or significantly restrict its activities.

25 Subsequent events

To adapt the company's cost s to the reduces portfolio size, two least-profitable branches have closed in the subsequent period in Kvareli and Marneuli. Kvareli porfolio will be merged with Telavi and the company will continue working in the area, while Marneuli closure means full exit.

After the reporting period, a change occurred in the company's management structure. Specifically, as of June 4, 2025. Mr. Nika Chikviladze replaced Mr. Giorgi Samadashvili as the CEO of the company. The respective changes have been registered with the Public Registry of Entreprenuers and Non-entrepreneurial (Non-commercial) Legal Entities.

There have been no events after the reporting period which require additional disclosures or adjustments to these financial statements.

JSC "Microfinance Organization Georgian Credit"

MANAGEMENT REPORT

(For the year ended on 31 December 2024)

Content

MANAGEMENT REPORT 1

1. OVERVIEW OF JSC "MICROFINANCE ORGANIZATION GEORGIAN CREDIT", HISTORY, FOUNDERS, AND MANAGEMENT........ 3

2. BRANCHES, OFFERED PRODUCTS AND PORTFOLIO 3

3. FINANCIAL AND NON-FINANCIAL INDICATORS........ 5

4. RESEARCH AND DEVELOPMENT ACTIVITIES 7

5. PURCHASE OF OWN SHARES BY THE ENTITY 7

6. KEY RISKS AND MANAGEMENT........ 7

6.1CREDIT RISK 7

6.2 CREDIT COMMITTEE 9

6.3 SCORING SYSTEM........ 9

6.4 COLLATERAL ASSESSMENT........ 9

6.5 MONITORING OF CREDIT PORTFOLIO QUALITY 9

7. RESTRUCTURING OF RECEIVED LOANS AND COVENANTS 10

8. OPERATIONAL RISK 10

9. CURRENCY RISK 11

10. FUNDING STRUCTURE........11

11. COMPLETED PROJECTS AND DEVELOPMENT PLANS 11

12. SALE OF REPOSSESSED ASSETS........12

1. OVERVIEW OF JSC "MICROFINANCE ORGANIZATION GEORGIAN CREDIT", HISTORY, FOUNDERS, AND MANAGEMENT

JSC "Microfinance Organization Georgian Credit" (hereinafter referred to as "the company") is a joint-stock company established on September 12, 2006, in Tbilisi, by the legislation of Georgia. The company is registered with the Tbilisi Tax Inspectorate under identification number 206238800.

The company operates under the supervision of the National Bank of Georgia, by the law "On Microfinance Organizations." It fully adheres to the principles of responsible lending.

The primary activity of the company is financing small entrepreneurs with tailored products, including issuing microloans. Since December 2017, the upper limit for these loans has been set at 100,000 GEL. The company provides its customers with a wide range of products and services delivered by qualified employees. Its financial products include agro, business, consumer, and pawnshop loans (gold), with less concentration on the latter. The company's objective is to strengthen its position in the Georgian microfinance market as an effective financial institution with high social responsibility.

Since 2014, JSC "Microfinance Organization Georgian Credit" has been governed by principles of corporate management developed in cooperation with the International Finance Corporation (IFC) and based on best practices of corporate governance.

The company's Supervisory Council is responsible for strategic management and monitoring the implementation of set strategic goals. The Supervisory Board comprises at least 5 members, with at least two being independent members. The Supervisory Board is chaired by the Chairman, who ensures the proper functioning of the Council.

<u>The members of the Supervisory Board as of 2024 are:</u>

- Dr. Jörg Wulfken - Chairman of the Supervisory Board;
- Nana Mikashavidze - Deputy Chairman of the Supervisory Board;
- Frau Edda Schröder;
- Thomas Shiffler;
- Konstantine Sulamanidze;
- Giorgi Naskidashvili.

Giorgi Samadashvili was the CEO of JSC " Microfinance Organization Georgian Credit " for 2024 year.

JSC " Microfinance Organization Georgian Credit " has been operating on the market since 2006. At the end of 2024, the average number of employees in the company is 71 (2023: 75).

2. BRANCHES, OFFERED PRODUCTS AND PORTFOLIO

The legal address of JSC "Microfinance Organization Georgian Credit" is: Georgia, Tbilisi, Saburtalo District, Guram Panjikidze Street, Lane I, No. 8. The head office is located at the same address: Guram Panjikidze Street, Lane I, No. 8.

In 2024, JSC "Microfinance Organization Georgian Credit" operated with 6 branches (same as in 2023), most of which are represented in the regions.

The company's credit portfolio historically has a high concentration of agro and business loans. However, the company is focused on exploiting new markets and diversifying its portfolio. It offers agro and business loans to entrepreneurs to promote small businesses. Additionally, the company has developed and actively issues Easy loans for quick and easy replenishment of working capital.

Since November 2023, JSC "Microfinance Organization Georgian Credit" has additionally started offering pawn loans to customers. While the company's main focus remains on financing the agro and business sectors, the introduction of this new product will contribute to expanding the market segment and attracting a more diverse customer base interested in the products offered by JSC "Microfinance Organization Georgian Credit.

"<u>Conditions for existing products are as follows:</u>

Agro loans:

Loan amount - 500-100,000 GEL;
Maturity - up to 60 months;
Loan currency - GEL.

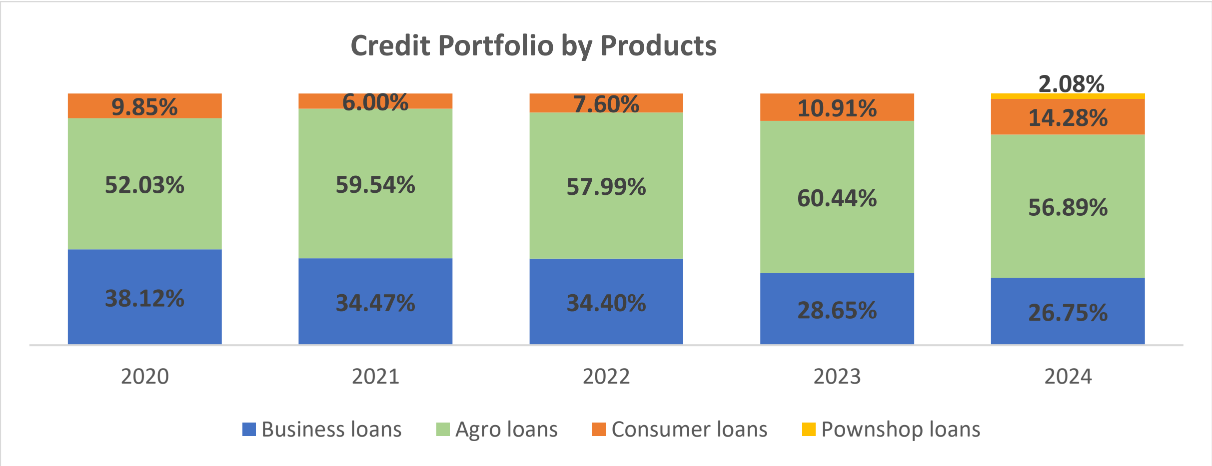
Business loans:
Loan amount - 500-100,000 GEL;
Maturity - up to 60 months;
Loan currency - GEL.

Consumer Loans:
Loan amount - 500-100,000 GEL;
Maturity - up to 60 months;
Loan currency - GEL.

Flexible loans (by-product):
loan amount - 500-25,000 GEL;
Maturity - up to 36 months;
Loan currency - GEL.

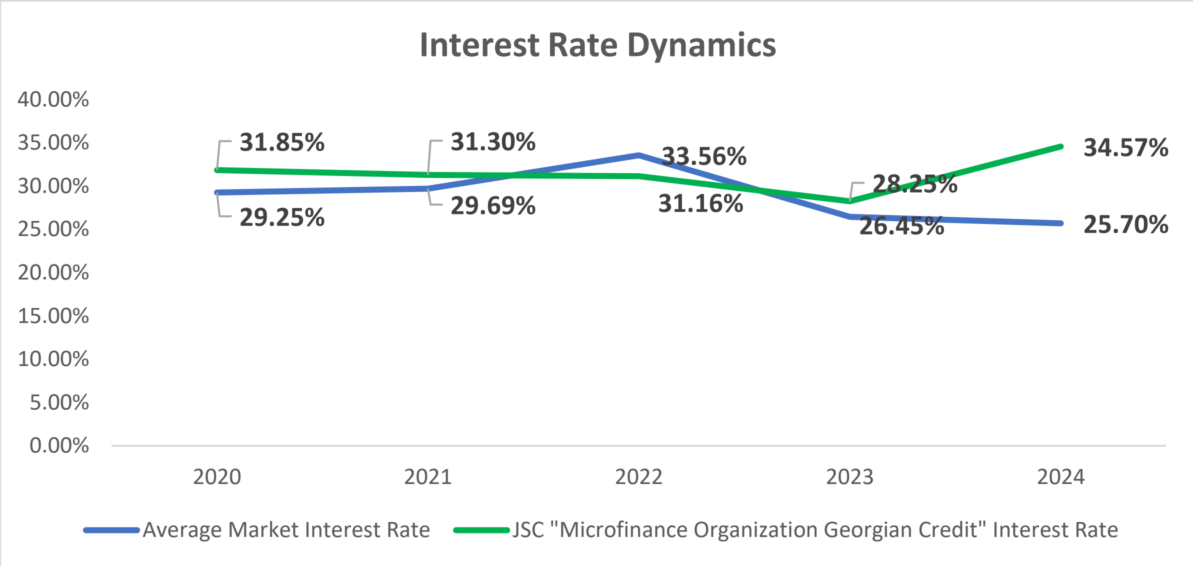
Pawnshop loans(Gold):
Loan amount - 100 - 100,000 GEL;
Maturity - up to 12 months;
Loan currency - GEL.

The vast majority of funds raised by the company are denominated in dollars and euros. The company was able to maintain a weighted average interest rate higher than the market, which balanced the decline in interest and fee income caused by the portfolio reduction.
The share of foreign currency in the credit portfolio has been progressively decreasing since 2017, after the de-dollarization initiative came into force. At the end of 2024, it was fixed at 0.06%



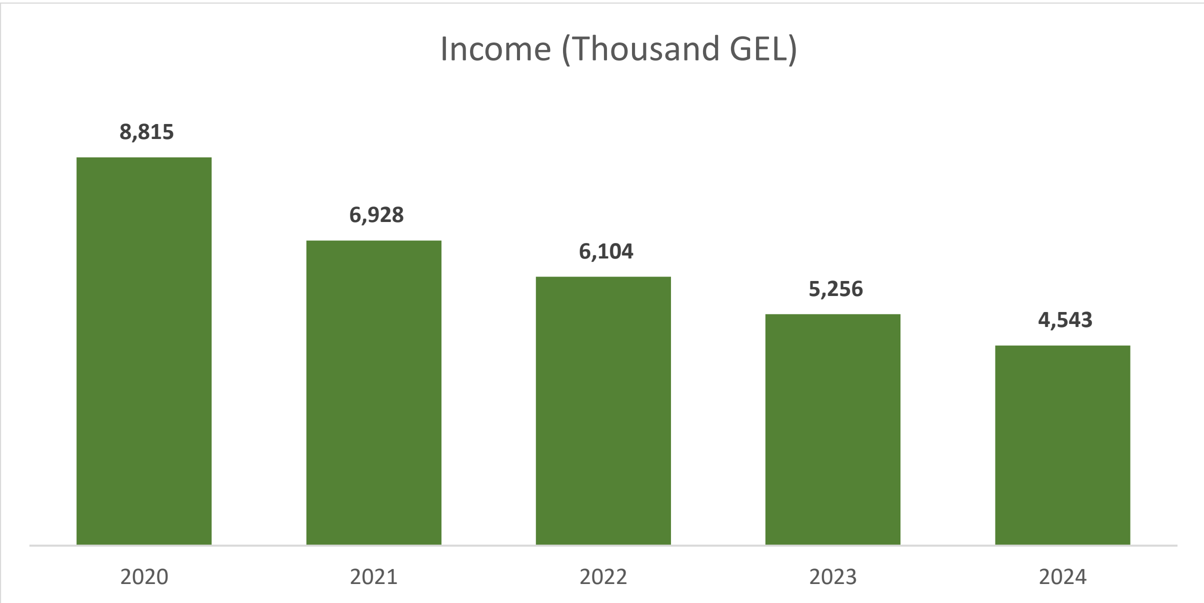
According to the action plan developed in 2021, the company continued to place significant emphasis on financing the agricultural sector in 2024. This sector has demonstrated resilience in recent years against the backdrop of economic challenges caused by the pandemic. As a result, in 2024, Agro loans accounted for 56.89% of the portfolio.

3. FINANCIAL AND NON-FINANCIAL INDICATORS

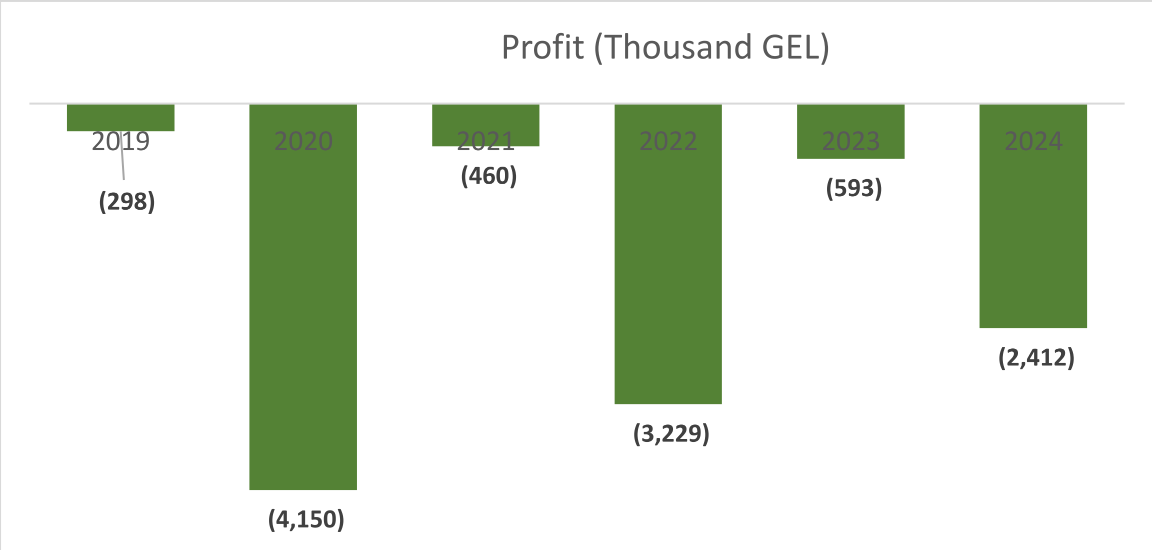


The weighted average rate of the portfolio remains stable in 2024 and slightly exceeds the corresponding rate in the market.

Interest rates are taken from the data published by the National Bank.
https://www.nbg.gov.ge/index.php?m=743



Interest income is calculated per international financial accounting standards and includes interest benefits and all costs related to the loan issued. The decrease in income in 2024 was caused by the reduction of the loan portfolio against the background of limited access to liquidity.

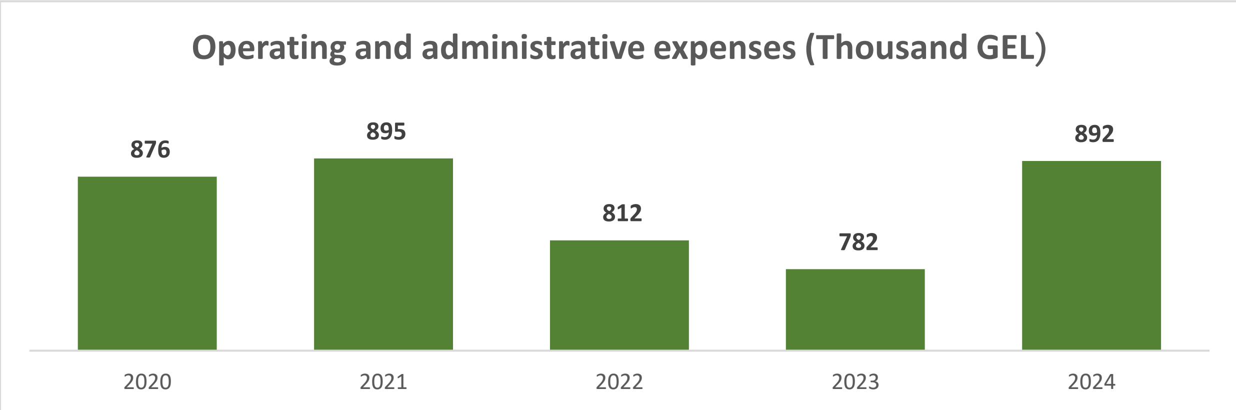


As of the end of 2024, a total of GEL 4.9 million in overdue loans and accrued interest was written off (2023: GEL 1.7 million), which had a significant impact on the company's bottom line. Compared to previous years, the company applied a more aggressive write-off policy, writing off nearly all loans overdue by more than 365 days. The only exception was 11% of such loans, which are still considered to have a significantly higher chance of recovery within the next year, based on assessments from the Problem Loan and Legal Departments.

It is also noteworthy that the majority of loans written off in 2024 (65%) were issued either before or during the active phase of the pandemic, including up to 2021, a period during which many borrowers lost their primary sources of income.

Management believes it is essential that the portfolio remains transparent and reflects its actual quality. Therefore, the company adopted this aggressive write-off approach. Nevertheless, the company continues active collection efforts on written-off loans and expects that, in the coming years, the recovery rate from these loans will increase significantly, which will have a positive effect on results in the periods when actual repayments are received.

Against the backdrop of reduced interest income, the company implemented several significant cost-cutting measures and structural reorganization. Certain services were outsourced to external contractors, and some employees were reclassified under service contracts, resulting in cost savings for the company. As a result, there was a shift in the classification of expenses under administrative costs. However, total expenses decreased compared to the previous year.



4. RESEARCH AND DEVELOPMENT ACTIVITIES

In 2024 the company was not involved in research and similar activities.

5. PURCHASE OF OWN SHARES BY THE ENTITY

The entity did not purchase its own shares in 2024.

6. KEY RISKS AND MANAGEMENT

JSC "Microfinance Organization Georgian Credit" has developed an effective policy of main risk management, which minimizes the risk as much as possible and positively affects the competitiveness and flexibility of the company.

6.1CREDIT RISK

Based on the activities of JSC " Microfinance Organization Georgian Credit ", credit risk plays an important role in determining the company's financial risks. Based on experience, the company uses a defined credit policy, which ensures timely identification of credit risks and their effective management, and includes the following main stages of risk management:

- Tasks of the credit committee;
- Monitoring of granted loans;
- Work with such loans, whose contractual conditions have been violated.

Since Autumn 2021, the company hired an experienced statistician to create the internal scoring model and the said model was put into use from 2023. This model helps to make more accurate decisions than only with the scoring provided by the credit bureaus.

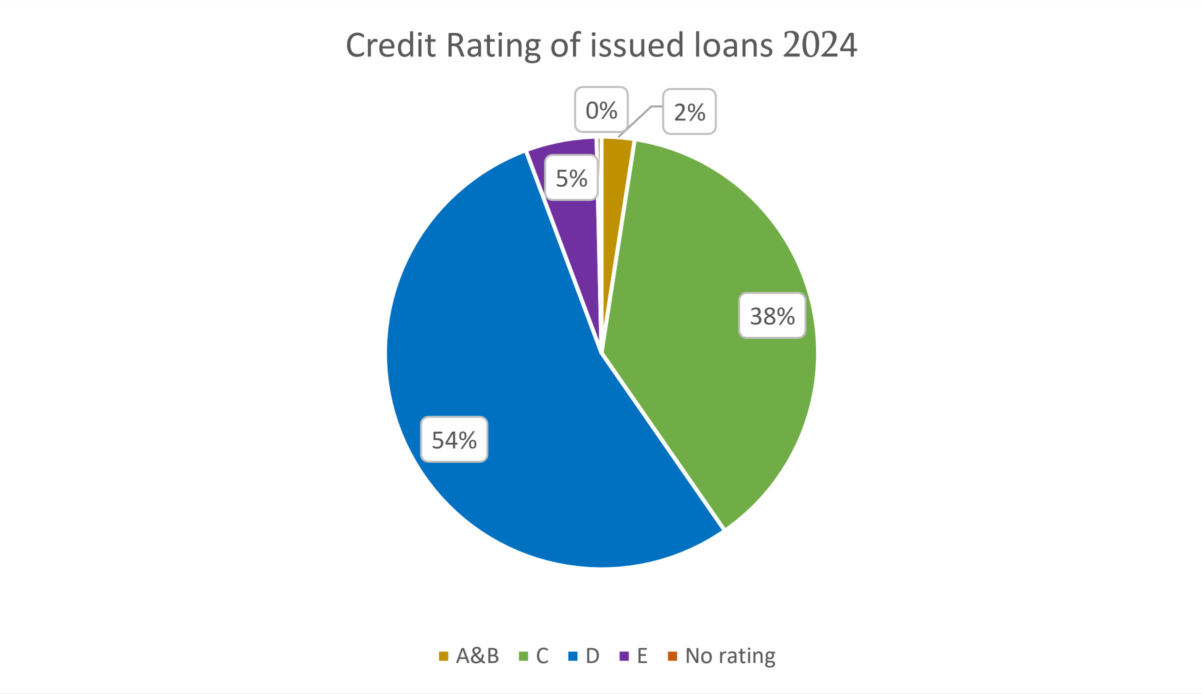
In October 2022, JSC " Microfinance Organization Georgian Credit " completed the implementation of a modern loan application system (Loan Origination Software). The mentioned system completely digitizes the information about the client and the loan in the company and reduces the processing time of small loans. In addition, with the help of the system, the company's loan officers can fill out and register applications directly at the client's place of business.

To analyze the quality of the loan portfolio, JSC "Microfinance Organization Georgian Credit" conducts monthly vintage analyses and monitors the share of overdue loans exceeding 30 days in issued loans.

Share of loans that are more than 30 days overdue within 2 years after issuance (Vintage Report)

ISSUE DATE	M 2	M 3	M 4	M 5	M 6	M 7	M 8	M 9	M 10	M 11	M 12	M 13	M 14	M 15	M 16	M 17	M 18	M 19	M 20	M 21	M 22	M 23	M 24
Dec-22	0.3%	0.6%	1.1%	1.4%	1.4%	1.7%	2.8%	3.6%	4.2%	5.7%	5.8%	5.8%	6.1%	6.1%	6.4%	6.4%	6.4%	6.7%	6.4%	6.8%	7.6%	7.3%	8.0%
Jan-23	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	2.1%	2.5%	2.5%	2.5%	2.7%	2.7%	2.7%	4.1%	
Feb-23	0.0%	0.5%	0.5%	0.5%	0.5%	0.7%	1.0%	2.1%	1.8%	1.7%	2.3%	2.0%	2.4%	2.0%	2.0%	2.0%	2.3%	2.3%	2.3%	2.3%	2.4%		
Mar-23	0.0%	0.2%	0.4%	0.8%	0.8%	1.1%	1.2%	0.6%	0.6%	1.0%	1.3%	1.1%	1.1%	1.6%	1.1%	2.2%	1.5%	1.1%	1.1%	1.1%			
Apr-23	1.3%	1.3%	1.3%	1.3%	1.8%	1.3%	1.3%	1.3%	1.3%	2.0%	2.6%	2.6%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%				
May-23	0.0%	0.3%	0.5%	0.5%	1.0%	0.5%	0.5%	1.3%	2.1%	2.1%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	1.8%					
Jun-23	0.0%	0.5%	0.5%	0.5%	0.5%	0.9%	0.5%	1.3%	1.1%	1.1%	1.4%	1.7%	2.5%	2.5%	2.5%	2.5%	2.5%						
Jul-23	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.1%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	1.1%	1.1%							
Aug-23	0.0%	0.0%	0.0%	0.0%	2.6%	1.8%	0.3%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%								
Sep-23	0.0%	0.0%	0.0%	0.7%	0.0%	0.0%	0.0%	0.0%	0.7%	1.8%	1.8%	1.8%	1.8%	1.2%									
Oct-23	0.5%	0.5%	0.5%	1.0%	1.2%	1.4%	1.4%	1.6%	1.6%	1.6%	1.6%	1.7%	1.7%										
Nov-23	0.1%	0.2%	0.5%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	1.0%	1.2%	1.2%											
Dec-23	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.7%	0.7%	0.7%	0.7%	1.2%												
Jan-24	0.0%	0.5%	0.5%	0.5%	0.7%	1.0%	1.1%	1.2%	1.7%	1.2%													
Feb-24	0.0%	0.5%	0.7%	0.7%	0.7%	0.7%	0.7%	1.7%	1.7%														
Mar-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%															
Apr-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%																
May-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%																	
Jun-24	0.0%	0.0%	0.0%	0.0%	0.3%																		
Jul-24	0.0%	0.0%	0.0%	0.6%																			
Aug-24	0.0%	0.0%	0.0%																				
Sep-24	0.0%	0.0%																					
Oct-24	0.0%																						
Nov-24																							

The Credit Rating of the loans issued during the year 2024 also proves that the share of E category and unrated loans is an insignificant part of the loans issued. 92% of the issued loans represent C and D category risk clients.



6.2 CREDIT COMMITTEE

The credit committee is an analytical body tasked with analyzing the loan project information presented to the committee and determining and minimizing credit risks. It operates as an independent body responsible for making decisions on lending. The decision on financing is reached through evaluating available and statistical data, considering potential risks, and assessing the effectiveness of the financing.

6.3 SCORING SYSTEM

The company has developed a specialized credit scoring system based on Credit Info's rating for quick and efficient lending. This scoring system simplifies the business evaluation process and assists the responsible person in making informed decisions.

6.4 COLLATERAL ASSESSMENT

In 2022, the company signed a contract with one of the largest firms in the market, which evaluates real estate in full compliance with modern standards. In 2024, the contract was renewed with the same company, and by the end of the year, the real estate on the company's balance sheet was evaluated in full compliance with modern standards. Utilizing external expertise assists the company in better assessment and reduction of credit risks.

6.5 MONITORING OF CREDIT PORTFOLIO QUALITY

In 2021, the position of Manager of Credit Portfolio Quality Monitoring was created in the company. Their responsibility is to conduct quarterly inspections of the company's branches to ensure compliance with the processes and procedures defined by the credit policy. Initially, during the program's implementation, monitoring mainly involved verifying borrowers' contracts and telephone communication. However, starting from 2023, the proportion of physical visits to customers has increased, contributing to the effective improvement of the loan portfolio's quality.

7. RESTRUCTURING OF RECEIVED LOANS AND COVENANTS

In 2021, the company signed a restructuring agreement for all received loans, within the framework of which ordinary and subordinated loans of the company's shareholders in the amount of 3,690,935 GEL were converted into capital. As of the end of 2024, subordinated loans amount to 3,705,224 GEL.

Also, at the end of 2023, the restructuring agreement was renewed, within the framework of which:

- The contractual interest rate of all subordinated and non-subordinated loans for 2024 has been set at 1.5%, which will significantly reduce the interest costs and make it possible to apply the received concessional loans.
- Repayment of the remaining principal amount of each non-subordinated loan (subject to repayment in the preceding paragraph) shall be repaid by October 31, 2027.
- Repayment of the principal amounts of each subordinated loan (according to the repayment in the previous paragraph) will be made in December 2031.
- In 2025, the interest rate on the company's owned funds and subordinated loans was reviewed and set at 2%.

According to the restructuring agreement, the company has several financial restrictions, the most important of which can be presented as follows:

- Capital adequacy ratio
- Cost-to-income ratio
- Non-performing loan ratio
- Unhedged foreign currency ratio

As of the reporting dates at the end of 2024 and 2023, the Company remained fully compliant with all applicable financial ratios.

8. OPERATIONAL RISK

JSC "Microfinance Organization Georgian Credit" utilizes a sophisticated banking software system. ALTA was introduced to the company in 2018, providing a smooth, flexible, and effective lending process.

In 2022, the SOFTGEN lending system was integrated, reducing the time required for loan issuance, automating a significant portion of the process, and ensuring the availability of data required for reporting and credit scoring.

Starting from the beginning of 2023, a scoring system was integrated into SOFTGEN, streamlining the automation process. Specifically, the system is incorporated into SOFTGEN and connected to the Creditinfo database. This automation enables programmatically verifying Creditinfo ratings and automatically rejecting customers with low ratings, thereby accelerating the verification process. Moreover, the program assigns automatic scores to verified users, and long-term analysis will allow for a correlation between average scores and the quality of customer solvency, facilitating effective decision-making and quality improvement.

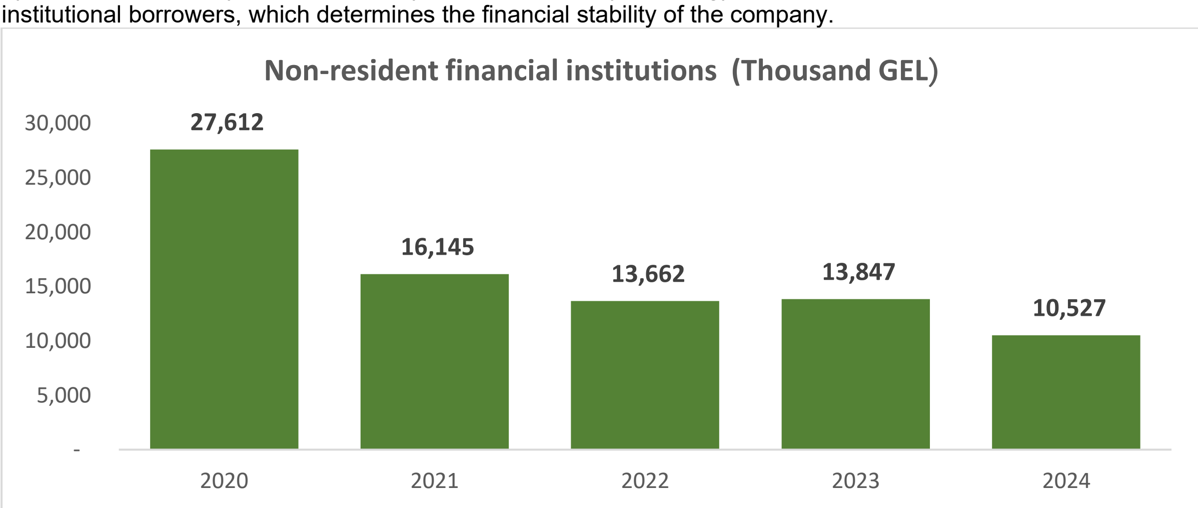
Since January 2023, the company has also implemented a KYC module, which assigns risks to customers based on a general anti-money laundering and anti-terrorism questionnaire. Based on the assigned risk, the company decides to grant a loan, thereby reducing the risk of loan default.

9. CURRENCY RISK

The company has developed a conservative strategy for managing its open currency position to mitigate currency risks as much as possible. To minimize foreign exchange risk and reduce potential currency-related losses, JSC Georgian Credit utilizes various hedging instruments, including foreign exchange contracts. Specifically, the organization applies a currency swap instrument under a contractual agreement with JSC Bank of Georgia, which provides full protection against potential losses arising from depreciation of the national currency due to exchange rate fluctuations. The average currency risk over the last 2 years was +/-20%.

10. FUNDING STRUCTURE

Since 2014, JSC "Microfinance Organization Georgian Credit" has been financed by international creditors. The total funding of the company as of December 31, 2024 and 2023, was 10.53 and 13.85 million GEL, respectively. Therefore, the main source of funding is international funds. In 2024, JSC "Microfinance Organization Georgian Credit" made repayments equal to one-quarter of its outstanding obligations to each international creditor. As a result of these repayments and exchange rate differences, the total loan balance owed to international creditors decreased by GEL 3.3 million by the end of the year. The company's strategy focuses on the diversification of international institutional borrowers, which determines the financial stability of the company.



11. COMPLETED PROJECTS AND DEVELOPMENT PLANS

At the end of 2023, JSC "Microfinance Organization Georgian Credit" concluded an agreement between its institutional and non-institutional creditors to reduce the interest rate of loan obligations and extend the term until October 2027. This agreement strengthens the long-term financial stability of JSC "Microfinance Organization Georgian Credit" while also easing the burden of interest expenses.

In the upcoming period, the company's goal is to enhance the quality of the portfolio by increasing the share of physical checks and making more realistic decisions about the solvency of new customers. This increase in efficiency will be facilitated by employee training.

Employee Development: In 2024, the company provided training for employees in the areas of branch management and sales. These trainings focused on effective sales promotion and quality improvement.

Digitalization: By the end of 2024, JSC MFO Georgian Credit completed the implementation of two digitalization systems:

- Self.ge (automatic salary calculation system)
- Signify (electronic signature system).

Self.ge: The implementation of the Self.ge electronic system supports the automation and increased efficiency of payroll processes. The platform enables accurate tracking of employees' working hours, management of leave and sick days, and digital handling of employment contracts and HR documentation, making the process significantly more streamlined and user-friendly.

Signify: is an electronic signature and document management platform that allows for the fast and secure exchange of documents and centralized handling of all procedures related to electronic signatures. In 2024, the organization processed a total of 1,567 documents through this system. Additionally, the digitalization of physical contracts during the year saved 22,990 sheets of paper, contributing to the preservation of approximately 1,508 trees.

Digitalization contributes to environmental protection by reducing deforestation, while also saving time and financial resources—ultimately enhancing the overall operational efficiency of the company.

By the end of 2025, the company plans to advance its digitalization efforts in two key areas:

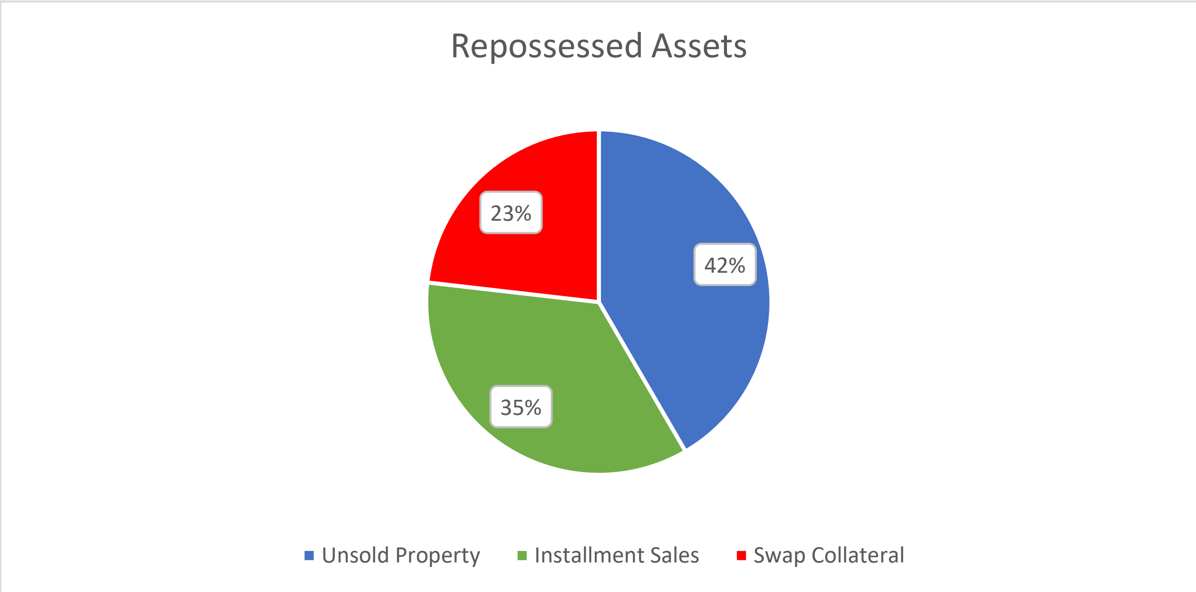
- Archiving Process;
- Cloud Center System.

In 2024, the company initiated its archiving process, which involves converting physical copies of contracts into digital formats. This project is designed to replace physical contract storage with electronic versions, free up physical space, and enhance the speed and efficiency of document retrieval and management. By the end of 2025, the company aims to have fully digitized its entire internal documentation archive.

At the end of 2024, the company signed an agreement with a cloud center service provider to receive data center and server infrastructure services. The full data migration process continued through the first quarter of 2025. By transitioning to the cloud system, JSC MFO Georgian Credit modernized its IT infrastructure, avoided the need to purchase new server systems, and eliminated the requirement for dedicated physical space and infrastructure. Responsibility for server updates, temperature control, space allocation, and infrastructure-related conditions, as well as associated risks, was fully transferred to the service provider, enabling the company to focus on future growth.

12. Sale of Repossessed Assets

In 2022 and subsequent years, the company developed an aggressive plan for the sale of Repossessed Assets. According to management, the stabilization of the situation after the pandemic contributed to sales growth and has a positive impact on liquidity and capital adequacy ratios. As of the end of 2024, the company's balance sheet includes property with a book value of 4.6 million, of which 35% is property sold in installments, 23% is deposited in Bank of Georgia to secure swaps, and the remaining 42% represents unsold property. Even in the first months of 2025, JSC "Microfinance Organization Georgian Credit" is steadily pursuing the ambitious plan of real estate sales.



Governance Reporting for the year ended on December 31, 2024, it is approved on 11 June 2025 by the person in charge:

CEO ____________________ Nika Chikviladze