Management Report of JSC PASHA Bank Georgia as per year end 2023

PASHA Bank
New heights. Together.

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

To the Shareholders and Supervisory Board of JSC PASHA Bank Georgia

We expressed an unmodified audit opinion on the audited financial statements in our report dated 19 February 2024. The audited financial statements do not reflect the effects of events that occurred subsequent to the date our report on the audited financial statements. The effect of events described in the Management Report that occurred after the date of our auditor's report on the audited financial statements were not audited by us.

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

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

Ana Kusrashvili (SARAS-A-169041)

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

Tbilisi, Georgia

15 August 2024

CONTENT

Management Statement

The Board of Directors of JSC PASHA Bank Georgia confirms the authenticity and accuracy of all the data and information provided in the given Pillar 3 report. The report is prepared in full compliance with the internal control process as agreed with the Supervisory Board. The given report meets the requirements of the Order N92 / 04 of the Governor of the National Bank of Georgia of June 22, 2017, on Approving the Regulation of Disclosing Information by the Commercial Banks within Pillar 3 as well as other regulations and norms established by the National Bank of Georgia.

RAMIL IMAMOV

CHAIRMAN OF THE BOARD OF DIRECTORS, CEO OF PASHA BANK GEORGIA

FOREWORD BY CHIEF EXECUTIVE OFFICER

2023 was a very successful year for PASHA Bank Georgia. For the first time in recent history, the bank achieved profitability and ended the year with 1,7 million GEL in net profits. Bank's operational income has increased by 30 % and for 2023 it was 42 million GEL. The results were driven by PASHA Bank's corporate and commercial divisions, raising Bank's credit portfolio to 336 million GEL at the end of the year. Year-on-year increase in deposits amounted to 16 million GEL. It seems that our customers' loyalty has increased to PASHA Bank brand significantly.

In 2024 PASHA Bank Georgia entered a new three-year strategic period. According to the new strategy in 2024-2026 period, the bank will focus on expanding its corporate business, which has just celebrated its 10 years on the Georgian Market.

PASHA Bank aims to become one of the main choices for corporate customers in Georgia by delivering high-quality service tailored to its customer needs and contributing to growth of the Georgian economy.

In the next strategic period PASHA Bank Georgia will be implementing changes to its retail business: the bank has decided to stop mass retail lending and will continue delivering digital services.

Our current and future projects aim at one purpose, to grow together to strengthen Georgia and contribute to PASHA Holding.

To achieve these goals the bank will continue investing in human capital and staying loyal to its core values.

FINANCIAL HIGHLIGHTS

Below are some financial highlights of JSC PASHA Bank Georgia for the year ended 31 December 2023 with comparative figures:

Profit and loss	2023	2022
	GEL'000	GEL'000
Net interest income after impairment losses	30,155	21,731
Non-interest income	11,920	10,781
Non-interest expenses	(40,375)	(34,775)
Income tax benefit/(expense)	-	-
Net profit/(loss) for year	**1,700**	**(2,263)**
Other comprehensive income	-	-
Total comprehensive profit/(loss) for the year	**1,700**	**(2,263)**

Balance sheet	31 December 2023	31 December 2022
	GEL'000	GEL'000
Cash and cash equivalents and Amounts due from credit institutions	101,575	109,469
Loans to customers	336,106	350,885
Investments in securities	65,230	43,861
Other assets	29,461	14,295
Total assets	**532,372**	**518,510**
Amounts due to credit institutions	90,139	106,687
Amounts due to customers	288,855	272,031
Other liabilities	41,063	36,977
Total liabilities	**420,057**	**415,695**
Equity	**112,315**	**102,815**
Total equity and liabilities	**532,372**	**518,510**

PASHA Bank
New heights. Together.

Over the last few years the Georgian Government has made a number of developments in order to positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments, and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

According to the preliminary estimates published by the National Statistics Office of Georgia 2023 twelve-month average growth of GDP amounted 7.0%. Major contributing factors to the growth have been construction, information and communication, trade, transportation and storage, financial and insurance activities. Declines were observed in energy and real estate activities. The level of inflation was 0.4% year–on–year in December 2023. According to the current macroeconomic forecast, the annual inflation rate is expected to fall below the target in the short term and then to stabilize at around 3% in the medi - um term. The National Bank of Georgia has begun a gradual exit from its tight monetary policy.

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

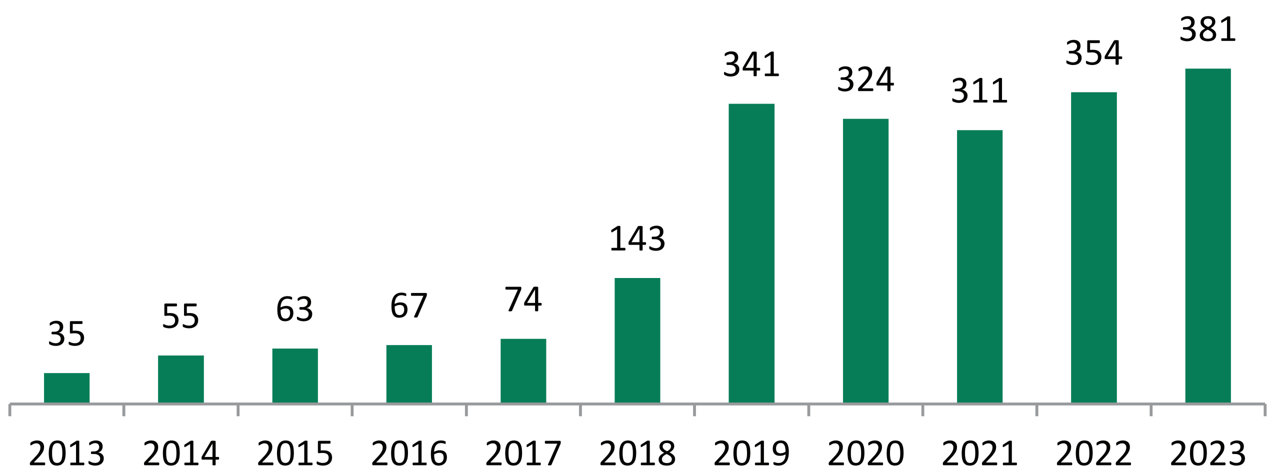
HUMAN RESOURCES

OUR PEOPLE

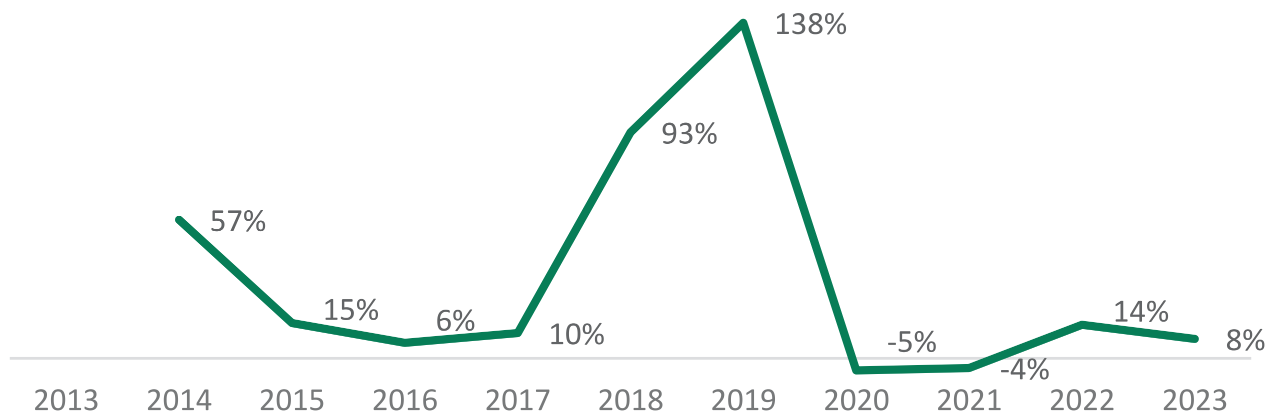
At JSC PASHA Bank Georgia, we cultivate a workplace environment centred on our outstanding employees. We view our team as fundamental to our achievements and a crucial competitive edge. We are committed to provide support for their career advancement, inspiring their initiatives, fostering transparent collaboration, and highlighting the significance of maintaining a healthy work-life balance.

In line with our HR strategy for 2023, we have strategically aligned our HR initiatives with the overarching business goals of the Bank. Our approach emphasizes adherence to legal requirements and regulations, all while cultivating a positive workplace culture that not only attracts but also develops and retains top talent.

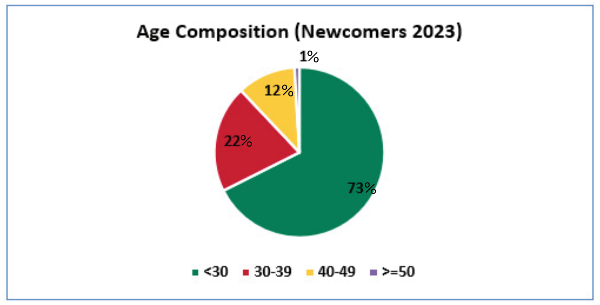
Number of Employees (2013-2023)

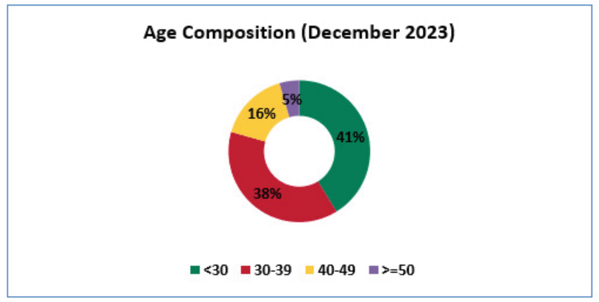


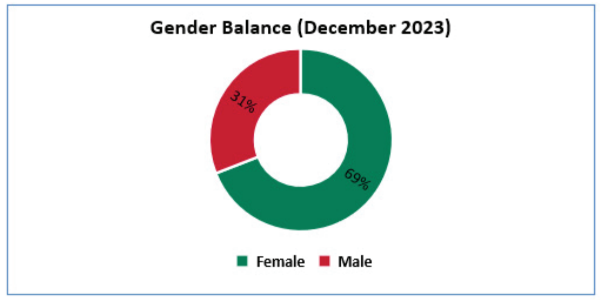
Change in number of employees in % (2013-2023)

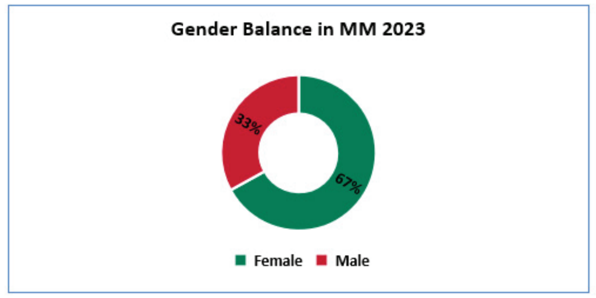


Our vision is to position JSC PASHA Bank Georgia as the employer of choice for a diverse spectrum of individuals, including recent graduates and mid-career professionals. We are dedicated to creating an inclusive environment that resonates with our workforce, enabling them to thrive both personally and professionally.









LEARNING AND DEVELOPMENT

At JSC PASHA Bank Georgia, we prioritize employee development above all else, nurturing ongoing learning initiatives that resonate with our core belief: the progression of our business parallels the growth and development of our employees. Our learning environment enables staff to gain a wide array of professional skills and enhance their abilities. Our team members benefit from a multitude of learning opportunities, including online, local, and international professional training, full coverage of international professional certification costs, and access to professional literature and language courses.

PASHA Bank's internship programs serve as a launching pad for the career advancement of young talents. In 2023, the Bank hosted 50 interns, and we take pride in the fact that 50% of these interns have become valuable members of the Bank.

Number of people trained (2023)	181
Total training hours of employees for (2023)	8931
Average training hours per employee (2023)	49

EMPLOYEE ENGAGEMENT AND SATISFACTION

PASHA Bank is committed to creating a supportive, motivating, collaborative, and positive work environment that engages and motivates our employees. We believe that engagement is a key driver of performance. In order to maintain a thorough understanding of our employees' feelings and perspectives, we engaged in an Organizational Health Index Survey. The survey covers crucial aspects such as direction, leadership, work environment, accountability, coordination and control, motivation, innovation, learning and other.

Each member of PASHA Bank contributes significantly, and we value every individual voice as we strive together to reach new levels of success.

REMUNERATION OF EMPLOYEES

The remuneration system at JSC PASHA Bank Georgia ensures fair, consistent, competitive, and appropriate compensation, supporting the attraction, motivation, and retention of our employees.

Operating in accordance with the Employee Remuneration Policy approved by the Supervisory Board, the policy aligns with the Bank's remuneration system, risk culture, long-term business strategy, risk appetite, activities, and legislative/supervisory requirements.

The structure of remuneration for control function employees, including risk management, compliance, and internal audit functions, is designed to uphold their independence, and is not tied to the financial results of the business line they oversee.

The remuneration system comprises fixed and variable components, along with benefits. Fixed remuneration is provided monthly, while variable remuneration, based on performance, is distributed at different periodicities.

Individual remuneration follows the principle of equal pay, ensuring equitable compensation opportunities for similar jobs. Factors such as salary range and grade, individual knowledge/experience, and current market trends are considered in determining fixed remuneration, using a job grading methodology developed by the globally recognized leader, Korn Ferry Hay Group.

All jobs in JSC PASHA Bank Georgia are eligible for variable pay through a performance-based bonus system. Line managers assess individual performance annually according to the approved Performance Management Methodology and the Performance Management Procedure.

The Supervisory Board reviews and approves the Bank's performance KPIs and bonus eligibility for the Board of Directors and support staff, balancing business risks against opportunities and conflicts of interest. The Board of Directors approves bonus disbursement for front office functions, with all bonus methodologies reviewed and approved by the Supervisory Board.

PASHA Bank maintains its leading position in the market by offering a diverse range of benefits to employees. The Benefit Scheme includes health insurance, sport allowances, professional literature allowances, coverage for international professional certifications and membership fees, study leave, fully covered maternity leave and a variety of learning and development activities.

CORPORATE GOVERNANCE

JSC PASHA Bank Georgia is committed to high standards of corporate governance and recognizes the importance of corporate governance practices for enhancing the Bank's success and creating long-term shareholder value.

Corporate governance is defined as a set of structures and processes designed for the direction and supervision of the Bank. JSC PASHA Bank Georgia continually develops a comprehensive range of policies and systems to ensure that all internal and external processes are conducted with effective oversight and control. A sound system of corporate governance is an important contribution to the rule of law in Georgia and a crucial determinant of the role of the Bank in the modern economy and society.

CORPORATE SOCIAL RESPONSIBILITY

Throughout 2023, PASHA Bank Georgia has been actively involved in various CSR activities.

One of the initiatives was the creation of a socio-emotional competence module for future teachers at the TSU base, which will remain in the course program in the future. The project is for 2 years and includes 120 students of pedagogy faculty of 6 universities from Tbilisi, Ilia, Caucasus, Telavi, Kutaisi and Batumi universities.

In addition, the Bank sponsored the Toradze International Festival in 2023. The festival was created to encourage Georgian musical talent and brought together folk and classical music lovers. The idea of the concept of the event at the "Toradze Foundation" belongs to Lekso Toradze's sister, Nino Toradze. Lekso Toradze was one of the modern virtuoso-recognized Georgian pianists who gained fame both in Georgia and abroad by performing the works of many famous composers. With the financing of the Bank, young musicians were given the necessary equipment for musical instruments, with which they will perform at various international festivals.

With the support of PASHA Bank Georgia, on June 2, 2023, Tbilisi State Opera and Ballet Theater hosted a gala concert dedicated to the 100th anniversary of Heydar Aliyev. Georgian and Azerbaijani artists performed in front of the audience. Tbilisi Opera and Ballet Orchestra, led by the famous Azerbaijani conductor Yalchin Adigezalov, played at the concert.

COMMITMENT TO CORPORATE GOVERNANCE

JSC PASHA Bank Georgia constantly strives to improve its governance standards, to always be compliant with Georgian legislation, and to review and apply the Supervisory Board initiatives aimed at the imple- mentation of the best corporate governance practices.

The Bank demonstrates its commitment to the best corporate governance standards by developing and furthering:

- Responsible, accountable, and value-based management;
- Effective oversight and executive bodies that act in the best interests of the Bank, and seek to enhance shareholder value sustainably;
- Appropriate information disclosure and transparency, as well as an effective system of risk management and internal control.

The Bank honours and recognizes all general principles of good corporate governance:

- Fairness: The Bank is committed to acting in a fair and ethical manner towards all shareholders and stakeholders, as it believes that ethical conduct underpins good corporate governance.
- Accountability and Responsibility: The Supervisory Board is accountable to the shareholders for how it carries out its responsibilities. Similarly, the Board of Directors is responsible for the exercise of powers delegated to them and is accountable to the Supervisory Board for their achievements and performance.
- Transparency: The Bank is committed to providing accurate and understandable information to shareholders and other stakeholders on all material matters regarding the Bank, including its finan- cial condition, performance, and ownership and governance structure in a manner easily accessible to interested parties, without giving away commercially sensitive information.

The Corporate Governance Code for Commercial Banks was adopted and introduced on September 26, 2018, by Decree № 215/04 of the Governor of the National Bank of Georgia, the highest administrative body responsible for the supervision of the financial sector.

The purpose of the Corporate Governance Code for Commercial Banks has been described as the defi- nition of the core corporate governance principles for commercial banks, the establishment of efficient and sound corporate governance that promotes successful functioning and stability of the financial and banking sectors. The requirements laid down in the Code are compulsory for commercial banks.

The Bank has adopted the guidelines of the Code and has complied with its specifications.

CODE OF ETHICS

Members of the Supervisory Board and the Board of Directors, as well as all employees of the Bank, are expected to act in accordance with all applicable laws and regulations and to comply with ethical standards of business conduct as defined by the Bank's Code of Ethics.

The Bank's Code of Ethics is a set of principles that are actively applied in the Bank's day-to-day activities. The ethical principles of the Bank are based on the following values:

Integrity - At the core of our business stands an unshakeable commitment to integrity. For us, it means doing what is right. Every time. All the time. Even when no one sees us. At the most basic level, it is about respecting the laws and regulations of the country we operate in. It is about upholding our company's code of conduct even in the face of challenges. It means never sacrificing company interests for personal gains. It means being honest with ourselves, our colleagues, clients, and partners, and earning their trust.

Quality - The outside world will always judge us by the quality of the product or service we deliver. And the quality of our work is directly proportional to the dedication and professionalism of our staff. There is no way around it. That is why we always follow the standards we set. That is why we deliver what we promise - day in, day out - carefully balancing quality with efficiency for optimal results. That is why we try new things and strive to learn and improve - as individuals and as an organization.

Profitability - We generate profits for the benefit of our shareholders and the society at large. We can only achieve that by maintaining a competitive edge. Our staff understands that value comes not only in every dollar earned but also in every dollar saved. However, in the pursuit of short-term business goals we never lose sight of our long-term aspiration – to create and maintain a sustainable global business. And this aspiration drives every strategic decision we make.

Collaboration - When we work as one team across departments, business units, and countries we produce phenomenal results. When we collaborate with clients, partners, and suppliers we far exceed market expectations. The impact of these synergies far surpasses that of any individual contribution. Collaboration creates a sound working environment and leads to higher efficiency. It accelerates problem-solving and enables innovation. It nurtures trust and respect.

Entrepreneurship - The world around is constantly changing so we often have to operate in ambiguity. We seek new opportunities and are ready to take bold steps - do things and go places others do not dare to. We do not fear challenges but view them as opportunities to grow. We are unafraid to take on a personal responsibility for going the extra mile or doing something new. Our staff treats the company with care, passion, and prudence - just like they would treat their own business.

The Code of Ethics sets the following requirements:

- Maintenance of professional reputation.
- The highest standards for honest and ethical conduct, including proper and ethical procedures for dealing with conflicts of interest between personal and professional relationships.
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that JSC PASHA Bank Georgia files with, or submits to, governmental and regulatory agencies, and in other public communications of the Bank.
- Compliance with applicable governmental laws, rules, and regulations.
- Prompt internal reporting of any illegal behaviour or violations of the Code.
- Provision of methods to communicate violations of the code.

Open-Door Policy

The Code of Ethics incorporates an open-door policy, which gives each employee of the Bank an ample opportunity to ask questions and seek advice if he/she is not confident whether a conduct violates the letter and spirit of the Code of Ethics, and to raise concerns if he/she believes that our Code of Ethics has been violated.

JSC PASHA Bank Georgia strives to reinforce internal, as well as external stakeholders' confidence in the Bank's corporate governance and ethical standards by ensuring that unethical and illegal conduct of any internal stakeholder will not be left unattended.

Any member of the governance structure with any material concern about the overall corporate gover - nance of the Bank can report to the Supervisory Board.

The Code of Ethics is developed in line with the best practices of corporate governance and is adopted by the Supervisory Board.

The document of the Code of Ethics can be viewed on PASHA Bank's website at www.pashabank.ge

GOVERNANCE STRUCTURE

The governance structure of the JSC PASHA Bank Georgia adequately corresponds to its business nature, scale, and complexity. The organizational and corporate structure of the Bank eliminates conflicts of in - terest and ensures that no one has unfettered decision-making rights.

JSC PASHA Bank Georgia has a two-tier corporate governance structure - a Supervisory Board entirely composed of non-executive directors and responsible for the supervision of the Bank, and a Board of Directors (management board) entirely composed of executive directors and responsible for the day-to-day management of the Bank.

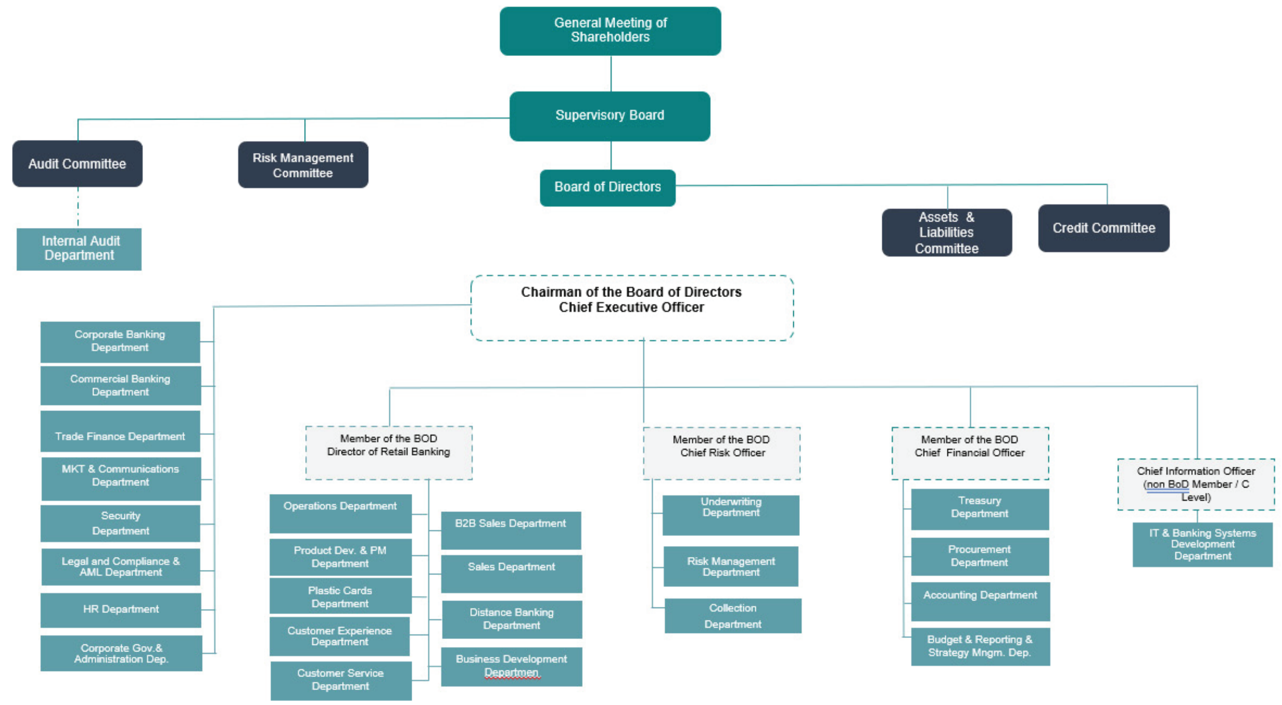
On February 28, 2023, the Supervisory Board approved the updated Organizational Structure.

a detailed description of the changes was as follows:

- The position of Chief Business Officer was renamed to Director of Retail Banking.
- The position of CIO/COO was renamed to Chief Information Officer.
- Due to alterations in the composition of the Board of Directors and a closer collaboration between functions to enhance business efficiency, the following departments were considered for a change in the subordination line, being resubordinated to the Director of Retail Banking:
  - Plastic Cards Department
  - Customer Experience Department
  - Operations Department
  - Product Development & PM Department

With changes in the Board of Directors composition and to ensure seamless business operations, the following departments needed to be resubordinated to the CEO:

- Corporate Banking Department
- Commercial Banking Department
- Trade Finance Department



CHANGES IN THE SUPERVISORY BOARD

On May 19, 2023, the General Meeting of Shareholders of JSC Pasha Bank Georgia approved the updated composition of the Board of Directors as follows:

- Member of the Supervisory Board: Mr. Rovshan Allahverdiyev;
- Member of the Supervisory Board: Mr. Shahin Mammadov;
- Member of the Supervisory Board: Mrs. Kamala Nuriyeva;
- Member of the Supervisory Board: Mrs. Ebru Knottnerus
- Member of the Supervisory Board: Mr. Giorgi Glonti;

The Supervisory Board elects Mr. Rovshan Allahverdiyev as the Chairperson of the Supervisory Board.

MEMBERS OF THE SUPERVISORY BOARD

Rovshan Allahverdiyev

Chairman of PASHA Bank Supervisory Board

Rovshan Allahverdiyev is the Chairman of the Supervisory Board effective September 12, 2023.

Experience

Mr. Allahverdiyev began his career as a Leading Specialist at Khayal Cooperative Bank in 1992. In the same year, he served as a Leading Specialist and Chief Accountant at Garagayabank Commercial Bank.

He joined Arkobank JSB in 1996 as a Deputy Chief Accountant and served as a Director of Finance and Deputy CEO, respectively.

Mr. Allahverdiyev joined Zamin Commercial Bank as a Deputy Director of Credit Department in 2002 and later served as Finance-Credit Department Director and Deputy CEO at Caucasus Development Bank in 2002, respectively.

He worked as a Branch Manager at Texnikabank between 2003-2006, as a Branch Manager at Kapital Bank between 2006-2007, and as a Deputy CEO at PASHA Bank OJSC between 2007-2013. He has been serving as the CEO and the Chairman of the Executive Committee at Kapital Bank OJSC from June 11, 2013, till May 2023.

Mr. Allahverdiyev was appointed as the Deputy CEO and Director of Corporate Banking and Insurance at PASHA Holding LLC on May 05, 2023.

He serves as a member and chairman of the Supervisory Board of companies within the PASHA group.

Education

Mr. Rovshan Allahverdiyev graduated from the Azerbaijan State University of Economics, Department of Economics and Sociology of Labor.

George Glonti

Senior Independent Member of the Supervisory Board

George Glonti is an Independent Member of the Supervisory Board effective from December 31, 2018. He is also the Chairman of the Audit Committee and a member of the Risk Management Committee.

Experience

Having started his banking career in 1992 as an Assistant in International Operations and Documentary Transactions Department at Iberia Bank, George Glonti became the Head of the same department in 1994 and held this position until 1995. Between 1995 and 1996 he continued his career as the Financial Director of TBC Group and Alma TBC. At the time, he also served as a member of the Board of Directors and the Credit Committee of TBC Bank. From 1996 to 1999, he held the position of the Head of International Division in TbilUniversalBank. Between the years of 1999 and 2003 George Glonti was a Managing Partner, the CEO, and a Shareholder of the UBC International LTD (Audit & Consulting), a company associated with PwC. In 2003-2005 he was Deputy CEO of People's Bank of Georgia. In 2005-2008, George Glonti became the Vice President of the National Bank of Georgia and a member of the NBG Council. From 2008 to 2009 he was the CEO of the People's Bank of Georgia (presently "Liberty"). In 2009, he became the CEO of Kor Standard Bank (presently "Tera Bank") and held the position until 2013. In 2013-2014 Glonti was the Managing Partner and the CEO of the Phoenix Capital. From 2014, he continued his career as the CEO of the Super TV cable television. Since 2014 until the present, he has held the position of the Non-Executive Vice President of GFTC (SWIFT Service Bureau). In 2018, he became the Managing Partner at the RSM Georgia Management & Consulting.George Glonti has more than thirty-one years of experience in banking and business management.

Education

George Glonti completed his BA and MBA in Finance and Economics, with a specialization in Banking, at Tbilisi State University, Georgia.

Ebru Ogan Knottnerus

Independent Member of the Supervisory Board

Ebru Ogan Knottnerus is an Independent Member of the Supervisory Board effective December 31, 2018. She is also the Chairperson of the Risk Management Committee and a member of the Audit Committee.

Experience

Ebru Ogan Knottnerus started her banking career in 1991 in the Internal Audit Department of PAMUKBANK. Between the years of 1993 and 1997, she worked as the Financial Control and Budget Planning Manager for FINANSBANK. She held the Manager's position in Foreign Investments Department for DEMIRBANK between 1997 and 1999. In 1999, Ebru Ogan Knottnerus joined OTTOMAN Bank and worked as the Head of Risk Management and Internal Control Departments until 2001. She continued her career at the BBVA Group - GARANTI Bank AŞ as the Head of Subsidiaries' Risk Management Department between 2001 and 2003, and from 2016 to 2018 she held the position of the Head of Risk Management.

In 2018, Ebru Ogan Knottnerus joined PASHA Investment Bank Turkey as an Independent Board member. Ebru Ogan Knottnerus has more than thirty two years of experience in banking and business management.

Education

Ebru Ogan Knottnerus earned her bachelor's degree in business administration at the Middle East Technical University (METU) in Ankara, Turkey. She also completed various executive education programs, such as the Authentic Leadership Development Programme at Harvard Business School, the Strategic Development Programme at London Business School, and the High Impact Leadership Programme at Columbia University, USA.

Shahin Mammadov

Member of the Supervisory Board

Shahin Mammadov is a Member of the Supervisory Board effective since April 30, 2018. He is also a Member of the Audit Committee.

Experience

Mr. Mammadov started his career as an Accountant in 2003 and was later promoted to Deputy Chief Accountant at Yapi Kredi Bank Azerbaijan (former Kocbank Azerbaijan JSB). He joined Deloitte & Touche in 2005 as an Associate Auditor and was subsequently promoted to the position of Audit Manager.

In 2009, Mr. Mammadov was assigned to the position of the Director of the Financial Management Department at OJSC PASHA Bank and in 2011 he became the Chief Financial Officer and a member of the Executive Board. In 2013, he joined the Board of Directors of JSC PASHA Bank Georgia supervising the business development function. In July 2014, Mr. Mammadov was appointed the CEO and the Chairman of the Board of Directors at JSC PASHA Bank Georgia. Since March 2015, Shahin Mammadov has been a member of the Supervisory Board at PASHA Yatırım Bankası A.Ş. Since January 2018 he has been serving as the Business Support Director and Deputy CEO at LLC PASHA Holding. On March 1, 2018, Shahin Mammadov became a member of the Supervisory Board at OJSC PASHA Bank. Shahin Mammadov has more than twenty of experience in banking and business management.

Education

Shahin Mammadov graduated from the Azerbaijan State Economic University and received a bachelor's degree in accounting and Audit in 2002. In 2004, he was awarded a master's degree from the same university in Accounting and Audit. In 2010, Mr. Mammadov received his Ph.D. in Economics from the Academy of Sciences of the Republic of Azerbaijan.

He completed several education programs in a number of top business schools as part of the High Potential Leadership Program organized by PASHA Holding in 2013. In 2012, Shahin Mammadov enrolled in the Program for Leadership Development (Executive Education Program) at Harvard Business School and completed Modules 1 to 4 in 2013. In 2017, he completed Module 5 of the same Program. Mr. Mammadov obtained the status of an Alumnus from the Harvard Business School in July 2017. He has been a member of the Association of Chartered Certified Accountants (ACCA) since 2014.

Kamala Nuriyeva

Member of PASHA Bank Supervisory Board

Ms. Nuriyeva joined PASHA Bank Georgia as a Supervisory Board and Risk Management Committee Member effective September 12, 2023.

Experience

In 2003, she joined the Agricultural Rural Investment Fund, established under the TACIS program for agricultural industry development in Azerbaijan, serving as a Loan Officer. There, she was responsible for attracting customers, as well as loan origination and management. That same year, she was recruited by Unibank OJSC to work as a Financial and Treasury Control Officer, where she was responsible for currency and market risk management. During 2004-2005, she served McDermott Caspian Contractors Inc. as a Cost Control Officer for the fabrication and installation of Central Azeri Offshore Platforms. In 2005, she joined the Bank of Baku OJSC as a Deputy Chief Accountant responsible for accounting activities and management reporting.

She joined PASHA Bank in 2007 as an Internal Audit Manager and was promoted to Head of the Risk Management Department in 2011. In 2012, she moved to PASHA Holding as an Audit and Monitoring Manager. In 2013, she was appointed as the Director of Group Risk Management at PASHA Holding. She has continued her professional activities as the Chief Risk and Audit Executive in the Shareholders' Office since May 2021.

She has vast experience working as a member of the Supervisory Board, Audit Committee, Risk Management Committee, and Investment Committee of companies within the PASHA group.

Education

Ms. Kamala Nuriyeva obtained her Bachelor's degree in Banking Management from Western University in 1998, and her Master's degree in Finance from Azerbaijan State Economic University in 2003.

SHAREHOLDER STRUCTURE AND SHARE CAPITAL

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

The Bank accepts deposits and extends credit, transfers payments in Georgia and abroad, exchanges currencies and provides other banking services to its commercial customers.

The bank receives deposits and issues loans, manages money transfers and payments in the territory of Georgia and abroad, offers currency exchange and provides other bank services to commercial costumers. Since 2017 ,the Bank is member of the deposit insurance system. This system operates under the Law of Georgia "On Deposit Insurance System" and insures all types of deposits up to 15 000 Gel by resident and non-resident individuals and legal entities.

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

In September 2023 GEL 7,800 000 of share capital was injected in cash by PASHA Holding LLC and the ownership structure changed again. As at 31 December 2023, 85.0588% of shares is owned by OJSC PASHA Bank and 14.9412% of shares is owned by PASHA Holding LLC. As at 31 December 2023, the Bank is ultimately owned by Mrs. Leyla Aliyeva (35.21%), Mrs. Arzu Aliyeva (35.21%) and Mr. Arif Pashayev (18.99%) and Mr. Jamal Pashayev (10.59%), who exercise joint control over the Bank.

The allocated capital of the Bank is divided into 136 800 000 (one hundred thirty-six million eight hundred thousand) ordinary shares. The nominal value of one ordinary share is 1.00 (one) GEL. Each ordinary share at the General Meeting of Shareholders of the Bank entitles its holder to one vote. As of December 31, 2023, OJSC Pasha Bank (Azerbaijan) is the owner of 85.0588% shares of PASHA Bank Georgia and PASHA Holding LLC is the owner of 14.9412% shares.

Information on the type of income received from JSC PASHA Bank Georgia by the shareholder or beneficiary owner is provided below:

In GEL thousands'		
	OJSC PASHA Bank Azerbaijan	PASHA Holding Companies
	2023	
Fee and commissions	3	-
Interest on amounts borrowed from credit institutions	51	572
Interest on subordinated debt	666	666

Ultimate Beneficial Owner	%
Leyla Aliyeva	35.21%
Arzu Aliyeva	35.21%

Arif Pashayev	18.99%
Jamal Pashayev	10.59%

Group Structure is as follows:

GENERAL MEETING OF SHAREHOLDERS

The supreme governing body of the Bank is the General Meeting of Shareholders. The Bank holds Annual General Meetings within two months following the signing of the annual audited financial statements. Other general meetings are summoned if the interests of the Bank require so or if it is required by the Bank's Charter. General Meetings are summoned by the Board of Directors, the Supervisory Board, or the shareholder(s). The General Meeting is held on the territory of Georgia or abroad, at a time and place that are most convenient for the shareholders. The General Meeting is called within the term of twenty calendar days after the Directors have sent a notification to the shareholders. Nothing impedes the shareholders from voting from abroad or through the power of attorney issued to another person. The Bank ensures that all valid proxy appointments received for the General Meetings are properly recorded. The invitation to the General Meeting specifies the information regarding the date, time, venue, agenda, the project of the resolution, and proposals, if any, regarding amendments to the Charter.

The voting results and other relevant materials are distributed to the shareholders and the ultimate shareholders.

The Supervisory Board ensures that the Supervisory Board members and all Directors are made aware of their shareholders' views, issues, and concerns.

ISSUES REQUIRING APPROVAL OF THE GENERAL MEETING OF SHAREHOLDERS

a) Approval and amendment of the Bank's Charter;

b) Approval of the Bank's annual audited financial statements;

c) Reorganization of the Bank, which includes mergers, divisions, transformations (change of organizational- legal form), and liquidation of the Bank, full or partial cancellation of pre-emptive rights during an increase in the share capital of the Bank;

d) Issuance of new shares, sale of shares by the existing shareholder(s), or other securities convertible into shares;

e) Accepting or rejecting proposals of the Supervisory Board or the Board of Directors concerning the utilization (including distribution) of profit, or making decisions concerning the utilization of net profit, if the said bodies fail to agree on a proposal;

f) Approval of reports by the Board of Directors and the Supervisory Board;

g) Election and dismissal of members of the Supervisory Board, determining the question of member remuneration, and conclusion of member contracts;

h) Approval of the first composition of the Board of Directors of the Bank;

i) Approval of the first composition of the Audit Committee of the Bank;

j) Making decisions on the participation in court proceedings against the Board of Directors and the Supervisory Board members, including the appointment of a representative for such action;

k) Adopting resolutions on the issuance and sale of shares and other securities under this Charter and Georgian legislation;

l) Making decisions on the acquisition, sale, transfer, exchange (or other transactions to similar effect), or encumbrance of the Bank's properties the value of which is more than 25% of the book value of the Bank;

m) Deciding on other matters according to effective Georgian legislation.

Review of General Meeting of Shareholders

In 2023, the Shareholder's Meeting was conducted four times. On February 2, May 19, August 24 and 28 September, At the General Meeting of Shareholders, Mr. Mir Jamal Pashayev represented the Bank's shareholders, under a duly notarized and legalized power of attorney (proxy).

Agenda of the Annual Meeting of Shareholders

At the meeting of February 2, 2023, the Shareholders Meeting approved the re-election of Supervisory Board members of JSC PASHA Bank Georgia.

At the meeting of May 19, 2023, the Shareholders Meeting approved to choose new administrators of the JSC PASHA Bank Georgia.

At the meeting of August 24, 2023, the Shareholders meeting approved increasing the Bank's capital.

At the Meeting of September 28 2023, the Shareholders meeting approved ADDENDUMS to the Employment agreement.

SHAREHOLDER RIGHTS

The rights and responsibilities of the shareholders are mutually determined by the Charter of JSC PASHA Bank Georgia, the Law of Georgia on Entrepreneurs (as amended periodically), the Law of Georgia on Activities of Commercial Banks (as amended periodically) and all other relevant laws and regulations, including regulations issued by the National Bank of Georgia.

The Charter is available on PASHA Bank's website at www.pashabank.ge

According to Article 4, Section 4.2 of the Bank Charter, shareholders have the right to:

a) Attend or be represented at the General Meeting and take part in the voting process (holders of common shares only);

b) Be elected to the Supervisory Board;

c) Participate in the distribution of profit and receive pro rata share of the dividends;

d) Dispose of their shares in accordance with Georgian legislation and the Bank Charter;

e) In case of the Bank's liquidation, receive a pro rata share of the assets remaining after the payment of the creditors' claims;

f) Have access to information concerning the economic activities of the Bank;

g) Appeal to the Directors of the Bank to specify issues in the General Meeting agenda, request an Extraordinary General Meeting, or add issues for consideration to the agenda of an already appointed General Meeting;

h) Request a special inspection of the Bank's economic activities and annual balance sheets if they have a reasonable doubt that material irregularities have taken place;

i) Preemptively subscribe for newly issued or existing shares of the Bank on a pro-rata basis in accordance with the terms and conditions of the Bank Charter;

j) Appeal to a local court or, by agreement of the parties, seek private arbitration for the solution of a conflict between themselves and the Bank;

k) Other rights as stipulated by Georgian legislation and the Bank Charter.

THE SUPERVISORY BOARD

The Supervisory Board is responsible for the general oversight of the Bank and of the Board of Directors. Its members are elected by the shareholders. The Supervisory Board is led by a Chairman, it advises the Board of Directors, and is involved in decision-making on all fundamental matters affecting the Bank. It is the key decision-making body of the Bank, responsible to the shareholders for creating and delivering sustainable shareholder value through providing entrepreneurial leadership and direction to the Bank. It

determines the Bank's strategic objectives and policies, provides the overall strategic direction within a framework of rewards, incentives and controls, demonstrates ethical leadership, and promotes a collective vision of the Bank's purpose, values, culture, and behaviors.

Members of the Supervisory Board act in a way that they consider, in good faith, will promote the success of the Bank for the benefit of the shareholders as a whole and, while doing so, take into consideration the interests of other stakeholders as well.

According to Article 7, Section 7.10 of the Bank Charter, the following activities shall be performed only by the Supervisory Board:

- Strategic supervision and control of the Bank;
- Review and approval of corporate strategy and strategic objectives;
- Review and approval of annual budget and business plan;
- Initiation of new banking/commercial activities and termination or suspension of existing activities;
- Establishment and liquidation of new enterprises and branches;
- Acquisition and disposal of shares in other companies;
- Approval of the organizational structure;
- Approval of the Code of Ethics and whistleblowing procedures;
- Adoption of resolutions for implementing the General Meeting decision to admit the Bank's shares and other securities to the stock market;
- Submission of proposals for profit distribution to the General Meeting of shareholders;
- Redemption of shares by the Bank as mandated under Georgian legislation;
- Strategic supervision of risk management activities;
- Approval of the risk appetite statement, conduction of annual reviews;
- Approval of the business continuity plan;
- Authorization of (possible) conflicts of interest and related party transactions within the limits established by the Bank;
- Approval of policies, standards, and procedures in respect to conflicts of interest and related party transactions;
- Approval of structure, size, and composition of the Board of Directors, including appointment and dismissal of its members;
- Determination of rights and obligations of members of the Board of Directors, monitoring and supervision of their activities, request of reports from the Board of Directors;
- Approval of succession policy and succession planning for members of the Board of Directors;
- Conclusion of labour agreements and determination of remuneration packages for members of the Board of Directors;
- Approval of regulatory framework for determining bonuses and/or additional benefits for employees, including members of the Board of Directors;

- Approval of structure, size, and composition of the Supervisory Board committees, including appointment and removal of the Supervisory Board committee members and review of reports by the Supervisory Board committees;
- Election of external auditors;
- Appointment and dismissal of trade representatives (procurators);
- Appointment and dismissal of the Corporate Secretary;
- Approval of transactions including but not limited to attraction of borrowings, granting lending and trade finance products, approval of loan restructuring, loan write-off, approval of acquisition and disposal of fixed assets and intangible assets, administrative expenses, cash limits, Implementation of equity investments in public and private companies in case the transaction is above the decision-making and signatory authority limits of the Board of Directors;
- Approval of decision-making and authority limits of the Board of Directors;
- Securing of borrowings or any other liabilities of the Bank or any third party, if they fall outside the scope of the regular economic activities of the Bank;
- Approval of issuance of bonds;
- Approval and amendment of the Bank's statute-, framework-, and policy-type documents;
- Determination and approval of terms and conditions to be used with regard to credit recourses and deposits to the Bank's employees;
- Convention of the General Meeting, if deemed necessary for the interests of the Bank;
- Supervision and representation of the Bank in case of conflict between members of the Board of Directors;
- Based on the decision of the General Meeting, procession of a legal dispute against members of the Board of Directors on behalf of the Bank, submission of a claim against members of the Board of Directors without the decision of the General Meeting if the issue is related to the responsibility of members of the Board of Directors;
- Supervision of interventions in accordance with the results of examinations carried out by External and Internal Audits, as well as the National Bank of Georgia;
- Resolution of issues that are beyond the scope of the Board of Directors' authority;
- Performance of any other duties as required by the General Meeting.

The Supervisory Board members are collectively responsible for the Bank's interests and have a fiduciary duty towards the Bank. The Chairperson is appointed from the members of the Supervisory Board. He is responsible for its effective overall functioning, including maintenance of a relationship of trust and collegiality with the Supervisory Board members, as well as facilitation of coordination and cooperation between the Supervisory Board and the management.

DEFINITION OF AN INDEPENDENT SUPERVISORY BOARD MEMBER

All members of the Bank's Supervisory Board and the Supervisory Board committees should act independently when making decisions. It should not be permitted to take into consideration the private interests of a shareholder, customer, contractor, investor, or other related party when making business decisions. Members act independently if they effectively exercise their best judgment for the exclusive benefit of the Bank, judgment that is not clouded by real or perceived conflict of interest.

The independence of a person recommended by the Bank on the position of the Supervisory Board member shall be verified by the Bank before appointment in accordance with the National Bank of Georgia's Questionnaire on Independence and the compliance analysis as stipulated by the Regulation on Fit and Proper Criteria for Administrators of Commercial Banks.

"Independent member" means a member, when he/she or his/her relatives, are first and second legal heirs under the Civil Code of Georgia:

1. Is not a relative of administrators of the Bank or of the Bank's related companies;
2. Is not a relative of the person(s), who directly or indirectly hold significant shares of the Bank or of the Bank's related companies;
3. During the last two years, did not have any personal relations (kinship, living together etc.) with the administrators of the Bank or those of the companies incorporated in the group, also with the person(s) holding a significant share of the Bank or of the companies incorporated in the group;
4. Does not receive additional remuneration from the Bank other than a fixed fee for membership of the Supervisory Board and the Supervisory Board committees;
5. Does not receive dividends for owning the Bank's shares (owning less than 2% of the Bank's shares directly or indirectly);
6. During the last two years, did not conduct business or did not have any other types of material business/commercial relationships with the administrators of the Bank or the Bank's related companies;
7. During the last two years, did not conduct business or did not have any other types of material business/commercial relationships with the person who directly or indirectly holds significant shares in the Bank or in the Bank's related companies;
8. Does not have any kind of material liability (including financial one) towards the Bank, the Bank's administrators, the Bank's significant/shareholders or any other type of material / financial interest (including property, investment) in the Bank or in the Bank's related companies (exception is the case when a person directly or indirectly holds 2% or less shares of the Bank or of the Bank's related companies);
9. During the past five years did not have professional or other kind of working relationship (including business services, etc.) with the Bank and with the Bank's related companies, with the administrators and significant shareholders (exception is the case when a person performs non-executive functions or occupies non-executive position);

10. Has not been employed by the Bank within the last five years other than as a member of the Supervisory Board or Supervisory Board committees;
11. Is not related to a non-profit organization that receives significant funding from the Bank or from the Bank's related companies;
12. Is not, nor in the past five years has been, related to a present or former auditor of the Bank or of a related party;
13. Has not served on the Supervisory Board for more than nine years since the date of his first election;
14. The Audit Committee members shall not be considered independent if they and/or their relatives, who are first and second legal heirs under the Civil Code of Georgia, have financial liability to the Bank;
15. Did not have any other kind of relationship that may affect the independence of the person.

The independent members of the Supervisory Board of a parent company and/or subsidiary banks of the group may also be considered to be independent on the Supervisory Board of the subsidiary bank if these members satisfy the independence criteria set by the best international practices and Corporate Governance Code for Commercial Banks approved by Decree №215/04 of the Governor of the National Bank of Georgia.

The Corporate Governance Policy is available on PASHA Bank's website at www.pashabank.ge

SUPERVISORY BOARD MEMBERSHIP CRITERIA

The Bank's Corporate Governance Policy sets the Supervisory Board membership criteria, according to which the Supervisory Board seeks members with extensive experience and expertise and a reputation for integrity.

Members of the Supervisory Board should have experience in positions with a high degree of responsibility, be leaders in companies or institutions with which they are affiliated, and be selected based on contributions they can make to the Supervisory Board, and their ability to represent the shareholders' interests. The Supervisory Board will also take into account the diversity of a candidate's perspectives, background, and other demographics. The Supervisory Board membership criteria and appointment process are also regulated by the Bank's Standard on Appointment of Administrators, which is developed in compliance with the Regulation on Fit and Proper Criteria for Administrators of Commercial Banks and sets requirements that a candidate for the Supervisory Board Membership shall comply with.

In assessing the collective suitability of the Board, the following should be taken into account:

- A member of the Supervisory Board shall have university education in one of the following fields: economics, finance, banking, business administration, audit, accounting, jurisprudence, or other relevant education that enables him/her to perform his/her duties;
- A member of the Supervisory Board shall not be an administrator of another commercial bank registered in Georgia, except in the case when he/she holds an administrator's position in a bank that is a subsidiary or a parent of the Bank;
- A member of the Supervisory Board shall not be a member of the Supervisory Board or the Board of Directors in more than seven enterprises registered in Georgia;
- A member of the Supervisory Board shall not be an I or II rank relative of a member of the Board of Directors or the Supervisory Board of the Bank;
- A member of the Supervisory Board shall have appropriate qualifications and professional experience, the composition of the Supervisory Board should ensure a variety of skills, knowledge, and experience, which correspond to the scale and complexity of the Bank's activities.

According to the Corporate Governance Policy, factors considered in the review of potential candidates include:

- Prominence in business, institutions, or professions;
- Integrity, honesty, and the ability to generate public confidence;
- Demonstrated sound and independent business judgment;
- Financial literacy and experience with financial institutions;
- Risk management experience;
- Professional experience required to contribute to the Supervisory Board committees;
- Ability to devote sufficient time to the Supervisory Board and the committee work;
- Residency in and familiarity with the geographic region where the Bank carries on business;
- Competencies and skills that the Supervisory Board expects from each existing member.

The independence of a Supervisory Board member is confirmed by the Bank prior to his/her appointment as dictated by the Independence Questionnaire elaborated by NBG and a compliance analysis is submitted to NBG.

BOARD EFFECTIVENESS REVIEW: EVALUATION OF THE SUPERVISORY BOARD MEMBERS

The Supervisory Board conducts an annual effectiveness review in order to evaluate the performance of the Supervisory Board as a whole, the Supervisory Board committees, and its individual members. Annual evaluations are internally facilitated. The performance evaluation process may differ from year to year but will normally take the form of a detailed questionnaire supplemented by individual interviews with members of the Supervisory Board and the Supervisory Board committees. The Chairman may hold private meetings with each member of the Supervisory Board to discuss the evaluation results and individual performance. The Chairmen of the Supervisory Board committees are responsible for the evaluation of their committees.

REVIEW AND ASSESSMENT OF BOARDROOM PRACTICES

The Supervisory Board periodically reviews the structure, size, and composition of the Supervisory Board and the committees, and assesses the effectiveness of internal governance policies and practices.

After each Supervisory Board meeting, the Corporate Secretary conducts an online survey of Boardroom Practices to determine the effectiveness of the existing Boardroom culture in the Bank. With this survey, the Supervisory Board members are given an opportunity to evaluate the level of the Bank's preparedness and the Board meeting performance to propose their suggestions for improvement, as well as to assess their and their colleagues' performance.

Due to the sensitivity of the information, the anonymity of each respondent is strictly protected.

Throughout the year, the Bank held a high number of Board meetings; in total, the Bank convened 47 Board meetings, 38 of which were extraordinary.

INDEPENDENT ASSESSMENT

Boards and Committees Performance Assessment was administered by an independent consultant, PwC Georgia and results were released in August,2023. In the Performance Assessment, PwC Georgia used the Supervisory board effectiveness framework.

The assessment process was divided into 3 phases, 5 focus areas and 5 result indicators were established.

The assessment was based on the Corporate Governance Code for the commercial banks of Georgia, EBA/GL/2021/05: Guidelines on internal governance under Directive 2013/36/EU and leading market practice.

During assessment was inspected roles, responsibilities, competencies and besides that attitude of the Board member in relation to its duties. Interaction and cooperation with/within the Supervisory Board as a unified Body.

The 5 focus areas to be assessed were:

Effectiveness of the Board assessment policy – The internal policy shall cover the related roles, responsibilities, methods, and the description of the assessment process. The assessment of the effectiveness of the Supervisory Board is an integral part of established sound risk culture.

Committees – Each committee must have a clear mandate and written statute outlining its responsibilities. To avoid overlap, committee members should not serve on multiple committees. Furthermore, all committee members must possess the necessary qualifications to effectively fulfill their duties.

Organizational Structure – A transparent organizational and operational structure, documented in writing, subject to regular revisions.

Cooperation with other functions of the Bank – The internal control functions within the institution encompass the risk management, compliance, and internal audit functions. These functions operate with clear reporting lines and allocated responsibilities that are well defined and documented. In cases where necessary, the heads of these internal control functions should have the authority to report directly to the Supervisory Board, particularly when certain developments may impact the institution.

The following works were carried out for the purpose of assessment:

- Review of documentation.
- Distributing an online survey to the members of the Board.
- Comparing processes with leading market practices

Based on the results of the assessment, it can be concluded that the bank has achieved a good level of integrity, transparency and loyalty through continuous work on corporate governance. Considerable efforts have been made to strengthen the work of boards and committees over the past few years, with notable results.

All focus areas were generally rated as managed, well defined, and only one as being in the developmental stage.

PASHA Bank Supervisory Board members work effectively together, communicate openly and cooperate on important issues. They follow established procedures and norms, such as keeping up-to-date documents such as meeting minutes and committee presentations to support their actions. Board practices align with leading market standards and regulatory requirements, ensuring effective governance.

MEETINGS OF THE SUPERVISORY BOARD

Throughout 2023, the Supervisory Board held forty-seven, including thirty-eight extraordinary Board meetings, and nine ordinary meetings

Supervisory Board

Members as of 31 December 2023

	Supervisory Board				
	Members on 31 December 2023				
Name-Surname	Position	Date of Election	Other positions	Meetings attended/eligible to attend	Attendance Rate
Rovshan Allahverdiyev	Chairman of PASHA Bank Supervisory Board	12.09.2023		14/15	93%
Kamala Nuriyeva	Board Member	12.09.2023	Risk Management Committee Member	7/15	47%
George Glonti	Senior Independent member	31.12.2018	Audit Committee Chairman; Risk Management Committee Member	47/47	100%
Ebru Ogan Knottnerus	Independent member	31.12.2018	Risk Management Committee Chairperson. Audit Committee Member.	46/47	98%
Shahin Mammadov	Board Member	30.05.2018	Audit Committee Member	39/46	89%

	Former Members in 2023					
Name-Surname	Position	Date of Election	Date of Resignation	Other positions	Meetings attended/ eligible to attend	Attendance Rate
Farid Mammadov	Board Chairman	01.06.2017	12.09.2023	Risk Management Committee Member	21/32	66%
Jalal Gasimov	Board Member	19.10.2015	12.09.2023		24/32	89%

AGENDA OF SUPERVISORY BOARD MEETINGS

Throughout the year 2023, the Supervisory Board included in its agenda, and reviewed and/or approved a range of topics concerning corporate governance, operational and organizational risk management, strategic planning and budgeting, and different operational matters, such as the approval of credit facilities, etc.

Items Related to Corporate Governance

1. Approval of updates to the organizational structure.
2. To approve the resignation of the Chief Executive Officer (General Director) and the Chairman of the Board of Directors.
3. Approval of the appointment of a new administrator.
4. Electing the Chairman of the Supervisory Board;
5. To approve the updated composition of the Board of Directors of JSC PASHA Bank Georgia.
6. Approval of the new composition of the Risk Management Committee
7. Approval of the related party transaction.
8. To approve the amendment to the Subordinated Bond Agreement with OJSC PASHA Bank
9. Approval of new or updated internal regulatory documents: the Stress Testing Governance Framework, the Appointment of Administrators Standard, the Guidelines for Nomination and Remuneration Expert Group, the Guidelines for Human Resources Expert Group, the Risk Management Committee Statute, the Model Risk Management Policy, the Model Development Standard, the Model Validation Policy, the Model Validation Procedure, the Instruction on Model Risk Management, the Credit Standard, the Information Security Policy, the Audit Committee Statute, the Internal Audit Department Statute, the Decision Making and Signatory Authority Matrix, the bonus deferral principal for Material Risk Takers, the updated Crisis Management Plan, the postponement of Implementation of IRM Framework, the Document Retention Policy, the Whistleblowing Policy, the Conflict of Interest and Disclosure of Interest Policy, the Information Risk Managemen Framework, the Information Security Strategy, the IFRS Accounting Policy, the updated Appointment of Administrators Standard, the LGD Model, the adjustments to IFRS 9 Impairment Methodology;

Items Related to Risk Management

10. Approval of the RAS 2023.
11. To review and accept the Risk Health Index (RHI) 4Q 2022 Results:
12. Review of RMC Reports;

Items Related to Strategic Planning and Budget

13. Review of the 2022-year Report on the Bank's Financial Performance and Business Development;
14. Review of the Budget Recommendations 2023;
15. Review of the Strategy and Budget Expert Group Members Report to the Supervisory Board;
16. Review of the Financial and Other Activities Reports

Other operational matters, such as approval of credit facilities, changes in terms and conditions of existing credit facilities, waivers, bond purchases, administrative expenses, etc. Meeting Minutes for the respective decisions of the Supervisory Board and its committees were appropriately drafted and authorized by the Corporate Secretary and Chairperson of the respective governing body.

The Meeting Minutes include information on the final decision, as well as arguments of members voting against the resolutions. The Meeting Minutes were provided to NBG not later than ten days after the meeting date and respective excerpts were distributed to relevant internal stakeholders.

The Supervisory Board regularly meets with senior management and internal control functions to review policies and regulations that identify material risks and issues that are subject to impediments. The Board questions and critically reviews explanations and information provided by the senior management.

The Schedule of Matters Reserved for the Supervisory Board Decision can be found on **Page 54.**

STRATEGY CHANGE

The Bank is at the final stage of creating new strategy for 2024-2026. The new strategy maintains the Bank's aspirations of becoming a noticeable market player governed by utmost integrity, sound corporate governance, advanced technology solutions and managed by a competent human talent to stimulate sustainable economic growth, professional entrepreneurship, and to facilitate country-wide, as well as the regional business partnership. With the new strategy, the Bank stays committed to encouraging a culture of innovation and creativity and becoming a representation of good corporate practice, trust, continuity, and respect for all our stakeholders. The Bank will mainly be focusing its sustainability efforts through diversifying and increasing profitability in commercial and corporate segments. The Bank's retail brand Re|Bank strives to re-establish the concept of digital banking with transparent offers, clear communication, and an honest approach, and provide our customers with win-win financial solutions.

The Bank's corporate culture evolves with its developing strategy, always staying loyal to its core values and adopting new policies and procedures which comply with the Georgian legislation.

THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established two committees under its mandate – the Audit Committee and the Risk Management Committee.

The Audit Committee

The Audit Committee of JSC PASHA Bank Georgia was established by and is accountable to the Supervisory Board. The Committee is a governing body that establishes and controls internal audit functions and monitors the Bank's activities according to the applicable legislation. The Committee is responsible for overseeing the Bank's systems of internal controls by establishing an internal audit function. The Committee also communicates with the Bank's external auditor and reviews annual and interim IFRS financial statements. By bringing a systematic approach to the evaluation and improvement of risk management, internal control, and governance processes, the Committee monitors whether structural units and employees of the Bank follow the requirements of acting legislation.

The Committee assists the Supervisory Board and the Board of Directors in ensuring the existence and adequacy of an effective internal control system in the Bank.

Members are appointed for a term of a maximum four years, with non-restricted re-election.

The Committee meetings should be held at least quarterly and may be held more often if required. During 2023, the committee held 14 meetings.

The Committee makes decisions based on a simple majority of votes of members present. Each member has one vote. In case the votes are equal, the vote of the Chairman is considered a decisive vote. Heads of departments, external auditors, or other persons may be invited to the Committee meetings, if necessary.

Members as of 31 December 2023 and Committee attendance				
Name-Surname	Position	Date of Election	Meetings attended/eligible to attend	Attendance Rate
George Glonti	Committee Chairman. Senior Independent Member of the Supervisory Board	01.01.2019	14/14	100 %
Ebru Ogan Knottnerus	Committee Member; Independent Member of the Supervisory Board	01.01.2019	13/14	93 %
Shahin Mammadov	Committee Member; Member of the Supervisory Board	01.01.2019	11/14	79%

For further information, you can view the Audit Committee Statute on the Bank's website at www.pashabank.ge

Remuneration of the Bank's auditor, including under professional services fees, for the years ended 31 December 2023 and 2022 comprises (net of VAT):

	2023	**2022**
Fees for the audit of the Bank's annual financial statements for the year ended 31 December	122	120
Expenditures for other assurance services	51	51
Expenditures for other professional service	3	3
Total fees and expenditures	**176**	**174**

Fees and expenditures to other professional audit firms in respect of other professional services comprised GEL 9 thousand in 2023 (2022: GEL 9 thousand).

The Risk Management Committee

The Risk Management Committee of JSC PASHA Bank Georgia was established by the Supervisory Board to advise and assist the Board in discharging its duties and responsibilities, and to ensure that the processes and capabilities for identification, assessment, measurement, control, reporting, and monitoring of risks are effective. The Committee monitors and ensures that the Bank's business is conducted according to the risk guidelines set by the Supervisory Board, and that the risk management system is effective and achieves its purpose. The Committee provides information to the Supervisory Board on strategy formulation, which requires the Bank to manage risks within the Board guidelines for risk appetite. The Committee reviews risk management policy and strategy, and the findings of the Internal Audit Department regarding risk management. Furthermore, it reviews the Bank's risk identification and assessment reports, the risk appetite and tolerance statement, and the Business Contingency Plan, and evaluates the effectiveness of mitigating strategies to address material risks of the Bank. The Risk Management Committee has free and unfettered access to senior management, risk and financial control personnel, and other parties (internal and external) in carrying out its duties.

The Chairperson of the Risk Management Committee is independent and is not the Chairperson of the Supervisory Board or any other committees. The Risk Management Committee comprises three members, the majority of which are independent members of the Supervisory Board.

The Risk Management Committee liaises regularly with the CRO and Deputy CRO to ensure the development and on-going maintenance of a risk management system that is effective and proportionate to the nature, scale, and complexity of the risks inherent in the business. The Risk Management Committee invites the CRO and Deputy CRO to attend the meetings of the Committee.

The Risk Management Committee meetings should be held at least quarterly. In case of necessity, additional, out-of-schedule, committee meetings may be summoned extraordinarily.

Throughout 2023, the Committee held eleven meetings during which various risk management issues were reviewed and, where appropriate, endorsed for approval by the Supervisory Board. Among others, the Committee agenda included the Risk Appetite Statement, the Stress Testing Governance Framework, The ECL staging approach as per updated methodology, the Risk Presentation, the SWIFT Audit results, the Cyber Security Framework Audit results, The Report on Write-offs (retail and business portfolio), the Penetration Test Results, the Action Plan on In compliance with SWIFT requirements and regulatory Cyber Security Framework, the Supervisory Board the Model Risk Management Framework, To review and accept the Risk Health Index (RHI) – Q4 2022 Results, the Supervisory Board adjustments to IFRS 9 Impairment Methodology, the risk reports, he Information Risk Management Framework and the Information Security Strategy; waiver on write-offs in Business Portfolio, the updated crisis management plan, NPL management, the Critical Services and Systems Availability Methodology, LGD Model, RAS Metrics, ERM policy updates, FI Limits methodology.

	Members as of 31 December 2023 and Committee attendance			
Name-Surname	**Position**	**Date of Election**	**Meetings attended/ eligible to attend**	**Attendance Rate**
Ebru Ogan Knottnerus	Committee Chairperson	31.12.2019	11/11	100%
George Glonti	Committee Member	31.12.2019	11/11	100%
Kamala Nuriyeva	Committee Member	12.09.2023	2/3	66.6%

Former Member as of 2023 and Committee attendance

Name-Surname	Position	Date of Election	Date of Resignation	Meetings attended/ eligible to attend	Attendance Rate
Farid Mammadov	Committee Member	02.10.2017	12.09.2023	5/8	63%

For further information, you can view the Risk Management Committee Statute on the Bank's website at www.pashabank.ge .

THE BOARD OF DIRECTORS

Day-to-day operational management of the Bank is carried out by full-time executives – members of the Board of Directors. The Bank's Board of Directors comprises four directors: Chief Executive Officer, Chief Risk Officer, Director of Retail Banking and Chief Financial Officer. The directors are appointed by the Supervisory Board for a fixed term, typically for four- years, with the possibility of renewal at the end of the term. The position and the scope of activity for each member of the Board are determined upon appointment.

Senior management plays an important role in ensuring effective governance and is therefore responsible for effective management consistent with the Supervisory Board policy. All administrators

comply with the requirements of the Corporate Governance Code for Commercial Banks and the existing legislation, including the Regulation on Fit and Proper Criteria for Administrators of Commercial Banks approved by Decree No 50/04 of the Governor of NBG on June 17, 2014.

According to the Bank's Charter and the Board of Directors Statute, the following activities shall be performed by the Board of Directors:

- Carry out the Bank's day-to-day business operations;
- Take all reasonable measures to have up-to-date information on the financial standing of the Bank and make informed decisions on matters concerning the operation of the Bank; in cooperation with other functional units of the Bank, the Board of Directors shall ensure maintenance of the Bank's solvency and liquidity, and shall ensure that all measures required for this purpose are taken;
- Develop corporate strategy, strategic objectives, business plan, annual budget, and submit it to the Supervisory Board for approval;
- Present to the Supervisory Board and the General Meeting of Shareholders audited financial statements together with Independent Auditors' Reports;
- Submit to the Supervisory Board for approval transactions that go beyond the scope of corporate strategy and strategic objectives, business plan and budget (non-standard transactions);
- Report to the Supervisory Board any performance against the corporate strategy and strategic objectives, business plan and budget;
- Approve day-to-day operational banking activities, including attraction of borrowings, granting lending and trade finance products, approval of loan restructuring, approval of acquisition and disposal of fixed assets and intangible assets, administrative expenses, cash limits, implementation of equity investments in public companies, and sign respective agreements within the limits of its decision-making and signatory authority as approved by the Supervisory Board in the Decision Making and Signatory Authority Matrix;
- Determine and approve minimum and maximum interest rates to be used for credit recourses and deposits;
- Approve all forms of technical assistance, service, purchase agreements, and know-how;
- Supervise units and/or departments of the Bank, ensuring that the Bank provides proper services to its customers;

- Solve issues of collateral seizure and take other appropriate measures to protect the Bank against losses;
- Ensure the existence of a proper system of risk control in the Bank following the requirements of Georgian legislation;
- Prepare complete and accurate annual, semiannual, and quarterly reports, and other financial information;
- Prepare and submit proposals and draft resolutions, reports, and any other information or documentation requested by or to be presented to the Supervisory Board or the General Meeting of Shareholders;
- Review information provided by internal and external audit of the Bank, the Audit Committee, and any expert and/or advisor engaged by the Bank, as well as reports submitted by managers of the Bank, and make appropriate decisions;
- Approve and amend internal regulatory documents of the Bank except those related to the Supervisory Board privileges;
- Develop and submit for approval to the Supervisory Board internal regulatory documents of the Bank;
- Develop and submit for approval to the Supervisory Board the Code of Ethics, including whistleblowing procedures;
- Develop and submit for approval to the Supervisory Board organizational structure of the Bank;
- Approve structure, size, and composition of the Board of Directors committees, including appointment and removal of committee members; review committee reports;
- Approve job descriptions for managerial positions, work schedules, and collective labor agreements;
- Decide on appointment, dismissal, and remuneration of the Bank employees, except members of the Board of Directors;- Determine any other matter related to the Bank employees;
- Recommend and submit for approval to the Supervisory Board bonus pool for the Bank employees, except bonus amounts to be disbursed to front-office function;
- Approve disbursement of bonus amount to front-office function;
- Monitor compliance with legislation, internal normative documentation, and implementation of resolutions of the General Meeting of Shareholders and the Supervisory Board;
- Execute and implement resolutions issued by the Supervisory Board and the General Meeting of Shareholders;
- Perform any other duties imposed by the Supervisory Board and the General Meeting of Shareholders. The Board of Directors is led by the Chairman of the Board of Directors, who simultaneously serves as the CEO of PASHA Bank. Decisions of the Board of Directors are made by a simple majority of votes.

Nomination Process

The Supervisory Board is responsible for developing and presenting for approval to the General Meeting of Shareholders a formal, rigorous, and transparent procedure for the appointment of directors. The procedure for identifying candidates shall be transparent, so that shareholders are able to see what type of person the Bank is looking for and why a particular individual is appointed. The HR and Remuneration Committee of the Supervisory Board is responsible for the search of new members of the Board of Directors. The Chairman of the Supervisory Board and members of the HR and Remuneration Committee interview the candidate before his/her appointment is recommended to the Supervisory Board for approval.

The HR and Remuneration Committee is responsible for considering succession planning for the directors, conducting an annual review of succession planning, and proposing changes to the process as necessary. The Board of Directors membership criteria and appointment process are regulated by the Bank's Standard on Appointment of Administrators. The process for appointing the Bank's director corresponds to banking regulations and follows criteria and limitations similar to those established for members of the Board of Directors.

CHANGES IN THE BOARD OF DIRECTORS

On October 11, 2023, The Supervisory Board Meeting #36 of JSC Pasha Bank Georgia approved the updated composition of the Board of Directors as follows:

- Chairman of the Board of Directors: Mr. Ramil Imamov
- Member of the Board of Directors: Mr. Levan Aladashvili;
- Member of the Board of Directors: Mr. Parvin Mammadov
- Member of the Board of Directors: Mr. Anzor Mantskava

On September 20, 2023, The Supervisory Board Meeting #35 approved the resignation of Nikoloz Shurgaia from the position of General Director, Chairman and member of the Board of Directors of JSC "Pasha Bank of Georgia".

On October 11, 2023, the minutes of the #36 meeting of the Supervisory Board approved the resignation of Selim Berent from the position of member of the Board of Directors and financial director.

MEMBERS OF THE BOARD OF DIRECTORS

Ramil Imamov

Chairman of the Board of Directors, CEO of PASHA Bank Georgia

Mr. Ramil Imamov was appointed as the Chief Executive Officer and Chairman of the Board of Directors of PASHA Bank Georgia starting in October 2023.

Experience

His career began at Bank of Baku OJSC, starting as a Specialist in the Micro Finance and Mortgage Section and later as a Branch Manager at Bank Respublika OJSC, where he managed sales and ensured service quality. In 2014, he joined Kapital Bank OJSC as the Director of the Branch Network Management Department, overseeing retail operations.

In 2018, Mr. Imamov assumed the role of Chief Retail Sales Officer at Kapital Bank OJSC. He successfully managed multiple departments and led sales strategies.

Education

Ramil Imamov is an accomplished banking professional with a strong track record. He holds both a Bachelor's and master's Degrees in Economic Regulation from Azerbaijan State Economic University.

Parvin Mammadov

Member of Board of directors, CFO

Mr. Parvin Mammadov joined PASHA Bank Georgia in Oc- tober 2023 as board of directors and the Chief Financial Of- ficer.

Experience

Mr. Parvin Mammadov in his career worked in Rabita Bank OJSC and in KredAgro NBCO, Baku.

From April 2012 Mr. Parvin Mammadov continued his career as Finance Director of Kapital Bank, Baku.

Education

Mr. Parvin Mammadov graduated from Economics 9 Eylul University, Turkey, with the bachelor's degree in business administration in 2009.

Mr. Parvin Mammadov graduated Master of Business Ad- ministration: MBA UNEC - Baku, Azerbaijan

Levan Aladashvili

Member of the Board of Directors, Chief Risk Officer

Experience

He began his professional career at ProCredit Bank Georgia. Between the years 2006-2015, he worked for VTB Bank Georgia in Corporate Banking and Credit Risk Departments.

From 2015 Levan Aladashvili continued his professional career as Head of Credit Risks Department at PASHA Bank Georgia. In 2019 Mr. Aladashvili was appointed on the position of Deputy Chief Risk Officer.

Education

Levan Aladashvili graduated from Tbilisi Technical University and obtained his Bachelor's degree in Banking in 2005. He has participated in numerous professional trainings in the areas of risk assessment, risk management, and financial analysis.

Since May 17, 2021, Levan Aladashvili has held the position of Chief Risk Officer and Member of the Board of Directors at JSC PASHA Bank Georgia.

Anzor Mantskava

Member of the Board of Directors, Director of Retail Banking

Experience

Anzor's 20-year career has been mainly in the financial sector. In 2003, he began working as an audit consultant at UBC International. In 2005, he joined Pricewaterhouse Coopers as a financial auditor. In 2006, he took the position of head of the internal audit department at JSC TBC Bank. In 2012, he took over the Department of Customer Experience and Business Process Management at TBC Bank. In 2014, he headed the Operational Risk Management and Information Security Department at TBC Bank.

In 2015, Anzor went to the UK to study at Warwick Business School. As part of his project and thesis, he analyzed and wrote a social media strategy for Nationwide Building Society, the largest British mortgage issuing organization.

In 2016, Anzor returned to Georgia and assumed the position of director of TBC Pay. He and his team significantly increased the company's operations and profitability. He then joined the Anaklia Development Consortium as Operations Director. In this role, he worked with various financial institutions and construction companies on project-related issues.

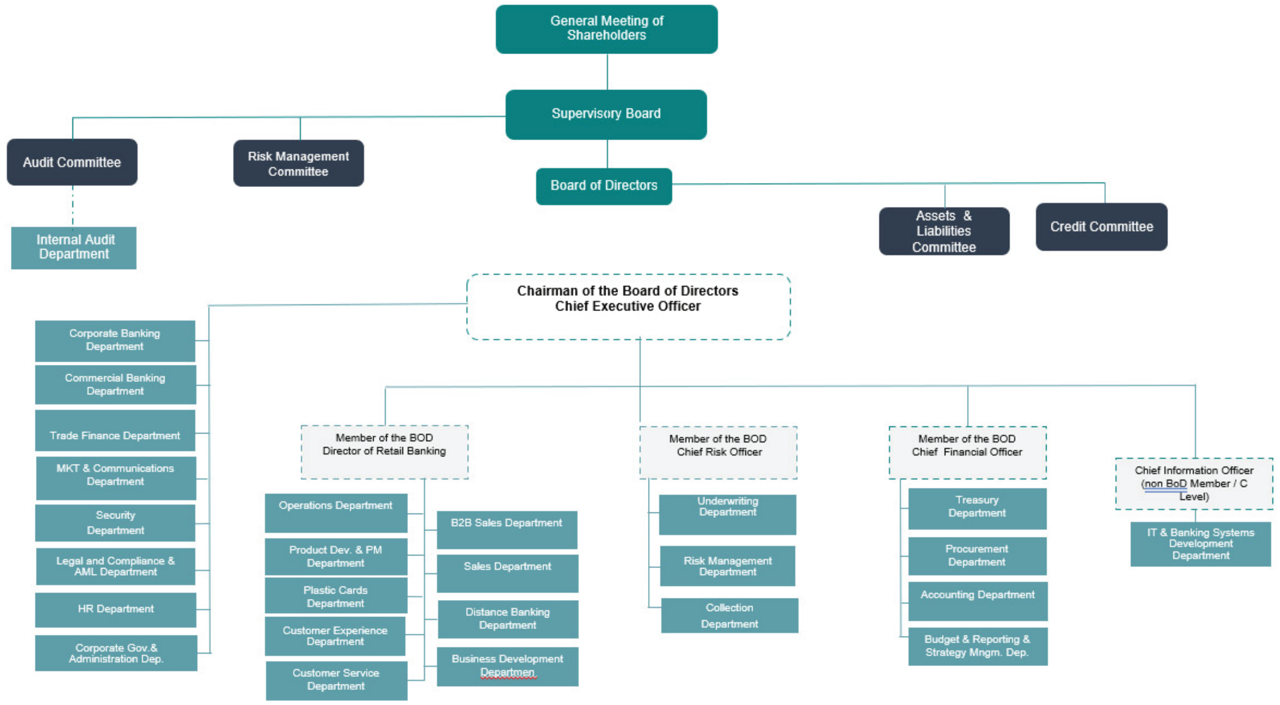
Anzor was also engaged in various consulting activities with construction companies in Georgia. These activities mainly concerned the improvement of corporate governance in organizations.

Since 2021, he has headed the e-commerce platform extra.ge. In 2023, Anzor Mantskava joined JSC Pasha Bank as a member of the board of directors and head of retail business.

Education

In 2004, Anzor Mantskava received a bachelor's degree in accounting, Control, and Audit from the Tbilisi State University Faculty of Economics. He also earned a Master of Business Administration from Warwick Business School in 2016.

The reporting line to the members of the Board of Directors is shown in the chart below:



The Bank has a well-defined organizational structure, which ensures the allocation of responsibilities, effective identification of risks, management/monitoring and reporting procedures, adequate internal control mechanisms, including robust administrative and accounting procedures, effective IT systems and controls for risk management, and remuneration policies/procedures.

COMMITTEES OF THE BOARD OF DIRECTORS

According to the Board of Directors Statute, the Board of Directors may establish standing and/or ad hoc committees, which shall have the obligation to fulfil duties determined by the latter. The Board of Directors approves committee statutes, committee size and composition, including appointment and removal of committee members.

The Board of Directors shall be collectively responsible for decisions made and activities implemented by the committees. The committees shall only exercise powers that are explicitly attributed or delegated to them and their actions as a whole shall not exceed the powers of the Board of Directors. Periodically, the Board of Directors shall receive a report from each committee regarding its deliberations and findings.

There are currently two committees supporting the Board of Directors:

Credit Committee

The committee was established to assist the Board of Directors in discharging its duties and responsibilities in specific areas of business activities. The committee monitors credit risk-related issues, approves individual or group credits, or other credit products within delegated authority, issues recommendations regarding individual or group credit exposures, issues recommendations regarding credit risk management, monitors loan portfolios, trade finance portfolios, investment portfolios and collateral portfolio, manages problem loans, and ensures the adequacy of loan loss allowance.

The committee has a statute that regulates its activities and contains provisions on the scope of authority, competencies, composition, working procedures, rights and responsibilities.

Assets and Liabilities Committee

The committee was established to assist the Board of Directors in discharging its duties and responsibilities in specific areas of business activities. The committee works to implement practices for managing the Bank's assets and liabilities in terms of interest rate risks, liquidity risks and market risks. The assets and liabilities management of the Bank is based on policies, guidelines on risk appetite, revenue targets and rates of return, as well as risk management. The covered areas include capital ratios, liquidity, asset mix, rate settings for loans and deposits, and investment guidelines for the banking portfolio. The key objectives of the committee include maintaining liquidity positions, capital ratios at the planned minimum, and ensuring the safety of the deposit base, maintaining the asset and liability mix generating a satisfactory revenue stream to satisfy profitability targets.

The committee has a statute that regulates its activities and contains provisions on the scope of authority, competencies, composition, working procedures, rights and responsibilities.

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department of JSC PASHA Bank Georgia is responsible for providing a regular, independent, objective audit of the Bank's risk management, internal control, and corporate governance processes. The main objective of the Department is to add value and ensure the and improvement of the Bank operations.

The Internal Audit Department is independent of the Bank's management and is reportable directly to the Audit Committee.

The Internal Audit Department Statute describes matters related to the Department's purpose, rights and duties, scope of activities, reporting, and independence. The Internal Audit Policies and Procedures Manual defines a set of comprehensive policies, methodology, procedures, and guidance for performing risk based and value-added audits.

The Annual Audit Plan, which is based on a documented risk assessment, is reviewed and approved by the Audit Committee. Audit findings are communicated to the Audit Committee. The department's budget and compensation are determined by the Supervisory Board based on the proposal of the Audit Committee.

The Head of the Internal Audit Department is appointed by the Bank's Supervisory Board based on the nomination and consent of the Audit Committee. All other employees are appointed by the Head of the Department in agreement with the Audit Committee.

REMUNERATION POLICY FOR DIRECTORS

On March 16, 2022, the General Meeting of Shareholders approved the updated Remuneration Policy for Material Risk Takers (the "Policy"). The Policy establishes guiding principles for decisions concerning remuneration of the Bank's Material Risk Takers, including Board of Directors and Supervisory Board members, that ensure fair, risk-based, aligned to corporate culture, competitive, and appropriate remuneration for the market in which the Bank operates. The Policy ensures that the remuneration is appropriate to attract, motivate, retain, and fairly reward Material risk-takers of the Bank and is consistent with the Corporate Governance Code for Commercial Banks approved by Decree № 215/04 by the Governor of the National Bank of Georgia.

Principles Of Remuneration For Supervisory Board (SB) Members

Concerning the remuneration of Supervisory Board members, the Policy adopts the following principles:

- SB members of the Bank shall be remunerated only in the form of fixed remuneration.
- SB members shall not be provided with performance-based remuneration bonuses.
- Remuneration may be different for resident and non-resident SB members. In addition to fixed remuneration, SB members may receive additional remuneration if the member is the Chairman of SB, the Deputy Chairman of SB, a member of the Committee of SB, or the Chairman of SB Committee. The difference between the highest annual (including additional remuneration) and the lowest annual remuneration of the members of SB should not be more than 30% of the lowest remuneration of the SB members.
- Each SB member shall be reimbursed for all reasonable expenses (travel expenses, travel insurance, accommodation, etc.) incurred in connection with their attendance at SB or other meetings of the governing bodies, due to the fact that SB and other meetings of the governing bodies can be held on the territory of Georgia or abroad.
- Each SB member, in performing his/her duties as member of SB or other governing body, has statutory right to request independent consultancy services, and costs of such services provided to SB members shall be reimbursed by the Bank.
- The Bank is prohibited from concluding any type of consultancy agreements with SB members and paying additionally for services provided to the Bank in order not to prejudice the independence of SB members.

Principles of Remuneration for Members of the Board of Directors (Directors)

Concerning the remuneration of Directors, the Policy adopts the following principles:

- Director's remuneration shall consist of fixed and performance-based variable remuneration and other benefits.
- Directors are eligible for an annual bonus pool provided that they meet their performance KPIs.
- The Bank's remuneration system should not jeopardize its standing in terms of compliance with regulatory capital requirements. If such material risk persists, consideration should be given to refraining from payment of variable remuneration to directors.
- The annual amount of performance-based variable remuneration for each executive director should not exceed 100% of the amount of his/her fixed annual remuneration with any reasonable exception approved by the General Meeting of Shareholders, but only to a maximum limit of 200%.
- Deferral Principle - At least 40% of variable remuneration or - where variable remuneration of MRTs is material (exceeds 100% of fixed remuneration and/or exceeds 500,000 GEL or its equivalent) - respectively 60% of the variable remuneration shall be deferred over a period of at least 3 (three) years. Deviation from this requirement is allowed if the annual variable remuneration of the person is non-material (does not exceed 20% of the annual fixed remuneration).
- The deferred remuneration may be paid and/or vested fully at the end of the deferral period or proportionally distributed in equal annual installments through the deferral period. In the case of proportionate payments, the first installment of the deferred variable remuneration may be paid no earlier than one year from the beginning of the deferral period, and subsequent payments should not be made more often than once in 12 months.

When deciding regarding base remuneration for an executive director, the Supervisory Board shall consider responsibilities, country-specific remuneration benchmarks, residency, and active legislation.

Variable remuneration might become subject to clawback and malus arrangements. Remuneration can be adjusted (reduced or reversed) taking into consideration the realized risks of the Bank before or at the time of vesting. Remuneration can be adjusted (reduced or reversed) after vesting, due to misreporting, or failure to comply with internal policies or other legal requirements, or for other breaches as defined by the Bank. Early termination of employment agreement with an executive director shall not be the basis for change of deferral period or cause any remuneration adjustments unless there are other reasons for adjusting variable remuneration.

In case of resignation of an executive director, the Supervisory Board should assess the reason for resignation to remunerate the executive director for performance and not reward him/her for failure.

Risks associated with remuneration affect every aspect of the Bank's business, including financial performance, culture, operations, reputation, and governance. To mitigate these risks the Supervisory Board has been committed to maintaining a remuneration system that ensures strategy alignment, is based on a clear performance matrix, and is appropriately governed.

Bonus eligibility

Based on the approved methodology, the Bank's Board of Directors is eligible for annual bonuses on the condition that 75% of the budgeted net profit target is realized. Any exceptions are approved by the Bank's Supervisory Board. The gross bonus amount is calculated based on the following KPIs and their respective weights:

	KPI	Weight
1	Behavioral KPI	10%
2	Performance KPIs	90%

Behavioral KPIs

Behavioral KPI is a 360-degree assessment of emotional and social intelligence of the Board of Directors and examines the members' capacity for recognizing their feelings and those of others, motivating themselves, and managing emotions effectively in themselves and others. It describes behaviors that sustain people in challenging roles, or as their careers become more demanding, and captures qualities that help people deal effectively with change.

Performance KPIs 2023

During 2023 the Bank did not have performance KPIs as the Bank's overall strategy was under the revision process.

Bonus calculation

Each member of the Board of Directors is entitled to a base bonus adjusted depending on the performance, assessed through the KPIs above.

The base bonus is either equal to a % of net profit or a multiple of the Board of Directors member's monthly gross salary.

The adjustment to the base bonus is calculated based on the following table:

Remuneration awarded during the reporting period				
		Board of Directors	Supervisory Board	Other material risk-takers
Fixed remuneration	Number of employees			
	Total fixed remuneration (3+5+7)	1,169,416	339,909	1,666,263
	Of which cash-based	1,147,169	339,909	1,634,834
	Of which: deferred			
	Of which: shares or other share-linked instruments			
	Of which deferred			
	Of which other forms	22,247		31,428
	Of which deferred			
Variable remuneration	Number of employees			
	Total variable remuneration (11+13+15)	1,726,025	53,412	828,948
	Of which cash-based	1,565,677		723,247
	Of which: deferred	655,568		277,670
	Of which shares or other share-linked instruments			
	Of which deferred			
	Of which other forms	160,348	53,412	105,700
	Of which deferred			
Total remuneration		2,895,441	393,321	2,495,210

PASHA Bank
New heights. Together.

SCHEDULE OF MATTERS RESERVED FOR THE BOARD DECISION

Duties and Responsibilities		Quorum Required
1.	Strategic supervision and control of the Bank;	N/A
2.	Approval of the corporate strategy and strategic objectives, review of delivery of the strategy and performance against strategic objectives and operational plans;	simple majority
3.	Approval of the business plan, review of the delivery of the performance against the business plan;	simple majority
4.	Approval of the annual budget, review of delivery of performance against the annual budget;	simple majority
5.	Initiation of new banking/commercial activities and termination or suspension of existing activities;	simple majority
6.	Establishment and liquidation of new enterprises, and branches;	simple majority
7.	Acquisition and disposal of shares in other companies;	simple majority
8.	Approval of the organizational structure;	simple majority
9.	Approval of the Code of Ethics and whistleblowing procedures;	simple majority
10.	Rendering resolutions for implementation of the decision of the General Meeting of Shareholders on admission of the Bank's shares and other securities to the stock market;	simple majority
11.	Declaring an interim dividend and recommending a final dividend;	simple majority
12.	Redemption of shares by the Bank as provided under the Georgian legislation;	simple majority
13.	Perform strategic supervision of risk management activities;	N/A
14.	Approval of the risk appetite statement, conducting annual reviews;	simple majority
15.	Approval of the business continuity plan;	simple majority
16.	Authorization for conflicts or possible conflicts of interest and related party transactions;	simple majority
16.1.	Transactions with related legal entities;	simple majority
16.2.	Transactions with related persons;	simple majority
16.3.	Agreements with related legal entities;	simple majority
16.4.	Approval of cash-covered credit products (including trade finance products) to the related party;	simple majority
17.	Approval of policies, standards and procedures with respect to conflicts of interest and related party transactions;	simple majority
18.	Approval of structure, size and composition of the Board of Directors, including appointments and dismissal of its members;	simple majority
19.	Determining rights and obligations of members of the Board of Directors, monitoring and supervising their activities, requesting reports from the Board of Directors;	simple majority
20.	Approval of succession policy and succession planning for members of the Board of Directors;	simple majority
21.	Conclude the labor agreements and determine remuneration packages for members of the Board of Directors;	simple majority
22.	Approval of the regulatory framework for determining bonuses and/or additional benefits for employees, including for members of the Board of Directors of the Bank;	simple majority
23.	Approval of structure, size and composition of the Supervisory Board committees, including appointments and removals of the Supervisory Board committee members; reviewing reports of the Supervisory Board committees;	simple majority
24.	Election of the external auditors;	simple majority
25.	Appointment and dismissal of trade representatives (procurators);	simple majority
26.	Appointment and dismissal of the Corporate Secretary;	simple majority
27.	Attraction of borrowings by the Bank;	simple majority
28.	Securing borrowings or any other liabilities of the Bank or any third party, if they fall outside the scope of the regular economic activities of the Bank;	simple majority
29.	Granting lending and trade finance products (by amount; by maturity);	simple majority
30.	Sale of credit asset, disregard of its amount, if: It is a collective sale (sale of more than one credit asset at once) of credit assets; The Bank will receive loss from the sale of credit asset, and the sale is above the decision-making limits of the Board of Directors;	simple majority
31.	Approval of loan restructuring;	simple majority
32.	Approval of loan write-off;	simple majority
33.	Approval of acquisition and disposal of fixed assets and intangible assets;	simple majority
34.	Approval of issuance of bonds;	simple majority
35.	Approval of administrative expenses;	simple majority
36.	Approval of cash limits;	simple majority
37.	Implementation of equity investments in public companies;	simple majority
38.	Implementation of any equity investments in private companies;	simple majority
39.	Approval and amendment of the Bank's statute, framework and policy type of documents;	simple majority
40.	Determining and approving the terms and conditions to be used with regard to credit recourses and deposits to the Bank's employees;	simple majority
41.	Convening General Meetings, if deemed necessary for the interests of the Bank;	simple majority
42.	Supervision and representation of the Bank in case of conflict between the members of the Board of Directors;	simple majority
43.	Based on the decision of the General Meeting, procession of legal dispute against members of the Board of Directors on behalf of the Bank, submission of a claim against members of the Board of Directors without the decision of the General Meeting if the issue is related to the responsibility of members of the Board of Directors;	simple majority
44.	Supervising implementation of measures in accordance with results of examinations carried out by the External and Internal Audits, as well as the National Bank of Georgia;	simple majority
45.	Making a decision on such issues that are beyond the scope of the Board of Directors' powers;	simple majority
46.	Perform any other duties as required by the General Meeting.	simple majority

RISK AND CONTROLS

The Bank is committed to developing sound, effective, and complete risk management strategies and processes in order to assess and maintain, on an ongoing basis, the amount, type, and distribution of internal capital that the Bank considers adequate to cover the nature and level of risks to which it is or might be exposed.

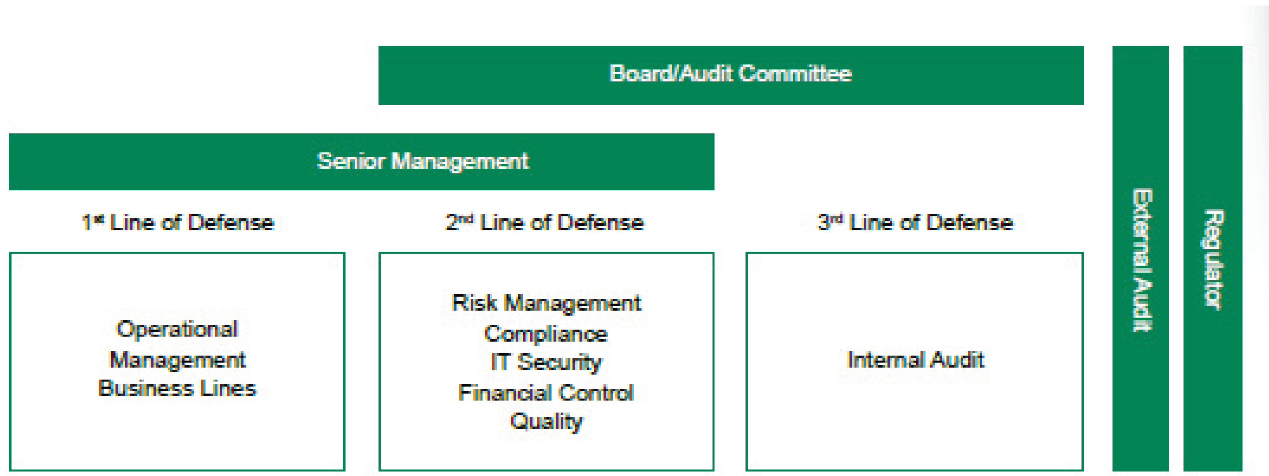
Strategies and processes are subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale, and complexity of the Bank's activities. Risk management helps to identify, assess, and manage risks stemming from the Bank's strategy.

The most significant cause of value destruction is an incompatibility between a strategy and the Bank's mission and vision, and implications of such strategy. Risk management enhances strategy selection. Choosing a strategy calls for a structured decision-making that analyses risks and aligns resources with the Bank's mission and vision. Risk management strategy supports the Bank's mission and vision and eliminates the possibility that the Bank may not realize its mission and vision, or may compromise its values, even if a strategy is successfully carried out.

Risk management considers the possibility that a strategy, or implications thereof, is not aligned with the Bank's mission and vision. The Supervisory Board and the Board of Directors determine if a strategy works in tandem with the Bank's risk appetite, how it will help drive the Bank to set objectives, and ultimately, to allocate resources efficiently.

Risk management strategy is derived from business strategy. All factors of business strategy are taken into account for the purpose of risk profile analysis. The Bank manages risks following the Three Lines of Defense model, which provides an effective way to enhance communication on risk management and control by clarifying essential roles and duties. The Three Lines of Defense model enhances clarity regarding risks and controls and helps to improve the effectiveness of risk management systems. The Three Lines of Defense model distinguishes between three groups (or lines) involved in effective risk management:

- Functions that own and manage risks;
- Functions that oversee risks;
- Functions that provide independent assurance.



Business lines and operations units execute activities that create and prevent risk. The first line owns and manages risks and controls through policies, procedures, and monitoring processes in daily operations that help prevent or mitigate risks. It works collaboratively with the second line to address improvements required to enhance controls and mitigate risks.

The second line supports senior management by bringing expertise and monitoring alongside the first line to ensure that risks and controls are properly managed.

The third line of defense – Internal Audit, provides the Board of Directors and senior management with comprehensive assurance from the perspective of the highest level of independence and objectivity in the organization. This high level of independence is not available in the second line of defense. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the degree to which first and second lines of defense achieve risk management and control objectives.

Main roles and responsibilities for key stakeholders in the Bank's Risk Management Process are as follows:

SUPERVISORY BOARD

- Approve the Bank's risk appetite statement and risk management policies;
- Perform risk oversight to incorporate consideration of risk in strategic decision-making and to address risk interactions across business units.

RISK MANAGEMENT COMMITTEE

- Review risk management policies and risk appetite statement;
- Accept risk assessments, issue directives for risk treatment to maintain risk levels within the defined tolerance thresholds, and accept risk treatment options;
- Ensure that appropriate processes and capabilities are in place to identify, assess, measure, manage, monitor, and report risks.

BOARD OF DIRECTORS

- Assume overall responsibility and accountability for risk management function;
- Ensure a proper balance between risk and return, consistent with the Bank's risk appetite;
- Make available the necessary resources to meet risk management objectives and targets;
- Maintain commitment to improving risk management performance.

RISK FUNCTION

- Develop, implement, and administer Risk Management (RM) program. This entails developing and maintaining RM policies, identifying key risks to be reported at the corporate level, coordinating risk management processes and procedures, tools, and information systems, risk analysis and risk treatment with risk owners, calculating an overall integrated risk portfolio, reporting on corporate risks and the risk portfolio to the Risk Management Committee, monitoring adherence to the risk management program, and improving risk management capability of the enterprise through communication and training;
- Establish RM communication at all levels. Gather data and develop risk reports for the RM Committee and others as directed by the RM Committee;
- Provide professional advice on RM. Provide advice and direction on current and evolving RM practices, make recommendations, and implement mandated improvements;
- Analyze RM metrics and report performance. Quantify and prioritize risks, validate decision-making analytics, assumptions and methodologies, report risks and ensure that information presented for decision-making and reporting is complete and correct;
- Deploy and maintain quantitative tools and models that assist in estimating the likelihood and severity of risk events such as an event tree model;
- Facilitate identification, measurement, monitoring, and reporting of risks;
- Design/revise the Risk Appetite Statement (RAS) in accordance with the Group RAS;
- Cascade the RAS down to different levels in the organization (i.e. define the "playing field" for units);
- Continuously review/report limit status/breaches and take proactive measures to avoid RAS breaches;
- In case of RAS breaches, propose and execute a mitigation plan;
- Ensure that incentives across the Bank are in line with the RAS;
- Ensure alignment of risk appetite, strategy, and capital allocation in the Bank (including budgeting and business planning cycles);
- Assess risk culture at different levels of the Bank.

RISK APPETITE

The process of setting Risk Appetite seeks to enhance risk management capabilities of the Bank to ensure a better alignment of risk-taking with strategic objectives. Risk appetite objectives define the level of risk that the Bank is willing to accept, provide opportunities for maximization of value within boundaries, establish systematic control of risks, and enable timely mitigation.

RAS resides at the heart of an effective risk management program and is linked to the Bank's overall risk management philosophy and strategic ambition. The objective of developing a clearly articulated RAS is to explicitly define the level and nature of risks that the Bank is willing to take in order to pursue its stated mission on behalf of its shareholders, which is subject to constraints imposed by shareholders, debt holders, regulator, and other stakeholders.

With an RAS in place, the Bank can define specific tolerances around its performance, and in doing so link its risk management to the overall management processes.

General principles of risk taking and risk management established by the Bank are as follows:

- Prudent risk-taking with comprehensive risk assessment and control environment;
- Application of best practices in line with the complexity and size of the Bank;
- Direct risk management considerations into business planning and project development activities;
- Compliance with the requirements of NBG and guidelines from the Bank's shareholders. The general principles of risk-taking have to be reflected in all rules and policies and applied consistently throughout the Bank.

In order to institute objective criteria to measure exposure to relevant risk factors, risk policies are represented by numerical targets/limits within the Bank's risk appetite framework. The Bank develops a risk appetite framework based on its business and risk strategy. The RAS includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity, and other relevant measures, as appropriate.

Risk appetite statement includes the following elements:

Profitability is a key objective, but credit standards must not be compromised in the pursuit of an operating income. A well-balanced and high-quality credit portfolio is the highest priority.

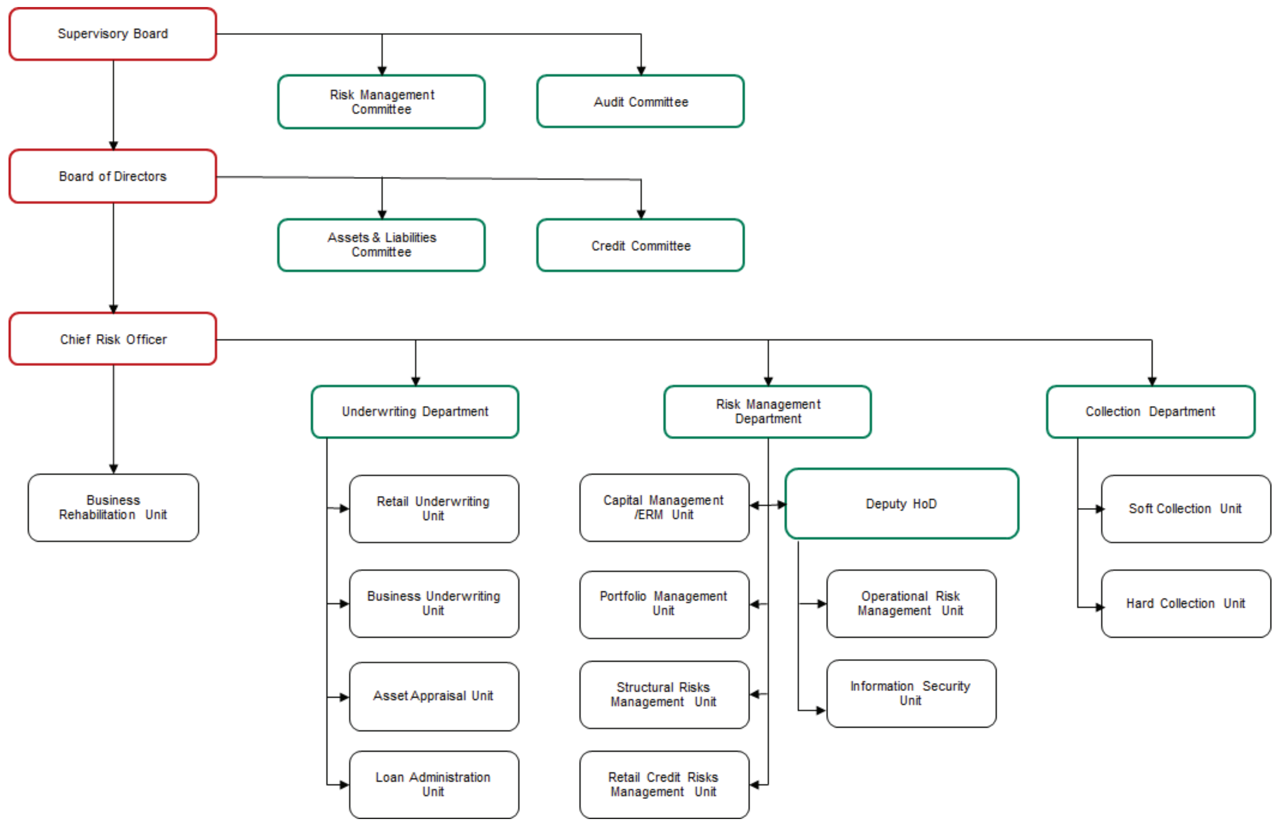
Below is an excerpt from RAS of PASHA Bank:

- Capital/solvency – the Bank will operate with a sufficient and comfortable capital base, not only to fulfill regulatory requirements, but also to protect the Bank from potential shocks without hindering its growth potential. The Bank will regularly run stress tests to ensure the adequacy of its capital remains.
- Liquidity – the Bank will ensure abundant levels of liquidity to survive severe short-term and medium-term market-wide liquidity stress event and to promote diversified and stable funding sources.
- Credit risk – the Bank aims to keep a well-diversified loan portfolio that delivers positive net income at a consolidated level even during severe but realistic stress events. To do so, the Bank maintains consistent underwriting standards depending on its risk appetite rather than market opportunities; the Bank applies appropriate concentration limits and runs tight monitoring systems.
- Market risk – the Bank will ensure VaR and Stressed VaR is sufficiently covered by the capital including the VaR under stress scenarios.

The Bank will keep its currency position under review at all times to be able to hedge against potential devaluations.

- Regulatory risk – the Bank will ensure that the number of open regulatory findings and the number of new legal matters will be maintained on an acceptable level.
- Reputational risk – the Bank has minimal tolerance for headline risk associated with unacceptable business practices, privacy breaches, and internal fraud.

Organizational Structure of Risk Management:



RISK MANAGEMENT AND CAPITAL ALLOCATION

Credit Risk

Credit risk refers to a threat of losses that impacts the Bank's profitability and capital position and arises from non-performance of contractual obligations by counterparties.

The Credit Policy and the Credit Standard of the Bank regulate lending process and contain credit risk management principles and actions to mitigate risks inherent in lending activities. The primary objectives of the Credit Policy are to:

- Protect the Bank from excessive losses from credit activities;
- Define basic principles of planning and organizing credit activities and building the desired loan portfolio;
- Ensure capital allocation to credit risk, bank is exposed to.

The Bank follows the key principles listed below in order to realize its credit policy objectives:

- Segregation of duties: responsibilities must be strictly divided between the back office and the front office;
- Four-eye principle and the principle of prevention of conflict of interests is to be adhered to at all stages of the credit cycle;
- Risk-awareness during credit assessment processes and, later, during management of exposures, to avoid excessive losses;
- Operation with a robust and professional risk management approach and control environment as the basis of solid risk-taking and proper risk management.

The primary objectives and key principles of the Credit Policy are achieved through the following course of actions:

- Creation of effective credit policies and procedures;
- Providing appropriate trainings to relevant employees;
- Increasing and diversifying the customer base;
- Ensuring efficiency of the decision-making process;
- Ensuring effective credit risk management;
- Monitoring external factors which can affect credit decision or portfolio quality;
- Running stress tests on portfolio level;
- Managing the optimal risk and return ratio of credit products;
- Improving and optimizing credit portfolio quality and structure;
- Assessing expected losses of loan portfolio and ensuring the adequate level of LLP;
- Assessing unexpected losses of loan portfolio and ensuring adequate capital allocation;
- Ensuring compliance of the credit process with Georgian legislation and regulations of the National Bank of Georgia.

In all cases of risk-taking, the creditworthiness of the customer is to be assessed and monitored during the lifetime of the credit exposure according to the Credit Policy. Portfolio quality reports are regularly presented to the Board of Directors.

The capital requirement for credit risk is calculated by the Bank under Basel III requirements based on a standardized approach in compliance with the Regulation of the National Bank of Georgia on Capital Adequacy Requirements for Commercial Banks. To recognize allowance for expected credit losses for all financial assets not held at fair value through profit and loss, the Bank applies the provisions of IFRS 9. Although the Bank considers credit risk as the most material and most important risk type, currently, due to the lack of data, using advanced methodologies for calculation of the credit risk capital requirement would be an excessive exercise for the Bank. The Bank uses internal Moody's based methodology and external rating providers for credit risk assessment, such as Moody's, Fitch, and S&P.

Foreign Exchange Induced Credit Risk

Foreign Exchange Induced Credit Risk is a risk arising from the movement of foreign currency exchange rates that would deteriorate the creditworthiness of the customer. Individual assessment of customers and transaction-level stress test is carried out according to the Credit Policy. Furthermore, the limits outlined by the regulator are applied and a sensitivity analysis is conducted. Currency-induced credit risk is built into the capital adequacy requirement calculation, by adding a currency induced credit risk (CICR) buffer for unhedged foreign currency denominated exposures.

Counterparty Risk

Counterparty risk is a subset of credit risk and is mainly estimated for credit derivatives (i.e. futures, forwards, swaps, options, and other off-balance sheet liabilities originating from other similar contracts), according to CAR, Article 50. Counterparty risk is a risk that counterparty to a transaction would default before the final settlement of the transaction's cash flows. The Bank operates a counterparty limit system for treasury deals with the Bank's partners (banks, financial institutions) as defined by the Board of Directors. Limits are reviewed at least on an annual basis and in cases when relevant information about the counterparty is identified. Counterparty risk is accounted for in the capital requirement estimation under Pillar 1 in the pool of risk-weighted assets as part of exposures weighted based on their credit risk as defined by CAR.

Country Risk

Country risk refers to potential losses that may be generated by an (economic, political, etc.) event that occurs in a specific country, where the event can be controlled by that country (government) but not by the lender/investor. Due to the business strategy of the Bank (serving companies of certain neighbouring countries, i.e. Azerbaijan, Turkey) with trade finance and other services, the Bank is exposed to country risk. The Bank's ICAAP defines country risk, although historically it has not been sufficiently material to require additional capital.

Operational Risk

Operational risk is defined as the Bank's exposure to potential losses that may impact its profitability and capital position. Operational risk may derive from inadequate internal processes or systems, external events, inadequate employee performance or from a breach of, or non-compliance with, statutory provisions, contracts, and internal regulations. Operational risk includes legal risk but excludes reputational and strategic risk.

The objective of operational risk management is to find the extent of the Bank's operational risk exposure, understand its drivers, allocate capital, and identify trends internally and externally that would help in predicting it.

It is vital for the Bank to try to prevent fraud, maintain the integrity of internal control, and reduce errors in transactions. For this purpose, the Bank has implemented Fraud Risk Management Program (FRMP). The primary purpose of the Program is to develop corporate culture and to create an environment that inhibits the fraud.

Internal control is usually embedded in the Bank's day-to-day activities and is designed to ensure, to the extent possible, that the Bank's activities are efficient and effective, information is reliable, timely and complete, and the Bank is compliant with the applicable laws and regulations. Failure to understand and manage operational risk may increase the likelihood that some risks will go unrecognized and uncontrolled. The Bank conducts adequate operational risk assessment procedures before it launches any new product, activity, process or system, as well as before it outsources core banking- and IT system- related activities. Furthermore, the Bank mitigates operational risks by following strict rules for the assignment of duties and responsibilities among and within the functions, and a system of internal control and supervision. The Bank has in place Enterprize Risk Management Framework, Operational Risk Management Policy, Operational Risk Management Procedure, Operational Risk Assessment Methodology and Fraud Management Policy. The Bank uses tools for operational risk identification and assessment, such as Data Loss Collection, Audit Findings, Risk Control Self-assessment, Key Risk Indicators, etc., for timely identification and mitigation of risks. Capital requirement under ICAAP is calculated using the Basic Indicator Approach, which is also used for the calculation of Pillar 1 capital.

MARKET RISK

Foreign Currency Exchange Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set internal limits on open currency position and also follows regulatory limitations. Currency positions are monitored daily, the Bank calculates the capital requirement for FX positions based on historical and delta normal Value at Risk (VaR) method, using the 99% confidence level.

Interest Rate Risk

Interest rate risk means the risk of financial loss (damage) resulting from an adverse movement of interest rates.

Interest rate risk of the banking book is assessed on a monthly basis. The interest rate risk reports positions and gaps by repricing periods for each relevant currency.

BUSINESS RISK

Business risk is defined as the risk linked to a potential drop in profits or capital due to changes in the operating environment or erroneous corporate decisions, inadequate implementation of decisions, or poor reaction to changes in a competitive environment. The Bank considers strategic planning and budgeting processes as a crucial part of risk management. The Bank has developed detailed processes and budgeting regulations that ensure meticulous budgeting according to the business strategy of the Bank, and describe the processes to regularly monitor and review the budget. For business risk, a regulatory capital requirement is not calculated. As the risk is defined to be material, the Bank calculates capital requirements to cover the risk under ICAAP. As the Bank has limited historical data to go by, a simplified methodology measuring deviations from the budget has been developed.

CREDIT CONCENTRATION RISK

Credit concentration risk is interpreted as a distribution of exposures to customers where potential de-fault by a relatively small group of counterparties or large individual counterparties is driven by a common underlying cause and may jeopardize the "business-as-usual" operation of the Bank. The Bank controls credit concentration risk via a limit system on large exposures and certain industries. The Bank regularly monitors the concentration of the portfolio by calculating the HHI for the whole portfolio of the Bank.

The creation of capital buffers for concentration risk is required by the regulator under Pillar 2.

LIQUIDITY RISK

Liquidity risk is defined as the risk of inability of the Bank to honor its financial obligations. Liquidity risk comprises both funding liquidity and asset liquidity risks:

- Funding liquidity risk appears with an inability to obtain new funding;
- Asset liquidity risk appears when the Bank is not able to sell its assets easily at market price without avoiding losses because of an illiquid market.

Measuring Liquidity Risk

Primary tools for measuring liquidity risk are identification of liquidity positions and stress testing. Li-quidity positions are identified on a monthly basis via standardized reporting packages for the regulator, including LCR and NSFR. Stress testing is based on the Bank's cash inflows and cash outflows during a six-month survival horizon. The target liquidity requirement is then estimated by applying a stress sce-nario to the expected cash inflows and outflows, and the liquidity buffer.

Managing Liquidity Risk

The presence of liquidity risk in short-time intervals is considered to be more dangerous for the Bank's operations, because the shorter a term is, the less time the Bank has to make management decisions to adjust to the situation. The longer the time interval, the more controllable liquidity is considered to be, because the Bank has more time to take corrective measures. Therefore, limits on short-term cumulative liquidity gaps are usually more conservative than those on longer terms gaps.

The ever-changing financial markets have a direct impact on the availability of funding sources for the Bank. Therefore, even with constant monitoring of liquidity and funding sources, the Bank recognizes that unfore-seen events (for example, changing economic or market conditions, deteriorating loan portfolio quality, or any other situation beyond the control of the Bank) may potentially lead to a short- or long-term crisis situation. the Bank assesses the potential liquidity risk and prepares a clear action plan for liquidity crises. To mitigate a funding liquidity risk, the Bank establishes a liquidity buffer, which may be used to meet payment obligations while continuing normal banking activities, without obtaining new funding. The Bank additionally ensures that its funding is diversified and that the maturity profile does not create significant gaps. The Bank has access to NBG refinancing facilities to maintain its liquidity in GEL. The Bank developed sound practices to manage liquidity risks, which are laid down in the Liquidity Management Policy and the Liquidity Management Procedure. Liquidity reports are regularly introduced to ALCO.

STRATEGIC RISK

Strategic risks arise from fundamental decisions that executives make concerning the Bank's objectives. Essentially, strategic risks are the risks of failing to achieve these business objectives. Strategic risks are managed by operating a proper internal governance system. In order to minimize potential losses due to strategic risks, the Bank established a framework for its internal governance system. Strategic risks are

only managed via processes; no capital is allocated for the purpose.

REPUTATIONAL RISK

Reputational risk is the current or prospective indirect risk to earnings and capital arising from adverse per-ception of the image of the Bank on the part of customers, counterparties, shareholders, investors, regulators, and other stakeholders. It manifests when external opinions about the Bank are less favourable than desired. Reputational risk is managed by respective processes and organizational units of the Bank.

Reputational risk is only managed by processes; no capital is allocated for the purpose.

GROUP RISK

Group risk is defined as possible losses due to the fact that the Bank is operating as a member of a group, as a subsidiary company, or as a mother company. The Bank has no subsidiary, therefore, only the risk of operating as a member of a financial group needs to be assessed. The main assessment factor is to identify dependencies where a change in the level of parent company support might cause problems for the Bank. This assessment is based on expert judgment, and its results are manifested in areas where the risk is managed.

The Bank has identified two major sources of group risk, which are managed via proper processes defined by the parent company and negotiated with the Bank:

Group governance risk: the parent company operates a holding-level governance system, which ensures that the Bank receives methodological support from the mother company;

Own funds supply: planning of own funds and analysis of possible ways of capital increase are part of the budgeting process, including supply of own funds from the parent company. As the current risk is not material, no capital is allocated for the purpose.

MACROECONOMIC RISK

Macroeconomic risk is the current or prospective risk of loss on on-balance sheet and off-balance sheet positions arising from adverse movements in macroeconomic conditions, such as a fall in the GDP growth rates, decline in real estate prices, etc.

As macroeconomic risks are external risks that are beyond the Bank's control, the only tool for their manage-ment is stress tests-based capital and liquidity planning. The Bank performs macroeconomic risks-related stress tests based on internal macro projections and stress test model and also methodological guideline (the Guideline) communicated to the Bank by the regulator. For the purposes of internal capital assessment, the Bank applies transaction-level stress tests assessing the effect of FX, concentration and interest-induced credit risks. Enterprise-level macroeconomic stress testing is used for capital planning purposes.

REGULATORY RISK

Regulatory risk is defined as the risk stemming from a changing regulatory environment. It incorporates either an amendment of the existing or an enactment of a new national or international law/regulation.

In order to mitigate regulatory risk, the Bank permanently monitors not only the legislation but also prospective changes. A crucial point in the process is that respective departments, managers, and employees affected by the changing legislation are informed by the Legal and Compliance & AML Department. Senior management regularly receives executive summaries about recent regulatory modifications. The Bank makes sure that existing and even significant prospective (if they are likely to be enacted) regulations are reflected in its strategy. To prepare for significant legislative changes, the Bank applies several techniques: impact study, scenario analysis, action plans, or even modification of the business plan. The Bank conducts regular revision of its internal regulations and ensures that they are compatible with the external regulatory environment.

Regulatory risk is only managed by processes; no capital is allocated for the purpose.

RISK MITIGATION STRATEGY

Techniques to mitigate risk are largely dependent on the type of risk that needs to be reduced. Among others, the Bank uses the following types of mitigation techniques:

- Audits – regular audits from the Internal Audit department may identify problems such as accounting errors or security vulnerabilities before they become larger problems;
- Segregation of duties – responsibilities are strictly divided between the relevant positions;
- The Four-Eye Principle and the Principle of Prevention of Conflict of Interests – the Bank adheres to these principles at all levels of business processes;
- Backup – the Bank backs up business information in multiple secure physical locations;
- Business Continuity Plan – the Bank has developed a plan to continue with normal operations in the face of extraordinary events such as natural disasters or security incidents;
- Procedures – the Bank controls risk through internal procedures or actions that reduce the likelihood of undesirable events;
- Diversification – the process of allocating capital and resources in diverse areas to reduce risk and volatility;
- Due diligence – the process of investigation before committing to a contract or strategy. Basic due diligence, such as checking financial, environmental, corporate social responsibility, and management practices of a potential partner, is a basic step in risk management;
- Communication – regularly communicating risk factors to line managers serves to reduce it;
- Performance Management – setting risk reduction goals as part of performance management;
- Policies – policies designed to reduce the risk of misconduct;
- Standards – establishing standards to guide business practices and decision-making;
- Training – training for employees, designed to increase professionalism and skills.

RISK REPORTING

In order to ensure timely, quality, and informative decision-making process, the Bank's risk management function reports to the Risk Management Committee of the Supervisory Board on a monthly basis. The reports include loan portfolio report, corporate investment portfolio report, trading book report, related party transactions, off-balance sheet portfolio, collateral portfolio, non-performing loans and write-off report, credit concentrations, deposit portfolio report, FI exposures, liquidity and maturity analysis, market risk analysis, operational risk analysis, incident management, capital adequacy report, etc.

On a quarterly basis, the Risk Management Committee reports to the Supervisory Board on the Bank's risk management activities and the way the committee discharged its duties and responsibilities.

The risk management function reports to the Board of Directors on a regular basis. These reports include reviews of Credit Committee activities, internal loss database reports, etc.

STRESS TESTS AND SCENARIO ANALYSIS

Scenario analysis is an exercise that uses expert opinions of business and risk managers to identify plausible enterprise loss scenarios to estimate unexpected losses. Scenarios are a forward-looking assessment of the key risks or "potential future events" that attempt to derive a reasoned assessment of likelihood, in terms of frequency and severity of plausible losses.

Stress test framework aims to assess the impact of extraordinary but possible events on the capital or liquidity of the Bank. The Bank elaborated its ICAAP framework in a way that already contains a sensitivity analysis and scenario analysis to measure exposure to risks that are defined as relevant. The Bank performs macroeconomic risks-related stress tests based on a methodological guideline (the Guideline) communicated to the Bank by NBG. According to the Guideline, stress tests must be performed on the overall Bank level (enterprise-level stress) and transaction level (transaction-level stress). The transaction level tests assess the creditworthiness of the Bank's top borrowers in the case of changing external factors. The following risks are managed via stress testing on the enterprise risk level:

- Foreign exchange induced credit risk;
- Interest rate risk of the banking book;
- Foreign exchange rate risk;
- Concentration risk;
- Interest rate risk;
- Regulatory risk;
- Systematic risk.

Enterprise-level stress tests are used by the Bank in the course of its capital and liquidity planning by assessing the effect of various macroeconomic scenarios on the Bank's overall financial performance indicators, such as profitability, asset quality, funding base, and liquidity.

FINANCIAL DATA

Table 1

12/31/2023

	Key metrics		According to IFRS					Accoring to local GAAP			
N		4Q-2023	3Q-2023	2Q-2023	1Q-2023	4Q-2022		2Q-2023	1Q-2023	4Q-2022	3Q-2022
	Regulatory capital (amounts, GEL)										
	Based on Basel III framework										
1	CET1 capital	106,263,157	103,075,007	95,277,301	96,566,537	96,574,008		87,824,629	88,491,639	88,477,907	87,660,852
2	Tier1 capital	106,263,157	103,075,007	95,277,301	96,566,537	96,574,008		87,824,629	88,491,639	88,477,907	87,660,852
3	Regulatory capital	122,398,084	121,827,508	113,605,502	106,816,551	107,390,887		112,222,467	104,625,415	105,517,547	110,636,092
4	CET1 capital total requirement	76,073,806	66,718,155	68,009,659	66,125,948	60,156,768		61,802,243	61,033,254	60,302,979	57,248,719
5	Tier1 capital total requirement	93,389,988	82,763,859	84,380,756	82,313,059	74,175,773		78,040,490	77,133,569	75,808,433	71,972,490
6	Regulatory capital total requirement	116,341,268	104,015,484	106,063,565	103,750,673	99,426,473		99,548,870	98,456,762	103,025,006	97,868,984
	Total Risk Weighted Assets (amounts, GEL)										
7	Total Risk Weighted Assets (Total RWA) (Based on Basel III framework)	586,989,241	527,653,671	539,187,233	527,378,947	555,258,146		540,613,910	526,559,582	556,152,868	527,486,562
	Capital Adequacy Ratios										
	Based on Basel III framework *										
8	CET1 capital	18.1%	19.5%	17.7%	18.3%	17.4%		16.2%	16.8%	15.9%	16.6%
9	Tier1 capital	18.1%	19.5%	17.7%	18.3%	17.4%		16.2%	16.8%	15.9%	16.6%
10	Regulatory capital	20.9%	23.1%	21.1%	20.3%	19.3%		20.8%	19.9%	19.0%	21.0%
11	CET1 capital total requirement	13.0%	12.6%	12.6%	12.5%	10.8%		11.4%	11.6%	10.8%	10.9%
12	Tier1 capital total requirement	15.9%	15.7%	15.6%	15.6%	13.4%		14.4%	14.6%	13.6%	13.6%
13	Regulatory capital total requirement	19.8%	19.7%	19.7%	19.7%	17.9%		18.4%	18.7%	18.5%	18.6%
	Income										
14	Total Interest Income /Average Annual Assets	10.3%	10.1%	10.3%	10.1%	8.8%		10.3%	10.2%	8.7%	8.4%
15	Total Interest Expense / Average Annual Assets	3.7%	3.7%	3.8%	3.7%	3.4%		3.8%	3.8%	3.4%	3.4%
16	Earnings from Operations / Average Annual Assets	0.9%	1.3%	0.7%	0.1%	0.7%		0.4%	1.2%	0.5%	1.7%
17	Net Interest Margin	6.6%	6.5%	6.5%	6.3%	5.3%		6.5%	6.5%	5.2%	5.0%
18	Return on Average Assets (ROAA)	0.3%	-0.3%	-0.5%	0.3%	-0.4%		-0.3%	0.1%	-0.4%	-1.0%
19	Return on Average Equity (ROAE)	1.6%	-1.4%	-2.5%	1.3%	-2.2%		-1.7%	0.8%	-2.4%	-5.5%
	Asset Quality										
20	Non Performed Loans / Total Loans	8.5%	11.3%	13.9%	8.9%	8.9%		12.3%	11.1%	10.4%	10.9%
21	ECL/Total Loans	4.6%	5.6%	5.6%	5.1%	4.6%		6.3%	6.2%	5.8%	5.9%
22	FX Loans/Total Loans	55.5%	54.8%	58.3%	59.7%	58.9%		58.2%	59.6%	58.8%	56.3%
23	FX Assets/Total Assets	53.7%	52.8%	58.1%	56.6%	57.4%		57.4%	55.7%	56.5%	61.9%
24	Loan Growth-YTD	-4.2%	-9.4%	-7.0%	-8.0%	19.8%		-7.3%	-8.0%	18.9%	14.9%
	Liquidity										
25	Liquid Assets/Total Assets	16.6%	17.6%	18.4%	21.2%	15.8%		18.6%	23.8%	11.1%	9.1%
26	FX Liabilities/Total Liabilities	66.0%	72.3%	77.9%	71.6%	69.7%		77.7%	71.5%	69.5%	78.3%
27	Current & Demand Deposits/Total Assets	20.6%	18.5%	19.3%	21.7%	16.5%		19.5%	21.9%	16.7%	11.9%
	Liquidity Coverage Ratio***										
28	Total HQLA	140,516,861	146,365,839	145,326,888	150,913,136	117,762,904		145,340,712	146,847,569	126,443,044	92,427,258
29	Net cash outflow	75,674,278	72,376,479	89,904,544	68,046,298	68,427,424		88,673,996	68,883,814	79,541,169	41,989,157
30	LCR ratio (%)	185.7%	202.2%	161.6%	221.8%	172.1%		164.2%	213.2%	159.0%	220.1%
	Net Stable Funding Ratio										
31	Available stable funding	396,941,167	327,923,475	353,339,315	359,791,586	382,858,081		345,886,644	351,716,688	374,610,446	357,523,301
32	Required stable funding	320,925,454	293,297,718	302,708,247	282,123,107	292,723,792		297,613,683	276,394,224	287,598,577	298,230,166
33	Net stable funding ratio (%)	123.7%	111.8%	116.7%	127.5%	130.8%		116.2%	127.3%	130.3%	119.9%

* Regarding the annulment of conservation buffer requirement please see the press release of National Bank of Goergia “Supervisory Plan Of The National Bank Of Georgia With Regard To COVID-19” (link: https://nbg.gov.ge/page/covid-19)

*** LCR calculated according to NBG’s methodology which is more focused on local risks than Basel framework. See the table 14. LCR; Commercial banks are required to comply with the limits by coefficients calculated according to NBG’s methodology. The numbers calculated within Basel framework are given for illustratory purposes.

Table 2

12/31/2023

N	Statement of Financial Position	reporting period			respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
	ASSETS						
1	**Cash, Cash balances with National Bank of Georgia and other banks**	12,401,233	89,174,285	101,575,519	28,837,467	80,631,280	109,468,747
1.1	Cash on hand	1,246,328	1,672,847	2,919,175	1,391,066	2,937,345	4,328,411
1.2	Casha balances with National bank of Georgia	3,412,664	27,813,649	31,226,313	268,614	43,473,517	43,742,131
1.3	Cash balances with other banks	7,742,242	59,687,789	67,430,031	27,177,787	34,220,418	61,398,205
2	**Financial assets held for trading**	690,916		690,916	976,077		976,077
2.1	of which:derivatives	690,916		690,916	976,077		976,077
3	**Non-trading financial assets mandatorily at fair value through profit or loss**			-			-
4	**Financial assets designated at fair value through profit or loss**			-			-
5	**Financial assets at fair value through other comprehensive income**	-	-	-	-	-	-
5.1	Equity instruments			-			-
5.2	Debt securities			-			-
5.3	Loans and advances			-			-
6	**Financial assets at amortised cost**	203,622,157	197,714,356	401,336,513	177,528,821	217,087,137	394,615,958
6.1	Debt securities	56,222,218	9,007,803	65,230,021	36,274,469	7,586,753	43,861,222
6.2	Loans and advances	147,399,939	188,706,553	336,106,492	141,254,352	209,500,384	350,754,736
7	**Investments in subsidiaries, joint ventures and associates**			-			-
8	**Non-current assets and disposal groups classified as held for sale**	11,631,520		11,631,520	604,170		604,170
9	**Tangible assets**	9,048,070	-	9,048,070	6,186,560	-	6,186,560
9.1	Property, Plant and Equipment	4,969,673		4,969,673	6,186,560		6,186,560
9.2	Investment property	4,078,397		4,078,397	-		-
10	**Intangible assets**	4,894,842	-	4,894,842	5,254,530	-	5,254,530
10.1	Goodwill			-			-
10.2	Other intangible assets	4,894,842		4,894,842	5,254,530		5,254,530
11	**Tax assets**	-	-	-	-	-	-
11.1	Current tax assets			-			-
11.2	Deferred tax assets			-			-
13	**Other assets**	5,488,830	42,802	5,531,631	1,921,754	63,622	1,985,376
13.1	of which: repossessed collateral			-			-
13.2	of which: dividends receivable			-			-
14	**TOTAL ASSETS**	247,777,569	286,931,442	534,709,011	221,309,378	297,782,039	519,091,417

N	Statement of Financial Position	reporting period			respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
	LIABILITIES						
15	**Financial liabilities held for trading**	825,800		825,800	1,520,147		1,520,147
15.1	of which:derivatives	825,800		825,800	1,520,147		1,520,147
16	**Financial liabilities designated at fair value through profit or loss**			-			-
17	**Financial liabilities measured at amortised cost**	134,789,265	247,339,035	382,128,300	120,229,753	262,260,271	382,490,024
17.1	Deposits	134,789,265	222,025,043	356,814,308	104,185,686	237,128,198	341,313,883
17.2	borrowings	-	22,179,087	22,179,087	16,044,068	21,360,426	37,404,494
17.3	Debt securities issued			-			-
17.4	Other financial liabilities	-	3,134,905	3,134,905	-	3,771,646	3,771,646
18	**Provisions**	1,015,054	331,825	1,346,880	576,288	52,340	628,627
19	**Tax liabilities**	-	-	-	-	-	-
19.1	Current tax liabilities			-			-
19.2	Deferred tax liabilities			-			-
20	**Subordinated liabilities**	-	27,716,207	27,716,207	-	26,559,484	26,559,484
21	**Other liabilities**	7,086,919	3,291,994	10,378,914	3,743,009	1,166,669	4,909,678
21.1	of which: dividends payable			-			-
22	**TOTAL LIABILITIES**	143,717,039	278,679,061	422,396,100	126,069,197	290,038,763	416,107,960
	Equity						
23	**Share capital**	136,800,000		136,800,000	129,000,000		129,000,000
24	**preference share**			-			-
25	**Share premium**			-			-
26	**(-) Treasury shares**			-			-
27	**Equity instruments issued other than capital**	1,154,911	-	1,154,911	1,154,911		1,154,911
27.1	Equity component of compound financial instruments	1,154,911		1,154,911	1,154,911		1,154,911
27.2	Other equity instruments issued			-			-
28	**Share-based payment reserve**			-			-
29	**Accumulated other comprehensive income**	-	-	-			-
29.1	revaluation reserve			-			-
29.2	Fair value changes of equity instruments measured at fair value through other comprehensive income			-			-
29.3	Fair value changes of debt instruments measured at fair value through other comprehensive income			-			-
30	**Retained earnings**	(25,642,000)		(25,642,000)	(27,171,453)		(27,171,453)
31	**TOTAL EQUITY**	112,312,911	-	112,312,911	102,983,457	-	102,983,457
32	**TOTAL EQUITY AND TOTAL LIABILITIES**	256,029,950	278,679,061	534,709,011	229,052,655	290,038,763	519,091,417

Table 3

12/31/2023

N	Statement of profit or loss	reporting period			respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	**Interest income**	34,217,604	19,080,264	53,297,868	25,609,321	17,763,342	43,372,662
1.1	Financial assets held for trading			-			-
1.2	Non-trading financial assets mandatorily at fair value through profit or loss			-			-
1.3	Financial assets designated at fair value through profit or loss			-			-
1.4	Financial assets at fair value through other comprehensive income			-			-
1.5	Financial assets at amortised cost	34,217,604	19,080,264	53,297,868	25,609,321	17,763,342	43,372,662
1.6	Other assets			-			-
2	**(Interest expenses)**	(10,931,610)	(8,154,529)	(19,086,139)	(8,072,404)	(8,875,330)	(16,947,734)
2.1	(Financial liabilities held for trading)			-			-
2.2	(Financial liabilities designated at fair value through profit or loss)			-			-
2.3	(Financial liabilities measured at amortised cost)	(10,931,610)	(8,154,529)	(19,086,139)	(8,072,404)	(8,875,330)	(16,947,734)
2.4	(Other liabilities)			-			-
3	**Dividend income**			-			-
4	**Fee and commission income**	3,183,421	1,690,358	4,873,779	890,922	1,126,653	2,017,575
5	**(Fee and commission expenses)**	(946,023)	(1,619,806)	(2,565,829)	(74,993)	(1,367,509)	(1,442,503)
6	**Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net**			-			-
7	**Gains or (-) losses on financial assets and liabilities held for trading, net**			-			-
8	**Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net**			-			-
9	**Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net**			-			-
10	**Exchange differences [gain or (-) loss], net**	9,443,175	-	9,443,175	10,517,300	(580,694)	9,936,606
11	**Gains or (-) losses on derecognition of non-financial assets, net**			-			-
12	**Other operating income**	95,845		95,845	(58,617)		(58,617)
13	**(Other operating expenses)**	(6,122,953)	53,813	(6,069,140)	(4,642,434)	(18,633)	(4,661,067)
14	**(Administrative expenses)**	(27,895,166)	-	(27,895,166)	(23,751,705)	-	(23,751,705)
14.1	(Staff expenses)	(23,832,768)		(23,832,768)	(18,926,877)		(18,926,877)
14.2	(Other administrative expenses)	(4,062,398)		(4,062,398)	(4,824,828)		(4,824,828)
15	**(Depreciation and amortisation)**	(4,941,240)		(4,941,240)	(5,544,418)		(5,544,418)
16	**Modification gains or (-) losses, net**			-			-
17	**(Provisions or (-) reversal of provisions)**	(5,625,030)	170,713	(5,454,317)	(7,320,650)	2,306,504	(5,014,146)
17.1	(Commitments and guarantees given)	(360,405)	(279,486)	(639,891)	(121,275)	179,216	57,941
17.2	(Other provisions)	(5,264,626)	450,199	(4,814,426)	(7,199,375)	2,127,288	(5,072,087)
18	**(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)**	-	-	-	-	-	-
18.1	(Financial assets at fair value through other comprehensive income)			-			-
18.2	(Financial assets at amortised cost)			-			-
19	**(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)**			-			-
20	**(Impairment or (-) reversal of impairment on non-financial assets)**			-			-
21	**Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method**			-			-
22	**PROFIT OR (-) LOSS BEFORE TAX**	(9,521,979)	11,220,814	1,698,835	(12,447,679)	10,354,333	(2,093,346)
23	**(Tax expense or (-) income**			-			-
24	**Profit or (-) loss after tax**	(9,521,979)	11,220,814	1,698,835	(12,447,679)	10,354,333	(2,093,346)

Table 4

12/31/2023

N	Off-balance sheet items	reporting period			respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	**Loan commitments received**			0			0
2	**Guarantees received as security for liabilities of the bank**			0			0
3	**Guaratees received as security for receivables of the bank**	305,777,711	382,753,072	688,530,782	17,045,052	329,595,086	346,640,138
3.1	Surety, joint liability	283,988,714	355,816,502	639,805,216	30,100	317,843,856	317,873,956
3.2	Guarantees	21,788,996	26,936,570	48,725,566	17,014,952	11,751,230	28,766,182
4	**Assets pledged as security for liabilities of the bank**	0	0	0	0	0	0
4.1	Financial assets of the bank			0			0
4.2	Non-financial assets of the bank			0			0
5	**Assets pledged as security for receivables of the bank**	104,057,007	376,374,631	480,431,638	90,573,419	369,593,283	460,166,702
5.1	Cash	2,310,985	4,139,115	6,450,100	2,039,896	3,999,693	6,039,589
5.2	Precious metals and stones			0			0
5.3	Real Estate:	33,800,000	286,046,820	319,846,820	33,800,000	287,998,210	321,798,210
5.3.1	Residential Property	1	31,588,580	31,588,581	1	35,309,406	35,309,407
5.3.2	Commercial Property	0	187,491,321	187,491,321	0	189,742,121	189,742,121
5.3.3	Complex Real Estate	0	0	0			0
5.3.4	Land Parcel	0	48,825,917	48,825,917	0	47,306,356	47,306,356
5.3.5	Other	33,799,999	18,141,002	51,941,001	33,799,999	15,640,327	49,440,326
5.4	Movable Property	6,000,001	38,216,427	44,216,428	0	43,391,010	43,391,010
5.5	Shares Pledged	0	70	70	0	95	95
5.6	Securities	0	0	0	0	14	14
5.7	Other	61,946,022	47,972,198	109,918,220	54,733,523	34,204,261	88,937,784
6	**Loan commitments given**	79,963,731	17,580,907	97,544,638	52,036,746	10,116,758	62,153,504
7	**guarantees given**	45,337,343	41,584,149	86,921,492	43,077,385	18,041,906	61,119,291
8	**Letters of credit Issued**			0		260,981	260,981
9	**Derivatives**	86,310,745	222,859,407	309,170,153	54,692,130	272,650,604	327,342,734
9.1	Receivables through FX contracts (except options)	46,604,147	107,913,487	154,517,634	28,447,098	134,952,234	163,399,332
9.2	Payables through FX contracts (except options)	39,706,599	114,945,920	154,652,519	26,245,032	137,698,370	163,943,402
9.3	Principal of interest rate contracts (except options)			0			0
9.4	Options sold			0			0
9.5	Options purchased			0			0
9.6	Nominal value of potential receivables through other derivatives			0			0
9.7	Nominal value of potential payables through other derivatives			0			0
10	**Receivables not recognized on-balance**	22,209,056	22,418,475	44,627,531	7,978,560	9,189,808	17,168,368
10.1	Principal of receivables derecognized during last 3 month	1,735,676.21	-	1,735,676	564,744	0	564,744
10.2	Interest and penalty receivable not recognized on-balance or derecognized during last 3 month	1,813,403.93	2,146,131.63	3,959,536	615,151	1,940,956	2,556,107
10.3	Principal of receivables derecognized during 5 years month (including last 3 month)	6,434,141.85	-	6,434,142	3,024,722	0	3,024,722
10.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3 month)	12,225,834.29	20,272,342.89	32,498,177	3,773,943	7,248,852	11,022,795
11	**Capital expenditure commitment**			0			0

Table 5

12/31/2023

Risk Weighted Assets		in Lari				
N		4Q-2023	3Q-2023	2Q-2023	1Q-2023	4Q-2022
1	Risk Weighted Assets for Credit Risk	519,229,548	471,994,722	481,763,583	471,726,745	497,737,311
1.1	Balance sheet items *	460,925,278	424,770,530	439,546,921	434,813,748	455,940,401
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)					
1.2	Off-balance sheet items	56,173,579	45,805,923	40,476,472	33,895,649	38,528,923
1.3	Counterparty credit risk	2,130,691	1,418,269	1,740,190	3,017,348	3,267,987
2	Risk Weighted Assets for Market Risk	1,366,371	3,046,947	4,811,648	3,040,200	4,997,167
3	Risk Weighted Assets for Operational Risk	66,393,322	52,612,002	52,612,002	52,612,002	52,523,668
4	**Total Risk Weighted Assets**	586,989,241	527,653,671	539,187,233	527,378,947	555,258,146

* COVID 19 related provisions are deducted from balance sheet items after applying relevant risks weights and mitigation

Table 6

12/31/2023

Information about supervisory board, directorate, beneficiary owners and shareholders		
	Members of Supervisory Board	**Independence status**
1	Shahin Mammadov	Non-independent member
2	George Glonti	Independent member
3	Ebru Ogan Knottnerus	Independent member
4	Kamala Nuriyeva	Non-independent member
5	Rovshan Allahverdiyev	Non-independent chair
6		
7		
8		
9		
10		

	Members of Board of Directors	**Position/Subordinated business units**
1	Ramil Imamov	Acting Chairman of Board of Directors, CEO
2	Parvin Mammadov	Member of the Board of Directors, CFO
3	Levan Aladashvili	Member of the Board of Directors, Chief Risk Officer
4	Anzor Mantskava	Member of the Board of Directors, Director of Retail Banking
5		
6		
7		
8		
9		
10		

	List of Shareholders owning 1% and more of issued capital, indicating Shares	
1	PASHA Bank OJSC	85.06%
2	Pasha Holding LLC	14.94%
	List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares	
1	Mr. Arif Pashayev	18.99%
2	Mrs. Arzu Aliyeva	35.21%
3	Mrs. Leyla Aliyeva	35.21%
4	Mr. Mir Jamal Pashayev	10.59%

Table 7

12/31/2023

	Linkages between financial statement assets and balance sheet items subject to credit risk weighting	a	b	c
	Account name of standardazed supervisory balance sheet item	Carrying values as reported in published stand-alone financial statements per IFRS	Carrying values of items	
			Not subject to capital requirements or subject to deduction from capital	Subject to credit risk weighting
1	**Cash, Cash balances with National Bank of Georgia and other banks**	101,575,518.71	-	101,575,518.71
1.1	Cash on hand	2,919,174.87		2,919,174.87
1.2	Casha balances with National bank of Georgia	31,226,313.32		31,226,313.32
1.3	Cash balances with other banks	67,430,030.51		67,430,030.51
2	**Financial assets held for trading**	690,915.74	-	690,915.74
2.1	of which:derivatives	690,915.74		690,915.74
3	**Non-trading financial assets mandatorily at fair value through profit or loss**			
4	**Financial assets designated at fair value through profit or loss**			
5	**Financial assets at fair value through other comprehensive income**	-	-	-
5.1	Equity instruments			
5.2	Debt securities			
5.3	Loans and advances			
6	**Financial assets at amortised cost**	401,336,512.85	-	401,336,512.85
6.1	Debt securities	65,230,020.84		65,230,020.84
6.2	Loans and advances	336,106,492.01		336,106,492.01
7	**Investments in subsidiaries, joint ventures and associates**	-		-
8	**Non-current assets and disposal groups classified as held for sale**	11,631,520.42		11,631,520.42
9	**Tangible assets**	9,048,070.06	-	9,048,070.06
9.1	Property, Plant and Equipment	4,969,672.78		4,969,672.78
9.2	Investment property	4,078,397.28		4,078,397.28
10	**Intangible assets**	4,894,841.96	4,894,841.96	-
10.1	Goodwill			
10.2	Other intangible assets	4,894,841.96	4,894,841.96	-
11	**Tax assets**	-	-	-
11.1	Current tax assets			
11.2	Deferred tax assets			
13	**Other assets**	5,531,631.46		5,531,631.46
13.1	of which: repossessed collateral			
13.2	of which: dividends receivable			
	Total exposures subject to credit risk weighting before adjustments	**534,709,011**	**4,894,842**	**529,814,169**

Table 8

12/31/2023

	Differences between values per standardized balance sheet used for regulatory reporting purposes and the exposure amounts used for capital adequacy calculation purposes	in Lari
1	**Total carrying value of balance sheet items subject to credit risk weighting before adjustments**	529,814,169
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	183,552,119
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	106,534,568
3	**Total values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes**	819,900,856
4	Effect of provisioning rules used for capital adequacy purposes	
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-125,707,933
5.2	Effect of credit conversion factor of off-balance sheet items related to counterparty credit risk framework (table CCR)	-104,403,877
6	Effect of other adjustments *	
7	**Total exposures subject to credit risk weighting**	589,789,046

*Other adjustments include COVID 19 related provisions too. These provisions are deducted from risk weighted balance sheet items. See table “5.RWA”

Table 9

12/31/2023

N	Regulatory capital	in Lari
1	**Common Equity Tier 1 capital before regulatory adjustments**	111,157,999
2	Common shares that comply with the criteria for Common Equity Tier 1	136,800,000
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	
4	Accumulated other comprehensive income	
5	Other disclosed reserves	
6	Retained earnings (loss)	-25,642,001
7	**Regulatory Adjustments of Common Equity Tier 1 capital**	4,894,842
8	Revaluation reserves on assets	
9	Accumulated unrealized revaluation gains on assets through profit and loss to the extent that they exceed accumulated unrealized revaluation losses through profit and loss	
10	Intangible assets	4,894,842
11	Shortfall of the stock of provisions to the provisions based on the Asset Classification	
12	Investments in own shares	
13	Reciprocal cross holdings in the capital of commercial banks, insurance entities and other financial institutions	
14	Cash flow hedge reserve	
15	Deferred tax assets not subject to the threshold deduction (net of related tax liability)	
16	Significant investments in the common equity tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions that are outside the scope of regulatory consolidation	
17	Holdings of equity and other participations constituting more than 10% of the share capital of other commercial entities	
18	Other deductions	
19	Significant investments in the common shares of commercial banks, insurance entities and other financial institutions (amount above 10% limit)	
20	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
22	The amount of significant Investments and Deferred Tax Assets which exceed 15% of common equity tier 1	
23	Regulatory adjustments applied to Common Equity Tier 1 resulting from shortfall of Tier 1 and Tier 2 capital to deduct investments	
24	**Common Equity Tier 1**	106,263,157
25	**Additional tier 1 capital before regulatory adjustments**	0
26	Instruments that comply with the criteria for Additional tier 1 capital	0
27	Including:instruments classified as equity under the relevant accounting standards	
28	Including: instruments classified as liabilities under the relevant accounting standards	
29	Stock surplus (share premium) that meet the criteria for Additional Tier 1 capital	
30	**Regulatory Adjustments of Additional Tier 1 capital**	0
31	Investments in own Additional Tier 1 instruments	
32	Reciprocal cross-holdings in Additional Tier 1 instruments	
33	Significant investments in the Additional Tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	
34	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	
35	Regulatory adjustments applied to Additional Tier 1 resulting from shortfall of Tier 2 capital to deduct investments	
36	**Additional Tier 1 Capital**	0
37	**Tier 2 capital before regulatory adjustments**	16,134,927
38	Instruments that comply with the criteria for Tier 2 capital	16,134,927
39	Stock surplus (share premium) that meet the criteria for Tier 2 capital	
40	General reserves, limited to a maximum of 1.25% of the bank's credit risk-weighted exposures	
41	**Regulatory Adjustments of Tier 2 Capital**	0
42	Investments in own shares that meet the criteria for Tier 2 capital	
43	Reciprocal cross-holdings in Tier 2 capital	
44	Significant investments in the Tier 2 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	
45	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	
46	**Tier 2 Capital**	16,134,927

Table 9.1

12/31/2023

Capital Adequacy Requirements			
	Minimum Requirements	Ratios	Amounts (GEL)
1	**Pillar 1 Requirements**		
1.1	Minimum CET1 Requirement	4.50%	26,414,516
1.2	Minimum Tier 1 Requirement	6.00%	35,219,354
1.3	Minimum Regulatory Capital Requirement	8.00%	46,959,139
2	**Combined Buffer**		
2.1	Capital Conservation Buffer *	2.50%	14,674,731
2.2	Countercyclical Buffer	0.00%	-
2.3	Systemic Risk Buffer		-
3	**Pillar 2 Requirements**		
3.1	CET1 Pillar 2 Requirement	5.96%	34,984,559
3.2	Tier 1 Pillar2 Requirement	7.41%	43,495,903
3.3	Regulatory capital Pillar 2 Requirement	9.32%	54,707,397
	Total Requirements	**Ratios**	**Amounts (GEL)**
4	CET1	12.96%	76,073,806
5	Tier 1	15.91%	93,389,988
6	Total regulatory Capital	19.82%	116,341,268

* Regarding the annulment of conservation buffer requirement please see the press release of National Bank of Georgia “Supervisory Plan Of The National Bank Of Georgia With Regard To COVID-19” (link: https://www.nbg.gov.ge/index.php?m=340&newsid=3901&lng=eng)

Table 10

12/31/2023

Reconcilation of balance sheet to regulatory capital			in Lari
N	On-balance sheet items per standardized regulatory report	Carrying values as reported in published stand-alone financial statements per IFRS	linkage to capital table
1	Cash, Cash balances with National Bank of Georgia and other banks	101,575,519	
1.1	Cash on hand	2,919,175	
1.2	Casha balances with National bank of Georgia	31,226,313	
1.3	Cash balances with other banks	67,430,031	
2	Financial assets held for trading	690,916	
2.1	of which:derivatives	690,916	
3	Non-trading financial assets mandatorily at fair value through profit or loss		
4	Financial assets designated at fair value through profit or loss		
5	Financial assets at fair value through other comprehensive income	-	
5.1	Equity instruments		
5.2	Debt securities		
5.3	Loans and advances		
6	Financial assets at amortised cost	401,336,513	
6.1	Debt securities	65,230,021	
6.2	Loans and advances	336,106,492	
7	Investments in subsidiaries, joint ventures and associates		
8	Non-current assets and disposal groups classified as held for sale	11,631,520	
9	Tangible assets	9,048,070	
9.1	Property, Plant and Equipment	4,969,673	
9.2	Investment property	4,078,397	
10	Intangible assets	4,894,842	Table 9 (Capital), N10
10.1	Goodwill		
10.2	Other intangible assets	4,894,842	
11	Tax assets	-	
11.1	Current tax assets		
11.2	Deferred tax assets		
13	Other assets	5,531,631	
13.1	of which: repossessed collateral		
13.2	of which: dividends receivable		
14	TOTAL ASSETS	534,709,011	
	LIABILITIES		
15	Financial liabilities held for trading	825,800	
15.1	of which:derivatives	825,800	
16	Financial liabilities designated at fair value through profit or loss		
17	Financial liabilities measured at amortised cost	382,128,300	
17.1	Deposits	356,814,308	
17.2	borrowings	22,179,087	
17.3	Debt securities issued		
17.4	Other financial liabilities	3,134,905	
18	Provisions	1,346,880	
19	Tax liabilities	-	
19.1	Current tax liabilities		
19.2	Deferred tax liabilities		
20	Subordinated liabilities	27,716,207	Table 9 (Capital), N38
21	Other liabilities	10,378,914	
21.1	of which: dividends payable		
22	TOTAL LIABILITIES	422,396,100	
	Equity		
23	Share capital	136,800,000	Table 9 (Capital), N2
24	preference share		
25	Share premium		
26	(-) Treasury shares		
27	Equity instruments issued other than capital	1,154,911	
27.1	Equity component of compound financial instruments	1,154,911	
27.2	Other equity instruments issued		
28	Share-based payment reserve		
29	Accumulated other comprehensive income	-	
29.1	revaluation reserve		
29.2	Fair value changes of equity instruments measured at fair value through other comprehensive income		
29.3	Fair value changes of debt instruments measured at fair value through other comprehensive income		
30	Retained earnings	(25,642,000)	Table 9 (Capital), N6
31	TOTAL EQUITY	112,312,911	
32	TOTAL EQUITY AND TOTAL LIABILITIES	534,709,011	

Table 1 1

12/31/2023

Credit Risk Weighted Exposures
(On-balance items and off-balance items after credit conversion factor)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Risk weights	0%		20%		35%		50%		75%		100%		150%		250%		
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Exposures before Credit Risk Mitigation
1	Claims or contingent claims on central governments or central banks	8,882,064		-		-		-		-		27,813,649		-		-		27,813,649
2	Claims or contingent claims on regional governments or local authorities	-		-		-		-		-		-		-		-		-
3	Claims or contingent claims on public sector entities	-		-		-		-		-		-		-		-		-
4	Claims or contingent claims on multilateral development banks	-		-		-		-		-		-		-		-		-
5	Claims or contingent claims on international organizations/institutions	-		-		-		-		-		-		-		-		-
6	Claims or contingent claims on commercial banks	-		40,129,674		-		27,547,473		-		-	333,297	-		-		22,132,968
7	Claims or contingent claims on corporates	-		-		-		-		-		295,113,475	114,423	-		-		295,227,898
8	Retail claims or contingent retail claims	-		-		-		-		60,678,991		6,559	57,396,466	-		-		102,912,268
9	Claims or contingent claims secured by mortgages on residential property	-		-		-		-		-		-		-		-		-
10	Past due items	-		-		-		-		1,968,202		38,218,819		-		-		39,694,971
11	Items belonging to regulatory high-risk categories	-		-		-		-		-		-		-		-		-
12	Short-term claims on commercial banks and corporates	-		-		-		-		-		-		-		-		-
13	Claims in the form of collective investment undertakings ('CIU')	-		-		-		-		-		-		-		-		-
14	Other items	2,919,175		-		-		-		-		22,457,690		-		4,078,397		32,653,683
Total		**11,801,239**	**0**	**40,129,674**	**0**	**0**	**0**	**27,547,473**	**0**	**62,647,193**	**0**	**383,610,192**	**57,844,186**	**0**	**0**	**4,078,397**	**0**	**520,435,436**

Table 1 2

12/31/2023

Credit Risk Mitigation																					in Lari
		Funded Credit Protection										Unfunded Credit Protection									
		On-balance sheet netting	Cash on deposit with, or cash assimilated instruments	Debt securities issued by central governments or central banks, regional governments or local authorities, public sector entities, multilateral development banks and international organizations/ institutions	Debt securities issued by regional governments or local authorities, public sector entities, multilateral development banks and international organizations/institutions	Debt securities issued by other entities, which securities have a credit assessment, which has been determined by NBG to be associated with credit quality step 3 or above under the rules for the risk weighting of exposures to corporates.	Debt securities with a short-term credit assessment, which has been determined by NBG to be associated with credit quality step 3 or above under the rules for the risk weighting of short term exposures	Equities or convertible bonds that are included in a main index	Standard gold bullion or equivalent	Debt securities without credit rating issued by commercial banks	Units in collective investment undertakings	Central governments or central banks	Regional governments or local authorities	Multilateral development banks	International organizations / institutions	Public sector entities	Commercial banks	Other corporate entities that have a credit assessment, which has been determined by NBG to be associated with credit quality step 2 or above under the rules for the risk weighting of exposures to corporates	**Total Credit Risk Mitigation - On-balance sheet**	**Total Credit Risk Mitigation - Off-balance sheet**	**Total Credit Risk Mitigation**
1	Claims or contingent claims on central governments or central banks																				-
2	Claims or contingent claims on regional governments or local authorities																				-
3	Claims or contingent claims on public sector entities																				-
4	Claims or contingent claims on multilateral development banks																				-
5	Claims or contingent claims on international organizations/institutions																				-
6	Claims or contingent claims on commercial banks																				-
7	Claims or contingent claims on corporates		3,228,793																		3,228,793
8	Retail claims or contingent retail claims		107,788																		107,788
9	Claims or contingent claims secured by mortgages on residential property																				-
10	Past due items																				-
11	Items belonging to regulatory high-risk categories																				-
12	Short-term claims on commercial banks and corporates																				-
13	Claims in the form of collective investment undertakings																				-
14	Other items																				-
	Total	0	3,336,581	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,336,581

PASHA Bank
New heights. Together.

Table 1 3

12/31/2023

Standardized approach - Effect of credit risk mitigation		a	b	c	d	e	f
	Asset Classes	On-balance sheet exposures	Off-balance sheet exposures		RWA before Credit Risk Mitigation	RWA post Credit Risk Mitigation	RWA Density f=e/(a+c)
			Off-balance sheet exposures - Nominal value	Off-balance sheet exposures post CCF			
1	Claims or contingent claims on central governments or central banks	36,695,713			27,813,649	27,813,649	76%
2	Claims or contingent claims on regional governments or local authorities	0			0	0	0%
3	Claims or contingent claims on public sector entities	0			0	0	0%
4	Claims or contingent claims on multilateral development banks	0			0	0	0%
5	Claims or contingent claims on international organizations/institutions	0			0	0	0%
6	Claims or contingent claims on commercial banks	67,677,148	666,594	333,297	22,132,969	22,132,969	33%
7	Claims or contingent claims on corporates	295,113,475	71,467,723	114,423	295,227,898	291,999,105	99%
8	Retail claims or contingent retail claims	60,685,550	111,417,802	57,396,466	102,912,268	102,804,480	87%
9	Claims or contingent claims secured by mortgages on residential property	0	0	0	0	0	0%
10	Past due items	40,187,022			39,694,971	39,694,971	99%
11	Items belonging to regulatory high-risk categories	0			0	0	0%
12	Short-term claims on commercial banks and corporates	0			0	0	0%
13	Claims in the form of collective investment undertakings ('CIU')	0			0	0	0%
14	Other items	29,455,262			32,653,683	32,653,683	111%
	Total	529,814,170	183,552,119	57,844,186	520,435,438	517,098,857	88%

Table 1 4

12/31/2023

Liquidity Coverage Ratio		Total unweighted value (daily average)			Total weighted values according to NBG's methodology* (daily average)			Total weighted values according to Basel methodology (daily average)		
		GEL	FX	Total	GEL	FX	Total	GEL	FX	Total
High-quality liquid assets										
1	Total HQLA				66,099,279	74,417,582	140,516,861	44,003,264	38,346,679	82,349,943
Cash outflows										
2	Retail deposits	16,190,159	36,751,699	52,941,858	1,804,046	9,848,845	11,652,891	480,712	2,371,644	2,852,356
3	Unsecured wholesale funding	93,653,969	227,976,070	321,630,039	28,953,883	27,059,226	56,013,108	23,435,148	20,766,173	44,201,321
4	Secured wholesale funding	760,870	-	760,870	-	-	-	-	-	0
5	Outflows related to off-balance sheet obligations and net short position of derivative exposures	117,904,921	46,926,766	164,831,687	21,394,432	6,869,360	28,263,792	6,801,646	3,288,605	10,090,251
6	Other contractual funding obligations	-	-	-	-	-	-	-	-	0
7	Other contingent funding obligations	5,346,501	10,350,402	15,696,903	334,015	1,959,270	2,293,285	326,667	1,837,908	2,164,575
8	**TOTAL CASH OUTFLOWS**	233,856,420	322,004,936	555,861,356	52,486,375	45,736,701	98,223,076	31,044,172	28,264,331	59,308,503
Cash inflows										
9	Secured lending (eg reverse repos)	0	0	0	-	-	-	0	0	0
10	Inflows from fully performing exposures	152,423,094	201,535,192	353,958,286	19,255,835	2,520,397	21,776,232	41,755,834	45,190,183	86,946,017
11	Other cash inflows	19,033,873	9,754,249	28,788,122	157,052	615,514	772,566	158,254	627,326	785,580
12	**TOTAL CASH INFLOWS**	171,456,967	211,289,441	382,746,408	19,412,888	3,135,910	22,548,798	41,914,088	45,817,510	87,731,597
					Total value according to NBG's methodology* (with limits)			Total value according to Basel methodology (with limits)		
13	Total HQLA				66,099,279	74,417,582	140,516,861	44,003,263.60	38,346,679.44	82,349,943.05
14	Net cash outflow				33,073,487	42,600,790	75,674,278	7,761,043.05	7,066,082.70	14,827,125.75
15	Liquidity coverage ratio (%)				199.86%	174.69%	185.69%	567.0%	542.7%	555.4%

* Commercial banks are required to comply with the limits by coefficients calculated according to NBG's methodology. The numbers calculated within Basel framework are given for illustratory purposes.

Table 1 5

12/31/2023

Counterparty credit risk													
		a	b	c	d	e	f	g	h	i	j	k	l
		Nominal amount	**Percentage**	**Exposure value**	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Counterparty Credit Risk Weighted Exposures**
1	FX contracts	106,534,568		2,130,691	0	0	0	0	0	2,130,691	0	0	2,130,691
1.1	Maturity less than 1 year	106,534,568	2.0%	2,130,691						2,130,691			2,130,691
1.2	Maturity from 1 year up to 2 years	0	5.0%	0									0
1.3	Maturity from 2 years up to 3 years	0	8.0%	0									0
1.4	Maturity from 3 years up to 4 years	0	11.0%	0									0
1.5	Maturity from 4 years up to 5 years	0	14.0%	0									0
1.6	Maturity over 5 years	0											0
2	Interest rate contracts	0		0	0	0	0	0	0	0	0	0	0
2.1	Maturity less than 1 year		0.5%	0									0
2.2	Maturity from 1 year up to 2 years		1.0%	0									0
2.3	Maturity from 2 years up to 3 years		2.0%	0									0
2.4	Maturity from 3 years up to 4 years		3.0%	0									0
2.5	Maturity from 4 years up to 5 years		4.0%	0									0
2.6	Maturity over 5 years												0
	Total	**106,534,568**		**2,130,691**	0	0	0	0	0	2,130,691	0	0	**2,130,691**

Table 1 5.1

12/31/2023

Leverage Ratio		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) *	534,709,011
2	(Asset amounts deducted in determining Tier 1 capital)	(4,894,842)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	529,814,169
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	
EU-5a	Exposure determined under Original Exposure Method	2,130,691
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	2,130,691
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	-

Leverage Ratio		
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	183,552,119
18	(Adjustments for conversion to credit equivalent amounts)	(118,584,045)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	64,968,074
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	Tier 1 capital	106,263,157
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	596,912,934
Leverage ratio		
22	Leverage ratio	17.80%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	
*COVID 19 related provisions are deducted from balance sheet items		

Table 16

12/31/2023

	Net Stable Funding Ratio	Unweighted value by residual maturity: No maturity	< 6 month	6 month to <1yr	>= 1 yr	Weighted value
Available stable funding						
1	Capital:	122,398,084	-	-	174,468,674	296,866,758
2	Regulatory capital	122,398,084				122,398,084
3	Other non-redeemable capital instruments and liabilities with remaining maturity more than 1 year				174,468,674	174,468,674
4	Redeemable retail deposits or non-redeemable retail deposits with residual maturity of less than one year	16,387,156	21,378,697	10,907,787	1,747,203	36,415,625
5	Residents' deposits	4,333,470	11,142,429	7,691,855	1,732,697	23,655,429
6	Non-residents' deposits	12,053,686	10,236,268	3,215,933	14,506	12,760,196
7	Wholesale funding	94,020,500	31,982,101	32,582,273	13,447	63,658,783
8	Redeemable funding or non-redeemable funding with residual maturity of less than one year, provided by the government or enterprises controlled by the government, international financial institutions and legal entities, excluding representatives of financial sector	79,243,568	15,478,279	26,134,645	13,447	60,434,969
9	Redeemable funding or non-redeemable funding with residual maturity of less than one year, provided by the central banks and other financial institutions	14,776,932	16,503,822	6,447,628	-	3,223,814
10	Liabilities with matching interdependent assets					
11	Other liabilities:	-	21,015,159	-	-	-
12	Liabilities related to derivatives		785,820			
13	All other liabilities and equity not included in the above categories		20,229,340			
14	**Total available stable funding**					**396,941,167**
Required stable funding						
15	Total high-quality liquid assets (HQLA)	81,113,422	38,570,600			4,276,927
16	Performing loans and securities:	3,316,516	62,081,199	40,470,389	240,358,029	248,213,841
17	Loans and deposits to financial institutions secured by Level 1 HQLA					
18	Loans and deposits to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	3,316,516	29,411,534	26,847,234	16,201,883	34,534,708
19	Loans to non-financial institutions and retail customers, of which:	-	29,248,227	9,628,273	205,795,148	194,364,126
20	With a risk weight of less than or equal to 35%					
21	Residential mortgages, of which:					
22	With a risk weight of less than or equal to 35%					
23	Securities that do not qualify as HQLA	-	3,421,437	3,994,882	18,360,998	19,315,008
24	Assets with matching interdependent liabilities					
25	Other assets:	4,969,673	22,462,402	350,555	35,869,130	52,570,749
26	Assets related to derivatives		650,935			650,935
27	All other assets not included in the above categories	4,969,673	21,811,467	350,555	35,869,130	51,919,814
28	Off-balance sheet items	-	96,941,075	39,408,576	47,173,500	15,863,936
29	**Total required stable funding**					**320,925,454**
30	**Net stable funding ratio**					**123.69%**

*Items to be reported in the 'no maturity' time bucket do not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, current/demand deposits, etc.

PASHA Bank
New heights. Together.

Table 17

12/31/2023

	Risk classes \ Distribution by residual maturity	On demand	≤ 1 year	> 1 year ≤ 5 year	> 5 year	No stated maturity	Total
		Exposures of On-Balance Items					
1	Claims or contingent claims on central governments or central banks	3,439,629		5,469,400		27,786,684	**36,695,713**
2	Claims or contingent claims on regional governments or local authorities						-
3	Claims or contingent claims on public sector entities						-
4	Claims or contingent claims on multilateral development banks						-
5	Claims or contingent claims on international organizations/institutions						-
6	Claims or contingent claims on commercial banks	24,073,457	43,603,690				**67,677,148**
7	Claims or contingent claims on corporates		20,091,420	178,850,852	133,632,600		**332,574,871**
8	Retail claims or contingent retail claims		381,262	17,193,242	45,836,671		**63,411,176**
9	Claims or contingent claims secured by mortgages on residential property						-
10	Past due items*		1,668,106	12,343,293	26,175,622		**40,187,022**
11	Items belonging to regulatory high-risk categories						-
12	Short-term claims on commercial banks and corporates						-
13	Claims in the form of collective investment undertakings ('CIU')						-
14	Other items	8,287,991	16,197,598			9,864,514	**34,350,104**
15	**Total**	**35,801,078**	**80,273,971**	**201,513,494**	**179,469,271**	**37,651,199**	**534,709,012**

Past due items* - Past due items will be filled in paragraph 10 and also will be redistributed to the classes in which they were recorded before they were classified as "Past due tems". An overdue loan line is not included in the formula for eliminating double counting.

Table 18

12/31/2023

	Risk classes \ On Balance Assets	a	b	c	d	e	f
		Gross carrying values		Expected Credit Loss	General Reserve	Accumulated write-off, during the reporting period	Net Value
		Of which: Loans and other Assets - Non-Performing	Of which: Loans and other Assets - other than Non-Performing				(a+b-c-d)
1	Claims or contingent claims on central governments or central banks		36,695,713				36,695,713
2	Claims or contingent claims on regional governments or local authorities						-
3	Claims or contingent claims on public sector entities						-
4	Claims or contingent claims on multilateral development banks						-
5	Claims or contingent claims on international organizations/institutions						-
6	Claims or contingent claims on commercial banks		67,677,148				67,677,148
7	Claims or contingent claims on corporates	25,811,563	316,510,033	9,746,726			332,574,870
8	Retail claims or contingent retail claims	4,538,656	65,954,616	7,082,097		1,798,027	63,411,176
9	Claims or contingent claims secured by mortgages on residential property						-
10	Past due items*	29,567,123	21,308,843	10,688,944			40,187,022
11	Items belonging to regulatory high-risk categories						-
12	Short-term claims on commercial banks and corporates						-
13	Claims in the form of collective investment undertakings ('CIU')						-
14	Other items		34,350,104				34,350,104
15	**Total**	**30,350,219**	**521,187,615**	**16,828,823**	**-**	**1,798,027**	**534,709,011**
16	Of which: loans	30,108,553	322,200,258	16,202,319		1,798,027	336,106,492
17	Of which: securities		65,648,199	418,178			65,230,021

Past due items* - Past due items will be filled in paragraph 10 and also will be redistributed to the classes in which they were recorded before they were classified as "Past due tems". An overdue loan line is not included in the formula for eliminating double counting.

PASHA Bank
New heights. Together.

Table 19

12/31/2023

		a	b	c	d	e	f
Risk classes	On Balance Assets	Gross carrying values		Expected Credit Loss	General Reserve	Accumulated write-off, during the reporting period	Net Value
		Of which: Loans and other Assets - Non-Performing	Of which: Loans and other Assets - other than Non-Performing				(a+b-c-d)
1	State, state organizations	423,897	44,475,367	628,241		196,983	**44,271,023**
2	Financial Institutions	254,762	161,611,879	1,416,233		54,269	**160,450,407**
3	Pawn-shops	-	552,259	5,048			**547,211**
4	Construction Development, Real Estate Development and other Land Loans	6,684,198	17,566,246	2,385,328			**21,865,116**
5	Real Estate Management	-	42,561,412	65,329		-	**42,496,083**
6	Construction Companies	433,420	1,419,311	228,446		16,889	**1,624,285**
7	Production and Trade of Construction Materials	17,246	782,758	25,715		7,947	**774,290**
8	Trade of Consumer Foods and Goods	1,808,413	7,081,220	337,627		4,743	**8,552,005**
9	Production of Consumer Foods and Goods	-	8,927,105	94,244		3,257	**8,832,861**
10	Production and Trade of Durable Goods	-	194,606	6,790			**187,817**
11	Production and Trade of Clothes, Shoes and Textiles	6,099	15,914,381	159,535			**15,760,945**
12	Trade (Other)	609,723	18,725,093	712,329		139,522	**18,622,487**
13	Other Production	583,385	966,110	335,922		11,316	**1,213,574**
14	Hotels, Tourism	2,450,031	22,667,984	592,122		500	**24,525,892**
15	Restaurants	8,954,308	2,948,922	1,782,796		8,805	**10,120,435**
16	Industry	17,601	2,803,800	61,903		11,691	**2,759,498**
17	Oil Importers,Filling stationas,gas stations and Retailers	-	8,937,863	43,062		1,265	**8,894,801**
18	Energy	65,973	60,041,339	638,871		23,169	**59,468,440**
19	Auto Dealers	-	5,327,809	19,599		4,628	**5,308,211**
20	HealthCare	41,164	1,540,276	94,461		75,972	**1,486,980**
21	Pharmacy	2,697	446,833	19,981		1,020	**429,549**
22	Telecommunication	1,854	5,307,563	61,670		50,355	**5,247,746**
23	Service	2,824,752	10,497,660	923,905		108,156	**12,398,507**
24	Agriculture	2,402,535	8,310,100	1,801,514			**8,911,120**
25	Other	915,958	5,938,168	1,054,161		254,928	**5,799,965**
26	Assets on which the Sector of repayment source is not accounted for	1,852,204	31,291,447	3,333,991		822,613	**29,809,661**
27	Other assets		34,350,104				**34,350,104**
28	**Total**	**30,350,219**	**521,187,615**	**16,828,823**	**-**	**1,798,027**	**534,709,011**

PASHA Bank
New heights. Together.

Table 20

12/31/2023

Changes in Expected Credit Loss for loans and Corporate debt securities		Loans	Corporate debt securities
1	**Opening balance of Expected Credit Loss**	**18,687,245**	**498,526**
2	**An increase in the ECL for possible losses on assets**	6,016,030	87,122
2.1	As a result of the origination of the new assets	1,906,659	47,457
2.2	As a result of classification of assets as a low quality	4,109,371	39,665
3	**Decrease in ECL for possible losses on assets**	**8,691,757**	**167,725**
3.1	As a result of write-off of assets	1,783,793	-
3.2	As a result of partial or total payment of assets	5,874,309	-
3.3	As a result of classification of assets as a high quality	1,033,655	167,725
4	Increase / Decrease ECL of foreign currency assets as a result of currency exchange rate changes	190,801	255
5	**Closing balance of Expected Credit Loss**	**16,202,319**	**418,178**

Table 21

12/31/2023

Changes in the stock of non-performing loans over the period		Gross carrying value of Non-performing Loans	Net accumulated recoveries related to decrease of Non-performing loans
1	**Opening balance**	**37,612,835**	
2	Inflows to non-performing portfolios	8,460,516	
3	Increase of non-performing portfolio, as e result of currency exchange rate changes	486,170	
4	Outflows from non-performing portfolios	16,450,968	
5	Outflow due to the decrease level of credit risk	267,056	
6	Outflow due to loan repayment, partial or total	1,280,401	
7	Outflows due to write-offs	1,787,270	
8	Outflow due to taking possession of collateral	13,116,241	
9	Outflow due to sale of portfolios		
10	Outflow due to other situations		
11	Decrease of non-performing portfolio, as a result of currency exchange rate changes		
12	**Closing balance**	**30108553.152**	

Table 22

12/31/2023

Distribution of loans, Debt securities and Off-balance-sheet items according to Credit Risk Stages and Past due days		Gross carrying value of loans and Debt securities, nominal value of Off-balance-sheet items																								
		Total	1st stage				2nd stage					3rd stage								POCI						
				Past due ≤ 30 days	Past due > 30 days ≤ 90 days	Past due > 90 days		Past due ≤ 30 days	Past due > 30 days ≤ 90 days	Past due > 90 days		Past due ≤ 30 days	Past due > 30 days ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 Year	Past due > 1 Year ≤ 2 Year	Past due > 2 Year ≤ 5 Year	Past due >5 Years		Past due ≤ 30 days	Past due > 30 days ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 Year	Past due > 1 Year ≤ 2 Year	Past due > 2 Year ≤ 5 Year	Past due >5 Years
1	**Loans**	**352,308,811**	**301,456,115**	**12,378,053**	**-**	**3,294**	**20,744,143**	**2,864,047**	**6,066,726**	**-**	**27,636,288**	**318,101**	**1,634,821**	**8,866,004**	**3,649,304**	**5,400,732**	**7,035,746**	**-**	**2,472,265**	**-**	**-**	**-**	**2,420,749**	**-**	**-**	**-**
1.1	Central banks																									
1.2	General governments																									
1.3	Credit institutions																									
1.4	Other financial corporations	58,253,766	58,092,402	-	-	-	-	-	-	-	161,364	-	-	-	-	-	161,364	-	-	-	-	-	-	-	-	-
1.5	Non-financial corporations	217,054,872	178,566,673	11,561,468	-	-	15,523,933	2,544,292	4,866,389	-	20,515,593	-	1,400,952	7,173,051	2,090,910	5,400,732	4,391,406	-	2,448,673	-	-	-	2,397,157	-	-	-
1.6	Households	77,000,173	64,797,040	816,585	-	3,294	5,220,210	319,754	1,200,338	-	6,959,331	318,101	233,869	1,692,953	1,558,394	-	2,482,977	-	23,592	-	-	-	23,592	-	-	-
2	**Debt Securities**	**65,648,199**	**60,178,799**	**-**	**-**	**-**																				
2.1	Central banks																									
2.2	General governments	5,469,400																								
2.3	Credit institutions																									
2.4	Other financial corporations	32,897,233	32,897,233																							
2.5	Non-financial corporations	27,281,565	27,281,565																							
2.6	Households																									
3	**Off-balance-sheet items**	**184,466,130**	**183,326,739**				**1,129,839**				**9,552**								**-**							
3.1	Central banks																									
3.2	General governments																									
3.3	Credit institutions	670,000	670,000				-				-								-							
3.4	Other financial corporations	15,139,565	15,139,565				-				-								-							
3.5	Non-financial corporations	96,742,656	96,430,522				312,134				-								-							
3.6	Households	71,913,909	71,086,653				817,705				9,552								-							

Table 23

12/31/2023

Loans Distributed according to LTV ratio, Expected Credit Loss, Value of collateral for loans and loans secured by guarantees according to Credit Risk stages and past due days		Gross carrying value of loans																								
		Total	1st stage				2nd stage					3rd stage								POCI						
				Past due ≤ 30 days	Past due > 30 days ≤ 90 days	Past due > 90 days		Past due ≤ 30 days	Past due > 30 days ≤ 90 days	Past due > 90 days		Past due ≤ 30 days	Past due > 30 days ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 Year	Past due > 1 Year ≤ 2 Year	Past due > 2 Year ≤ 5 Year	Past due >5 Years		Past due ≤ 30 days	Past due > 30 days ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 Year	Past due > 1 Year ≤ 2 Year	Past due > 2 Year ≤ 5 Year	Past due >5 Years
1	**Loans**	**352,308,811**	**301,456,115**	**12,378,053**	**-**	**3,294**	**20,744,143**	**2,864,047**	**6,066,726**	**-**	**27,636,288**	**318,101**	**1,634,821**	**8,866,004**	**3,649,304**	**5,400,732**	**7,035,746**	**-**	**2,472,265**	**-**	**-**	**-**	**2,420,749**	**-**	**-**	**-**
1.1	Secured Loans	267,035,953	224,896,772	11,561,468	-	-	16,457,301	2,544,292	4,866,389	-	23,284,723	165,848	1,400,952	7,173,051	2,090,910	5,400,732	6,994,688	-	2,397,157	-	-	-	2,397,157	-	-	-
1.1.1	Loans Secured by Immovable property	201,968,991	160,219,307	11,561,468	-	-	16,457,301	2,544,292	4,866,389	-	22,895,226	165,848	1,172,819	7,173,051	2,090,910	5,400,732	6,833,324	-	2,397,157	-	-	-	2,397,157	-	-	-
1.1.1.1	LTV ≤70%	124,225,361	98,433,577	6,233,744	-	-	8,114,510	-	70,493	-	17,677,274	165,848	1,172,819	6,397,913	2,091,054	5,403,715	2,445,926	-	-	-	-	-	-	-	-	-
1.1.1.2	LTV >70% ≤85%	7,659,661	7,659,661	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1.3	LTV >85% ≤100%	4,626,626	-	-	-	-	-	-	-	-	4,626,626	-	-	233,076	-	-	4,393,550	-	-	-	-	-	-	-	-	-
1.1.1.4	LTV >100%	65,721,942	54,358,739	5,351,926	-	-	8,358,406	2,548,551	4,803,344	-	607,640	-	-	542,236	-	-	-	-	2,397,157	-	-	-	2,397,157	-	-	-
1.2	Expected Credit Loss of Loans	8,655,471	1,556,506	147,704	-	-	499,818	102,567	317,774	-	5,167,056	16,435	136,999	2,543,063	202,728	506,342	1,731,462	-	1,432,091	-	-	-	1,432,091	-	-	-
1.3	Value of Pledged collateral																									
1.3.1	Of which value capped at the Loan value	189,365,062	148,297,821	6,827,831	-	-	15,847,330	2,502,276	4,373,931	-	20,849,704	164,349	1,147,910	7,094,184	1,924,708	4,621,705	5,835,571	-	2,302,129	-	-	-	2,302,129	-	-	-
1.3.1.1	Of which immovable property	179,454,118	138,386,877	6,827,831	-	-	15,847,330	2,502,276	4,373,931	-	20,849,704	164,349	1,147,910	7,094,184	1,924,708	4,621,705	5,835,571	-	2,302,129	-	-	-	2,302,129	-	-	-
1.3.2	Of which value above the cap	204,265,555	168,608,162	5,660,760	-	-	20,784,206	-	301,092	-	14,873,188	108,471	1,279,511	3,293,445	3,679,873	4,791,830	1,720,057	-	-	-	-	-	-	-	-	-
1.3.2.1	Of which immovable property	182,981,975	147,871,454	5,660,760	-	-	20,689,772	-	277,930	-	14,420,749	108,471	1,024,421	3,096,096	3,679,873	4,791,830	1,720,057	-	-	-	-	-	-	-	-	-
1.4	Loans secured by the state and state institutions																									
1.5	Loans secured by bank and /or financial institutions	595,060	595,060	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

PASHA Bank
New heights. Together.

Table 24

12/31/2023

	Sector of repayment source \ Loans	Gross carrying value					Expected Credit Loss				
			1st stage	2nd stage	3rd stage	POCI		1st stage	2nd stage	3rd stage	POCI
1	State, state organizations	8,182,599	7,501,304	278,349	402,946	-	610,482	239,417	35,759	335,306	-
2	Financial Institutions	61,273,014	60,958,686	78,249	236,079	-	1,209,924	971,951	13,820	224,152	-
3	Pawn-shops	552,259	552,259	-	-	-	5,048	5,048	-	-	-
4	Construction Development, Real Estate Development and other Land Loans	24,244,212	15,718,152	1,846,863	6,679,198	-	2,381,229	71,825	14,358	2,295,046	-
5	Real Estate Management	38,963,774	38,151,447	812,327	-	-	60,471	53,734	6,737	-	-
6	Construction Companies	1,762,501	1,308,693	40,569	413,239	-	210,627	28,127	7,860	174,640	-
7	Production and Trade of Construction Materials	790,143	779,396	3,363	7,384	-	16,677	7,789	793	8,095	-
8	Trade of Consumer Foods and Goods	5,724,758	3,925,941	182	1,798,635	-	302,655	19,020	17	283,619	-
9	Production of Consumer Foods and Goods	8,927,105	8,792,667	134,439	-	-	94,244	90,525	3,719	-	-
10	Production and Trade of Durable Goods	194,606	194,606	-	-	-	6,790	6,790	-	-	-
11	Production and Trade of Clothes, Shoes and Textiles	15,919,454	15,911,285	2,069	6,099	-	159,535	153,636	999	4,900	-
12	Trade (Other)	9,254,229	8,337,576	328,696	564,365	23,592	600,363	269,179	55,918	256,118	19,148
13	Other Production	1,542,504	914,130	51,981	576,394	-	329,711	37,727	10,994	280,991	-
14	Hotels, Tourism	25,111,128	17,687,193	4,980,641	2,391,778	51,516	586,446	164,847	40,659	329,425	51,516
15	Restaurants	11,897,918	2,932,924	15,998	8,948,996	-	1,777,864	28,651	3,996	1,745,217	-
16	Industry	78,887	62,012	-	16,875	-	16,512	2,482	-	14,030	-
17	Oil Importers,Filling stationas,gas stations and Retailers	8,937,863	8,927,585	10,278	-	-	43,062	40,748	2,314	-	-
18	Energy	57,370,522	57,292,581	16,915	61,027	-	622,662	570,533	2,315	49,813	-
19	Auto Dealers	5,327,809	5,326,949	861	-	-	19,599	19,490	109	-	-
20	HealthCare	1,571,670	1,487,782	52,494	31,394	-	85,777	50,737	9,136	25,904	-
21	Pharmacy	449,314	428,978	17,855	2,481	-	19,795	16,233	1,523	2,040	-
22	Telecommunication	301,333	279,398	20,281	1,654	-	14,027	9,102	3,593	1,332	-
23	Service	13,300,216	6,809,885	3,687,453	2,802,878	-	904,961	234,305	159,691	510,965	-
24	Agriculture	10,712,634	3,031,912	5,278,188	5,378	2,397,157	1,801,514	37,220	327,566	4,638	1,432,091
25	Other	6,807,299	5,549,661	387,759	869,879	-	1,015,182	228,396	65,299	721,487	-
26	Assets on which the Sector of repayment source is not accounted for	33,111,059	28,593,114	2,698,333	1,819,611	-	3,307,162	1,372,476	461,935	1,472,751	-
27	**Total**	**352,308,811**	**301,456,115**	**20,744,143**	**27,636,288**	**2,472,265**	**16,202,319**	**4,729,985**	**1,229,111**	**8,740,468**	**1,502,755**

Table 25

12/31/2023

	Gross carrying value(Nominal value for Offbalance) - distribution according to Collateral type / Loans, corporate debt securities and Off-balance-sheet items	a	b	c	d	e	f	g	h	i
		Secured by deposit	Secured by the state and state institutions	Secured by bank and /or financial institutions	Secured by gold / gold jewelry	Secured by Immovable property	Secured by shares / stocks and other securities	Secured by other collateral	Secured by another third party guarantee	Unsecured Amount
1	Loans	2,053,977		595,060		168,957,621		58,188,796	16,473,943	106,039,413
2	Corporate debt securities					2,730,662		29,118,574	-	28,329,563
3	Off-balance-sheet itmes	8,856		33,669		7,065,852		10,599,533	24,958,805	141,799,415
4	Of which: Non-Performing Loans					25,116,379		305,119	99,031	4,588,023
5	Of which: Non-Performing Corporate debt securities									
6	Of which: Non-Performing Off-balance-sheet itmes					-		-	-	9,552

Table 26

12/31/2023

Retail Products		Contractual Principal Amount					Gross carrying value of Loans					Expected Credit Loss					Number of Loans	Weighted average nominal interest rate on quarterly disbursed loans	Weighted average effective interest rate on quarterly disbursed loans	Weighted average nominal interest rate (on Residual Contractual value of Loans)	Weighted average remaining maturity (months) according to the Residual Contractual value of Loans
			1st stage	2nd stage	3rd stage	POCI		1st stage	2nd stage	3rd stage	POCI		1st stage	2nd stage	3rd stage	POCI					
1	Auto loans																-				
2	Consumer Loans	20,436,427	16,051,201	1,644,407	2,740,819		20,436,555	16,032,167	1,661,833	2,742,556		2,872,376	463,852	134,248	2,274,275		5,347	0	0	0	27
3	Pay Day Loans																-				
4	Momental Installments																-				
5	Overdrafts	9,026	9,026	-	-		9,042	9,042	-	-		112	112	-	-		51	0	0	0	(0)
6	Credit Cards	50,530,159	46,441,711	2,545,002	1,543,446		50,094,413	45,877,862	2,625,009	1,591,543		4,038,629	2,166,490	595,044	1,277,096		31,846	0	0	0	417
7	Mortgages	90,980	90,980	-	-		91,151	91,151	-	-		3,941	3,941	-	-		1			0	24
7.1	Mortgages - Purchase of completed real estate	90,980	90,980	-	-		91,151	91,151	-	-		3,941	3,941	-	-		1			0	24
7.2	Mortgages - Construction, the purchase of real estate under construction																-				
7.3	Mortgages - For Real Estate Renovation																-				
8	Retail Pawnshop loans																-				
9	Student loans																-				
10	Total Retail Products	71,066,592	62,592,917	4,189,408	4,284,266	-	70,631,161	62,010,221	4,286,842	4,334,098	-	6,915,058	2,634,394	729,292	3,551,371	-	37,245	0	0	0	304
10.1	Between them: Loans issued on the basis of income from a pension or other state social disbursement	9,124	9,124				9,179	9,179				226	226				3	0	0	0	53

Table 20

12/31/2023

Differences between accounting and regulatory scopes of consolidation			
a	b	c	d
Assets (as reported in published IFRS financial statements)	**Carrying Values as reported in published IFRS financial statements**	**Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)**	**Notes**
Cash and cash equivalents	64,785,297	64,785,297	
Amounts due from credit institutions	36,790,222	36,790,222	
Loans to customers	336,106,492	336,106,492	
Investment securities	65,230,021	65,230,021	
Property and equipment	1,922,217	1,922,217	
Right of use assets	3,047,455	3,047,455	
Intangible assets	4,894,842	4,894,842	
Other assets	19,593,186	19,593,186	
Total assets	532,369,732	532,369,732	0

a	b	c	d
Liabilities (as reported in published IFRS financial statements)	**Carrying Values as reported in published IFRS financial statements**	**Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)**	**Notes**
Amounts due to credit institutions	90,138,534	90,138,534	
Amounts due to customers	288,854,861	288,854,861	
Provisions for guarantees and letters of credit	914,013	914,013	
Lease Liabilities	3,134,905	3,134,905	
Subordinated debt	27,716,207	27,716,207	
Other liabilities	9,298,304	9,298,304	
Total liabilities	420,056,824	420,056,824	0

a	b	c	d
Equity (as reported in published IFRS financial statements)	**Carrying Values as reported in published IFRS financial statements**	**Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)**	**Notes**
Share capital	136,800,000.00	136,800,000.00	
Additional paid-in capital	1,154,910.50	1,154,910.50	
Retained earnings	(25,642,001.83)	(25,642,001.83)	
Other reserves			
Total equity	112,312,909	112,312,909	0

Table 21

12/31/2023

Consolidation by entities							
	Name of Entity	**Method of Accounting consolidation**	**Method of regulatory consolidation**				**Description**
			Full Consolidation	**Proportional Consolidation**	**Neither consolidated nor deducted**	**Deducted**	
1	XXX	Full Consolidation				x	
2	XXX	Proportional Consolidation			x		
3	XXX	Not consolidated				x	

Table 22

12/31/2023

Information about historical operational losses				
		2021	**2022**	**2023**
1	Total amount of losses	69,132	48,795	492,354
2	Total amount of losses, exceeding GEL 10,000	64,457	38,000	481,927
3	Number of events with losses exceeding GEL 10,000	1	1	7
4	Total amount of 5 biggest losses	64,457	38,000	455,321

Table 23

12/31/2023

Operational risks - basic indicator approach						
		a	b	c	d	e
		2,021.00	**2,022.00**	**2,023.00**	**Average of sums of net interest and net non-interest income during last three years**	**Risk Weighted asset (RWA)**
1	Net interest income	18,350,459.35	26,397,825.86	35,166,271.86		
2	Total Non-Interest Income	3,121,724.84	10,579,126.94	11,761,810.94		
3	less: income (loss) from selling property	(803,084.25)	(59,695.95)	10,685.48		
4	**Total income (1+2-3)**	22,275,268	37,036,649	46,917,397	35,409,771	66,393,322

Table 24

12/31/2023

Remuneration awarded during the reporting period					
			Board of Directors	Supervisory Board	Other material risk takers
1	Fixed remuneration	Number of employees			
2		Total fixed remuneration (3+5+7)	1,169,416	339,909	1,666,263
3		Of which cash-based	1,147,169	339,909	1,634,834
4		Of which: deferred			
5		Of which: shares or other share-linked instruments			
6		Of which deferred			
7		Of which other forms	22,247		31,428
8		Of which deferred			
9	Variable remuneration	Number of employees			
10		Total variable remuneration (11+13+15)	1,726,025	53,412	828,948
11		Of which cash-based	1,565,677		723,247
12		Of which: deferred	655,568		277,670
13		Of which shares or other share-linked instruments			
14		Of which deferred			
15		Of which other forms	160,348	53,412	105,700
16		Of which deferred			
17	Total remuneration		2,895,441	393,321	2,495,210

Table 25

12/31/2023

Special payments				
		Board of Directors	Supervisory Board	Other material risk takers
Guaranteed bonuses	Number of employees			
	Total amount			
Sign-on awards	Number of employees			
	Total amount:	0	0	0
	Of which cash-based			
	Of which shares			
	Of which share-linked instruments			
	Of which other instruments			
Severance payments	Number of employees			
	Total amount:	0	0	0
	Of which cash-based			
	Of which shares			
	Of which share-linked instruments			
	Of which other instruments			

Table 26

12/31/2023

Information about deferred and retained remuneration						
		a	b	c	d	e
		Total amount of outstanding deferred remuneration	Of which Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of reduction during the year due to ex post explicit adjustments	Total amount of reduction during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
1	Board of Directors	0	0	0	0	0
2	Cash					
3	Shares					
4	Share-linked instruments					
5	Other					
6	Supervisory Board	0	0	0	0	0
7	Cash					
8	Shares					
9	Share-linked instruments					
10	Other					
11	Other material risk takers	0	0	0	0	0
12	Cash					
13	Shares					
14	Share-linked instruments					
15	Other					
16	Total	0	0	0	0	0

Table 27

12/31/2023

Shares owned by senior management														
		a	b	c	d	e	f	g	h	l	j	k	l	m
		Amount of shares at the beginning of the reporting period			Changes during the reporting period							Amount of shares at the end of the reporting period		
		Unvested	Vested	Total (a+b)	Awarded during the period		Vesting	Reduction during the period		Other Changes				
					Of which: Unvested	Of which: Vested		Unvested	Vested	Purchase	Sell	Unvested (a+d-f-g)	Vested (b+e+f-h+i-j)	Total(k+l)
	Senior management													
1	Total amount:	0	0	0	0	0	0	0	0	0	0	0	0	0
1.1				0								0	0	0
1.2				0								0	0	0
1.3				0								0	0	0
1.4				0								0	0	0
1.5				0								0	0	0
1.6				0								0	0	0
.....				0								0	0	0
	Other material risk takers													
2	Total amount:											0	0	0

2023 Audited Financial Statements

PASHA Bank

New heights. Together.

JSC PASHA Bank Georgia

Financial statements

Year ended 31 December 2023
together with independent auditor's report

Contents

Independent auditor's report

Explanatory notes to the financial statements

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

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

Independent auditor's report

To the Shareholder and the Supervisory Board of JSC PASHA Bank Georgia

Opinion

We have audited the financial statements of JSC PASHA Bank Georgia (hereinafter, the "Bank"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Emphasis of matter

We draw attention to Note 25 to the financial statements, which describes a significant concentration of the Bank's transactions with related parties. Our opinion is not modified in respect of this matter.

Other information included in the Bank's 2023 Management Report

Other information consists of the information included in the Bank's 2023 Management Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2023 Management Report is expected to be made available to us after the date of this auditor's report.

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

Building a better working world

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

Responsibilities of management and the Audit committee for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Ana Kusrashvili (SARAS-A-169041)

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

19 February 2024

Tbilisi, Georgia

Statement of financial position

As at 31 December 2023

(Amounts in tables are in thousands of Georgian lari)

	Notes	2023	2022* (reclassified)
Assets			
Cash and cash equivalents	5	64,785	62,542
Amounts due from credit institutions	6	36,790	46,927
Loans to customers	7	336,106	350,885
Investment securities	8	65,230	43,861
Repossessed collateral	9	15,710	604
Property and equipment	10	1,922	2,420
Right-of-use assets	11	3,047	3,766
Intangible assets	12	4,895	5,255
Other assets	13	3,887	2,250
Total assets		**532,372**	**518,510**
Liabilities			
Amounts due to credit institutions	14	90,139	106,687
Amounts due to customers	15	288,855	272,031
Provisions	19	914	356
Lease liabilities	11	3,135	3,772
Subordinated debt	16	27,716	26,559
Other liabilities	13	9,298	6,290
Total liabilities		**420,057**	**415,695**
Equity			
Share capital	18	136,800	129,000
Additional paid-in capital	18	1,155	1,155
Accumulated deficit		(25,640)	(27,340)
Total equity		**112,315**	**102,815**
Total equity and liabilities		**532,372**	**518,510**

* *Comparative statement of financial position was reclassified to conform with current period presentation as detailed in Note 3*

Signed and authorised for release on behalf of the Board of Directors of the Bank on 19 February 2024:

Ramil Imamov — Chairman of the Board of Directors

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

JSC PASHA BANK GEORGIA * სს პაშა ბანკი საქართველო 404433671

Statement of financial position

As at 31 December 2023

(Amounts in tables are in thousands of Georgian lari)

	Notes	*2023*	*2022* (reclassified)*
Assets			
Cash and cash equivalents	5	64,785	62,542
Amounts due from credit institutions	6	36,790	46,927
Loans to customers	7	336,106	350,885
Investment securities	8	65,230	43,861
Repossessed collateral	9	15,710	604
Property and equipment	10	1,922	2,420
Right-of-use assets	11	3,047	3,766
Intangible assets	12	4,895	5,255
Other assets	13	3,887	2,250
Total assets		**532,372**	**518,510**
Liabilities			
Amounts due to credit institutions	14	90,139	106,687
Amounts due to customers	15	288,855	272,031
Provisions	19	914	356
Lease liabilities	11	3,135	3,772
Subordinated debt	16	27,716	26,559
Other liabilities	13	9,298	6,290
Total liabilities		**420,057**	**415,695**
Equity			
Share capital	18	136,800	129,000
Additional paid-in capital	18	1,155	1,155
Accumulated deficit		(25,640)	(27,340)
Total equity		**112,315**	**102,815**
Total equity and liabilities		**532,372**	**518,510**

* *Comparative statement of financial position was reclassified to conform with current period presentation as detailed in Note 3*

Signed and authorised for release on behalf of the Board of Directors of the Bank on 19 February 2024:

Ramil Imamov — Chairman of the Board of Directors

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

The accompanying selected explanatory notes on pages 5 to 41 are an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2023

(Amounts in tables are in thousands of Georgian lari)

	Notes	*2023*	*2022*
Interest income calculated using effective interest rate			
Loans to customers		42,603	36,890
Investment securities		7,096	4,664
Amounts due from credit institutions		4,553	1,747
		54,252	**43,301**
Interest expense			
Amounts due to customers		(12,992)	(8,728)
Amounts due to credit institutions		(4,550)	(6,469)
Subordinated debt		(1,332)	(1,478)
Lease liabilities		(150)	(228)
		(19,024)	**(16,903)**
Net interest income		**35,228**	**26,398**
Credit loss on interest bearing assets	5,6,7,8,19	(5,073)	(4,667)
Net interest income after impairment losses		**30,155**	**21,731**
Net gains/(losses) from foreign currencies			
- dealing		6,563	10,916
- translation differences		2,879	(1,468)
Fee and commission income, net:	20	2,308	1,028
- fee and commission income		4,874	3,042
- fee and commission expense		(2,566)	(2,014)
Net gain on modification of financial assets measured at amortised cost	7	–	202
Other operating income		170	103
Non-interest income		**11,920**	**10,781**
Personnel expenses	21	(24,213)	(19,450)
General and administrative expenses	21	(9,853)	(9,601)
Depreciation and amortisation	10, 11, 12	(4,942)	(5,544)
Modification loss	16	(955)	–
Provisions		(393)	(80)
Other operating expenses		(19)	(100)
Non-interest expenses		**(40,375)**	**(34,775)**
Profit/(loss) before income tax		**1,700**	**(2,263)**
Income tax benefit/(expense)	17	–	–
Net profit/(loss) for the year		**1,700**	**(2,263)**
Other comprehensive income		–	–
Total comprehensive profit/(loss) for the year		**1,700**	**(2,263)**

The accompanying selected explanatory notes on pages 5 to 41 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2023

(Amounts in tables are in thousands of Georgian lari)

	Share capital	*Additional paid-in capital*	*Accumulated deficit*	*Total equity*
1 January 2022	**103,000**	**1,155**	**(25,077)**	**79,078**
Total comprehensive loss for the year	–	–	**(2,263)**	**(2,263)**
Issue of share capital (Note 18)	26,000	–	–	**26,000**
31 December 2022	**129,000**	**1,155**	**(27,340)**	**102,815**
Total comprehensive income for the year	–	–	1,700	**1,700**
Issue of share capital (Note 18)	7,800	–	–	**7,800**
31 December 2023	**136,800**	**1,155**	**(25,640)**	**112,315**

The accompanying selected explanatory notes on pages 5 to 41 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2023

(Amounts in tables are in thousands of Georgian lari)

	Notes	2023	2022
Cash flows from operating activities			
Interest received		51,941	43,052
Interest paid		(16,397)	(21,222)
Fees and commissions received		4,852	3,024
Fees and commissions paid		(2,523)	(2,043)
Realised gains less losses from dealing in foreign currencies		6,563	10,916
Personnel expenses paid		(23,265)	(18,140)
General and administrative expenses paid		(11,116)	(9,677)
Other income received		106	6
Cash flows from operating activities before changes in operating assets and liabilities		**10,161**	**5,916**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		10,767	(927)
Loans to customers		(1,648)	(88,005)
Other assets		(339)	(523)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		(18,893)	654
Amounts due to customers		18,109	97,194
Other liabilities		1,955	(2,054)
Net cash from operating activities		**20,112**	**12,255**
Cash flows from investing activities			
Purchase of investment securities	8	(36,517)	(20,449)
Proceeds from redemption of investment securities	8	15,313	16,529
Purchase of property and equipment		(953)	(519)
Proceeds from sale of property and equipment		37	72
Purchase of intangible assets		(1,172)	(2,078)
Net cash (used in) investing activities		**(23,292)**	**(6,445)**
Cash flows from financing activities			
Principal repayments of lease liability		(1,863)	(2,071)
Proceeds from issue of share capital	18	7,800	26,000
Net cash from financing activities		**5,937**	**23,929**
Effect of exchange rates changes on cash and cash equivalents		(517)	(9,575)
Effect of expected credit losses on cash and cash equivalents		3	(2)
Net increase in cash and cash equivalents		**2,243**	**20,162**
Cash and cash equivalents, beginning	5	**62,542**	**42,380**
Cash and cash equivalents, ending	5	**64,785**	**62,542**

The accompanying selected explanatory notes on pages 5 to 41 are an integral part of these financial statements.

(Amounts in tables are in thousands of Georgian lari)

1. Principal activities

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

The Bank accepts deposits and extends credit, transfers payments in Georgia and abroad, exchanges currencies and provides other banking services to its commercial customers. In 2023 the Bank continued its expansion into retail market under the Re|Bank brand name, based on strategic initiatives approved by the Bank's shareholders.

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

The Bank has four service offices in Georgia as of 31 December 2023. The Bank's registered legal address is 37M, Ilia Chavchavadze Avenue, 0179, Tbilisi, Georgia.

As at 31 December 2023 and 2022, direct shareholders of the Bank were as follows:

Shareholder	***2023, %***	***2022, %***
OJSC PASHA Bank (the "Parent")	85.06%	100.00%
PASHA Holding LLC	14.94%	–
Total	**100.00%**	**100.00%**

As at 31 December 2023 and 2022 the Bank is ultimately owned by Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva, Mr. Arif Pashayev and Mr. Mir Jamal Pashayev, who exercise collective control over the Bank.

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

2. Basis of preparation

General

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

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

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

3. Material accounting policy information

New and amended standards

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments to standards were applied for the first time in the 2023 year::

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform - Pillar two model rules - Amendment to IAS 12

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) is effective for reporting periods beginning on or after 1 January 2023. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. Limited scope exceptions apply. The Bank has not identified contracts that result in the transfer of significant insurance risk, and therefore it has concluded that IFRS 17 does not have a material impact on the financial statements for the year ended 31 December 2023.

(Amounts in tables are in thousands of Georgian lari)

3. Material accounting policy information (continued)

New and amended standards (continued)

As part of this determination, the Bank assessed credit cards and similar products. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer. The Bank has determined that insurance risk associated with an individual customer has not been assessed in setting the price of the contracts as these products are offered at the same price to all applicants, and therefore they are exempt from IFRS 17. The Bank evaluated whether its contracts contain insurance risk, focusing on performance guarantees and credit cards and concluded that there are no material contracts in scope of IFRS 17 considering practical expedients available.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 -the amendments have had an impact on the Bank's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank's financial statements.

Other amendments and interpretations apply for the first time in 2023, but do not have an impact on the Bank's financial statements.

Fair value measurement

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

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

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

Initial recognition

Date of recognition

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

Financial assets and liabilities

Performance guarantees

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

(Amounts in tables are in thousands of Georgian lari)

3. Material accounting policy information (continued)

Renegotiated loans

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

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, presented within interest revenue calculated using EIR in the statement of profit or loss and net gain/(loss) on modification of financial assets measured at amortised cost, to the extent that an impairment loss has not already been recorded.

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

Cash and cash equivalents

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

Mandatory reserve deposit with the NBG

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

Reclassifications

The following reclassification have been made to 2022 statement of financial position to conform to the 2023 presentation:

Statement of financial position as at 31 December 2022	***As previously reported***	***Reclassification***	***As reclassified***
Repossessed collateral	–	604	604
Other assets	2,854	(604)	2,250

Leases

Short-term leases and leases of low-value assets

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

(Amounts in tables are in thousands of Georgian lari)

3. Material accounting policy information (continued)

Taxation

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

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

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

Georgia also has various operating taxes that are assessed on the Bank's activities. These taxes are included as a component of other operating expenses.

Property and equipment

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

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

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

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Intangible assets

Intangible assets include computer software and licenses.

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

Amounts due to/from credit institutions

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

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

(Amounts in tables are in thousands of Georgian lari)

3. Material accounting policy information (continued)

Repossessed collateral

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

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

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

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

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

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

Fee and commission income

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

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

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

Fee income earned at a point in time

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

Fee income from providing transaction services

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

(Amounts in tables are in thousands of Georgian lari)

3. Material accounting policy information (continued)

Foreign currency translation

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

The exchange rates used by the Bank in the preparation of the financial statements as of 31 December 2023 and 31 December 2022 are as follows:

	2023	*2022*
GEL / 1 USD	2.6894	2.7020
GEL / 1 EUR	2.9753	2.8844
GEL / 1 AZN	1.5806	1.5924

Standards issued but not yet effective

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

4. Significant accounting judgments and estimates

Estimation uncertainty

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

Impairment losses on financial assets

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

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

During 2023, the Bank slightly updated methodology of LGD calculation. The effect of the change in estimate resulted in GEL 490 thousand ECL reversal recognized in profit and loss.

The amount of allowance for loans to customers, investment securities and credit related commitments recognized in the statement of financial position at 31 December 2023 was GEL 16,203 thousand (2022: GEL 16,824 thousand), GEL 418 thousand (2022: GEL 338 thousand) and GEL 914 thousand (2022: GEL 356 thousand) respectively. Refer to Note 7, Note 8 and Note 19.

(Amounts in tables are in thousands of Georgian lari)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2023	*2022*
Cash on hand	2,919	4,328
Current accounts with the NBG	3,440	287
Current accounts with other credit institutions	24,030	30,793
Time deposits with credit institutions up to 90 days	34,398	27,139
Less: allowance for impairment	(2)	(5)
Cash and cash equivalents	**64,785**	**62,542**

As at 31 December 2023, current accounts and time deposit accounts with credit institutions denominated in USD, GEL and EUR represent 77.17%, 18.03% and 4.38% of total current and time deposit accounts respectively (31 December 2022: USD 47.01%, GEL 47.14%, EUR 4.86%).

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

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2023	*2022*
Mandatory reserve with the NBG	27,787	43,455
Time deposits for more than 90 days	9,004	3,473
Less: allowance for impairment	(1)	(1)
Amounts due from credit institutions	**36,790**	**46,927**

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

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

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

An analysis of changes in the gross carrying value and corresponding ECL in relation to time deposits for more than 90 days during the year ended 31 December 2022 is as follows:

	Gross carrying value	*ECL*
As at 1 January 2022	**3,103**	**(4)**
New assets originated	6,253	(6)
Assets repaid	(6,085)	1
Foreign exchange and other movements	202	8
At 31 December 2022	**3,473**	**(1)**

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

(Amounts in tables are in thousands of Georgian lari)

7. Loans to customers

Loans to customers comprise:

	2023	*2022*
Corporate	146,805	190,703
Commercial	134,974	122,383
Consumer	70,530	54,623
Loans to customers	**352,309**	**367,709**
Less – allowance for impairment	(16,203)	(16,824)
Loans to customers	**336,106**	**350,885**

Commercial loans include loans to medium sized companies.

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

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

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

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

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

(Amounts in tables are in thousands of Georgian lari)

7. Loans to customers (continued)

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

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

An analysis of changes gross carrying value in relation to loans to customers during the year ended 31 December 2022 is as follows:

Corporate loans at amortized cost, gross	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**114,192**	**40,245**	**–**	**154,437**
New assets originated	243,759	–	–	**243,759**
Assets repaid	(169,659)	(23,751)	–	**(193,410)**
Transfers to Stage 1	32,738	(32,738)	–	**–**
Transfers to Stage 2	(26,905)	26,905	–	**–**
Transfers to Stage 3	–	(189)	189	**–**
Foreign exchange and net other movements	(10,320)	(3,736)	(27)	**(14,083)**
At 31 December 2022	**183,805**	**6,736**	**162**	**190,703**

Corporate loans at amortized cost, allowance for ECL	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2022	**(1,376)**	**(823)**	**–**	**(2,199)**
New assets originated	(3,602)	–	–	**(3,602)**
Assets repaid	1,098	147	–	**1,245**
Transfers to Stage 1	(157)	157	–	**–**
Transfers to Stage 2	198	(198)	–	**–**
Transfers to Stage 3	–	3	(3)	**–**
Net remeasurement of ECL	2,104	676	(159)	**2,621**
At 31 December 2022	**(1,735)**	**(38)**	**(162)**	**(1,935)**

Commercial loans at amortized cost, gross	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**67,770**	**45,516**	**15,632**	**128,918**
New assets originated	71,282	291	–	**71,573**
Assets repaid	(50,336)	(9,249)	(4,279)	**(63,864)**
Transfers to Stage 1	4,604	(4,604)	–	**–**
Transfers to Stage 2	(13,233)	15,106	(1,873)	**–**
Transfers to Stage 3	–	(22,684)	22,684	**–**
Unwinding of discount	–	–	940	**940**
Foreign exchange and net other movements	(8,135)	(3,866)	(3,183)	**(15,184)**
At 31 December 2022	**71,952**	**20,510**	**29,921**	**122,383**

(Amounts in tables are in thousands of Georgian lari)

7. Loans to customers (continued)

Commercial loans at amortized cost, allowance for ECL	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**(1,075)**	**(3,295)**	**(5,373)**	**(9,743)**
New assets originated	(1,096)	(21)	–	**(1,117)**
Assets repaid	322	914	1,857	**3,093**
Transfers to Stage 1	(150)	150	–	**–**
Transfers to Stage 2	329	(712)	383	**–**
Transfers to Stage 3	–	3,435	(3,435)	**–**
Unwinding of discount	–	–	940	**940**
Net remeasurement of ECL	1,178	(1,177)	(2,601)	**(2,600)**
At 31 December 2022	**(492)**	**(706)**	**(8,229)**	**(9,427)**

Consumer loans at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	**24,425**	**319**	**738**	**25,482**
New assets originated	88,162	–	–	**88,162**
Assets repaid	(57,094)	(15)	(19)	**(57,128)**
Transfers to Stage 1	1,347	(1,065)	(282)	**–**
Transfers to Stage 2	(5,773)	5,799	(26)	**–**
Transfers to Stage 3	–	(3,933)	3,933	**–**
Amounts written off	–	–	(1,640)	**(1,640)**
Foreign exchange and net other movements	(305)	46	6	**(253)**
At 31 December 2022	**50,762**	**1,151**	**2,710**	**54,623**

Consumer loans at amortized cost, allowance for ECL	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**(1,136)**	**(48)**	**(738)**	**(1,922)**
New assets originated	(3,130)	–	–	**(3,130)**
Assets repaid	1,829	11	73	**1,913**
Transfers to Stage 1	(113)	98	15	**–**
Transfers to Stage 2	731	(735)	4	**–**
Transfers to Stage 3	–	960	(960)	**–**
Amounts written off	–	–	1,640	**1,640**
Recoveries	–	–	(89)	**(89)**
Net remeasurement of ECL	(745)	(474)	(2,655)	**(3,874)**
At 31 December 2022	**(2,564)**	**(188)**	**(2,710)**	**(5,462)**

Modified and restructured loans

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. In 2023, the Bank recognized loan categorised as POCI with a fair value of GEL 889 thousand and a contractual principal of GEL 2,313 thousand.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes Stage 2 and 3 assets that were modified during the period. There was no material modification loss suffered by the Bank in their respect.

	2023	*2022*
Loans modified during the period		
Restructured loans as at 31 December	32,702	73,684
Loans modified since initial recognition		
Gross carrying amount at 31 December of loans for which loss allowance has changed to 12-month measurement (Stage 1) during the period	1,559	11,968

(Amounts in tables are in thousands of Georgian lari)

7. Loans to customers (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The types of collateral normally obtained are charges over real estate properties, also cash covers and guarantees, provided by borrowers or third parties, including the Parent.

The Bank calculates LGD rate of certain Legal entities in Stage 3 using discounted value of collaterals. As at 31 December 2023, maximum exposure of such individually assessed loans amounted to GEL 25,527 thousand (31 December 2022: GEL 29,922 thousand) for which ECL of GEL 6,438 thousand (31 December 2022: GEL 8,228 thousand) was created. If these loans were not collateralized, ECL amount for these loans would be GEL 23,360 thousand (31 December 2022: GEL 27,777 thousand) based on collective assessment.

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

Concentration of loans to customers

As at 31 December 2023, the Bank had a concentration of loans due from ten major groups of related borrowers in the total amount of GEL 143,110 thousand which represented 40.62% of the total gross loan portfolio (31 December 2022: GEL 140,296 thousands, 38.15% of the gross loan portfolio). Allowance of GEL 1,539 thousand was recognised against these loans (31 December 2022: GEL 1,490 thousand).

Loans are made within Georgia in the following industry sectors:

	2023	*2022*
Trade and services	115,326	114,150
Individuals	70,530	54,623
Non-banking credit organizations	56,780	75,422
Real estate management	45,478	49,314
Energy	39,774	44,194
Construction	16,402	19,546
Agro	7,974	10,370
Other	45	90
	352,309	**367,709**

8. Investment securities

As at 31 December 2023, investment securities comprised of bonds of financial institutions and other companies and Treasury bonds of the Ministry of Finance of Georgia:

Investment securities comprise:

	2023	*2022*
Debt securities at amortised cost		
Bonds of Financial institutions	32,897	17,779
Corporate bonds	27,282	20,951
Treasury bonds of the Ministry of Finance of Georgia	5,469	5,469
	65,648	**44,199**
Less: allowance for impairment	(418)	(338)
Total debt securities	**65,230**	**43,861**

As at 31 December 2023, none of the investment securities were pledged as a collateral (31 December 2022: GEL 16,142 thousand) (Note 14).

(Amounts in tables are in thousands of Georgian lari)

8. Investment securities (continued)

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

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

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

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

An analysis of changes in the gross carrying value in relation to investment securities during the year ended 31 December 2022 is as follows:

	Corporate bonds	*Bonds of financial institutions*	*Treasury bonds of the Ministry of Finance of Georgia*	*Total*
Gross carrying value as at 1 January 2022	**22,875**	**14,057**	**5,469**	**42,401**
New assets originated	16,699	3,750	−	**20,449**
Assets repaid	(16,529)	−	−	**(16,529)**
Foreign exchange and other movements	(2,094)	(28)	−	**(2,122)**
At 31 December 2022	**20,951**	**17,779**	**5,469**	**44,199**

An analysis of changes in the ECL allowances during the year ended 31 December 2022 is as follows:

	Corporate bonds	*Bonds of financial institutions*	*Treasury bonds of the Ministry of Finance of Georgia*	*Total*
ECL as at 1 January 2022	**(254)**	**(88)**	**−**	**(342)**
New assets originated	(216)	(54)	−	**(270)**
Assets repaid	156	−	−	**156**
Foreign exchange and other movements	44	74	−	**118**
At 31 December 2022	**(270)**	**(68)**	**−**	**(338)**

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

(Amounts in tables are in thousands of Georgian lari)

9. Repossessed collateral

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

	2023	*2022*
Commercial real estate	13,861	372
Residential real estate	1,334	232
Land	192	–
Other	323	–
Total repossessed collateral	**15,710**	**604**

In 2023, the Bank repossessed collaterals of GEL 15,202 thousand in non-cash settlement loans issued (2022: GEL 232 thousand).

10. Property and equipment

The movements in property and equipment were as follows:

	Furniture and fixtures	*Computers and equipment*	*Motor vehicles*	*Other equipment*	*Leasehold improvements*	*Total*
Cost						
1 January 2022	**2,166**	**4,732**	**346**	**535**	**3,605**	**11,384**
Additions	14	310	180	–	15	**519**
Disposals and write-offs	(84)	(102)	–	(19)	(282)	**(487)**
31 December 2022	**2,096**	**4,940**	**526**	**516**	**3,338**	**11,416**
Additions	62	464	94	8	325	**953**
Disposals and write-offs	–	(56)	(138)	(2)	(362)	**(558)**
31 December 2023	**2,158**	**5,348**	**482**	**522**	**3,301**	**11,811**
Accumulated depreciation						
1 January 2022	**(1,562)**	**(3,590)**	**(312)**	**(359)**	**(1,734)**	**(7,557)**
Depreciation charge	(361)	(647)	(35)	(64)	(713)	**(1,820)**
Disposals and write-offs	77	84	–	15	205	**381**
31 December 2022	**(1,846)**	**(4,153)**	**(347)**	**(408)**	**(2,242)**	**(8,996)**
Depreciation charge	(215)	(437)	(50)	(61)	(663)	**(1,426)**
Disposals and write-offs	–	49	137	2	345	**533**
31 December 2023	**(2,061)**	**(4,541)**	**(260)**	**(467)**	**(2,560)**	**(9,889)**
Net book value						
1 January 2022	**604**	**1,142**	**34**	**176**	**1,871**	**3,827**
31 December 2022	**250**	**787**	**179**	**108**	**1,096**	**2,420**
31 December 2023	**97**	**807**	**222**	**55**	**741**	**1,922**

As at 31 December 2023 fully depreciated items amounted GEL 6,879 thousand (2022: GEL 4,100 thousand).

(Amounts in tables are in thousands of Georgian lari)

11. Leases

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

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

The movement in right-of-use assets and lease liabilities during the year ended 31 December 2022 was as follows:

	Right-of-use assets	
	Buildings	***Lease liabilities***
As at 1 January 2022	**5,412**	**6,147**
Additions	504	471
Disposals and write offs (gross)	(599)	(112)
Depreciation expense	(2,038)	−
Disposals and write-offs (accumulated depreciation)	487	−
Interest expense	−	228
Payments	−	(2,312)
Rent concessions	−	(35)
Foreign currency translation difference	−	(615)
As at 31 December 2022	**3,766**	**3,772**

Future lease payments for each of the next five years for the year ended 31 December 2023 and 2022 are as follows:

	Lease liabilities	
	2023	***2022***
Within one year	1,968	1,994
Between 1 and 2 years	407	1,682
Between 2 and 3 years	407	113
Between 3 and 4 years	366	113
Between 4 and 5 years	196	73
	3,344	**3,975**

(Amounts in tables are in thousands of Georgian lari)

12. Intangible assets

The movements in intangible assets were as follows:

	Licenses	*Computer software*	*Total*
Cost			
1 January 2022	**204**	**7,410**	**7,614**
Additions	–	2,078	**2,078**
Disposals and write offs	–	(934)	**(934)**
31 December 2022	**204**	**8,554**	**8,758**
Additions	–	1,172	**1,172**
Disposals and write offs	–	(731)	**(731)**
31 December 2023	**204**	**8,995**	**9,199**
Accumulated amortization			
1 January 2022	**(125)**	**(2,626)**	**(2,751)**
Amortisation charge	(20)	(1,666)	**(1,686)**
Disposals and write offs	–	934	**934**
31 December 2022	**(145)**	**(3,358)**	**(3,503)**
Amortisation charge	(19)	(1,513)	**(1,532)**
Disposals and write offs	–	731	**731**
31 December 2023	**(164)**	**(4,140)**	**(4,304)**
Net book value			
1 January 2022	**79**	**4,784**	**4,863**
31 December 2022	**59**	**5,196**	**5,255**
31 December 2023	**40**	**4,855**	**4,895**

13. Other assets and liabilities

Other assets comprise:

	2023	*2022*
Other non-financial assets		
Prepaid expenses	830	543
Prepaid taxes other than income tax	571	109
Inventory	475	291
Prepayments for short-term lease	68	19
Prepayments for acquisition of property and equipment and intangible assets	–	22
Other prepayments	34	104
	1,978	**1,088**
Other financial assets		
Derivative financial assets	651	390
Funds in settlement	548	363
Accrued commission receivable on guarantees and letters of credit	86	65
Other	624	344
	1,909	**1,162**
Total other assets	**3,887**	**2,250**

(Amounts in tables are in thousands of Georgian lari)

13. Other assets and liabilities (continued)

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

	2023			*2022*		
	Notional	*Fair values*		*Notional*	*Fair value*	
	amount	*Asset*	*Liability*	*amount*	*Asset*	*Liability*
Forwards/Swaps − domestic	154,653	651	786	163,943	390	935
Total derivative assets/liabilities		**651**	**786**		**390**	**935**

Foreign and domestic in the table above stand for counterparties where foreign means non-Georgian entities and domestic means Georgian entities.

Other liabilities comprise:

	2023	*2022*
Other financial liabilities		
Funds in settlement	3,301	1,169
Derivative financial liabilities	786	935
Payables and accrued expenses	496	384
	4,583	**2,488**
Other non-financial liabilities		
Payable to employees	4,686	3,738
Deferred income	29	28
Taxes other than income tax	–	36
	4,715	**3,802**
Total other liabilities	**9,298**	**6,290**

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	Note	*2023*	*2022*
Time deposits and loans from non-resident commercial banks		69,460	67,265
Deposits from the Ministry of Finance		12,509	11,505
Overdraft from the Parent	25	7,786	7,379
Current accounts of the Parent		384	168
Loan from the National Bank of Georgia		–	16,044
Time deposits from resident commercial banks	25	–	4,326
Amounts due to credit institutions		**90,139**	**106,687**

As at 31 December 2023 and 2022 the time deposits and loans of non-resident commercial banks are comprised of USD denominated deposits and loans of entity under common control and other non-resident bank.

Time deposits from resident commercial banks denominated in GEL matured in September 2023.

Loans from the National Bank of Georgia represent short-term GEL refinancing facilities used by the Bank to uphold its liquidity needs in GEL. In June 2023 the Bank repaid the loan to NBG in full. Deposits from the Ministry of Finance represent GEL 7,028 thousand of short-term funds attracted from the Ministry of Finance as a refinancing facility similar to that of the National Bank of Georgia and GEL 5,481 thousand of the long-term deposit placed by the Ministry as the liquidity support measure in return for the similar term treasury bonds purchased by the Bank.

(Amounts in tables are in thousands of Georgian lari)

15. Amounts due to customers

The amounts due to customers include the following:

	2023	*2022*
Current and demand accounts	110,025	100,570
Time deposits (including certificates of deposit)	178,830	171,461
Amounts due to customers	**288,855**	**272,031**
Held as security against guarantees issued (Note 19)	3,908	3,471

As at 31 December 2023, amounts due to customers included balances with ten major customers of GEL 165,290 thousand that constituted 57.22% of the total of customer accounts (31 December 2022: 165,062 thousand that constituted 60.68% of the total of customer accounts).

An analysis of customer accounts by economic sector follows:

	2023	*2022*
Trade and service	93,583	79,575
Insurance	88,278	85,101
Individuals	61,041	42,739
Non-banking credit organizations	22,461	26,802
Construction	16,797	20,200
Energy	3,769	13,365
Government agencies	1,213	1,330
Real estate management	748	584
Agro	299	376
Transportation and telecommunication	58	128
Mining	12	10
Other	596	1,821
Amounts due to customers	**288,855**	**272,031**

16. Subordinated debt

Subordinated loans consisted of the following:

	2023	*2022*
Subordinated loan from the Parent (Note 25)	14,395	13,280
Subordinated loans from entities under common control (Note 25)	13,321	13,279
Subordinated loans	**27,716**	**26,559**

On 19 December 2019 the Bank received USD denominated subordinated loans with an interest rate of 5% p.a. maturing in December 2025 from the Parent and entities under common control. Management believes that as of the origination date of the loans the interest rate on the loans was below the market rate for similar instruments, therefore the loans were recognized at fair value using market interest rate. The difference of GEL 1,155 thousand between fair value and nominal amount of these loans was recognized as additional paid-in capital. Annual effective interest rate equals 5.88%. The loans are not redeemable until their contractual maturity.

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

The amortised value of the subordinated loans qualified for the inclusion in the Tier 2 capital under the NBG Basel III requirements, was GEL 16,135 thousand (31 December 2022: GEL 10,817 thousand).

(Amounts in tables are in thousands of Georgian lari)

17. Taxation

On 16 December 2022 amendments to the Georgian tax law in respect of corporate income tax for finance sector became enacted. The amendments became effective from 1 January 2023 and under the new regulation, corporate income tax will be 20% for banks, credit unions, microfinance organizations and lending entities.

The corporate income tax benefit for the year ended 31 December 2023 and 2022 equalled nil.

The income tax rate applicable to the Bank's income is 20% (2022: 15%). The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax benefit on statutory rates with actual is as follows:

	2023	*2022*
Profit/(Loss) before income tax	**1,700**	**(2,263)**
Statutory tax rate	20%	15%
Theoretical income tax (expense)/benefit at the statutory rate	**(340)**	**339**
Tax exempt income	162	109
Non-deductible expenses	(59)	(45)
Effect from change in tax legislation	–	35
Tax loss utilized during the year	237	–
Unrecognised tax losses carried forward	–	(438)
Income tax (expense)/benefit	**–**	**–**

As the amendments were enacted the existing corporate tax rate for banks increased from 15% to 20% from 2023 going forward. In addition, from 2023, taxable Interest Income and deductible expected credit losses on loans to customers (ECL) were defined per IFRS.

The Bank's accumulated tax losses as at 31 December 2023 equal GEL 37,234 thousand (31 December 2022: GEL 27,641 thousand) on which the Bank has tax loss carried forward GEL 7,447 thousand at 20% tax rate (31 December 2022: GEL 4,146 thousand at 15% tax rate), and respective allowance of GEL 5,436 thousand (31 December 2022: GEL 3,708 thousand). The Bank has been accumulating tax losses since 2019. in 2023 the Bank has generated net profit and utilized only GEL 237 thousand accumulated tax losses carried forward for this period. The Bank has not recognized any deferred tax asset towards remaining accumulated tax losses as at 31 December 2023. There is no expiry period for tax losses.

Deferred tax liabilities/assets as at 31 December 2023 and 31 December 2022 and their movements for the respective period:

	2022	*Through statement of profit or loss*	*2023*
Tax effect of deductible temporary differences			
Tax losses carried forward	237	(237)	–
Lease liabilities	1,397	(752)	627
Property and equipment	336	(168)	168
Amounts due from credit institutions	1	–	1
Other assets	25	(16)	9
Subordinated debt	110	46	156
Deferred tax asset	**2,088**	**(1,127)**	**961**
Tax effect of taxable temporary differences			
Investment securities	(98)	98	–
Intangible assets	(171)	(137)	(308)
Loans to customers	(885)	885	–
Right-of-use assets	(1,393)	784	(609)
Other liabilities	459	(503)	(44)
Deferred tax liability	**(2,088)**	**1,127**	**(961)**
Deferred tax (liability)/asset	**–**	**–**	**–**

(Amounts in tables are in thousands of Georgian lari)

17. Taxation (continued)

	2021	*Through statement of profit or loss*	*2022*
Tax effect of deductible temporary differences			
Tax losses carried forward	675	(438)	237
Lease liabilities	972	407	1,379
Property and equipment	171	165	336
Amounts due from credit institutions	1	−	1
Other assets	25	−	25
Subordinated debt	50	60	110
Other liabilities	303	156	459
Deferred tax asset	**2,197**	**350**	**2,547**
Tax effect of taxable temporary differences			
Investment securities	(90)	(8)	(98)
Intangible assets	(140)	(31)	(171)
Loans to customers	(1,124)	239	(885)
Right-of-use assets	(843)	(550)	(1,393)
Deferred tax liability	**(2,197)**	**(350)**	**(2,547)**
Deferred tax (liability)/asset	**−**	**−**	**−**

18. Equity

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

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

As at 31 December 2023 the Bank's authorized, issued and fully paid capital amounted to GEL 136,800 thousands comprising of 136,800,000 common shares with nominal value of GEL 1.00 (2022: 129,000 thousand comprising of 129,000,000 common shares). Each common share entitles one vote to the shareholder.

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

No dividends were declared or paid during the year ended 31 December 2023 and 2022.

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

19. Commitments and contingencies

Operating environment

The economic policies of Georgia in the last decade have been mostly consistent and effective in terms of investment and increasing short−term economic growth rates. Nevertheless, these policies failed for the most part in laying the foundations for increasing the competitiveness of the Georgian economy and ensuring long−term economic growth. Moreover, the rates of economic growth have not been sufficient to reach significant part of Georgian population and failed to have an impact on reducing unemployment and poverty levels. According to Georgia's socio−economic development strategy, the economic policy of Georgia is based on the principles of fast and efficient economic growth driven by development of the real sector of economy, implementation of economic policies that would facilitate inclusive economic growth and rational use of natural resources, ensuring environmental safety and sustainability. Georgia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Georgian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

(Amounts in tables are in thousands of Georgian lari)

19. Commitments and contingencies (continued)

Operating environment (continued)

According to the preliminary estimates published by the National Statistics Office of Georgia, December growth of GDP amounted 8.3% resulting in 12-month average growth of 7.0%. Major contributing factors to the growth have been construction, information and communication, trade, transportation and storage, financial and insurance activities. Declines were observed in manufacturing and real estate activities.

As published by the National Statistics Office of Georgia, the level of inflation reached 0.4% year−on−year in December 2023. According to the current macroeconomic forecast, the annual inflation rate is expected to fall below the target in the short term and then to stabilize at around 3% in the medium term. After a prolonged period of high inflation, below target inflation in the short run will help a further normalization of long-term inflation expectations, which is a prerequisite for price stability. The National Bank of Georgia has begun a gradual exit from its tight monetary policy and has reduced the policy rate to 9.0% as of issuance date.

Despite the negative effect of the pandemic and war the management maintains strong liquidity positions supported by the NBG’s measures to strengthen banking sector resilience amidst the crisis. The Bank is working to decrease NPLs to reasonable levels using timely restructuring actions, continued support from the Parent and diligent collection actions.

The Bank has applied the latest available macroeconomic forecasts for the ECL measurement purposes. The Bank continues to assess the war and pandemic effect and changing micro− and macroeconomic conditions on its activities, financial position and financial results.

Taxation

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

Management believes that its interpretation of the relevant legislation as at 31 December 2023 is appropriate and that the Bank’s tax, currency and customs positions will be sustained.

Legal

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

Commitments and contingencies

As at 31 December 2023 and 2022, the Bank’s commitments and contingencies comprised the following:

	2023	***2022***
Credit related commitments		
Unused credit lines	97,545	62,154
Letters of credit	−	260
	97,545	**62,414**
Performance guarantees	86,921	61,119
Commitments and contingencies	**184,466**	**123,533**
Provisions for ECL for credit related commitments	(914)	(356)
Deposits held as security against letters of credit (Note 15)	(3,908)	(3,471)

(Amounts in tables are in thousands of Georgian lari)

19. Commitments and contingencies (continued)

An analysis of changes in the ECL allowances during the year ended 31 December 2023 is, as follows (ECL for letters of credit is immaterial):

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

An analysis of changes in the ECL allowances during the year ended 31 December 2022 is, as follows:

	Unused credit lines
ECL as at 1 January 2022	**(195)**
New exposures	(835)
Matured exposures	643
Foreign exchange and other movements	31
At 31 December 2022	**(356)**

20. Net fee and commission income

Net fee and commission income comprise:

	2023	*2022*
Plastic card operations	2,603	1,403
Guarantees and letters of credits issued	1,509	963
Settlement operations	632	631
Cash operations	130	45
Fee and commission income	**4,874**	**3,042**
Plastic card operations	(1,344)	(1,070)
Settlement operations	(958)	(808)
Cash operations	(5)	(5)
Other	(259)	(131)
Fee and commission expense	**(2,566)**	**(2,014)**
Net fee and commission income	**2,308**	**1,028**

Revenue from contracts with customers

The Bank's revenue from contracts with customers is mostly represented by fee and commission income. Revenue from contracts with customers recognized in the statement of profit or loss for the year ended 31 December 2023 amounted to GEL 4,874 thousand (2022: GEL 3,042 thousand).

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

	2023	*2022*
Deferred income (presented within other liabilities)	29	28

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

The Bank recognised GEL 28 thousand revenue from contracts with customers in the current reporting period that relates to carried-forward contract liabilities included in deferred income as at 31 December 2022.

(Amounts in tables are in thousands of Georgian lari)

21. Personnel, general and administrative expenses

Personnel, general and administrative expenses comprise:

	2023	*2022*
Salaries	18,922	15,038
Bonuses and other employee benefits	5,291	4,412
Personnel expenses	**24,213**	**19,450**
Professional services	2,663	2,052
Advertising costs	2,238	3,132
Software costs	1,613	1,829
Short-term leases	619	653
Personnel training	441	145
Communication	437	366
Office supplies	368	294
Corporate hospitality and entertainment	231	107
Transportation and business trip expenses	200	84
Utilities	193	158
Insurance	152	178
Membership fees	141	128
Taxes other than income tax	102	36
Maintenance and exploitation	72	67
Deposit insurance fee	62	44
Charity costs	60	115
Recruitment costs	52	42
Security expenses	23	25
Other	186	146
General and administrative expenses	**9,853**	**9,601**

Remuneration of the Bank's auditor, including under professional services fees, for the years ended 31 December 2023 and 2022 comprises (net of VAT):

	2023	*2022*
Fees for the audit of the Bank's annual financial statements for the year ended 31 December	125	123
Expenditures for other assurance services	51	51
Total fees and expenditures	**176**	**174**

Fees and expenditures to other professional audit firms in respect of other professional services comprised GEL 9 thousand in 2023 (2022: GEL 9 thousand).

The average number of the Bank's employees during 2023 was 387, including average 3 top management employees, average 52 middle management employees, average 322 other full-time employees and average 10 employees under temporary service contracts (2022: 336, including average 4 top management employees, average 48 middle management employees, average 274 other full-time employees and average 10 employees under temporary service contracts).

22. Risk management

Introduction

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

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

(Amounts in tables are in thousands of Georgian lari)

22. Risk management (continued)

Risk management structure

Supervisory Board

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

Risk Committee

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

Risk management

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

Asset and Liability Committee

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

Internal Audit

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

Audit Committee

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

Risk measurement and reporting systems

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

Excessive risk concentration

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

Credit risk

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

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

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

(Amounts in tables are in thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

Credit-related commitments risks

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

Impairment assessment

The Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD — The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD — The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD — The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the 12 months' expected credit loss (12mECL), unless there has been significant increase in credit risk since origination or other impairment indicators were identified, in which case the ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

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

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

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

(Amounts in tables are in thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

Internal rating and PD estimation process

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

Treasury and interbank relationships

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

Internal rating Grade	*External rating*	*PD*	*Internal rating description*
Class 1	Aaa	0.00123%	High grade
Class 1	Aa1	0.00215%	High grade
Class 1	Aa2	0.00375%	High grade
Class 1	Aa3	0.00655%	High grade
Class 1	A1	0.01144%	High grade
Class 1	A2	0.01998%	High grade
Class 1	A3	0.03488%	High grade
Class 1	Baa1	0.06091%	Standard grade
Class 1	Baa2	0.10632%	Standard grade
Class 1	Baa3	0.18554%	Standard grade
Class 1	Ba1	0.32359%	Standard grade
Class 1	Ba2	0.56377%	Standard grade
Class 1	Ba3	0.98047%	Standard grade
Class 2	B1	1.69989%	Standard grade
Class 2	B2	2.93159%	Standard grade
Class 3	B3	5.01024%	Standard grade
Class 3	Caa1	8.43469%	Sub-standard grade
Class 3	Caa2	13.85825%	Sub-standard grade
Class 3	Caa3	21.93382%	Sub-standard grade
Class 3	Ca-C	32.91701%	Sub-standard grade
	Default	100.0000%	Impaired

Corporate and commercial lending

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

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

Consumer lending

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

(Amounts in tables are in thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

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

Internal rating Grade	*Internal rating*	*PD*	*Internal rating description*
Class 1	Aaa	0.00123%	High grade
Class 1	Aa1	0.00215%	High grade
Class 1	Aa2	0.00375%	High grade
Class 1	Aa3	0.00655%	High grade
Class 1	A1	0.01144%	High grade
Class 1	A2	0.01998%	High grade
Class 1	A3	0.03488%	High grade
Class 1	Baa1	0.06091%	Standard grade
Class 1	Baa2	0.10632%	Standard grade
Class 1	Baa3	0.18554%	Standard grade
Class 1	Ba1	0.32359%	Standard grade
Class 1	Ba2	0.56377%	Standard grade
Class 1	Ba3	0.98047%	Standard grade
Class 2	B1	1.69989%	Standard grade
Class 2	B2	2.93159%	Standard grade
Class 3	B3	5.01024%	Standard grade
Class 3	Caa1	8.43469%	Sub-standard grade
Class 3	Caa2	13.85825%	Sub-standard grade
Class 3	Caa3	21.93382%	Sub-standard grade
Class 3	Ca-C	32.91701%	Sub-standard grade
	Default	100.0000%	Impaired

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

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

Exposure at default

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

Loss given default

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

Significant increase in credit risk

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

(Amounts in tables are in thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

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

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

Grouping financial assets measured on a collective basis

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

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

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

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

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

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

Forward-looking information and multiple economic scenarios

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

- GDP growth;
- Inflation.

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

The Bank obtains the forward-looking information from the sources published by the NBG, GeoStat, IMF, World and Regional Economic Outlooks, S&P Global Ratings and other. Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario as at 31 December 2023:

			Subsequent years to 2023			*Subsequent years to 2022*		
Key drivers	***ECL scenario***	***Assigned probabilities, %***	***2024***	***2025***	***2026***	***2023***	***2024***	***2025***
GDP growth, %								
	Upside	25%	6.5%	5.5%	5.0%	6.0%	5.0%	5.0%
	Base case	50%	5.0%	4.5%	5.0%	4.0%	5.5%	5.0%
	Downside	25%	3.0%	4.0%	5.0%	2.0%	4.0%	5.0%
Inflation level								
	Upside	25%	3.25%	3.0%	3.0%	5.0%	3.0%	3.0%
	Base case	50%	3.6%	3.1%	3.0%	5.3%	3.1%	3.0%
	Downside	25%	5.0%	4.0%	3.0%	9.0%	6.0%	3.0%

(Amounts in tables are in thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial asset

The credit quality of financial assets is managed by the Bank internal credit ratings, as described above. The table below shows the credit quality by class of financial assets as at 31 December 2023, based on the Bank's credit rating system:

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

(Amounts in tables are in thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

The table below shows the credit quality by class of financial assets at 31 December 2022:

	Note		*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	5	Stage 1	24,811	33,190	218	–	**58,219**
Amounts due from credit institutions	6	Stage 1	3,472	43,455	–	–	**46,927**
Loans to customers	7						
			32,732	289,797	12,387	32,793	**367,709**
Corporate		Stage 1					
		Stage 2	–	183,587	218	–	**183,805**
		Stage 3	–	6,736	–	–	**6,736**
			–	–	–	162	**162**
Commercial		Stage 1					
		Stage 2	–	68,489	3,463	–	**71,952**
		Stage 3	–	13,792	6,718	–	**20,510**
			–	–	–	29,921	**29,921**
Consumer		Stage 1					
		Stage 2	32,375	16,649	1,738	–	**50,762**
		Stage 3	357	544	250	–	**1,151**
			–	–	–	2,710	**2,710**
Debt investment securities at amortized cost	8	Stage 1	–	44,199	–	–	**44,199**
Unused credit lines	19	Stage 1	34,636	25,171	995	–	**60,802**
		Stage 2	–	–	–	1,352	**1,352**
		Stage 3	–	–	260	–	**260**
Performance guarantees		Stage 1	16,230	32,584	12,021	–	**60,835**
		Stage 2	–	–	284	–	**284**
Total			**111,881**	**468,396**	**26,165**	**34,145**	**640,587**

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

	2023				*2022*			
	Georgia	*OECD*	*Other Non-OECD*	*Total*	*Georgia*	*OECD*	*Other Non-OECD*	*Total*
Assets								
Cash and cash equivalents	30,637	15,076	19,072	**64,785**	35,597	24,811	2,134	**62,542**
Amounts due from credit institutions	36,790	–	–	**36,790**	43,455	3,472	–	**46,927**
Loans to customers	312,557	–	23,549	**336,106**	338,501	–	12,384	**350,885**
Investment securities	65,230	–	–	**65,230**	43,861	–	–	**43,861**
Other assets	1,886	14	9	**1,909**	1,145	8	9	**1,162**
	447,100	**15,090**	**42,630**	**504,820**	**462,559**	**28,291**	**14,527**	**505,377**
Liabilities								
Amounts due to credit institutions	12,509	1	77,629	**90,139**	31,875	1	74,811	**106,687**
Amounts due to customers	186,261	3,960	98,634	**288,855**	168,995	1,231	101,805	**272,031**
Lease liabilities	3,135	–	–	**3,135**	3,772	–	–	**3,772**
Other liabilities	4,520	7	56	**4,583**	2,403	7	78	**2,488**
Subordinated debt	–	–	27,716	**27,716**	–	–	26,559	**26,559**
	206,425	**3,968**	**204,035**	**414,428**	**207,045**	**1,239**	**203,253**	**411,537**
Net assets / (liabilities)	**240,675**	**11,122**	**(161,405)**	**90,392**	**255,514**	**27,052**	**(188,726)**	**93,840**

(Amounts in tables are in thousands of Georgian lari)

22. Risk management (continued)

Liquidity risk and funding management

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

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

The liquidity position is assessed and managed by the Bank primarily on a standalone basis, based on the certain liquidity ratios established by the NBG.

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

	2023, %	***2022, %***
GEL	133.4	234.6
Foreign currency	145.6	200.3
Combined	140.3	211.3

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

	2023, %	***2022, %***
NSFR	123.7	130.3

Analysis of financial liabilities by remaining contractual maturities

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

As at 31 December 2023	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Financial liabilities					
Amounts due to credit institutions	15,566	262	79,250	–	**95,078**
Amounts due to customers	144,748	66,128	94,179	–	**305,055**
Lease liabilities	492	1,476	1,376	–	**3,344**
Other financial liabilities	4,583	–	–	–	**4,583**
Subordinated debt	–	1,367	16,857	14,810	**33,034**
Total undiscounted financial liabilities	**165,389**	**69,233**	**191,662**	**14,810**	**441,094**

(Amounts in tables are in thousands of Georgian lari)

22. Risk management (continued)

Liquidity risk and funding management (continued)

As at 31 December 2022	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to credit institutions	30,076	4,959	72,550	5,513	**113,098**
Amounts due to customers	113,786	69,111	103,215	–	**286,112**
Lease liabilities	533	1,461	1,981	–	**3,975**
Other financial liabilities	2,488	–	–	–	**2,488**
Subordinated debt	–	1,370	29,763	–	**31,133**
Total undiscounted financial liabilities	**146,883**	**76,901**	**207,509**	**5,513**	**436,806**

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

	Note	*Less than 3 months*	*1 to 5 years*	*Over 5 years*	*Total*
2023	19	184,466	–	–	**184,466**
2022	19	123,533	–	–	**123,533**

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

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices.

Currency risk

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

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

Currency	*Change in currency rate 2023*	*Effect on profit before tax 2023*	*Change in currency rate 2022*	*Effect on profit before tax 2022*
USD	15%/(15%)	164/(164)	15%/(15%)	442/(442)
EUR	15%/(15%)	29/(29)	15%/(15%)	239/(239)

(Amounts in tables are in thousands of Georgian lari)

22. Risk management (continued)

Interest rate risk

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

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

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

Currency	*Increase/(decrease) in basis points 2022*	*Sensitivity of net interest income 2022*
GEL	100/(100)	1,323/(1,323)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

23. Fair value measurements

Fair value hierarchy

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

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

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

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

(Amounts in tables are in thousands of Georgian lari)

23. Fair value measurements (continued)

Fair value hierarchy (continued)

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

	Fair value measurement using			
At 31 December 2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair values are disclosed				
Loans to customers	−	−	347,315	**347,315**
Investment securities	−	6,746	37,315	**44,061**
Assets measured at fair value				
Other assets − derivative financial assets	−	390	−	**390**

	Fair value measurement using			
At 31 December 2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	−	29,615	77,072	**106,687**
Amounts due to customers	−	111,409	160,772	**272,181**
Lease liabilities	−	−	3,772	**3,772**
Subordinated debt	−	−	26,559	**26,559**
Liabilities measured at fair value				
Other liabilities − derivative financial liabilities	−	935	−	**935**

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

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

	Carrying value 2023	***Fair value 2023***	***Unrecognised gain(loss) 2023***	***Carrying value 2022***	***Fair value 2022***	***Unrecognised gain(loss) 2022***
Financial assets						
Loans to customers	336,106	338,097	1,991	350,885	347,315	(3,570)
Investment securities	65,230	65,001	(229)	43,861	44,061	200
Other financial assets	1,909	1,909	−	1,162	1,162	−
Financial liabilities						
Amounts due to credit institutions	90,139	89,828	311	106,687	106,687	−
Amounts due to customers	288,855	289,405	(550)	272,031	272,181	(150)
Other financial liabilities	4,583	4,583	−	2,488	2,488	−
Lease liabilities	3,135	3,135	−	3,772	3,772	−
Subordinated debt	27,716	27,716	−	26,559	26,559	−
Total unrecognised change in fair value			**1,523**			**(3,520)**

(Amounts in tables are in thousands of Georgian lari)

23. Fair value measurements (continued)

Valuation techniques and assumptions

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

Assets and liabilities for which fair value approximates carrying value

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

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates.

Financial assets and financial liabilities carried at amortised cost

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

24. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to their contractual maturities. See Note 22 "Risk management" for the Bank's contractual undiscounted repayment obligations.

	2023			***2022***		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	64,785	–	**64,785**	62,542	–	**62,542**
Amounts due from credit institutions	36,790	–	**36,790**	46,927	–	**46,927**
Loans to customers	128,120	207,986	**336,106**	146,055	204,830	**350,885**
Investment securities	11,118	54,112	**65,230**	14,525	29,336	**43,861**
Repossessed collateral	–	15,710	**15,710**	–	604	**604**
Property and equipment	–	1,922	**1,922**	–	2,420	**2,420**
Right-of-use assets	–	3,047	**3,047**	–	3,766	**3,766**
Intangible assets	–	4,895	**4,895**	–	5,255	**5,255**
Other assets	3,887	–	**3,887**	2,250	–	**2,250**
Total	**244,700**	**287,672**	**532,372**	**272,299**	**246,211**	**518,510**
Amounts due to credit institutions	15,430	74,709	**90,139**	34,174	72,513	**106,687**
Amounts due to customers	201,438	87,417	**288,855**	177,398	94,633	**272,031**
Provisions	914	–	**914**	356	–	**356**
Lease liabilities	18	3,117	**3,135**	320	3,452	**3,772**
Other liabilities	8,698	600	**9,298**	5,696	594	**6,290**
Subordinated debt	45	27,671	**27,716**	45	26,514	**26,559**
Total	**226,543**	**193,514**	**420,057**	**217,989**	**197,706**	**415,695**
Net	**18,157**	**94,158**	**112,315**	**54,310**	**48,505**	**102,815**

(Amounts in tables are in thousands of Georgian lari)

25. Related party disclosures

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

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

The outstanding balances of related party transactions are as follows:

	2023				2022			
	The Parent	*Key management personnel*	*Entities under common control*	*Other*	*The Parent*	*Key management personnel*	*Entities under common control*	*Other*
Cash and cash equivalents	755	–	1,255	–	227	–	1,694	–
Amounts due from credit institutions	–	–	–	–	–	-	3,472	–
Loans to customers	–	3	–	–	–	252	–	3
Other assets	–	–	2	–	–	–	1	–
Amounts due to credit institutions	(8,168)	–	(14,394)	–	(7,547)	–	(13,982)	–
Amounts due to customers	–	(1,736)	(72,371)	–	–	(4,727)	(88,425)	–
Other liabilities	–	–	(3)	–	–	–	(17)	–
Subordinated debt	(14,395)	–	(13,321)	–	(13,280)	–	(13,279)	–

The Bank's liabilities towards related parties amount to 29% of its total liabilities as at 31 December 2023 (2022: 34%), which represents a significant concentration.

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

	2023				2022			
	The Parent	*Key management personnel*	*Entities under common control*	*Other*	*The Parent*	*Key management personnel*	*Entities under common control*	*Other*
Fee and commission income	15	–	30	–	5	–	11	–
Fee and commission expense	(3)	–	–	–	(2)	–	(1)	–
Interest income on loans to customers	–	1	–	–	–	14	–	–
Interest income on amounts due from credit institutions	–	–	16	–	(2)	–	43	–
Interest expense on amounts due to credit institutions	(51)	–	(572)	–	(35)	–	(567)	–
Interest expense on amounts due to customers	–	(50)	(2,929)	–	–	(259)	(3,186)	–
Interest expense on subordinated debt	(666)	–	(666)	–	(739)	–	(739)	–
Modification loss	(955)	–	–	–	–	–	–	–
Professional fees	–	–	–	–	–	–	(56)	(8)
Charity costs	–	–	–	–	–	–	–	(27)

The Bank's interest expense on liabilities towards related parties is 26% of its total interest expense (2022: 33%).

(Amounts in tables are in thousands of Georgian lari)

25. Related party disclosures (continued)

Compensation of key management personnel was comprised of the following:

	2023	***2022***
Salaries and other short-term benefits	2,655	2,506

Key management personnel as at 31 December 2023 comprised of 5 members of the Supervisory Board and 4 members of the Board of Directors of the Bank (2022: 5 members of the Supervisory Board and 3 members of the Board of Directors).

26. Capital adequacy

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

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

During year ended 31 December 2023 the Bank followed externally imposed capital requirements.

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

NBG capital adequacy ratio

Under the capital framework, capital requirements are divided into Pillar 1 Requirements for Common Equity Tier 1, Tier 1 and Regulatory Capital and additional buffers under Pillar 1 and Pillar 2.

Pillar 1

- ► The capital conservation buffer (which was incorporated in minimum capital requirements) is separated and set at 2.5%;
- ► A countercyclical capital buffer is currently set at 0%;
- ► A systemic risk buffer will be introduced for systematically important banks over the 4 years period.

Pillar 2

- ► A currency induced credit risk (CICR) buffer replaced conservative weighting for un-hedged FX loans denominated in foreign currencies;
- ► Concentration buffer for sectoral and single borrower exposure will be introduced;
- ► A net stress buffer will be introduced based on stress testing results provided by the Bank;
- ► A General Risk-assessment Programme (GRAPE) buffer defined by the regulator, based on the Bank's specific risks.

(Amounts in tables are in thousands of Georgian lari)

26. Capital adequacy (continued)

As at 31 December 2023 the NBG requires the Bank to maintain a minimum total capital adequacy ratio of 19.82%, Tier 1 Capital ratio of 15.91% and Core Tier 1 Capital ratio of 12.96% of risk-weighted assets, computed based on Basel III requirements. As at 31 December 2023 and 2022 the Bank's capital adequacy ratio on this basis was as follows:

	Notes	*31 December 2022 Per the NBG**	*31 December 2023 Per the NBG*
Share capital	18	129,000	136,800
Retained earnings		(33,136)	(27,340)
Less: intangible assets, net	12	(5,255)	(4,895)
Current period income/(loss)		(2,131)	1,700
Core tier 1 capital		**88,478**	**106,265**
Tier 1 capital		**88,478**	**106,265**
Tier 2 capital		10,817	16,135
Supplementary capital		6,223	–
Total regulatory capital		**105,518**	**122,400**
Risk weighted assets		**556,153**	**586,989**
Capital adequacy ratio		18.97%	20.85%
Core Tier 1 capital / Tier 1 capital adequacy ratio		15.91%	18.10%

* *December 2022 figures are not comparable as transition to IFRS was applied to 2023 figures only.*

The National Bank of Georgia developed the concept and changes for the transition to IFRS. The Regulation on Identifying Risk Categories of Financial Instruments and Expected Credit Losses was approved, and changes were made to the relevant decrees, to come into force on January 1, 2023. The capital adequacy framework has been amended for this purpose. A credit risk adjustment (CRA) buffer and an updated procedure for its calculation were added to the Regulation on Determining Capital Buffers for Commercial Banks within Pillar 2. The purpose of establishing a credit risk adjustment buffer is to reduce the credit risk caused by insufficient expected credit losses set up for assets, and to determine an adequate capital buffer.

27. Events after the reporting period

In January 2024, the Supervisory Board of the Bank decided to discontinue mass retail lending. Respective changes will be implemented in the organizational structure and 3 retail-related branches will be closed. The Bank management is aiming to sell the retail loan portfolio until the end of 2024. However, the Bank will still attract funds from retail segment and will continue supporting retail customers. The Bank considers this to be a non-adjusting post-balance sheet event.