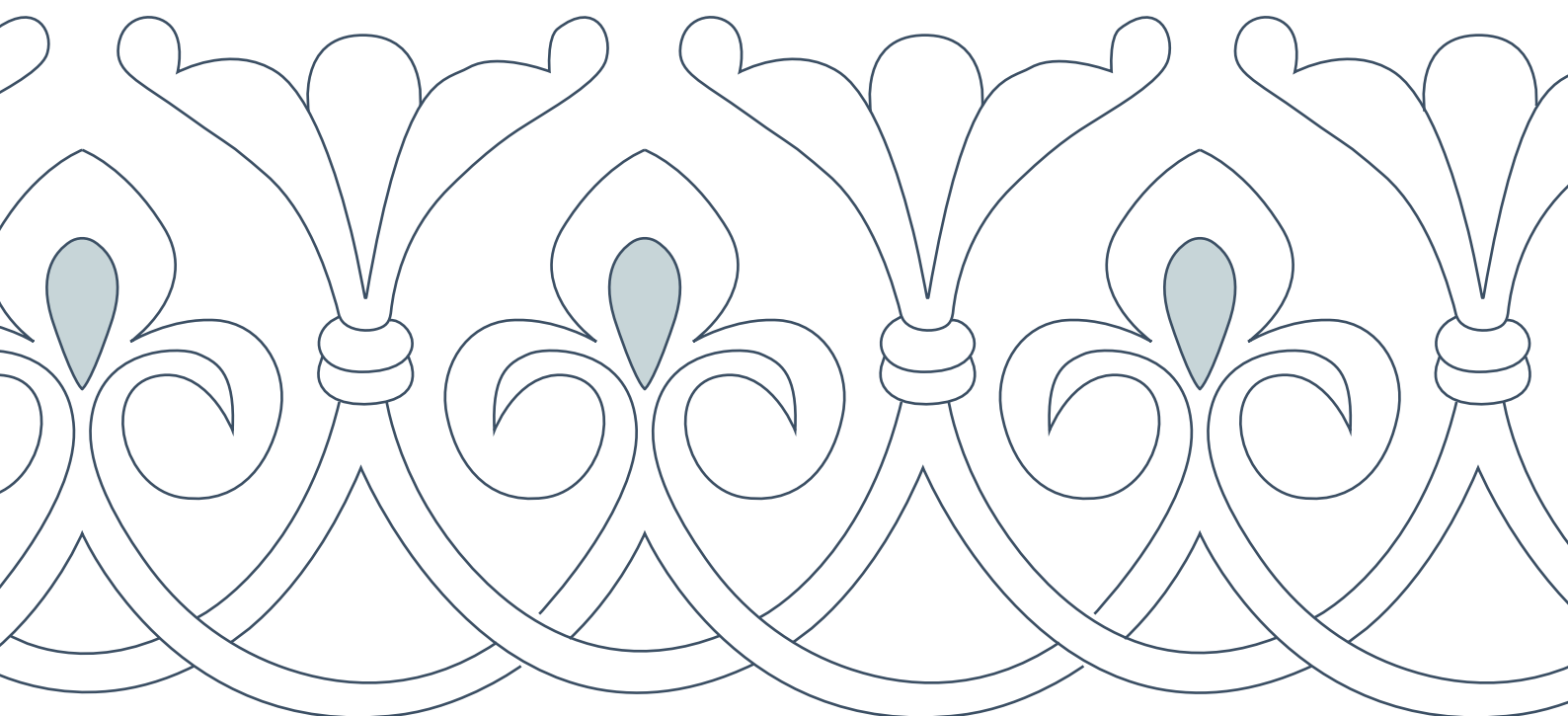




JSC MICROBANK
MBC

ANNUAL REPORT

2024





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0108 Tbilisi Georgia

Independent Auditor's Report

To the Shareholders and Management of JSC MICRO BANK MBC

We expressed an opinion on the financial statements of **JSC MicroBank MBC** (hereinafter – the Micro-bank) for the year ended December 31, 2024, on May 29, 2025. Other information, which is given in the management report, was provided after the date of the auditor's opinion on the financial statements and is the responsibility of the management. Our opinion on financial statements does not cover above mentioned other information.

In our opinion, based on the work undertaken in the course of the audit, the information given in the management report is consistent in all material respect with the 2024 financial statements and includes the information required by the Article 7, Clause 10 of the Georgian Law on Accounting, Reporting and Auditing.

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

Management is responsible for the preparation of the management report in accordance with the Georgian Law on Accounting, Reporting and Auditing.
Those charged with governance are responsible for overseeing the preparation process of management report.

Auditor's responsibilities for the Management report

We are responsible to review the above mentioned other information and assess whether it is materially inconsistent with the financial statements or with evidence obtained during the audit or gives the impression that it is materially misstated. If based on our work performed, we conclude that other information is materially misstated, we are obliged to disclose this information.
Our responsibility is to express opinion on the management report provided by the Company as of whether it is consistent with the financial statements as well as whether it includes information required by Law on Accounting, Reporting and Auditing, Article 7, Clause 10.

Davit Darsavelidze (Registration # SARAS-A-735032)
For and on behalf of BDO Audit LLC
Tbilisi, Georgia
30 May 2025



30/05/2025

STATEMENT OF RESPONSIBLE PERSONS

The audited financial statements and management report for the year ended 31 December 2024 is prepared by JSC MICROBANK MBC in accordance with the requirements of Law of Georgia On Securities Market and order #181/04 issued by the National Bank of Georgia.

We confirm that:

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and fully, accurately and fairly reflect the assets, liabilities, income and expenses, financial position, profit or loss and cash flows of the Microbank.
- The Management report includes a fair review of the development, performance, and conditions of the Microbank, with a description of the principal risks and uncertainties, it faces.

The responsibility statement was approved by the Supervisory Board and Management Board of the Microbank:

Chairman of the Supervisory Board

Murman Ambroladze

CEO

Gia Petriashvili

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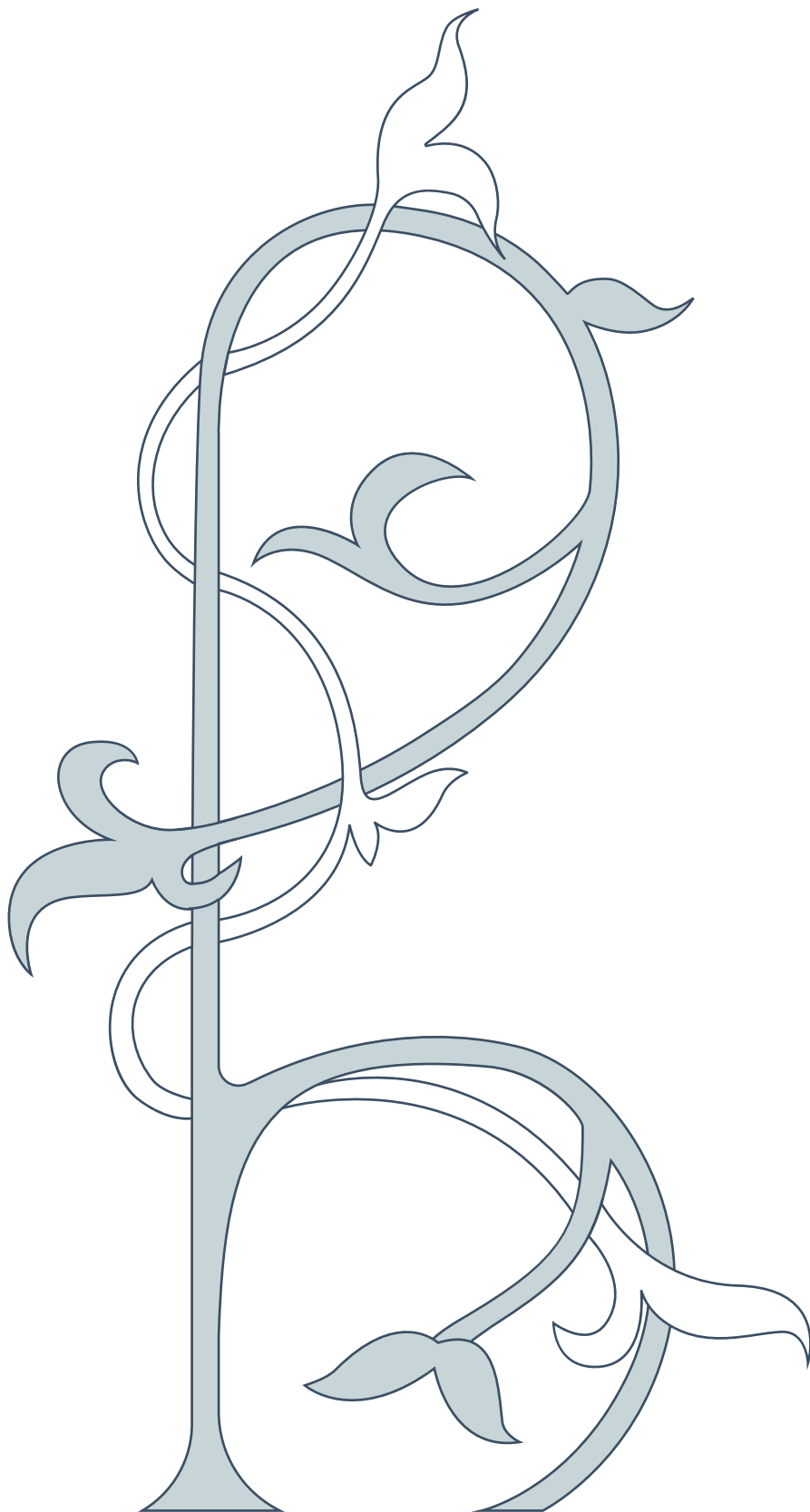
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ABOUT US



01. ABOUT US

Following 12 successful years of operation in the market, MBC became the first Microbank in Georgia. On December 5, 2024, the company received a Microbank license from the National Bank of Georgia, thereby pioneering the development of a new type of financial institution in the country: Microbanks.

With 17 Service Centers in Georgia, Loan Portfolio of GEL 119.5 million, Assets totaling GEL 145 million and over 184,000 customers, MBC is transitioning to a new phase of development. Soon, it will offer customers even more refined and diversified financial solutions.

The attainment of Microbank status will significantly increase MBC's maximum lending limit, which is expected to reach GEL 1 million. The company's primary focus will be on lending to Small and Medium-sized Enterprises (SMEs).

MBC's key competitive advantage will lie in its tailored offerings and less bureaucratic procedures for SMEs, simplifying their access to financial resources and ultimately contributing significantly to the country's economic development.

Beyond securing the Microbank license, 2024 was significant for MBC in several other respects. The company successfully placed a GEL 30 million two-year bond issuance on the Georgian Stock Exchange, marking its second emission in the last two years. Furthermore, toward the end of 2024, despite the challenging domestic environment, the leading European rating agency Scope Ratings upgraded MBC's credit rating from B Positive to B+ Stable, further confirming the company's stability and reliability. Successful collaboration with international financial organizations is also noteworthy, with foreign investments reaching GEL 47 million by the end of 2024.

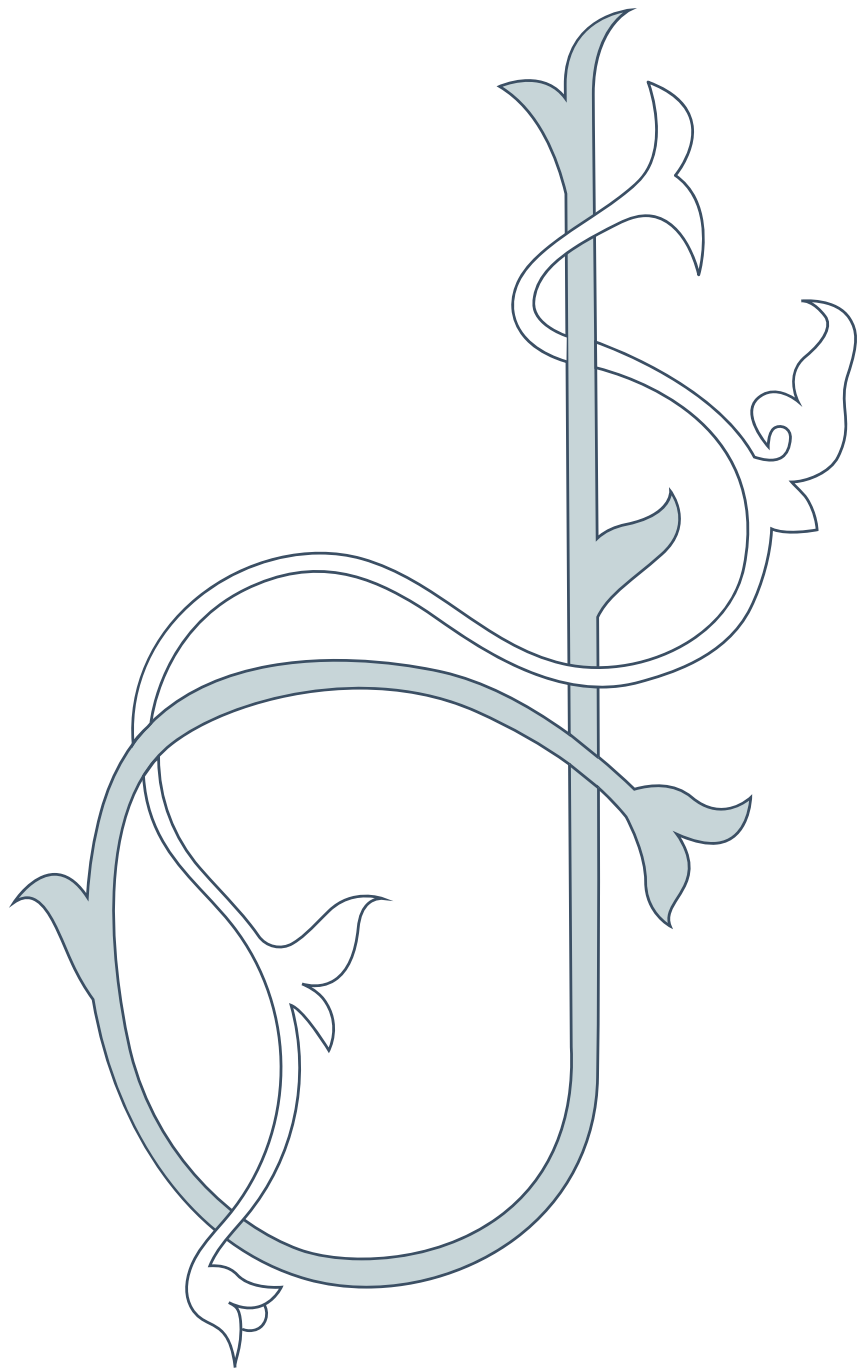
The past year was pivotal for MBC's preparatory phase toward Microbank transformation. The company made substantial investments in upgrading IT infrastructure, a crucial prerequisite for offering modern banking services to its customers. The process of opening current accounts for customers began at the end of 2024 and the company is now actively working to introduce deposits and other innovative financial products to the market in the near future.

In 2024, the company continued its active efforts to strengthen corporate sustainability. Particular emphasis was placed on supporting youth, promoting financial education, developing social enterprises and encouraging employee corporate volunteering. As part of the banking transformation process, the company plans to introduce an Environmental, Social and Governance (ESG) risk management system and fully integrate it into its overall risk management framework.

The Microbank transformation process will continue throughout 2025, a year that is expected to be equally significant and challenging.



KEY FINANCIAL AND OPERATIONAL INDICATORS



02. KEY FINANCIAL AND OPERATONAL INDICATORS

TOTAL ASSETS (+24%)

₪145 MILLION

NET PROFIT (+74%)

₪3.5 MILLION

ROE

15%

FUNDS BORROWED FROM
FINANCIAL ORGANIZATIONS (+27%)

₪98 MILLION

NUMBER OF BRANCHES

17

NUMBER OF CUSTOMERS

61.005

TOTAL LOANS (+18%)

₪119.5 MILLION

TOTAL CAPITAL (+13%)

₪23.2 MILLION

ROA

2.4%

NUMBER OF PARTNER
FINANCIAL INSTITUTIONS

13

NUMBER OF EMPLOYEES

255

EMPLOYEE
SATISFACTION INDEX

80%

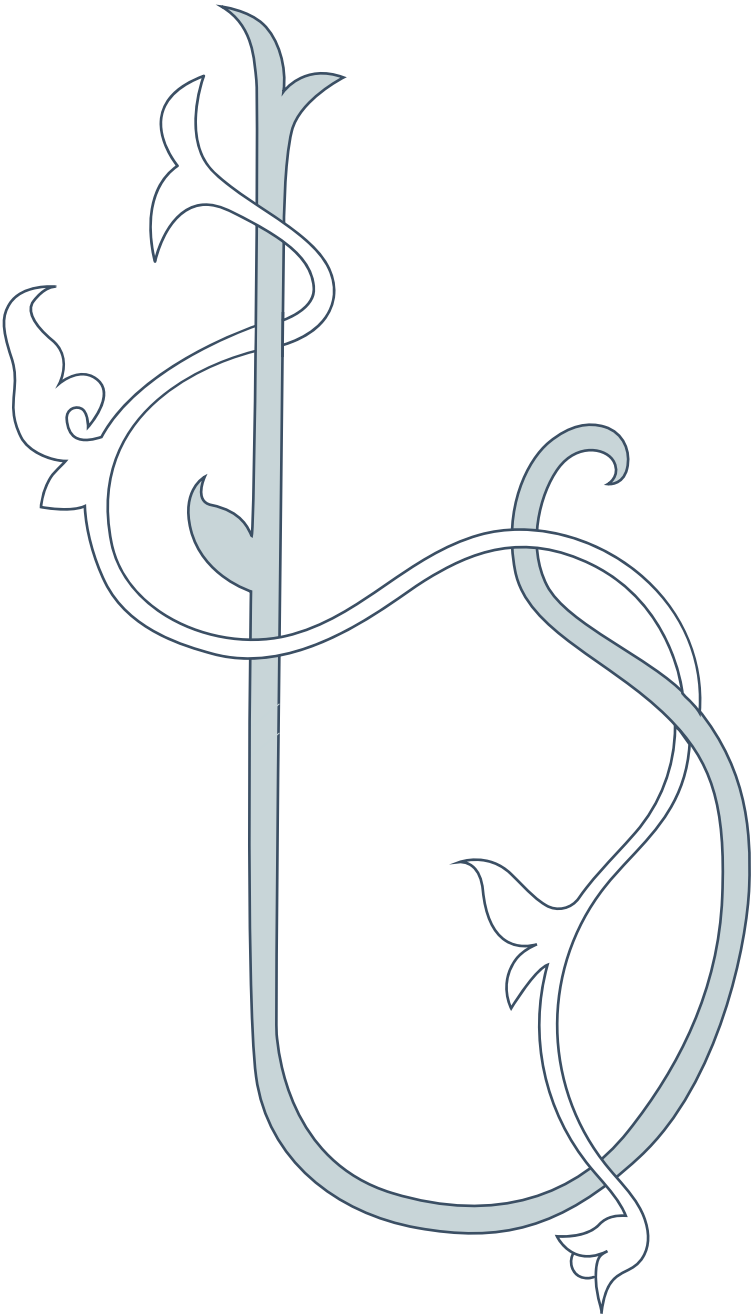
CUSTOMER
SATISFACTION INDEX

85 %

CUSTOMER
LOYALTY INDEX

86 %

**CHAIRMAN'S
LETTER**



03. CHAIRMAN'S LETTER



TARAS NIZHARADZE

CHAIRMAN OF THE SUPERVISORY BOARD

Dear Shareholders, Partners and Employees

It is a great privilege to address you at the close of an exceptionally successful year for MBC- a year that has attained historical significance not only for our company but for the entire financial sector of Georgia. It was this year that MBC became the first licensed Microbank, laying the foundation for the development of a new type of modern and flexible financial institution in the country.

Securing the Microbank license was a strategically pivotal change for MBC. It has enabled us to substantially expand our service offerings, significantly raise our lending limits, provide customers with even more comprehensive financial services tailored to their needs and establish ourselves as a reliable financial partner for Small and Medium-sized Enterprises (SMEs).

The past year was marked by significant financial and operational achievements for MBC. The company improved virtually all key indicators. It is essential to analyze MBC's results in the context of general microfinance sector trends. As you know, the total loan portfolio growth of the microfinance market in 2024 amounted to 15.7%. MBC recorded one of the highest growth rates among sector representatives, achieving 18%. Furthermore, the number of MBC's active borrowers grew by 7.8%, surpassing 9,300 as of December 2024. In addition, the company took significant steps in cultivating relationships with local and international partners, increasing the volume of funds raised by 26% in 2024.

In parallel with this growth, the company distinguishes itself with some of the lowest risk parameters relative to the market and its largest players. The Return on Equity (ROE) reached 15%.

In 2024, MBC has consistently maintained high indices for employee and customer satisfaction and loyalty, which is particularly gratifying to us.

Throughout the Microbank transformation process, the social and strategic responsibility that MBC continuously upholds is paramount. This includes improving access to financial resources for customers in the regions, supporting SMEs and strengthening corporate sustainability through the integration of the ESG framework. Active attention to these matters is an integral part of the Supervisory Board's agenda.

As Chairman of the Board, I must emphasize that the successful implementation of our strategic directions is due to the tremendous contribution of the company's management, professional employees and our international and local partners, whose trust and support are one of our main pillars.

The year 2025 will be equally significant and challenging. The Board will continue to monitor the company's long-term objectives, support a robust risk management system and oversee the strategic decisions of the management. Our collective objective is to establish MBC as the undisputed leader in the Microbank sector- a stable, innovative and customer-centric organization.

03. CHAIRMAN'S LETTER

At the same time, I wish to inform you that I will be stepping down from the position of Chairman of the Supervisory Board starting next year. I will be handing over this important responsibility to my colleague, Murman Ambroladze. I wish him success in carrying out this crucial mission- I believe that under his leadership, MBC will achieve all its goals.

I believe that together we are setting an example of how a financial institution can not only successfully respond to market demands, but also contribute to the sustainable development of the country's economy and society.

Thank you sincerely for your trust.

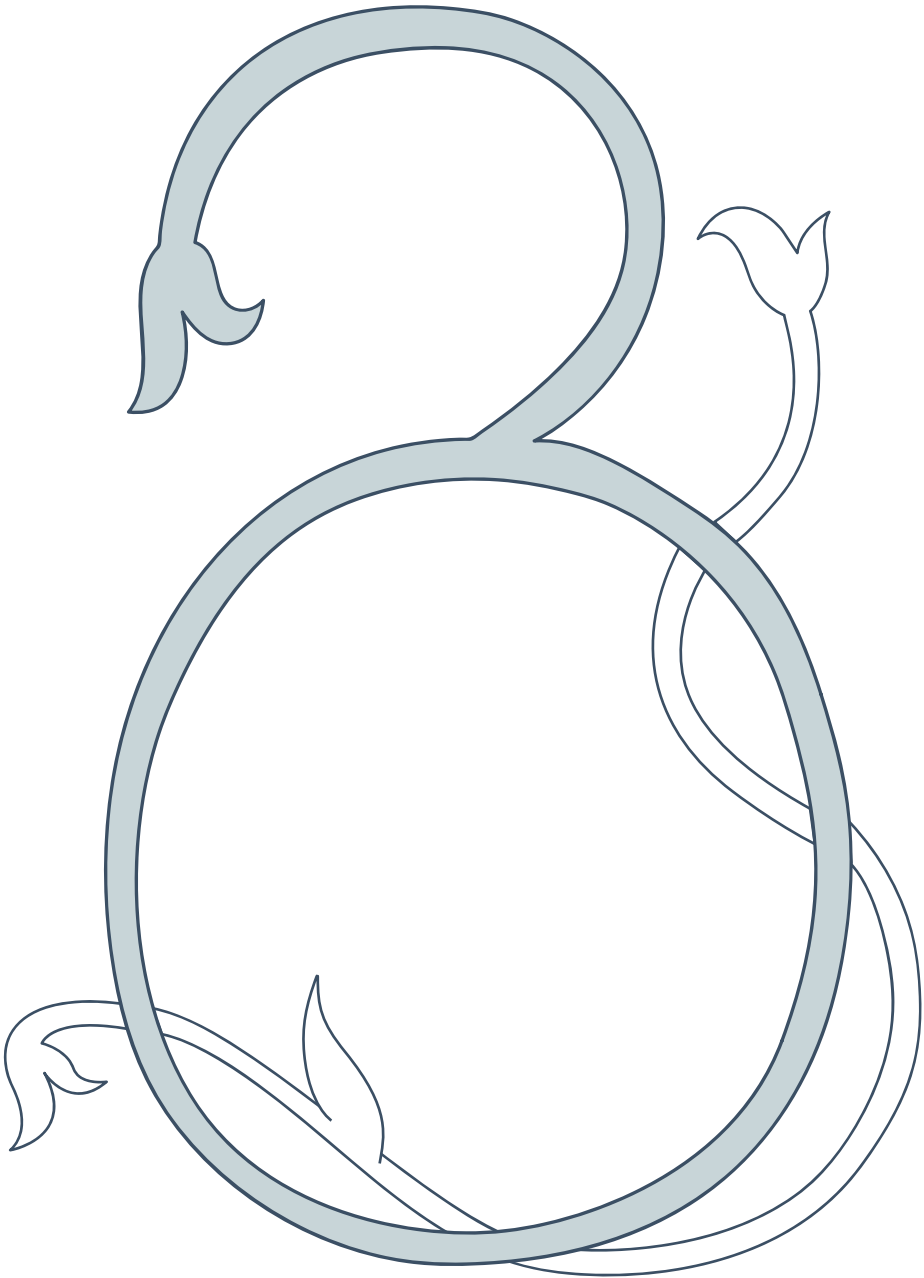


Taras Nizharadze

Chairman of the Supervisory Board



**CEO
LETTER**





GIA PETRIASHVILI

CEO OF MBC

Dear Shareholders, Partners and Employees,

I am delighted to present the Annual Report of our company for 2024.

The past year has proven to be exceptionally significant and transformative for MBC. Following 12 years of successful operation, we have embarked on a new, historic phase of development: MBC has become the first Microbank in Georgia.

On December 5, 2024, we received a Microbank license from the National Bank of Georgia, thereby spearheading the establishment of a new type of financial institution in the country. This is a massive achievement for our entire team and simultaneously, a great responsibility towards our customers and the nation's economy.

Key Financial Highlights

2024 was financially successful for MBC as well. The company's loan portfolio increased by 18% to reach 119.5 million GEL. We recorded a 24% growth in assets and in terms of capital, we registered a 13% improvement compared to the same period last year. Among the financial indicators, the growth in Net Income is particularly noteworthy, having increased by 74% in 2024 compared to 2023.

Changes Driven by the Microbank License

By obtaining Microbank status, MBC's lending limit will increase significantly and aims to reach GEL 1 million by 2025. Accordingly, along with microloans, our main focus will now be on lending to Small and Medium-sized Enterprises (SMEs). MBC will focus on this segment and actively work to ensure that our offerings are tailored, relevant, and acceptable to this group. We plan to keep our finger on the pulse of Small and Medium-sized Enterprises and offer customers high-standard, reliable, diversified and quality banking services with less bureaucracy and quicker turnaround times.

Among the rights granted by the Microbank license is the ability to offer deposits, which MBC will introduce to customers during 2025. Furthermore, our customers will have access to current accounts.

Other Significant Events in 2024

Obtaining a Microbank license was not the only significant event in 2024. At the end of last year, the company successfully placed a GEL 30 million two-year bond issue on the Georgian Stock Exchange, marking our second issuance in the last two years. It is also important to note that in 2024, despite the complex political situation in the country, the leading European rating agency Scope Ratings upgraded MBC's credit rating from B Positive to B+ Stable, which once again confirms the stability and reliability of our company.

MBC received an award for the best annual report and transparency at the "BARTA 2024" competition. The company won in the category for Small and Medium-sized Organizations for the fourth consecutive time, which emphasizes its commitment to corporate transparency and compliance with international reporting standards.

04. CEO LETTER

I should also note that for us, as a responsible financial institution, the integration of ESG principles is of particular importance, both in internal and external processes. We believe that sustainable development is not only a corporate responsibility, but also a fundamental basis for long-term success and competitiveness. We are firmly determined to address the challenges of the modern world with an integrated approach and create value for all stakeholders. Accordingly, significant steps are planned to be taken in this direction in 2025.

Vision for the Future

The transformation process of MBC will continue in 2025, and I am confident that it will be equally significant and engaging. Our team is fully committed to successfully implementing all set objectives and justifying the trust of our customers, partners and shareholders.

One of the main challenges for MBC in 2025 will be the digitalization of business processes. We consider this to be a decisive factor for competitiveness and long-term success. We are ready to actively implement digital technologies to increase efficiency and create new value for our customers.

I would like to express my sincere gratitude to every employee for their tireless work and dedication. Your professionalism and commitment are the basis of our success. I also thank our customers and partners for their trust and support. Thank you to MBC's shareholders for their continuous support and partnership.

I believe that together we will turn MBC one of the leading and innovative Microbank in the country, which will make a significant contribution to the economic development of Georgia.

Sincerely,

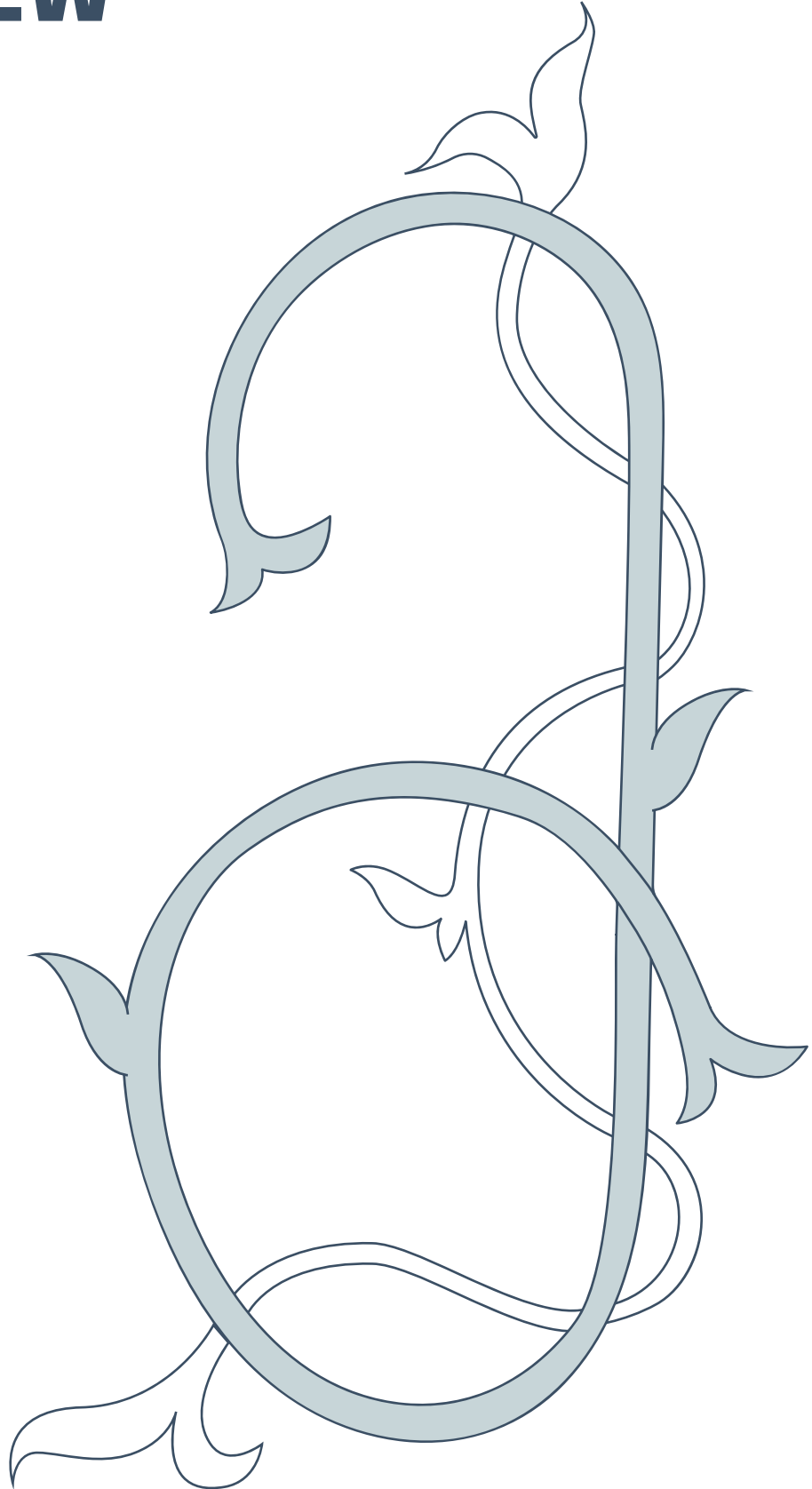


Gia Petriashvili

CEO



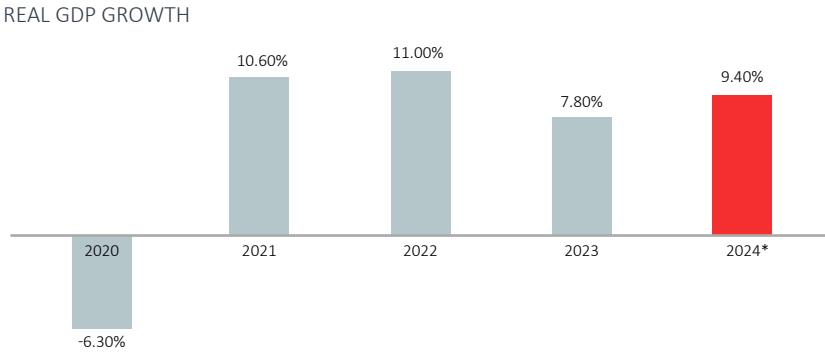
MACROECONOMIC REVIEW



05. MACROECONOMIC REVIEW

REAL GDP GROWTH

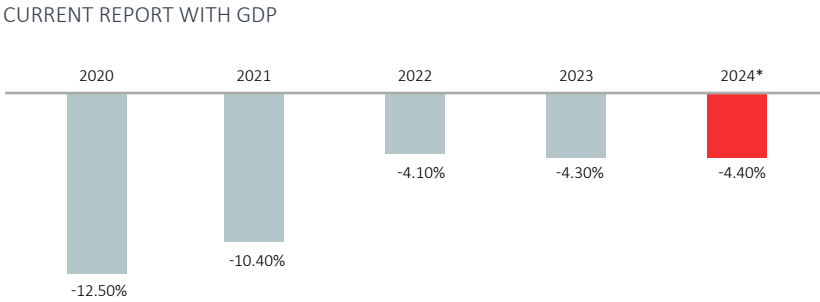
According to the preliminary estimate by the National Statistics Office of Georgia (Geostat), the Georgian economy demonstrated a significant growth trajectory in 2024. The Real Gross Domestic Product (GDP) reached 9.4%, which exceeds the actual figure for 2023 by 1.6 percentage points.



CURRENT REPORT

According to the “Balance of Payments of Georgia” data published by the National Bank of Georgia (NBG), the current account deficit (CAD) in 2024 amounted to 1,492 million USD and represented -4.4% of GDP.

The analysis indicates that the 2024 Current Account Deficit exceeds the comparable figure for 2023 by approximately 217 million USD. The CAD, as a percentage of GDP, experienced a significant decrease from 10.2% recorded in 2021 to 4.1% in 2022. A minor subsequent increase was observed, reaching 4.3% in 2023 and 4.4% in 2024.



EXPORT-IMPORT

Compared to 2023, the volume of exports from Georgia in 2024 increased by approximately 7.8%, reaching 6.56 billion USD. Imports also grew by approximately 8.6%, totaling 16.9 billion USD.

Neighboring countries maintained their leading positions in the ranking of Georgia's largest trading partners in 2024. Furthermore, the European Union (EU) remains an important trading partner, accounting for 27.2% of Georgia's total merchandise imports and 8.7% of exports.

During the reporting period, the largest export destinations were: Kyrgyzstan (1.29 billion USD), Kazakhstan (860 million USD), and Azerbaijan (720 million USD).

In terms of imports, Georgia's largest trading partners were: Turkey (2.8 billion USD), the United States (2 billion USD), Russia (1.8 billion USD) and China (1.6 billion USD).

MONEY TRANSFERS

The downward trend in money transfers (remittances) inflows to Georgia persisted in 2024.

The total volume of funds transferred to the country during the reporting period amounted to 3.3 billion USD, which is 785 million USD or 19% lower than the figure recorded in 2023.

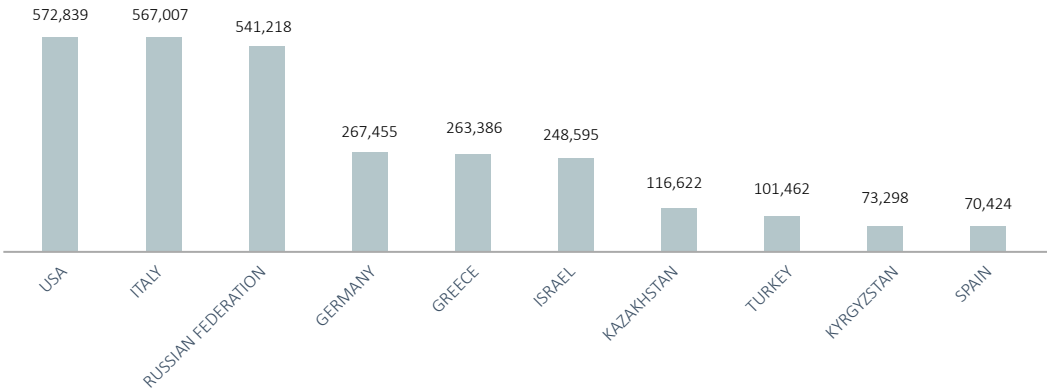
By country, the upward trend in transferred funds was maintained in the United States, Italy, Germany, Greece, Israel, Kyrgyzstan and Spain. Concurrently, a decline was observed in transfers originating from the Russian Federation, Kazakhstan and Turkey.

The European Union (EU) plays a significant role in key sources of financial inflows to the country, such as remittances and tourism. In 2024, the share of remittances received from the EU reached 42.9% of the total funds transferred to Georgia, significantly exceeding the 31.5% recorded in 2023. According to the National Bank of Georgia (NBG) estimates, the EU's share of tourism revenues equaled 12.9% in 2024, which is slightly lower than the 13.3% recorded in 2023.

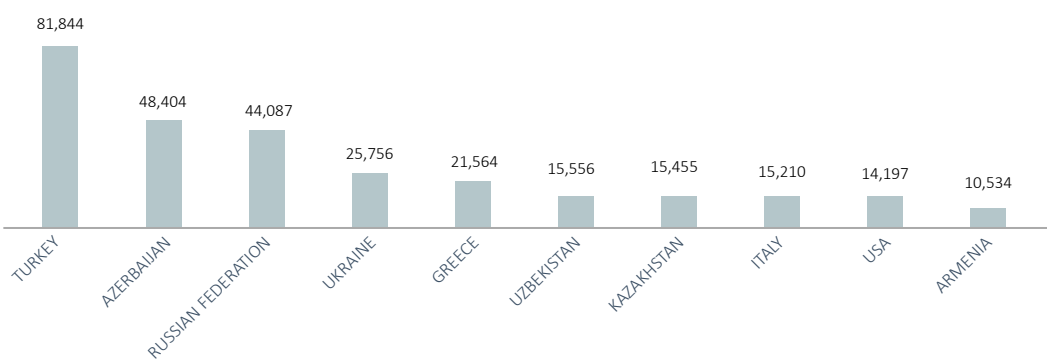
Distribution of transfers according to the largest countries: USA - 17% of total transfers, Italy- 16.9%, Russian Federation- 16.1% and Germany- 8%.

Distribution of outgoing transfers according to the largest countries: Turkey 21.7% of total transfers, Azerbaijan- 12.8%, Russian Federation- 11.7% and Ukraine- 6.8%.

INFLOWS OF REMITTANCES BY THE LARGEST COUNTRIES (IN THOUSANDS OF USD)



OUTFLOW OF REMITTANCE TRANSFERS BY LARGEST COUNTRIES (IN THOUSANDS OF USD)



05. MACROECONOMIC REVIEW

Tourism

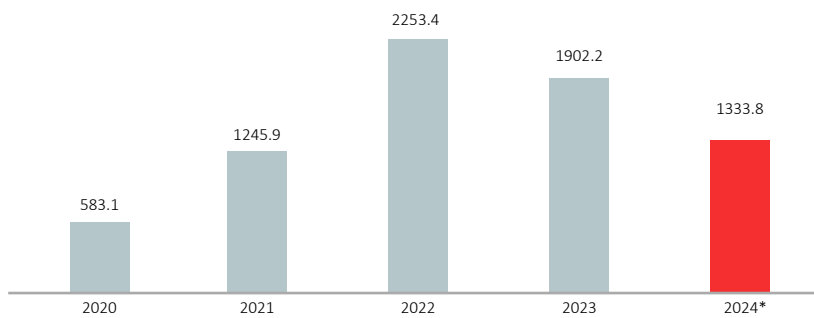
In 2024, the average monthly number of non-resident visitors exceeded the level of 2023 by 5% and reached 451.1 thousand. This figure represents 90% of the pre-pandemic number of visitors in 2019. The largest source countries in terms of the number of visitors were the Russian Federation (100.9 thousand), Turkey (85.7 thousand), Armenia (57.3 thousand) and the EU countries (31.9 thousand).

During the reporting period, the average monthly expenditure of visitors amounted to GEL 1,189.6 million, which is 10% higher than the average monthly figure in 2023. The total monthly expenditure was distributed as follows: accommodation- GEL 400.7 million, shopping- GEL 286.4 million and food and beverages - GEL 266.1 million.

Foreign Direct Investments (FDI)

Preliminary data indicates that Foreign Direct Investments (FDI) in 2024 amounted to approximately 1.3 billion USD, which represents a decline of about 30% compared to the 1.9 billion USD investments recorded in 2023.

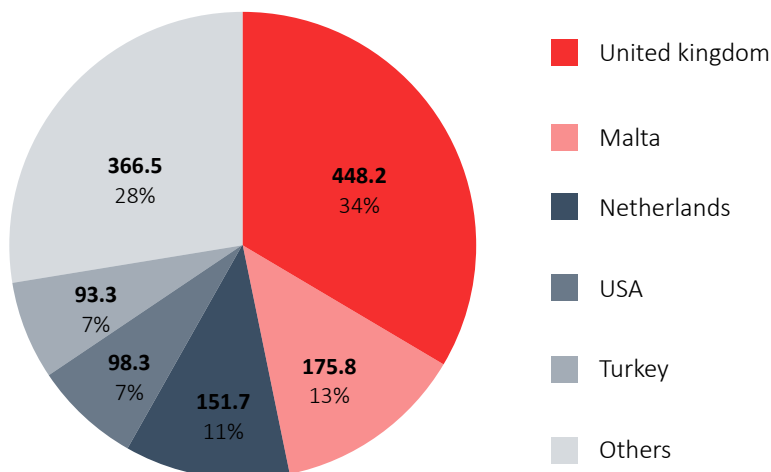
FOREIGN DIRECT INVESTMENTS (FDI) (MILLION USD)



The largest Foreign Direct Investments (FDI) by country for 2024 are as follows:

The largest foreign direct investor in Georgia is the United Kingdom, accounting for 34% of total investments, followed by Malta with at 13%, Netherlands at with 11%, the USA at 7% and Turkey at with 7%.

FOREIGN DIRECT INVESTMENTS (FDI) BY COUNTRY

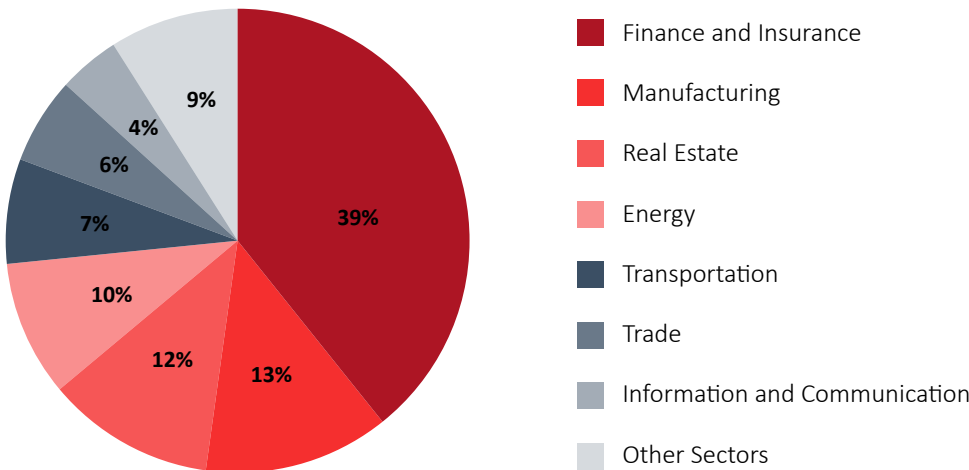


05. MACROECONOMIC REVIEW

The distribution by sector is presented below:

Financial and insurance activities account for 39%, followed by manufacturing at 13%, real estate at 12%, energy at 10%, transport at 7% and trade at 6%.

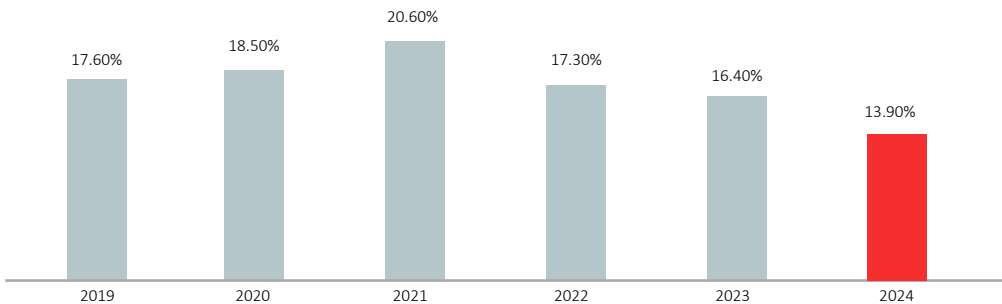
FOREIGN DIRECT INVESTMENT (FDI) DISTRIBUTION BY SECTOR



Employment and Wages

Following the peak level recorded in 2021, the unemployment rate in Georgia has shown a sustained downward trend, which continued throughout 2024. Specifically, while the unemployment rate was 20.6% in 2021, it declined to 17.3% in 2022, 16.4% in 2023 and 13.9% in 2024.

UNEMPLOYMENT RATE



The indicator for the average monthly nominal wage also shows positive dynamics. The average monthly nominal wage amounted to GEL 1,766.8 in 2023, and based on preliminary data, increased to GEL 2,058.7 in 2024.

05. MACROECONOMIC REVIEW

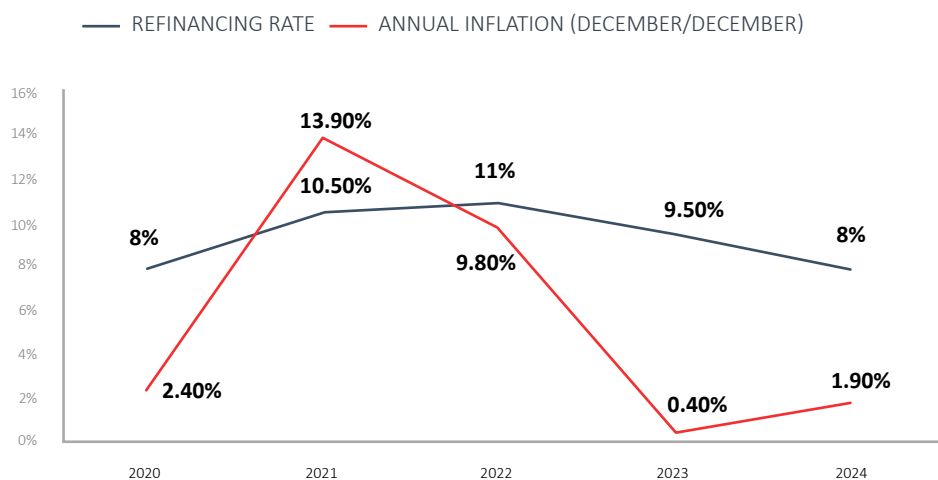
Exchange Rate and International Reserves

In 2024, the average annual change in the Real Effective Exchange Rate (REER) was -5.4%, which is significantly lower than the comparable figure of 11.6% recorded in 2023.

As of the end of 2024, the volume of Georgia's International Reserves amounted to 4.4 billion USD, representing a decrease of 0.5 billion USD compared to the figure recorded at the end of 2023. Accordingly, the months of import coverage ratio- one of the measures of international reserves adequacy- declined from 3.4 to 2.8 in 2024.

Inflation and Monetary Policy Rate

As a result of the National Bank of Georgia's (NBG) strict monetary policy in previous years, the average annual inflation rate (December/December) in 2024 amounted to 1.9%, remaining below the target rate of 3%. The annual inflation rate was 0.4% in 2023. Consequently, starting from the beginning of 2023, the NBG began easing its monetary policy, which was reflected in the decline of the refinancing rate. The refinancing rate stood at 11% at the end of 2022 and it was reduced to 8% by the end of 2024.



State Budget

In 2022, the consolidated state budget deficit stabilized within the established 3% threshold and amounted to 2.4%, while in 2021 the deficit exceeded 6%. According to preliminary data for 2024, the budget deficit is 2.6%.

Government Debt

In 2024, Government Debt amounted to 53% of GDP, of which 39% was external debt and 14% was domestic debt. This represents a 1-percentage-point increase compared to the previous year.

As of the end of 2024, Georgia's State External Debt amounted to GEL 23.1 billion, slightly lower than the GEL 24 billion recorded at the end of 2023. Meanwhile, Domestic Debt reached GEL 10 billion at the end of 2024, up from GEL 8.6 billion as of December 2023.

International Rating

In 2024, Georgia's sovereign credit rating remained broadly unchanged, although several rating agencies adjusted their assessments of the country's outlook.

05. MACROECONOMIC REVIEW

- **S&P Global:** At the beginning of 2024, S&P Global affirmed Georgia's sovereign credit rating at BB- and upgraded the outlook from "Negative" to "Stable."
- **Moody's:** Moody's maintained Georgia's rating at Ba2, keeping the outlook "Negative."
- **Fitch Ratings:** In December 2024, Fitch Ratings confirmed Georgia's sovereign credit rating at BB, while revising the outlook from "Stable" to "Negative."

2025 Economic Forecast

Despite the backdrop of global instability and geopolitical risks, Georgia's economic development prospects for 2025-2026 are highly dependent on the development of green and energy infrastructure. Various international and local institutions present different, but generally positive, forecasts for Georgia's economic growth, inflation and external sector indicators.

The Asian Development Bank (ADB) forecasts that Georgia's Gross Domestic Product (GDP) will grow by 6% in 2025 and this figure will stabilize at 5% in 2026, primarily due to the reduction in the services sector growth and money transfers. Inflation is projected to increase to 4% in 2025 and in 2026, this rate is expected to begin converging towards the Central Bank's target of 3%. Due to global market instability in 2025-2026, the ADB forecasts a reduction in remittance inflows, which is expected to result in an increase in the Current Account Deficit (CAD). The agricultural sector is projected to grow by 3.9% as a result of improved infrastructure and the development of sustainable practices.¹

The International Monetary Fund (IMF) forecasts that Georgia's real GDP growth will be 5.2% in 2025 and 4.7% in 2026. Inflation is forecast at 3.7% in 2025, declining from 2026 and approaching the 3% target. The Current Account Deficit (CAD) is forecast at 5.6% of GDP in 2025 and 5.5% in 2026.²

The Parliamentary Budget Office (PBO) forecasts that the Georgian economy will grow by 6.1% in 2025. The PBO's forecast for real GDP growth for 2025 (6.1%) is 0.1 percentage point (pp) higher than the Government's forecast (6.0%). The PBO forecasts the average annual economic growth rate to be 6.3% during the medium term (2024-2028).³

Inflation is projected to be lower than the target rate in 2025, reaching 2.2%. The Government's forecast, however, projects inflation at 3.2% in 2025.

Parallel to the revitalized economic activity, the ratio of private investments to GDP is projected to reach 19.1% for 2025, demonstrating an increasing trend in the medium term and reaching 20.1% in 2028. According to the Government's forecast, the private investment-to-GDP ratio is expected to grow to 19.2% in 2025, increasing in the medium term and equaling 19.8% by 2028.

Regarding the Consolidated Budget Deficit, the PBO projects a figure of -2.2% for 2025, which differs by 0.3 percentage points from the Government's comparable figure (-2.5%).

The expected Current Account Deficit in the Balance of Payments for 2025 is 4.2% of GDP, which aligns with the Government's projected figure of 4.2% of GDP. The PBO estimates that the Current Account balance will stabilize within the range of -4.1% of GDP on average during 2024 - 2028.

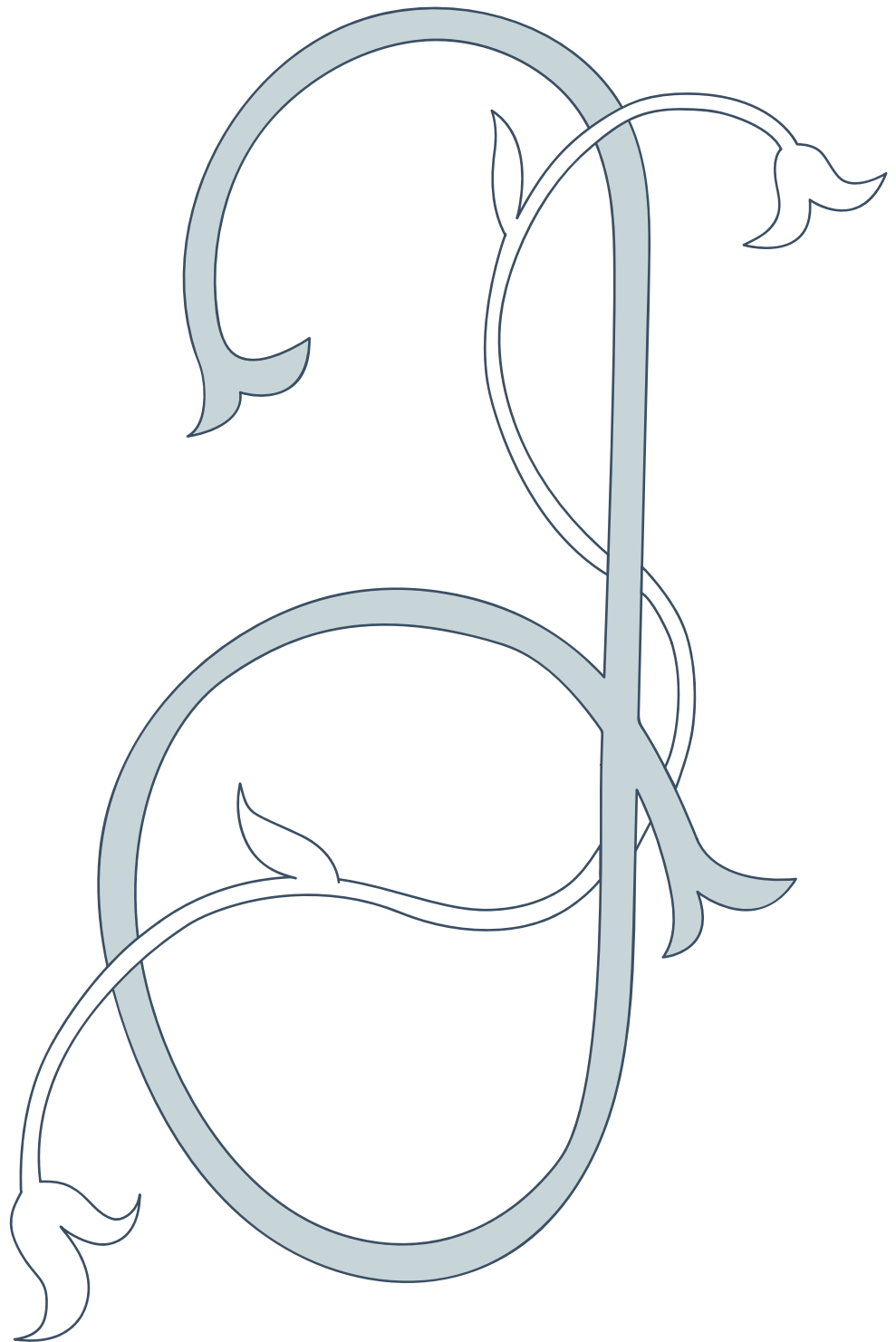
The PBO forecasts that the Trade Deficit will reach 7.4% of GDP in 2025, while the Government forecasts the deficit to be 7.8%.³

1. <https://www.adb.org/news/georgian-economy-grow-6-year-5-2026-adb>

2. <https://www.imf.org/en/News/Articles/2024/05/24/pr-24181-georgia-imf-executive-board-concludes-2024-article-iv-consultation>

3. <https://infogram.com/makroekonomikuri-prognozidekemberi-2024-2025-tslis-mesame-tsardgena-1h1749w3jkm3q2z?live>

MICROFINANCE MARKET REVIEW



06. MICROFINANCE MARKET REVIEW

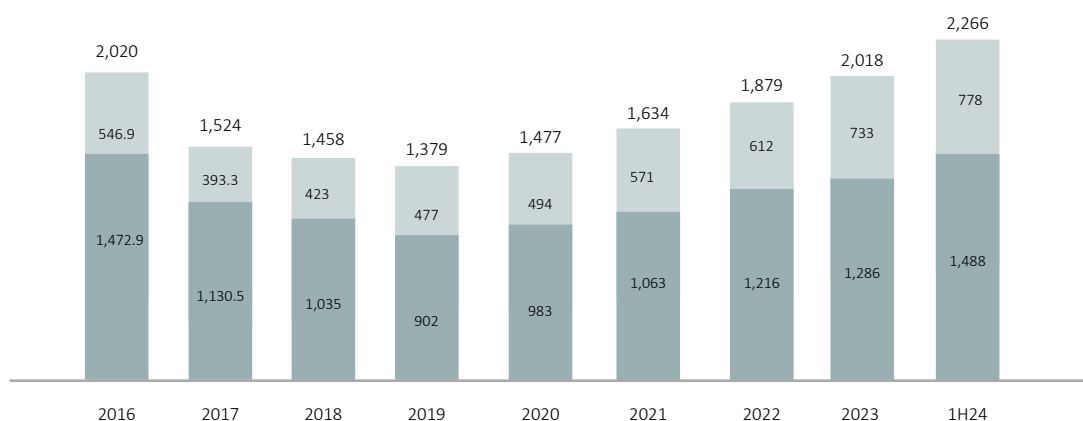
A significant stage in the development of Microfinance Organizations (MFOs) in Georgia began in 2006, after the adoption of the relevant law by the Parliament of Georgia. Over the next decade, the sector experienced significant growth. In 2010-2016, the annual growth rate (CAGR) of the sector's total assets reached 36.7%, while the CAGR of the total loan portfolio during the same period was 35.9%.

However, legislative changes implemented in 2017-2020 had a significant impact on the further development of the sector. These changes included imposing a 50% cap on the effective annual interest rate, restricting lending in foreign currency, implementing responsible lending standards, defining minimum capital and liquidity requirements and other regulations. Consequently, the number of MFOs sharply declined, dropping to approximately 30 by the end of 2024.

Alongside the legislative changes in the sector, a trend toward stabilization emerged in the growth rate (CAGR) of MFOs' total assets, which amounted to 4.8% between 2017 and 2023. As of the end of 2024, the total assets of MFOs amounted to 2,266 million GEL (annual growth of 15.3%). The structure of these assets is as follows: GEL 1,488 million (annual growth of 15.7%, CAGR 2017-2023: 2.2%) represents liabilities, while GEL 778 million (annual growth of 6.3%, CAGR 2017-2023: 10.9%) is financed by equity.

It is noteworthy that at the end of 2024 MBC received a Microbank license, which is why its data is not reflected in the consolidated sector figures at the end of 2024.

Total Equity and Liabilities of Microfinance Organizations (MFOs) (Mln. GEL)



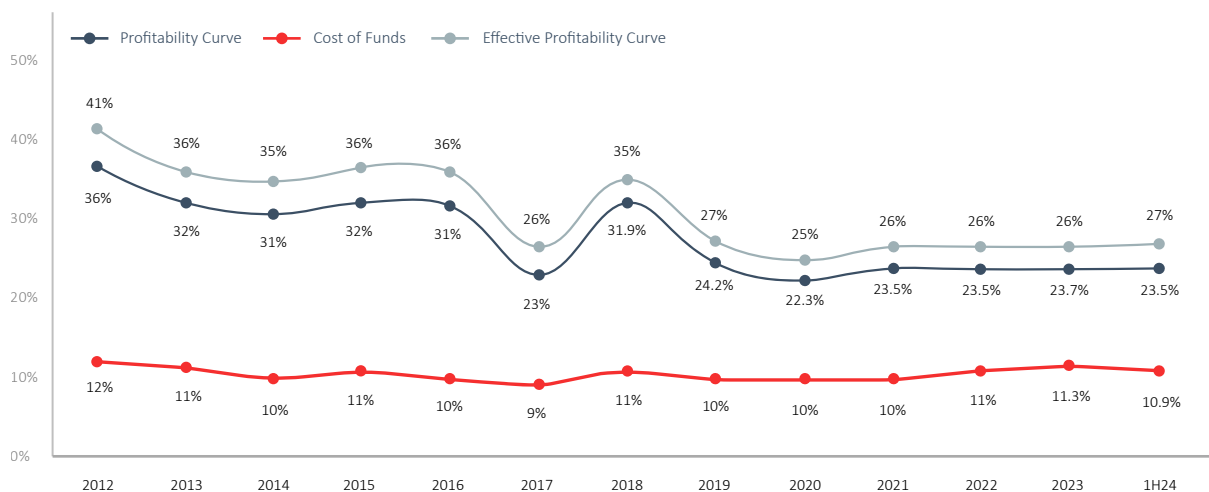
Source: National Bank of Georgia

Against the backdrop of a tightened regulatory environment, the profitability of the microfinance sector has been characterized by a declining trend since 2016. This trend is directly linked to the gradual reduction of the upper limit on the Effective Interest Rate (EIR), which was set at 100% in 2017 and subsequently reduced to 50% in 2018. Such regulatory constraints led to the exit of non-qualified players from the market. Consequently, among the qualified Microfinance Organizations (MFOs) remaining in the market, the sector's profitability has recently fluctuated within the 23%-24% range.

The cost of funds for Microfinance Organizations is notably stable, averaging 11% between 2021 and 2024. The average spread over the same period remains within the range of 13%.

06. MICROFINANCE MARKET REVIEW

Profitability and Cost of Funds of Microfinance Organizations (MFOs)



Source: National Bank of Georgia

Note 1: The profitability curve reflects the ratio of Interest Income to the total loan portfolio, while effective profitability additionally includes fee and commission income. The ratios are calculated based on aggregate figures expressed in GEL.

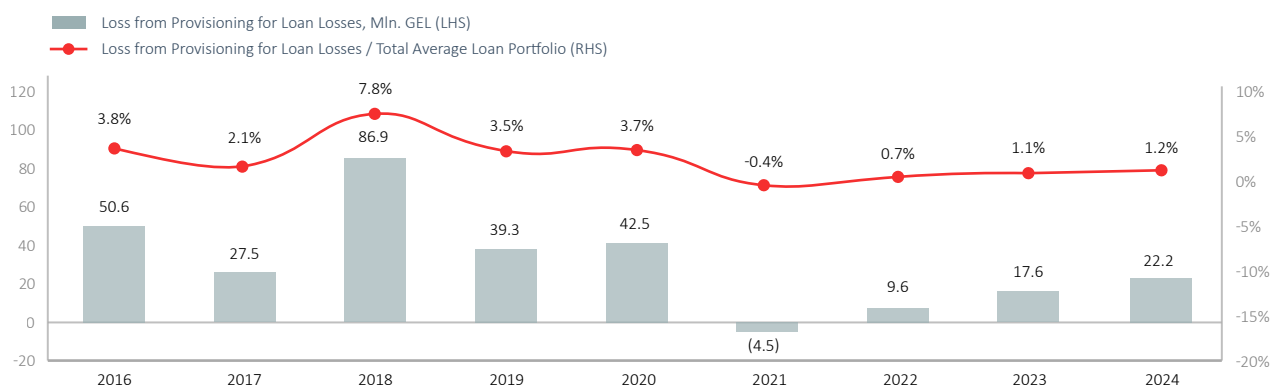
Note 2: The increase in profitability in 2018 is a one-time effect caused by the exit of certain Microfinance Organizations (MFOs) (primarily former online lending entities) from the market at the end of the year and the corresponding reduction in the portfolio, while the Interest Income of the aforementioned MFOs was accounted for in the sector's total income.

As of the end of 2024, the total credit portfolio of Microfinance Organizations (MFOs) reached GEL 1,970 million, reflecting a 15.7% annual growth. The sector's credit portfolio was characterized by a rapid growth rate prior to 2017, which was partly influenced by one of the largest players, JSC Credo Bank, obtaining commercial bank status. In addition to this factor, the fundamental legislative changes implemented in the microfinance sector's regulatory framework temporarily slowed the growth of the credit portfolio, but simultaneously contributed to its rehabilitation and the reduction of risks within the sector.

A clear illustration of this is the decrease in the share of non-performing loans (NPLs) in the total portfolio, which averaged 7.5% during 2021-2024, while the share of non-performing loans (NPL) in the same period averaged 4.3%. For comparison, at the beginning of 2019 these figures were 21.9% and 17.9%, respectively.

The improvement in the financial stability of the sector is also reflected in the reduction in the cost of provisioning for potential portfolio losses. Although this figure was 3.8% in 2016, by 2024 it is currently within 1%.

Loss from Provisioning for Loan Losses and its Ratio to Average Loan Portfolio



Source: National Bank of Georgia

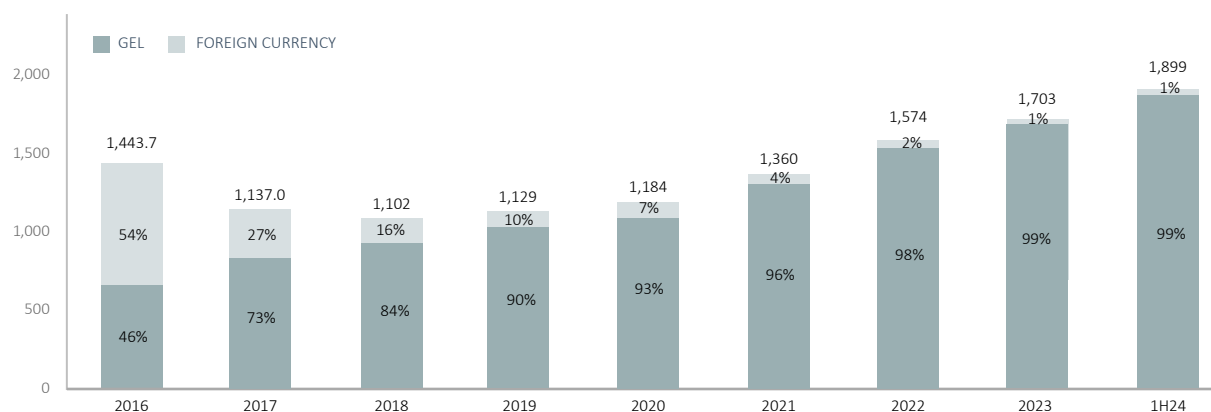
Note: The ratios are calculated based on aggregate figures expressed in GEL.

06. MICROFINANCE MARKET REVIEW

The microfinance sector's credit portfolio is practically entirely denominated in the national currency, which is the result of legislative changes adopted within the framework of the state "larization" program. In accordance with this regulation, since 2017, financial institutions have been limited to issuing loans in foreign currency up to GEL 100,000. Subsequently, from May 2023, this limit was increased to GEL 400,000.

Given that Microfinance Organizations (MFOs) are legally capped at a maximum loan limit of GEL 100,000 per borrower, the share of loans denominated in foreign currency in the sector's total portfolio is approaching zero.

Credit Portfolio Distribution (Million GEL)



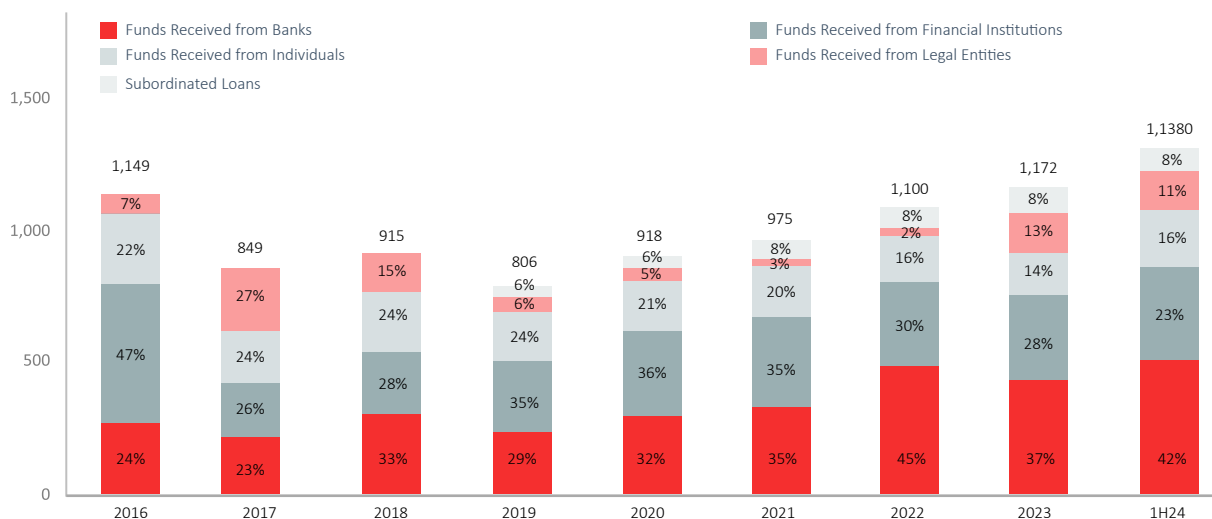
Source: National Bank of Georgia

Note: Consumer loans include consumer, online, pawn shop loans, and installment loans.

It is noteworthy that the primary source of funding for Microfinance Organizations' (MFOs) assets is borrowed funds. As of the end of 2024, the total raised loan resources of MFOs amounted to GEL 1,380 million, 42% of which (GEL 582.6 million) comes from loans received from commercial banks.

The National Bank of Georgia (NBG) aims to diversify the funding sources utilized by MFOs and reduce reliance on less-informed individuals in favor of qualified investors. To achieve this goal, a regulation came into force in January 2017 that restricts the raising of funds from more than 20 individuals if the investment made by each individual is less than GEL 100,000.

As a result of this regulatory change, the share of funds raised from commercial banks and other alternative sources in MFOs' total borrowed resources is increasing, which contributes to strengthening the sector's financial stability.

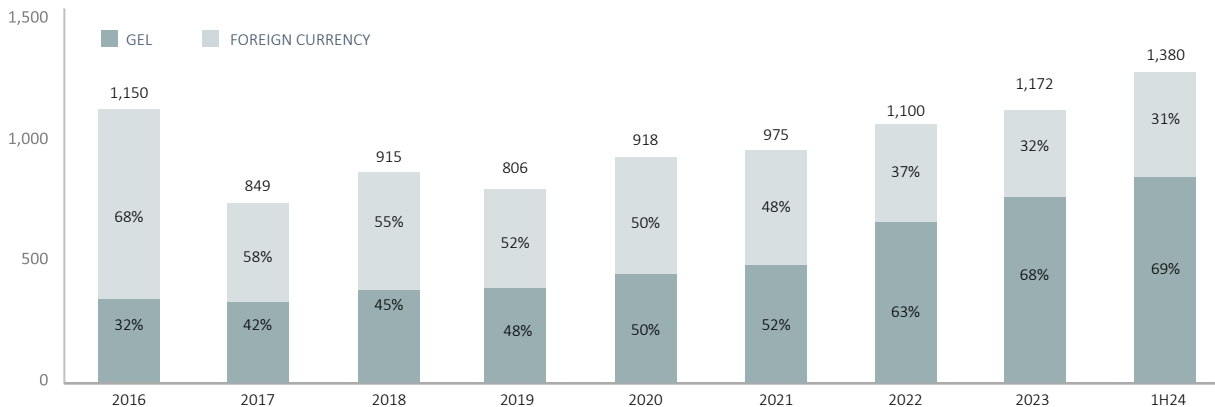


06. MICROFINANCE MARKET REVIEW

It is also noteworthy that a significant portion of the borrowed resources raised by Microfinance Organizations (MFOs) is denominated in foreign currency, the share of which stood at 31% at the end of 2024. Simultaneously, MFOs are authorized to issue loans only in the national currency as evidenced by the 99% larization rate of their loan portfolio (based on end-of-2024 data).

This mismatch creates a potential currency risk for Microfinance Organizations. To partially hedge this risk, they frequently utilize currency swap instruments executed with local banks, which, in turn, somewhat increases their operational costs.

Total Borrowed Funds of Microfinance Organizations by Currency (Million GEL)

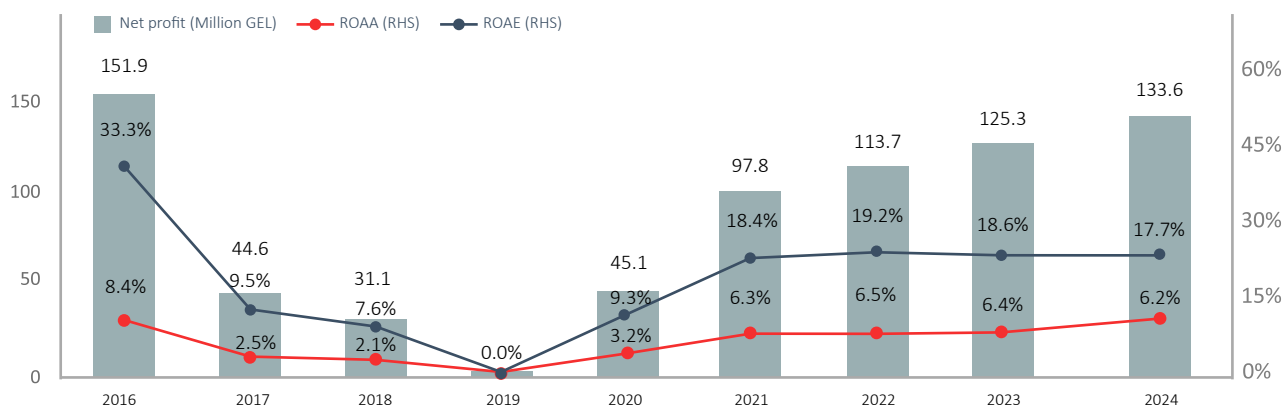


Source: National Bank of Georgia

Note: The share of funds borrowed in foreign currency refers to the GEL equivalent share of total borrowed funds (also in GEL equivalent).

Historically, the microfinance sector was characterized by higher profitability compared to the banking sector, driven by relatively high margins on its products. However, changes in the exchange rate, coupled with a reduction in interest rates and margins in 2016, negatively impacted profitability indicators. This was partially offset by the registration of online credit companies as Microfinance Organizations (MFOs) in December 2016.

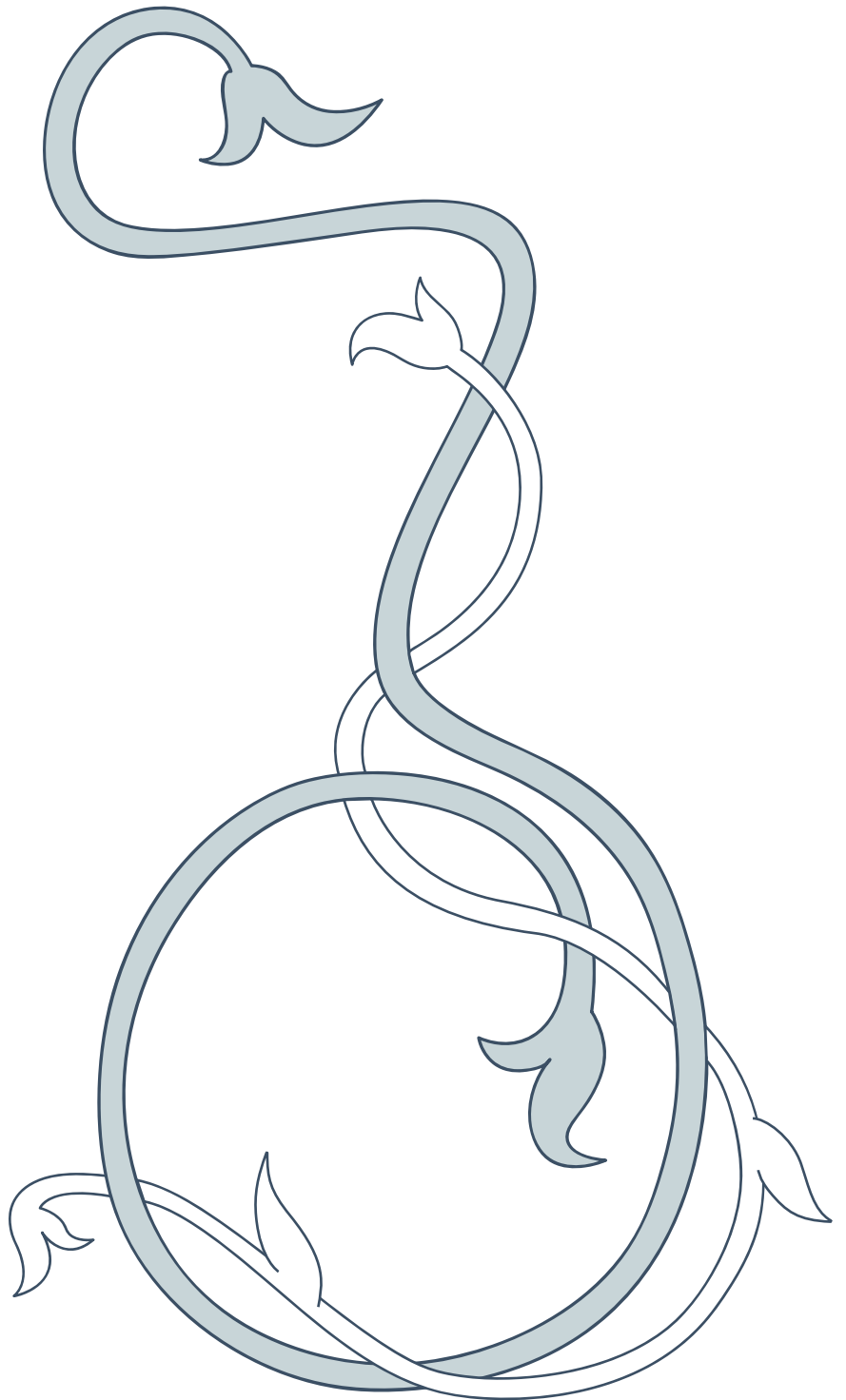
The tightening of the regulatory framework between 2017 and 2019 significantly reduced the sector's profitability metrics. Despite this, the improvement in portfolio quality starting in 2021, along with other factors, led to increased profitability, after which these indicators stabilized. In 2023, the sector's Net Income amounted to GEL 125.3 million, while the Return on Average Assets (ROAA) and Return on Average Equity (ROAE) stood at 6.4% and 18.6%, respectively.



Source: National Bank of Georgia

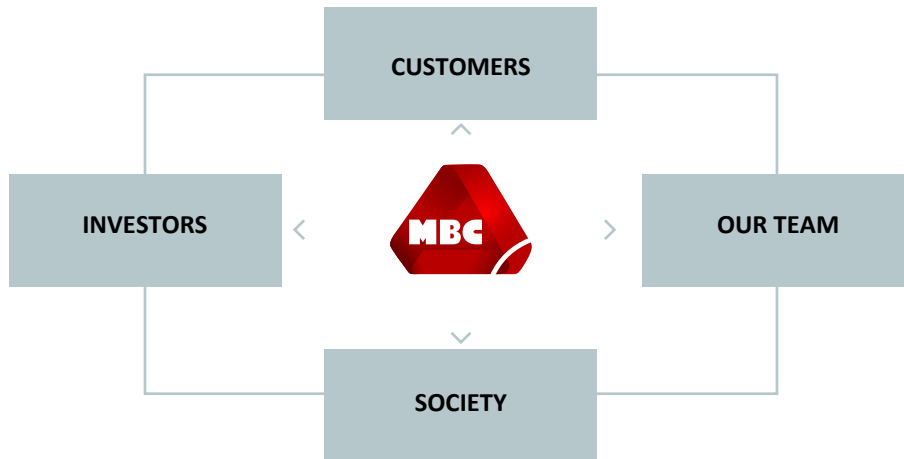
Note: The ROAA (Return on Average Assets) ratio is calculated as the ratio of Net Income to the average of current and prior year's assets; the ROAE (Return on Average Equity) ratio is calculated as the ratio of Net Income to the average of current and prior year's equity.

BUSINESS MODEL AND STRATEGY



07. BUSINESS MODEL AND STRATEGY

The company's vision is based on establishing long-term, transparent and mutually beneficial relationships with the bank's key stakeholders: customers, employees, society and partners.



MBC conducts its operations based on a customer-oriented and sustainable business model, which involves providing a wide spectrum of financial products and services to both legal entities and individuals. Maximum focus on customer needs constitutes the company's main competitive advantage.

As a Microbank, MBC's strategic priority is lending to Micro, Small and Medium-sized Enterprises (MSMEs). The company's goal is to ensure its offerings are fully aligned with the interests and needs of this segment. Furthermore, MBC's main advantages are simplified service procedures, operational efficiency adherence to high banking standards, reliability and the provision of diversified, high-quality services.

To achieve these objectives, the company continuously strives to implement international management standards in its day-to-day operations. Concurrently, it consistently works on improving the quality of products and services, ensuring increased access to financial resources for customers.

Additionally, one of the most significant directions of MBC's strategy is the development of convenient digital channels and services.

An essential part of the strategy involves supporting the professional development of employees, investing in their knowledge, fostering interesting career opportunities and upholding corporate social and environmental responsibility. Furthermore, the company aims to be a reliable partner to its partners and investors.

MBC is conscious of its impact on the environment, society, employees, partners and other stakeholders, and actively seeks to maximize the positive impact and minimize any negative influence resulting from its business activities.

Company Strategic Priorities

- Development of financial products and promotion of their effective utilization;
- Initiation of innovative approaches and development of digital service channels;
- Effective integration of opportunities arising from receiving the microbank Microbank license into daily operations;
- Fostering the professional and career growth of employees;
- Ensuring corporate sustainability and management of Environmental, Social and Governance (ESG) risks;
- Increasing customer satisfaction;
- Effective risk management.

07. BUSINESS MODEL AND STRATEGY

Development and Effective Utilization of Financial Products

The company operates with 17 Service Centers across 8 regions of Georgia. Network expansion is planned for the coming years. However, in line with the company's strategy, the primary objective is to deepen digital transformation, which involves diversifying sales channels across key products and improving productivity through the digitalization of processes.

MBC's customers receive services both at Service Centers and through digital channels. The services cover a wide range of credit and non-credit products for individuals and legal entities. In both directions, the refinement of existing products and the addition of new, innovative products and services are continuously underway. MBC pays particular attention to the development, updating, seamless integration and continuous monitoring of its products and services, internal systems, procedures and various policies.

Initiation of Innovative Approaches and Development of Digital Service Channels

The company continues to invest in the development of digital channels to offer customers more convenient and efficient banking services. MBC constantly improves its digital capabilities, remote products, services and develops innovative solutions to support customers, employees and target groups.

MBC places high importance on fostering innovation and promoting the transformation of promising ideas into sustainable financial models, which involves offering new products with rapid growth potential to the market. Special attention is paid to sharing international experience, the swift and efficient implementation of innovative products, and ensuring their accessibility to customers.

Acquisition of the Microbank License and Future Prospects

The year 2024 marked a significant milestone for MBC with the receipt of the Microbank license. The company proactively initiated preparatory work and fully aligned its business plan with legislative requirements and criteria.

The transformation into a Microbank opened new, significant opportunities for the company. Associated with this pivotal moment, MBC began actively working on rebranding, strategy renewal, offering innovative products and services to an expanded customer segment, implementing modern sales channels and methods, digital transformation and the formation of new structural units.

The attainment of Microbank status is expected to promote the sustainable growth of the loan portfolio and non-credit income. Our expectation is that the Microbank license will have a significant positive impact on increasing the number of customers and strengthening their loyalty.

Employee Development

The foundation of the company's success and its most valuable asset is its team of employees. Management places a special priority on creating a safe, development-oriented, encouraging, comfortable and friendly work environment for them. The personnel management strategy is fully based on a high motivation system and the promotion of healthy competition.

MBC ensures the professional growth and development of its employees, promotes the maximum realization of their potential and creates favorable conditions for professional advancement and career development. The company actively supports training necessary for employees' qualification enhancement and professional development. The high qualification and competence of the employees constitute one of the most critical factors for the company's sustainable development.

Ensuring Corporate Sustainability and Management of Environmental, Social, and Governance (ESG) Risks

At MBC, we are highly aware of our social and environmental responsibility and strive to ensure the company's activities align with the principles of sustainable development.

The company recognizes its crucial role in promoting sustainable development and has set the strategic objective of effectively managing Environmental, Social and Governance (ESG) risks. To achieve this goal, MBC is actively working on optimizing internal operations and developing sustainable products and services. In the future, we plan to strengthen mechanisms for environmental impact assessment and management, implement an Environmental and Social Management System (ESMS), and increase transparency in the ESG direction.

07. BUSINESS MODEL AND STRATEGY

The company's goal is to enhance its positive impact on society and the environment based on an integrated approach, while ensuring long-term and stable development through the use of effective risk management tools.

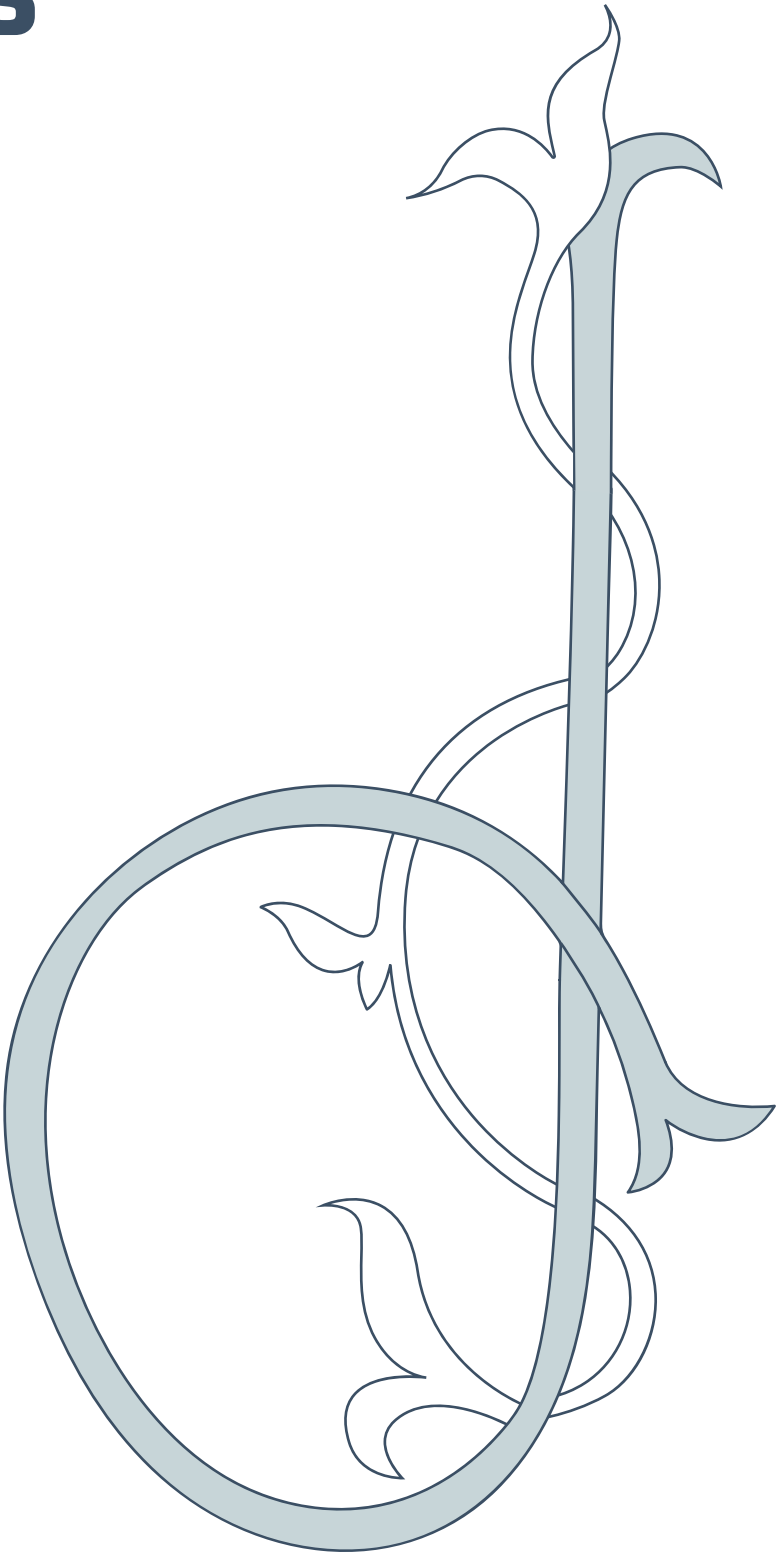
Increasing Customer Satisfaction

The company's primary objective is to achieve and maintain the position of a leading service provider in the financial market. To successfully implement this goal, MBC constantly studies customer needs, conducts regular surveys and research, ensures systematic direct communication with customers, and effectively utilizes feedback channels. The information received is processed and analyzed in detail, which helps us to transform products and services in accordance with customer demands and tailor them to their interests. This approach allows us to meet customer expectations, consider their needs, and maintain a high standard of service.

Effective Risk Management

Risk management holds a pivotal position in MBC's operations, ensuring the high quality of the company's assets and the maintenance of financial stability. Every employee of the company is involved in the risk management process, which is an essential part of the overall risk management system. Each structural unit has clearly defined its role and responsibility in terms of risk management, which determines the efficiency of the processes.

**REVIEW
OF KEY
RESULTS**

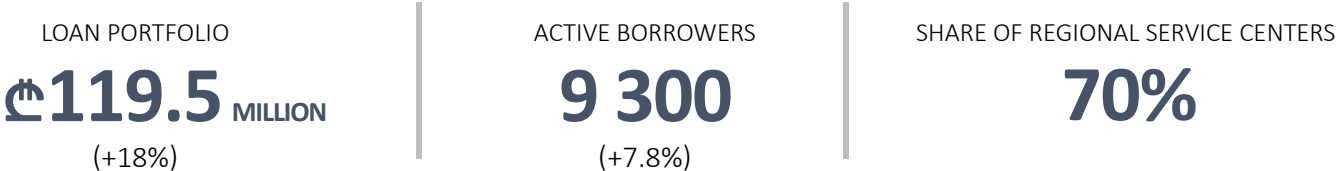


08. REVIEW OF KEY RESULTS

2024 was a year of significant news and achievements for MBC. At the end of the reporting period, the National Bank of Georgia granted the company a Microbank license, making MBC the first Microbank in Georgia. This event sets an important precedent for the entire market and will contribute to healthy competition, development and diversification within the financial sector in the future.

Despite the challenges, by the end of 2024, the company's total loan portfolio showed a significant growth of 18%, reaching GEL 119.5 million. Currently, MBC operates through 17 Service Centers across Georgia. The efficient functioning of this network is the primary reason that drove the growth of the company's loan portfolio during the reporting period.

Furthermore, the number of MBC's active borrowers increased by 7.8%, surpassing 9,300 as of December 2024. It is notable that 70% of loan product customers are served by the company's regional Service Centers in Georgia.



As a result of the increase in the volume of funds raised, MBC's total liabilities increased by 26% and reached GEL 121.7 million by the end of 2024. The company successfully raised new loans at competitive prices, both in foreign currency and in Georgian Lari (GEL).

At the end of 2024, MBC placed GEL 30 million worth of unsecured bonds on the Georgian Stock Exchange, marking the company's second issuance within the last two years. Of the funds raised, GEL 15 million was used to redeem the expired bonds issued in 2022, while the remaining portion was allocated towards covering other loan obligations and financing working capital. It is worth noting that the bonds have a 2-year maturity period.

The successful bond issuance significantly improved MBC's liquidity position. Specifically, short-term loan obligations were refinanced with funds derived from the relatively longer-term bonds. Furthermore, the bond issuance had a material impact on the reduction of the pledged assets ratio.



08. REVIEW OF KEY RESULTS

The company's Total Equity significantly increased compared to previous years. Growth reached 13%, driven by improved profitability indicators in 2024. MBC's accumulated profit amounted to GEL 3.5 million.

MBC has been actively cooperating with the leading European rating agency Scope Ratings for many years. At the end of 2024, Scope Ratings upgraded the Microbank's credit rating from B Positive to B+ Stable. According to the rating agency's explanation, the rating upgrade is linked to MBC's improved financial indicators and the company's transformation into the first licensed Microbank. Scope Ratings assessed that MBC demonstrated its financial stability through adherence to strict international standards. Furthermore, the company's risk management system aligns with the regulatory framework established for commercial banks operating in the Georgian market.

MBC is the first licensed Microbank in Georgia. The Microbank license allows the company to offer a wider spectrum of financial services to customers. Specifically, the organization's lending limit increased tenfold, reaching GEL 1 million. In addition, a crucial prospect emerged in the direction of deposit attraction, which will contribute to the diversification and reduction of the cost of the company's funding sources. Furthermore, under the Microbank license, MBC can now open current accounts for customers and significantly expand the range of its operational products.

The company's primary focus is lending to Small and Medium-sized Enterprises (SMEs), which fully complies with the Microbank mandate. According to this mandate, at least 70% of the Microbank's loan portfolio must be oriented towards business lending.

INVESTOR RELATIONS AND FUNDING



09. INVESTOR RELATIONS AND FUNDING

The year 2024 was significant for MBC in terms of deepening cooperation with international partners. Specifically, a separate Investor Relations (IR) structural unit was created, aiming to strengthen existing connections and establish new, long-term partnerships. This decision significantly contributed to increasing the effectiveness of communication with investors and elevating relationships to a qualitatively new level.

To ensure financial stability and growth, MBC successfully attracted long-term loan resources and carried out a bond placement in 2024. Loans were raised from both local commercial banks and international financial institutions. Notably, the company effectively managed not only to attract new investments to finance current and future development projects but also successfully restructured and refinanced matured financial obligations with new loans offering more favorable terms.

In 2024, the company attracted a total investment of 12.5 million USD from three existing and two new international financial organizations, representing a 102% increase compared to the 2023 figure.

Attracting funding in the national currency remains a priority for MBC to ensure effective management of currency risks. In 2024, the company actively collaborated with local commercial banks. As a result, it was possible to secure loans amounting to GEL 11 million with improved terms, which is 26% higher than the comparable figure from the previous year.

Since its inception, MBC has successfully raised funds from individuals and legal entities. At the end of 2024, the amount of funds raised from individuals and legal entities amounted to GEL 13.4 million.

Funds Raised from International
Financial Institutions (IFIs)

\$ 12.5 MILLION
(+102%)

Funds Raised from Local
Commercial Banks

₾ 11 MILLION
(+26%)

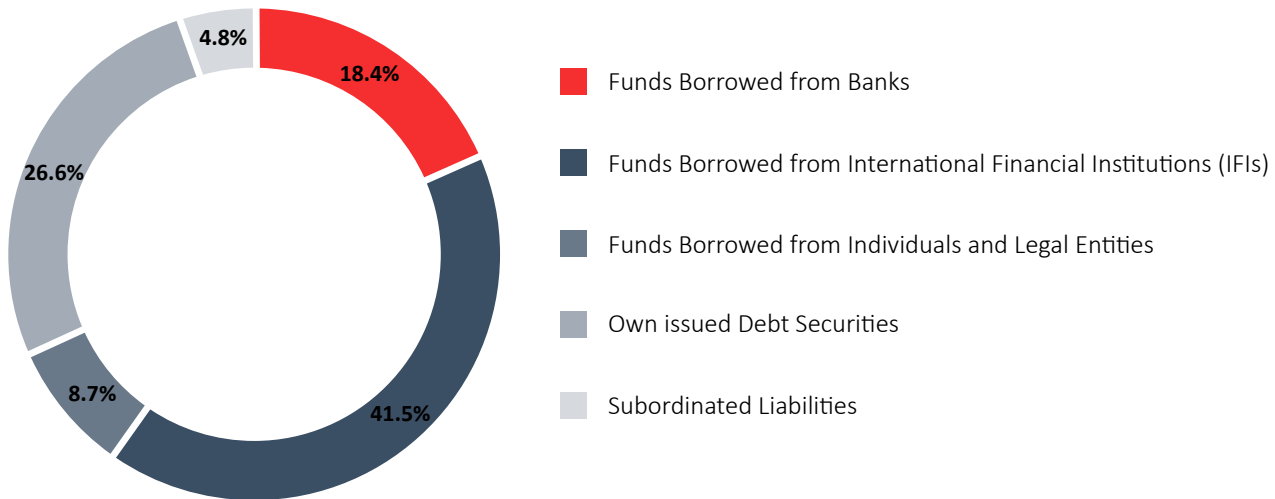
Funds Raised from Individuals
and Legal Entities

₾ 13.4 MILLION

09. INVESTOR RELATIONS AND FUNDING

At the end of 2024, MBC, with the support of Galt & Taggart, placed GEL 30 million worth of two-year unsecured bonds on the Georgian Stock Exchange, marking the company's second issuance within the last two years. The bonds were acquired by local commercial banks. Through this transaction, MBC materially reduced its pledged assets ratio and improved its liquidity position. Ultimately, the volume of loans received and bonds acquired by local commercial banks surpassed GEL 50 million by the end of 2024.

STRUCTURE OF LIABILITIES

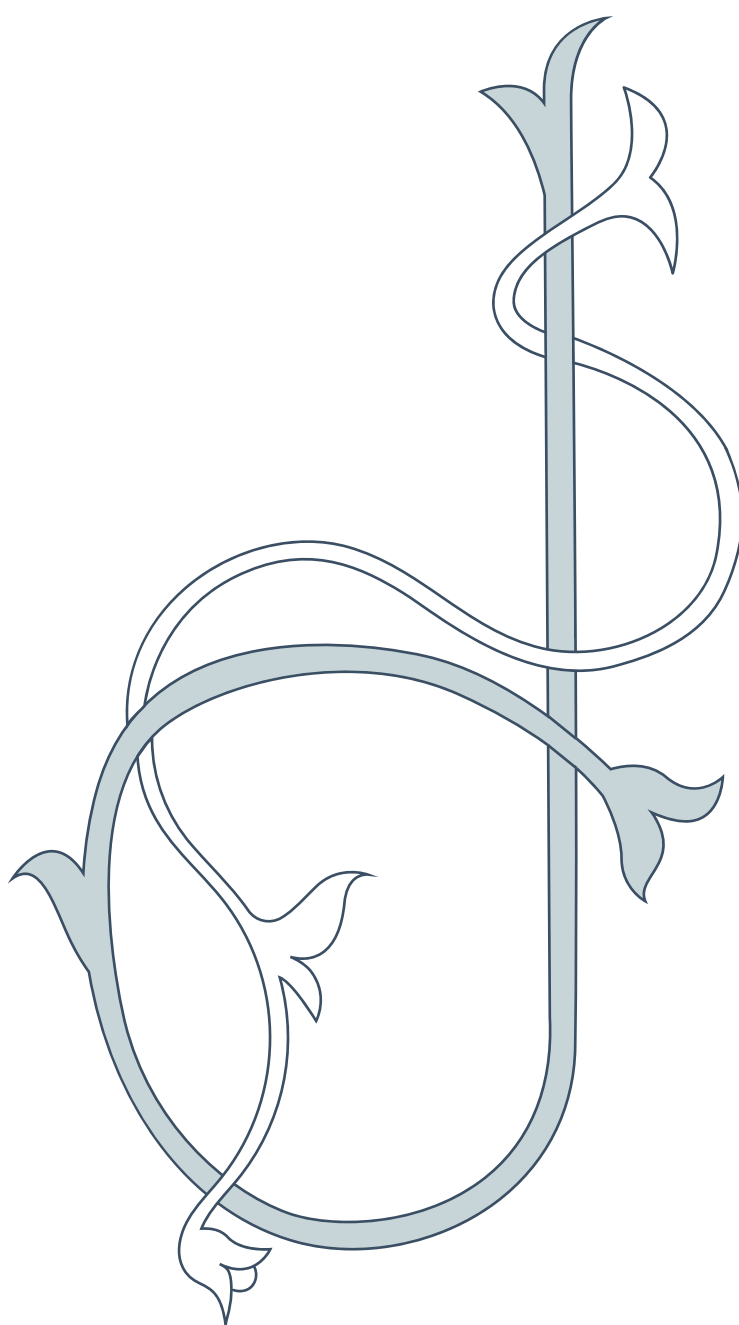


In addition to the attracted loan resources, MBC receives significant support from international partners through various grant programs. In 2024, the company successfully obtained a grant of GEL 215 thousand, which was directed towards the development of one of its priority products: Agro Loans.

MBC has fruitfully collaborated with the leading European rating agency Scope Ratings for many years. At the end of 2024, the Microbank's credit rating was upgraded from B Positive to B+ Stable. According to the rating agency's explanation, this progression is driven by MBC's improved financial metrics and the company's transformation into the first licensed Microbank. Scope Ratings assessed that MBC confirmed its financial stability through adherence to strict international standards, and the company's risk management system is in full alignment with the regulatory framework established for commercial banks operating in the Georgian market.

MBC's primary goal is to maintain stable, sustainable, and development-oriented relationships with both international and local partners. Subsequent to the reporting period, the company has secured significant financial support from existing partner organizations and actively continues negotiations with the aim of expanding and diversifying its investor base.

KEY RISKS AND UNCERTAINTIES



10. KEY RISKS AND UNCERTAINTIES

Organizational Structure and Key Principles of Risk Management

Every employee of the company is actively involved in the risk management process, which represents the cornerstone of the risk management system and a critical prerequisite for the company's sustainable development. Each structural unit has clearly defined its role and responsibility within the scope of risk management, ensuring the efficient and uninterrupted functioning of the processes.

Risk management is executed within a unified, integrated system, with the following key objectives:

- Timely identification and assessment of existing risks and potential threats;
- Prevention of possible financial and non-financial losses;
- Effective management of incidents that occur;
- Facilitating the successful achievement of the company's strategic goals;
- Continuous improvement and enhancement of the internal control system;
- Promoting the efficiency and optimization of operations;
- Strengthening the long-term sustainability of the organization;
- Ensuring compliance with the active regulatory requirements and recognized international standards.

The company's organizational structure provides for adequate oversight, clear accountability and segregation of duties. The Supervisory Board serves as the highest oversight body for risk management, defining the company's strategic directions and supervising the execution of defined objectives. The Directorate, in turn, is directly involved in managing the bank's daily operational processes.

Organizational Structure and Approach to Risk

For effective risk management, the company's Supervisory Board sets the bank's Risk Appetite. The development of the Risk Appetite considers the company's strategy, capital, financial plans and remuneration policy.

The Risk Appetite encompasses all material risks associated with the bank's products, activities, business processes, systems, operations and strategy. It defines both quantitative and qualitative metrics and measures, through which the bank's alignment with its strategic objectives is assessed, within the confines of the Risk Appetite.

The Risk Appetite specifies the numerical and qualitative risk indicators and their permissible limits, both at the individual and aggregate levels. Within these boundaries, the bank conducts its business activities, taking into account available capital, risk management and control mechanisms, the defined strategy and limitations imposed by shareholders, creditors, regulatory bodies and other stakeholders.

The Risk Appetite Framework includes the assessment and management of all material risks, ensuring timely risk identification, dissemination of relevant information and planning of preventive measures before a risk materializes.

The Risk Appetite is closely linked to the bank's short-term, medium-term and long-term strategic goals. Its development process takes into account the competitive environment, regulatory perspectives, the bank's long-term interests, the organization's overall risk position, the company's scale, complexity and risk profile. Based on the Risk Appetite, the company has developed detailed guiding principles and procedures related to the risk management activities. These documents define risk management standards and criteria as well as the authorities and responsibilities of employees, ensuring the bank's effective management of risks.

10. KEY RISKS AND UNCERTAINTIES

Furthermore, the process of effective risk management involves systematic identification, assessment, determination of acceptable level, continuous monitoring and implementation of risk mitigation actions if the risk level exceeds the thresholds established by the Microbank.

The daily management of individual risks is based on the universally recognized principle of the "Three Lines of Defense." This approach ensures the clear separation of duties and responsibilities, which is aimed at achieving effective overall risk management and, in turn, helps to strengthen the Microbank's internal control framework.

The "Three Lines of Defense" model clearly segregates the functions of risk ownership and management from the activities that perform risk oversight and independent audit.

First Line of Defense (The Business Line): The bank's structural units that directly own and manage risks within the scope of their activities.

Second Line of Defense: This represents a function independent of the First Line of Defense, responsible for monitoring the company's risk-taking process. It independently assesses existing and potential risks, as well as related issues, separately from the business line.

Third Line of Defense: Internal Audit serves as the third line of defense in the Microbank. Internal Audit is fully independent from the First and Second Lines of Defense. Its primary function is to ensure an objective assessment of the consistency and effectiveness of the company's internal control system, the functioning of the First and Second Lines of Defense and the overall risk management framework.

Risk Management Committee

The Risk Management Committee (hereinafter referred to as the "Risk Committee") established under the Supervisory Board starting in 2025, will be responsible for performing the following key functions:

- Reviewing risk management strategies, both aggregated and individually and submitting relevant recommendations to the Supervisory Board, including those concerning the bank's current and future Risk Appetite;
- Preparing and submitting a report to the Supervisory Board on the bank's risk culture and reviewing the Microbank's risk policies at least once a year;
- Supervising the adequacy of the Directorate's procedures in ensuring the alignment of the bank's activities with risk policies;
- Actively collaborating with and supervising the activities of the Chief Risk Officer;
- Submitting recommendations to the Supervisory Board regarding the effectiveness of risk strategies and policies including those related to maintaining and allocating sufficient capital for identified risks;
- Monitoring capital and liquidity management strategies as well as all types of risks (credit, market, operational, reputational) to ensure their alignment with the bank's Risk Appetite;
- Issuing recommendations regarding the appointment of an external consultant whom the Supervisory Board or its committees may consult for advice;
- Reviewing various potential scenarios, including stress scenarios, to assess the impact of external and internal factors on the bank's risk profile;
- Supervising the alignment of material financial products and services offered to customers, including their pricing, with the organization's business model and risk strategy. The Risk Committee will be responsible for assessing the risks associated with the offered financial products and services and considering the appropriateness of the pricing of these products and services relative to the profit derived from them.

10. KEY RISKS AND UNCERTAINTIES

- Assessing the recommendations of internal and external auditors and, in collaboration with the Audit Committee, supervising the implementation of corresponding corrective measures;
- Monitoring the Pillar 3 reporting process, including the reporting of ESG issues.

The core responsibility of the Risk Committee will be to present appropriate recommendations and opinions to the Supervisory Board concerning the bank's current and future Risk Appetite. The Committee will also regularly report to the Board on identified material risks and other significant issues, including the structure, effective operation, and continuity of the risk management and internal control systems and the overall risk culture established within the Microbank.

The Risk Committee will systematically receive reports from the Chief Risk Officer and other relevant functional units regarding the bank's current risk profile, risk culture, activities consistent with the stated Risk Appetite, established limits, limit breaches and developed mitigation plans.

The Risk Committee will collaborate with the Chief Risk Officer to ensure that the bank's risk management system is effective and proportionate to the nature, scale and complexity of the Microbank's risks.

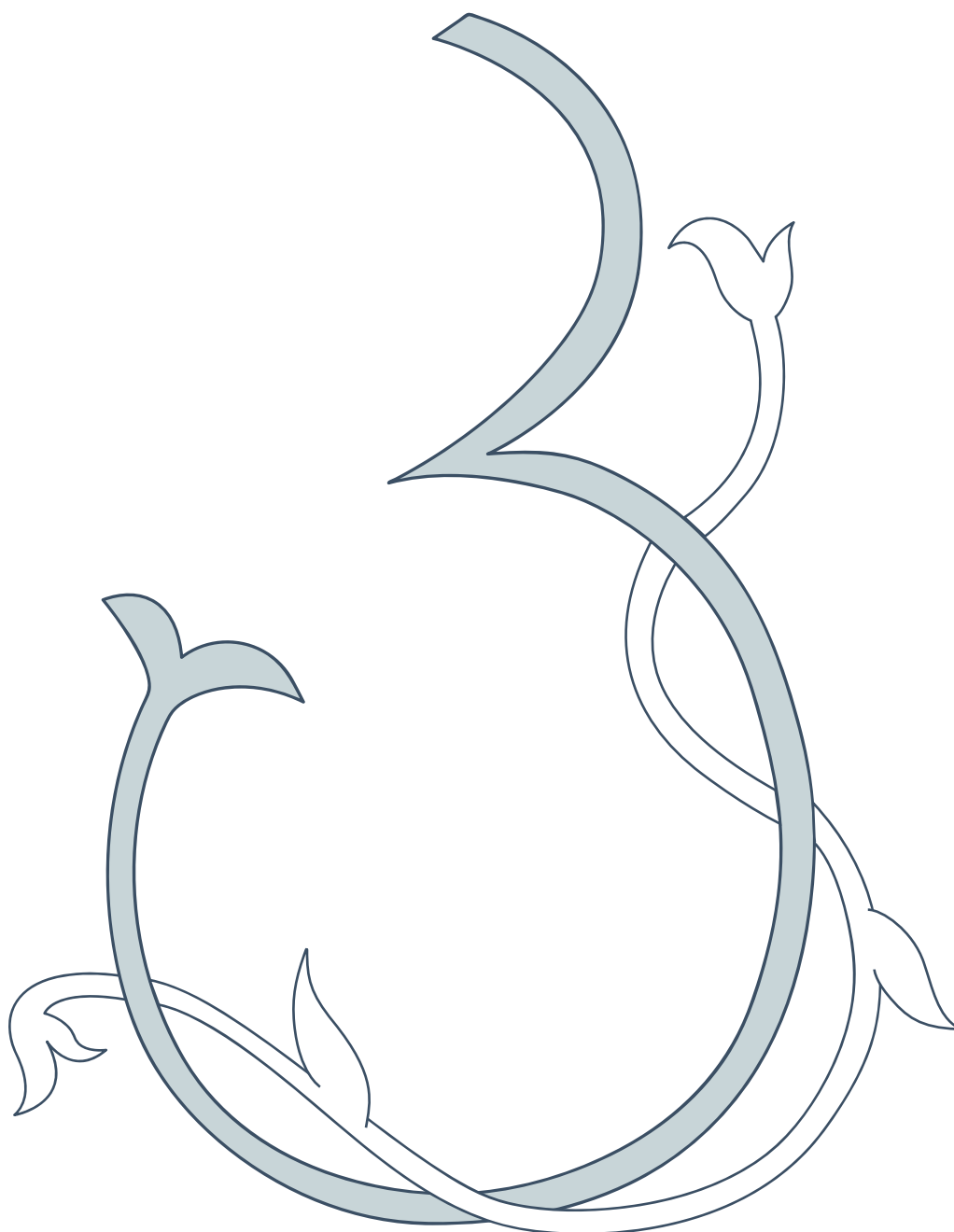
The following risks are identified and managed by the bank:

- **Credit Risk:** Based on the bank's business specificity, credit risk represents one of its inherent primary risks. It implies the risk of financial loss to a counterparty due to the failure of one party to a financial transaction to fulfill its obligations. Credit risk exposure arises from the bank's credit operations as well as other financial transactions with partners, leading to the creation of financial assets and credit-related off-balance sheet liabilities. Credit risk is clearly a critical factor for Microbanks and banking supervisory authorities alike. The cornerstone of the bank's credit strategy is the formation of a diversified and profitable loan portfolio while maintaining its maximum quality.
- **Operational Risk:** Implies the risk of loss resulting from inadequate or failed internal processes, system failures/inactivity, human errors, fraud or other external events, including risks such as cyberattacks and others.
- **Liquidity Risk:** Arises from mismatches in the maturity structure of assets and liabilities. This mismatch creates the risk that the bank may not have sufficient liquid resources at the moment of repaying attracted funds or fulfilling other financial obligations related to the financial instruments.
- **Market Risk:** Market risk arises from changes in the fair value or cash flows of financial instruments due to market price fluctuations. It includes foreign currency risk, interest rate risk and other price risks. Market risk is generated by open positions in financial instruments, which are related to both general and specific changes in the market and changes in the level of volatility of market prices and exchange rates.
- **Currency Risk:** The bank fully understands the risk of potential losses resulting from the revaluation of assets and liabilities caused by changes in exchange rates. The bank's strategy regarding currency risk is not to engage in speculative operations through open currency positions.
- **Interest Rate Risk:** The bank is exposed to the interest rate risk inherent in traditional banking activities, which is related to revaluation risks caused by potential maturity mismatches between assets and liabilities.
- **Compliance Risk:** Represents the risk that the bank will not/cannot act in accordance with the applicable regulations, laws, and contracts and may consequently incur a financial loss.

10. KEY RISKS AND UNCERTAINTIES

- **Macroeconomic Risk:** Represents the risk that negative developments at the country, regional, or global level (e.g., GDP contraction, rise in the unemployment rate, etc.) may have an adverse impact on the bank's financial indicators.
- **ESG Risks:** The bank's operations may have direct and indirect impacts on the community and the environment where it operates. Accordingly, it faces social and environmental risks. Specifically, the risk of potential negative impact on the environment or society caused by its own activities. Also, the risk of potential harm to the environment or people caused by the activities of projects financed by the bank during the lending process.

CORPORATE SUSTAINABILITY



11. CORPORATE SUSTAINABILITY

We firmly believe that a successful business cannot exist without responsibility toward the well-being of the community and the environment. This is why MBC continuously strives to enhance its impact and play a significant role as a catalyst for positive change.

We fully acknowledge our influence on all stakeholders- community, the environment, employees, and partners- and aim for a profound, professional and results-oriented management of this process. Our foremost objective is to minimize any potential negative impact while strengthening the company's positive contribution to society and the environment.



Pro Bono Activities

Pro Bono Marathon

On April 17, 2024, MBC participated in the annual marathon organized by the "Georgia Pro Bono Network." As part of the Pro Bono Marathon, the company provided assistance to the Kakheti Regional Development Center. Specifically, MBC's marketing team worked on the Center's communication campaign and visual concept: they developed visual and textual content intended for social media and communication channels, and created various types of printed materials.

The marathon involved 29 Pro Bono consultants from 9 companies, resulting in communication campaigns planned for a total of 7 social enterprises.

"Support from business companies and the sharing of their experience is vital for local organizations. The Kakheti Regional Development Center thanks MBC, which worked on the development of the organization's social media during the Pro Bono Marathon. The support of the MBC team and listening to their professional opinion on such an important issue - how to correctly convey information to the public and how to reach a broad audience - was very significant for us."



კახეთის სამხარაო
განვითარების
ცენტრი



11. CORPORATE SUSTAINABILITY

Pro Bono Champion

MBC's graphic designer, Mariam Papuashvili, became the recipient of the "Pro Bono Champion 2023" award, a competition organized by the Georgia Pro Bono Network and the Center for Strategic Research and Development of Georgia.

The "Pro Bono Champion 2023" was determined based on the time dedicated to pro bono activities and the number of projects completed in this area.

Over the past year, Mariam Papuashvili dedicated approximately 100 hours of professional resources for the benefit of the community.

MBC has been a member of the Pro Bono Network Georgia since 2018. During this time, as part of its corporate responsibility efforts, the company has been actively involved in supporting social enterprises and various community organizations.

The "Georgia Pro Bono Network" is an association of local and international companies operating in Georgia, whose goal is to utilize their experience and professional resources for the benefit of society.



11. CORPORATE SUSTAINABILITY

Support for Financial Education

Global Money Week - Financial Literacy Lessons

As part of Global Money Week, MBC ambassadors visited eight different schools across Georgia and conducted engaging and informative lessons on saving money for approximately 250 students.

The fun activities were attended by students from grades III–X in Zugdidi, Gori, Lagodekhi, Telavi and Tbilisi. The main topics of the lessons included issues such as the history of money, the safety of financial savings, principles of prudent spending and other essential financial matters.

Georgia, along with over 170 countries, celebrates Global Money Week annually. The activity is implemented under the initiative of the National Bank of Georgia (NBG) and the educational platform Finedu. The goal of the global week is to raise awareness among young people and children about saving money.

Competitions

MBC supported the video competition titled "Youth on Finance and Entrepreneurship" held under the initiative of the National Bank of Georgia and the financial education portal Finedu.

The competition was dedicated to Youth Day and aimed to promote the development of financial literacy and entrepreneurial skills among citizens in this segment.

The final event of the video competition took place on September 27, 2024, at the National Bank of Georgia. The winners were announced at the event, with three selected by the jury and one chosen as the public favorite.

MBC employees were part of the competition jury, alongside representatives from other financial institutions.

MBC awarded cash prizes of GEL 500 each to two winners: the third-place winner, Vache Charkviani, and the public favorite, Tamar Kalabegashvili.



11. CORPORATE SUSTAINABILITY

Support for Social Enterprises

MBC continues to support social enterprises. Annually, the company provides financial and non-financial resources to the foundation "Actio," whose mission is to promote the development of the social economy in Georgia through the support of social entrepreneurship.

The foundation's goal is to strengthen social enterprises in terms of their economic, social and environmental impact.

In 2024, with MBC's co-participation, the foundation supported the following social enterprises and contributed to their strengthening:

Social Enterprise "Dediko"

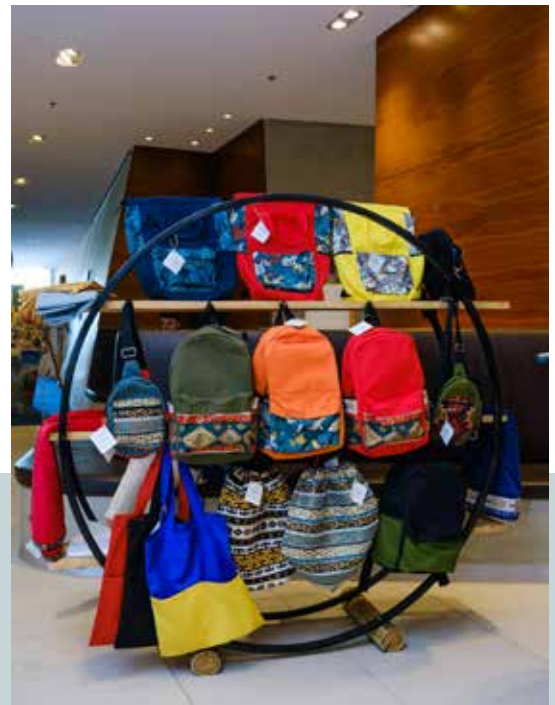
"Dediko" offers single mothers and women caring for elderly parents the opportunity for a decent life through promoting employment, acquisition of new professions and personal development.

The idea for "Dediko" emerged after the onset of the Covid-19 pandemic, when the crisis caused by the resulting situation affected almost all segments of society, particularly socially vulnerable groups. This crisis had a pronounced impact on single mothers as they often had to cope with problems alone. "Dediko" offered single mothers the chance to acquire a new profession and employment, along with a work schedule and environment tailored to their needs. In 2024, the social enterprise expanded its target group to include middle-aged women caring for elderly or incapacitated parents.

Within the framework of the "Actio"-supported project, "Dediko" plans to expand both its economic activities and increase its social outcomes. The social enterprise intends to purchase new equipment, develop new product lines and create an online store.

As a result of collaboration with "Actio," "Dediko" received two types of financial support:

- A grant in the amount of €31,600;
- A 0% interest loan in the amount of €10,000.



11. CORPORATE SUSTAINABILITY

Social Enterprise "Chemp"

The innovative idea of producing apple chips originated with three friends at the Agricultural University of Georgia. They manually assembled a small drying machine and created the prototype of their first product using an innovative method: a healthy snack - apple chips. Subsequently, "Chemp's" product underwent a significant phase of testing and experimentation, and the enterprise was officially founded in 2016.

"Chemp's" mission is to promote the socio-economic empowerment of border villages in the Gori district (located near the occupation line) and develop zero-waste production through the manufacturing of innovative healthy snacks. On the one hand, "Chemp" facilitates the employment of women in the enterprise, and on the other, it supports the development of farming by purchasing local produce. Additionally, "Chemp" is actively working towards the development of zero-waste production.

Within the framework of the "Actio"- supported project, "Chemp" plans to expand both its economic activities and increase its social outcomes. The social enterprise intends to purchase new drying equipment, which will ensure increased production capacity and expansion of sales in both local and international markets.

As a result of collaboration with "Actio," "Chemp" will receive two types of financial support:

- A grant in the amount of €40,000;
- A 0% interest loan in the amount of €10,000.



11. CORPORATE SUSTAINABILITY

Social Enterprise "Tene"

"Tene's" mission is to fight against plastic pollution in the environment and raise public awareness about environmental issues. "Tene" is the first Georgian eco-friendly producer of USB chargers, utilizing recycled single-use plastic in its manufacturing process. In addition to making USB cables, "Tene" continuously works on developing innovative products that promote environmental protection such as cup collectors, reverse vending machines for bottles, etc.

With "Actio's" investment, "Tene" will be able to improve and expand its existing waste management system within the enterprise. Consequently, the number of acceptance and distribution points for the enterprise will increase and the possibility of handing over plastic will become available in various cities of Western and Eastern Georgia, alongside Tbilisi.

As a result of collaboration with "Actio," "Tene" will receive two types of financial support:

- A grant in the amount of €40,000;
- A 0% interest loan in the amount of €9,990.



The 29th Conference of the Parties (COP29) to the UN Framework Convention on Climate Change

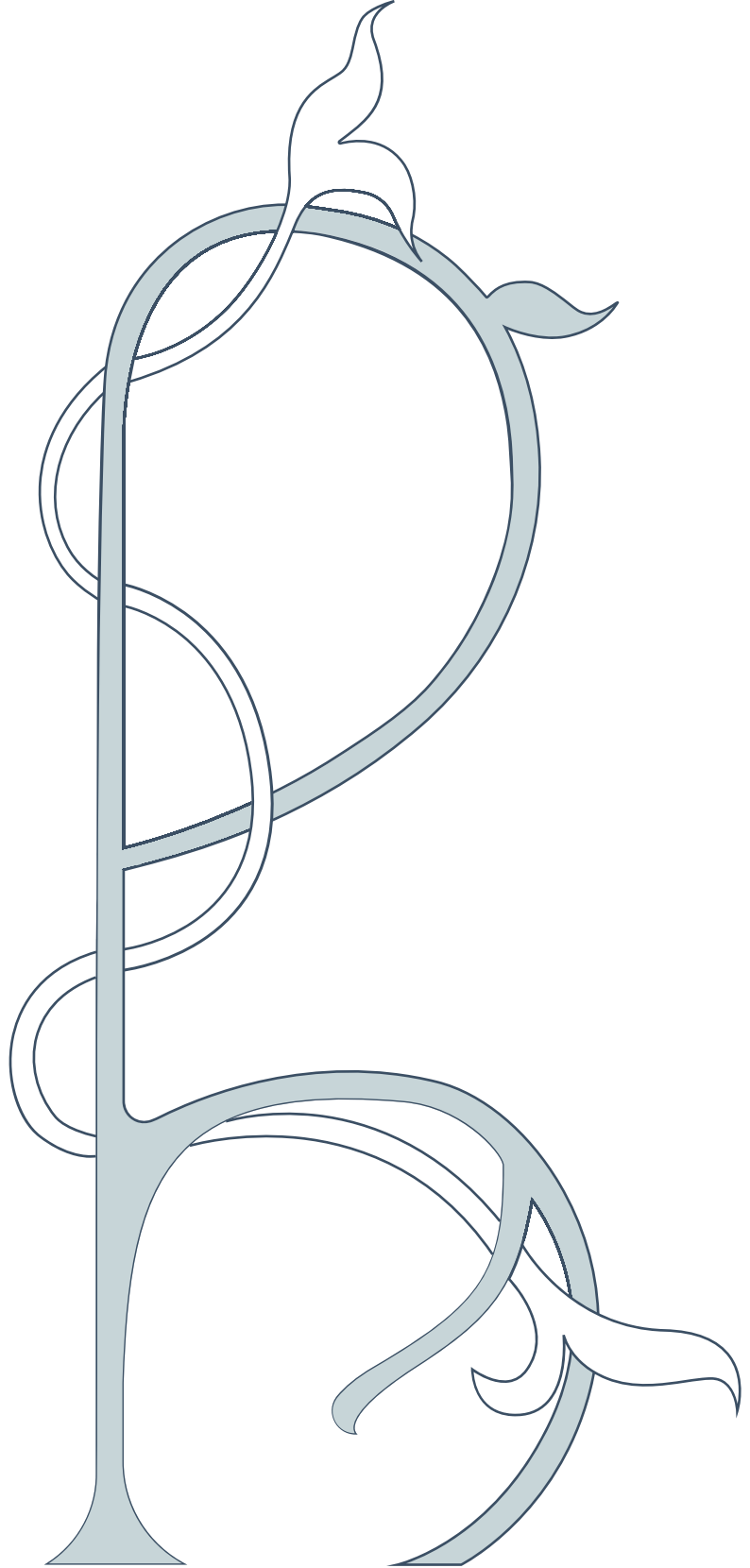
On November 14, 2024, MBC's Chief Risk Officer, Nino Devdariani, participated in a panel discussion held at the 29th Conference of the Parties (COP29) to the UN Framework Convention on Climate Change on the topic: "Sustainable Finance Trends- Eastern European Perspective."

Within the session, the growing role of sustainable finance in Eastern Europe was discussed, emphasizing the importance of the financial sector's active involvement in this direction and outlining future plans.

The panel discussion was hosted by the UN Global Compact Network Georgia, in partnership with the networks of Turkey, Azerbaijan and Ukraine.



OUR TEAM



12. OUR TEAM

The team of employees is MBC's most valuable asset. It is the people who create the culture, values and results upon which the company stands and whose development we actively pursue daily.

The diversity of the team, the competence and the commitment of each member form the solid foundation that defines our business's sustainability and innovative development.

Throughout 2024, special priority was given to fostering professional development, a transparent personnel policy based on equal opportunities and establishing a healthy, inclusive work environment. The diligence and professionalism of our team were the basis for all achieved results.

Today, Microbank MBC operates throughout Georgia, serving customers via 17 Service Centers. The company employs 255 people, the majority of whom 68% are women. Furthermore, the share of women in managerial positions is 52% and this figure reaches 50% at the level of senior management.

ALL EMPLOYEES BY GENDER

Total	Male	Female
255	80	175

EMPLOYEES IN MANAGERIAL POSITIONS BY GENDER

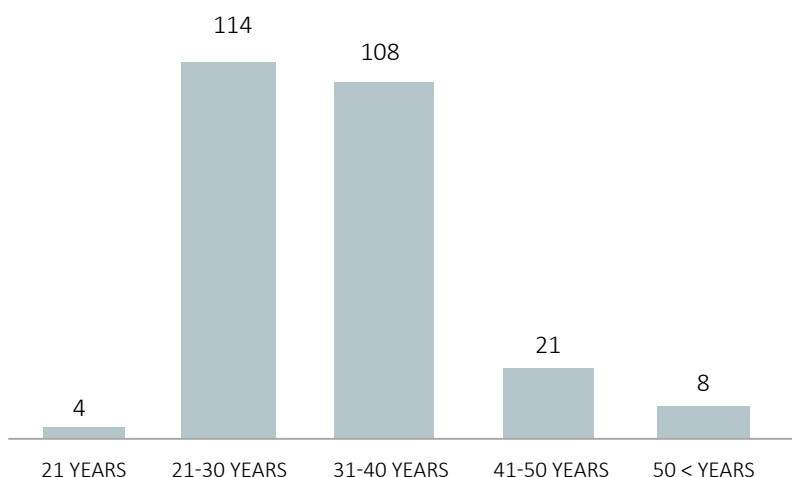
Total	Male	Female
44	21	23

MEMBERS OF THE DIRECTORATE BY GENDER

Total	Male	Female
4	2	2

ALL EMPLOYEES BY AGE

AVERAGE AGE: 32 YEARS



12. OUR TEAM

Human Capital Management

In MBC, Human Capital Management (HCM) represents a strategic priority based on clearly defined policies, regulations and professional standards.

The Human Resources Management and Corporate Sustainability Department is responsible for the effective execution of this function, reporting directly to the Chief Operating Officer (COO). The COO, in turn, is accountable to the company's Chief Executive Officer (CEO). This vertical structure ensures the strategic integration of Human Resources Management with senior management, which is crucial for organizational development, employee well-being and the successful achievement of strategic goals.

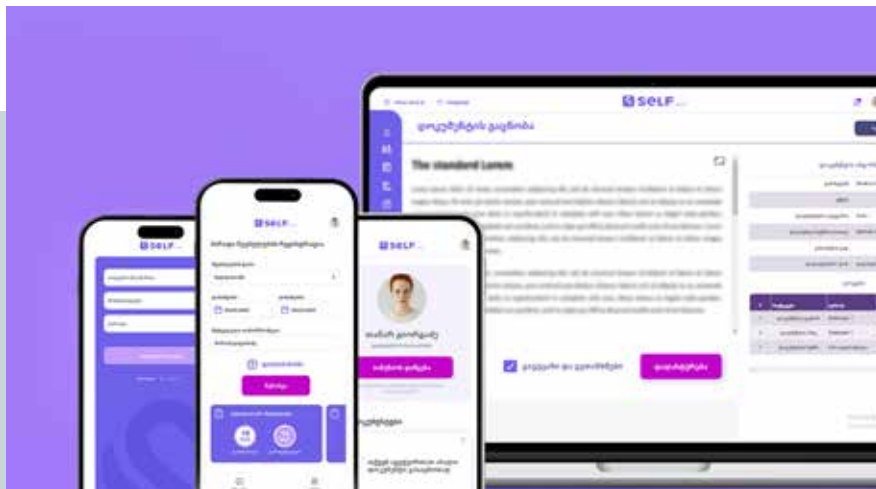
The complex process of Human Capital Management includes the effective management of talent acquisition, retention, development and motivation. The company's internal regulatory framework, which consolidates policies and instructions, is founded on the fundamental principles of equality, transparency and inclusiveness, and covers the following key areas:

- Employee selection and recruitment procedures;
- Rules for rest periods and utilization of leave;
- Remuneration policy and bonus schemes;
- Professional development opportunities and programs;
- Policies on employment relations, standards of conduct and ethics;
- Internal communication and feedback mechanisms;
- Ensuring equality, diversification and a safe working environment.

In the current year, the company carried out a significant update of its Human Capital Management program and implemented an innovative system that ensures the efficient and comprehensive management of employee electronic profiles, leave, maternity leave, business trips, payrolls and internal communication.



12. OUR TEAM



The company constantly updates and develops its Human Capital Management frameworks in accordance with international standards, regulatory requirements and labor legislation. The aim of this is, on the one hand, to increase employee satisfaction and engagement, and on the other, to ensure efficiency, productivity and the achievement of corporate goals.

Talent Acquisition

One of the company's priorities is the attraction and retention of talented individuals. We seek and value individuals with diverse perspectives and varied career backgrounds as we believe that diversity fosters an innovative and results-oriented organizational culture.

During 2024, MBC expanded its team, welcoming a total of 114 new employees. Furthermore, the promotion of internal career advancement and mobility was actively encouraged, resulting in nearly 30 employees being promoted to higher positions during the year.

Our goal is to attract development-oriented talent and create a working environment where every employee feels safe, accepted and valued.

In the talent acquisition process, MBC unconditionally adheres to the principle of equal opportunities, ensuring a fair, objective and inclusive selection process for all candidates. Selection is based solely on criteria such as education, professional qualifications and suitability for the specific position requirements.

The development of internal talent is also a key priority for us. Specifically, preference is given to existing employees when filling vacant positions, particularly for managerial roles.

Additionally, the company is actively focused on attracting external talent. In this direction, we collaborate with various universities and vocational schools, regularly participate in employment forums and actively conduct targeted marketing campaigns.

12. OUR TEAM

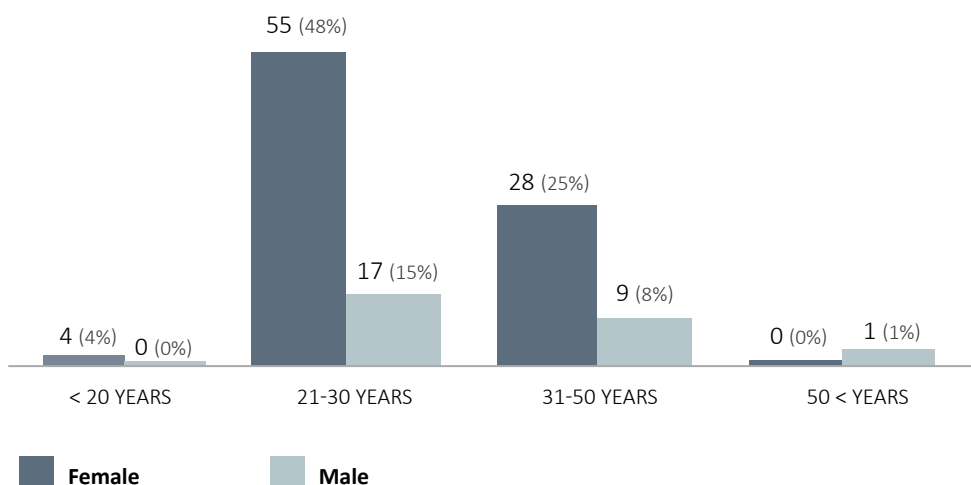
ALL EMPLOYEES HIRED IN 2024 BY GENDER

Total	Male	Female
114	28	86
100%	25%	75%

ALL EMPLOYEES HIRED IN 2024 BY HEAD OFFICE/SERVICE CENTER

Total	Male	Female
114	93	21
100%	82%	18%

ALL EMPLOYEES HIRED IN 2024 BY AGE



Human Capital Learning and Development

Talent development at MBC is a continuous and systematic process. An internship program has been implemented for Front-Office employees, providing beginner specialists with the necessary theoretical knowledge and practical skills. Upon successful completion of the program, the best candidates are offered employment opportunities.

Furthermore, internal trainings are regularly conducted for both Front-Office and Back-Office employees, covering key topics such as credit product processing, effective sales scripts, management of credit and operational risks, modern sales techniques, strategies for creating an exceptional customer experience and more.

In addition to internal trainings, members of the MBC team have the opportunity to receive funding for external trainings.

12. OUR TEAM

Employee Experience

To strengthen the corporate culture, the company's senior management regularly maintains active communication with employees at all levels. This relationship includes both online formats, as well as face-to-face meetings and team gatherings ("teambuilding").

The company regularly conducts various surveys to monitor and analyze the sentiment of its team members. The study conducted in 2024 showed that our Employee Net Promoter Score (eNPS) reached 39%, which is an indicator of high satisfaction and loyalty, further underscoring the effectiveness of our efforts in creating a healthy and productive work environment.

Chess Championship

MBC places particular importance on strengthening team spirit and establishing a culture of intellectual recreation among employees. To this end, an internal Chess Championship was held at the company in 2024. The tournament winner was awarded a special prize established by the company.



Table Tennis Championship

An internal Table Tennis Championship was held at the company, where employees competed against each other using an Olympic system. Winners were identified as the participants who finished in the first, second and third places, and they were awarded certificates and special prizes.



12. OUR TEAM

International Children's Day at MBC

To celebrate International Children's Day, the company organized a particularly warm and enjoyable event. MBC hosted employees and their children in a green, outdoor environment, where the young guests and their parents spent quality time together—playing games, dancing, taking commemorative photos and sharing many positive emotions.



MBC Talk

MBC Talk is a series of lecture meetings aimed at inviting interesting personalities and representatives from various professional fields to speak to employees. The meetings are characterized by an informal, warm and dynamic atmosphere, which encourages active participation from the audience, dialogue with the speaker, knowledge sharing and pleasant decompression. MBC Talk creates a unique space for both professional development, inspiration and the exchange of new ideas.

This initiative is fully aligned with the company's values, which are directed toward the continuous growth of employees and the formation of a strong corporate culture.



12. OUR TEAM

Teambuilding

Teambuilding activities at MBC are aimed at fostering strong relationships among employees, deepening mutual trust and developing a unified team spirit.

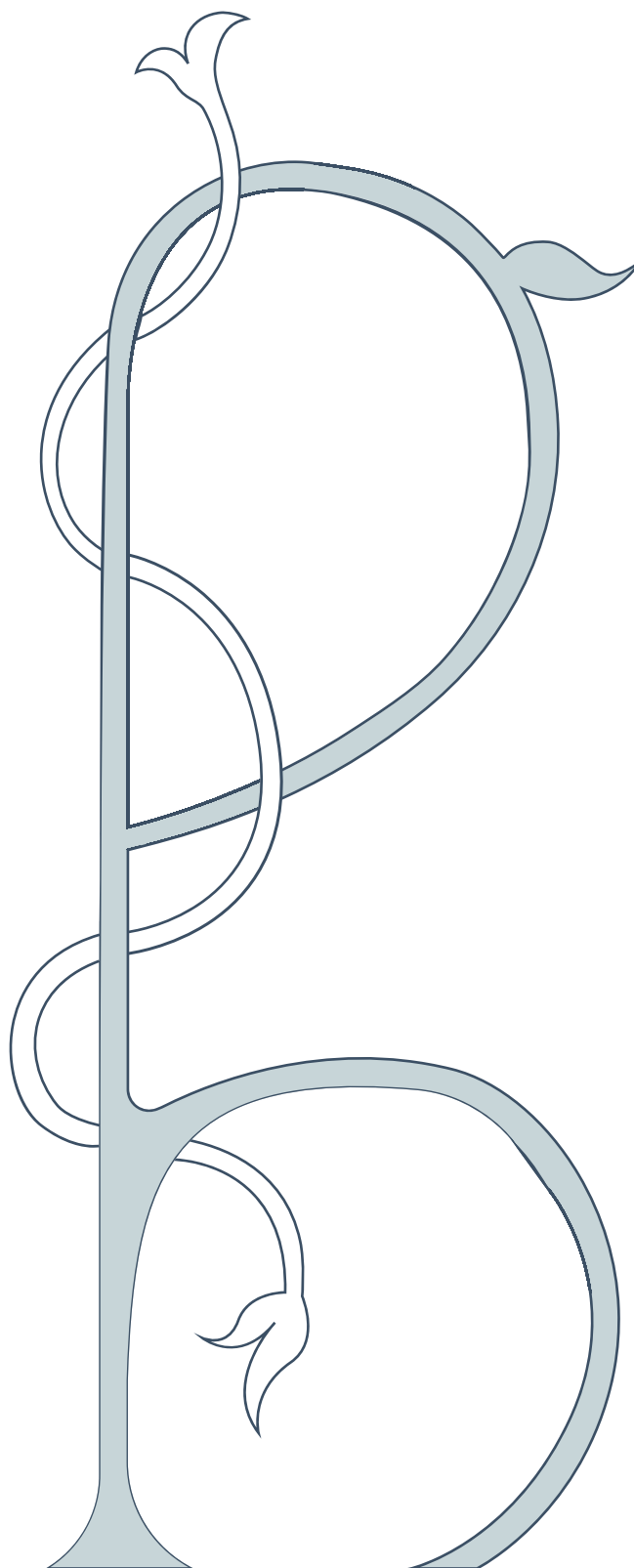
The events are carried out in various formats- as both external activities and internal meetings. Each event unites employees around a common goal and creates an environment where motivation, engagement and a culture of collaboration are enhanced.



2025 Vision

The strategic priorities for the coming year include strengthening leadership development programs, optimizing the performance appraisal system, expanding opportunities for employee professional growth and further improving working conditions. Furthermore, special attention will be dedicated to initiatives for deepening employee engagement including improving internal communication and integrating employee ideas into the strategic decision-making process.

OUR CUSTOMERS



13. OUR CUSTOMERS

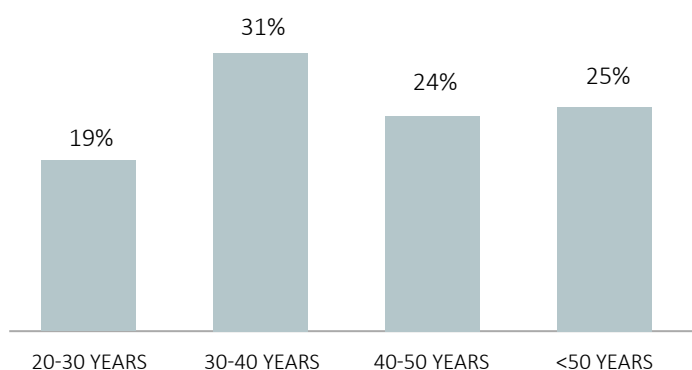
For MBC, the customer is the most valuable asset and the cornerstone of the company's success. We clearly recognize that every customer is unique with individual needs and financial goals. Consequently, we constantly strive to develop and implement personalized solutions, which ultimately ensure their financial well-being and a long-term partnership based on mutual trust.

Over the past year, we not only sought to offer customers the highest quality financial products and services, but also actively collected feedback- learning from them and ensuring every interaction with the company was comfortable, simple and pleasant.

The results of surveys conducted throughout 2024, which confirm high customer satisfaction, are considered a significant achievement in this area. The Net Promoter Score (NPS) reached 86% and the Customer Satisfaction Index (CSI) stood at 85%. This represents a critical success for MBC and demonstrates the effectiveness of our customer-centric strategy.

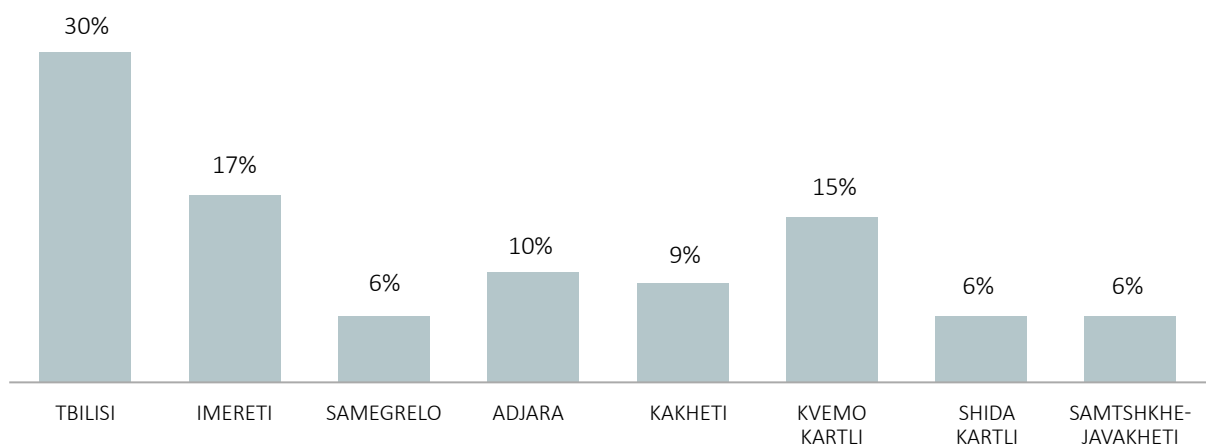
Borrower Portfolio and Regional Accessibility

By the end of 2024, the number of MBC's active borrowers totaled 9,300. The average age of the company's borrowers is 42 years, and the age structure is presented as follows:



MBC's strategic goal is to increase access to financing throughout Georgia. To achieve this goal, we attach particular importance to our regional representations. It is notable that 70% of our loan product customers are serviced by the regional service centers, which indicates the network's effective and nationwide accessible operation.

The regional distribution of credit product customers is as follows:



13. OUR CUSTOMERS

Social Responsibility and Women's Economic Empowerment

For MBC, as a socially responsible company, women's economic empowerment represents a key priority. In this direction, within the framework of business lending, the company intentionally strives to create special conditions for women. It is a proud fact that the share of women in the business-agro portfolio reached 42% in 2024, which is a significant result of our efforts.

It is noteworthy that the financing extended by MBC in the agro-business direction exceeded GEL 70 million in 2024. Over 4,000 businesses received financial support, thus the company made a significant contribution to the country's economic development.

Support for Georgian Businesses and Strategic Partnership

MBC is committed to the tradition of promoting the development of Georgian businesses by running advertising activities through its own communication channels. This initiative involves preparing informational blogs about customers' activities for social media.

Throughout 2024, the company supported numerous customers by covering their businesses on social media. Furthermore, we held two educational trainings on topics related to taxation issues and ways to secure financing, thereby contributing to business awareness and development.



13. OUR CUSTOMERS

Management of Complaints and Claims

To effectively manage complaints and claims at MBC, a Customer Claims Management Procedure has been developed. The Operational Risk team reviews and investigates registered complaints including those related to violations of the Code of Ethics. This process ensures a comprehensive study of the customer's complaint in order to develop effective methods for problem resolution and future prevention.

Furthermore, the systematic analysis of received claims allows MBC to timely identify existing or potential systemic flaws and promptly take appropriate corrective measures.

Protection of Personal Data

MBC places the utmost importance on the protection and confidentiality of customers' personal data. The company recognizes its responsibility to ensure the safety and protection of information provided by every customer.

In the process of handling the personal data of customers and other interested parties (data subjects), MBC ensures continuous compliance with the grounds for data processing, guiding principles and the rights of the data subject in line with the regulatory requirements established by the Law of Georgia "On Personal Data Protection."

For the purposes of lawful data processing, personal data is processed in accordance with the Microbank's "Personal Data Protection" Policy, which, in turn, is compiled based on the Microbank's internal legal acts, current Georgian legislation and internationally accepted best practices.

To ensure the lawful processing of personal data and the realization of data subject rights, the Data Protection Officer, in coordinated cooperation with the Microbank's structural units, provides support to the Microbank on issues related to personal data protection. This includes, but is not limited to issuing recommendations for the purpose of compliance of policies/procedures with supervisory requirements, establishing communication with data subjects and so forth.

For MBC, customer support is the main motivator and guarantee of success. The company values loyalty and plans to take significant steps in the future to meet customer expectations and create even more value for them.



INFORMATION TECHNOLOGIES



14. INFORMATION TECHNOLOGIES



In 2024, MBC took significant steps towards the digitalization of operational processes and the enhancement of Cybersecurity. The initiatives undertaken were aimed at maximizing data security, modernizing and optimizing the Information Technology (IT) infrastructure, which served as the foundation for a transition to a qualitatively new level of operational efficiency.

Concurrently, the Information Technology team was strengthened and expanded in the areas of infrastructure and technical support, as well as project management, business analysis and quality assurance.

Information Technology is one of MBC's foremost strategic priorities during the current transformation stage. The company is aware of these necessities and plans to make significant investments in IT infrastructure development, specifically in the renewal of software and migration to modern systems, the conversion and automation of operational processes into a digital format and the assurance of data protection and security.

Currently, the long-term digital transformation strategy is being actively developed and all necessary projects and processes are being finalized.

Information Technology Infrastructure and Security

The company's existing network and server infrastructure ensures a stable, secure and sustainable operational environment, which is crucial for the uninterrupted functioning of internal business processes and the delivery of high-quality services to customers.

In the second half of 2024, MBC began a large-scale modernization and strengthening of its server and network infrastructure. To this end, material technical equipment and corresponding licenses were purchased. The project is scheduled for completion in the first half of 2025 and represents one of the company's most significant technological investments in recent years.

The complete renewal of the IT infrastructure creates a solid foundation for the successful implementation of subsequent digital transformation initiatives and ensures the company's long-term technological sustainability.

Cybersecurity Enhancement

Raising information security standards and strengthening cybersecurity systems constitutes one of the company's foremost priorities for 2025. To achieve this objective, the reinforcement of the information security team is planned. To bolster technological and informational security additional modern systems and software will be procured and installed. The company's IT Infrastructure and Technical Support department will fully ensure the seamless and effective execution of these processes.

14. INFORMATION TECHNOLOGIES

Information Technology Project Management

In 2024, a large-scale software migration project was successfully implemented as part of the strategic Microbank transformation process. Over a six-month period, the integration of the Microfinance Organization's software and data into the banking system was ensured. To fully and timely meet regulatory requirements, corresponding modules (ALTA SOFTWARE) were introduced.

Furthermore, a modern HR Management program (SELF HR)- a digital platform and mobile application-was deployed. This program ensures data centralization, optimization of Human Resources management processes and increased employee engagement, contributing to the effective management of financial and human resources, timely strategic decision-making and increased organizational efficiency.

A significant step forward in 2024 was the renewal of the Call Center software (CallApp), which is a prerequisite for providing fast, high-quality and comfortable service to customers. Currently, the Call and Remote Service Center fully operates on a robust, effective and modern software base.

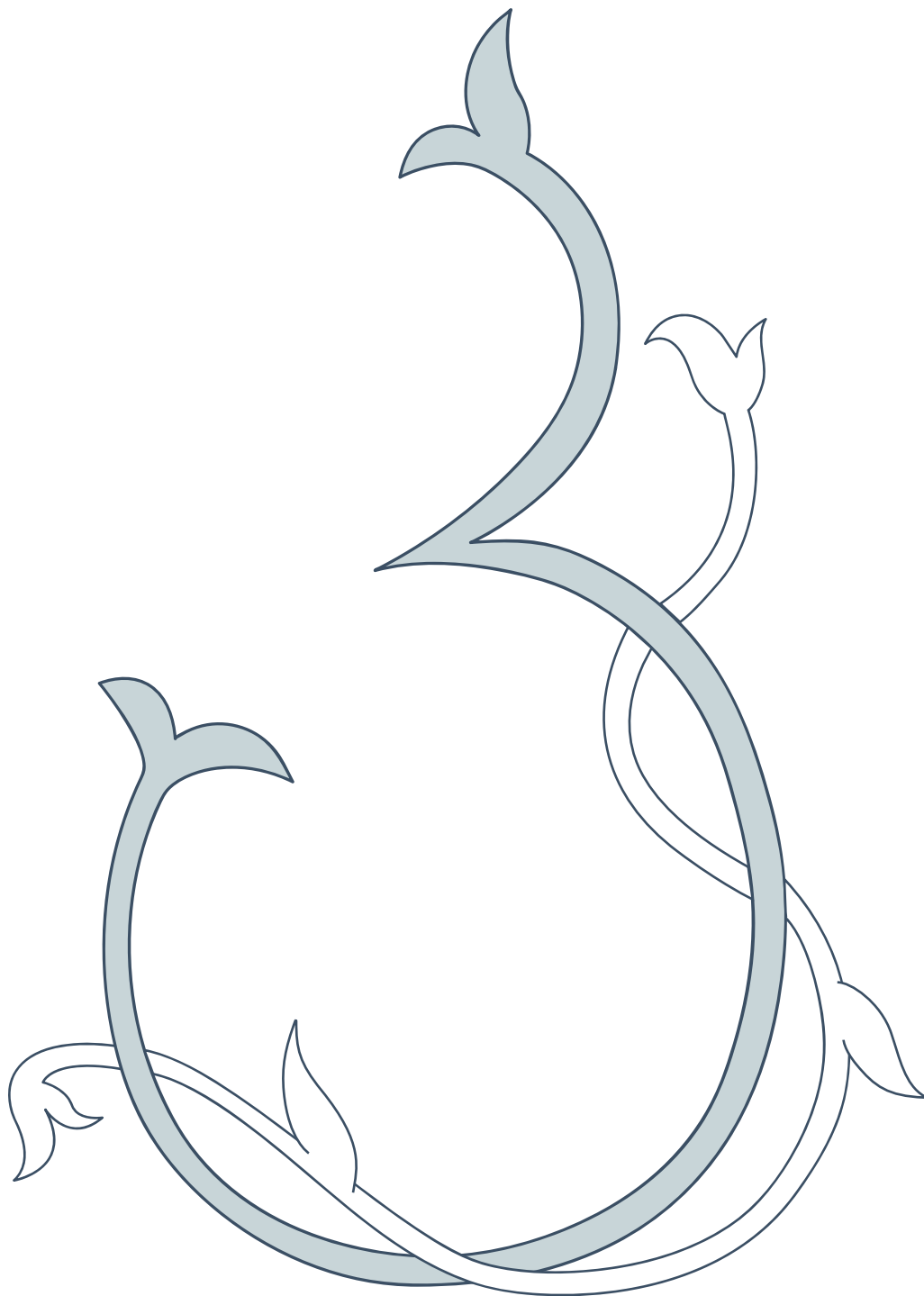
Additionally, an automated scoring system was introduced in 2024. Its main goal is, on the one hand, to automate the process of making the primary loan approval decision based on predefined rules and algorithms, and on the other, to automate procedures manually performed by company employees, which will increase operational efficiency.

Despite the complex Microbank transformation process and existing operational challenges, MBC plans to take significant steps in 2025 toward the optimization and automation of business processes. These changes will concern both customer-oriented technological instruments and internal services.

Most of the optimization initiatives for 2025 are related to the deployment of new products and services, the successful implementation of which aims to significantly improve the customer experience at MBC.

Following the staffing of the Information Technology team with appropriate personnel, the company plans to commence active work from the end of 2025 on studying the possibilities of implementing Artificial Intelligence (AI) and analytical tools.

CORPORATE GOVERNANCE



15. CORPORATE GOVERNANCE

MBC's Corporate Governance system, as a Microbank, is in full compliance with international standards, principles and best practices. The effective functioning of the company is ensured by a clearly defined organizational structure that includes:

- Clear allocation of responsibilities;
- Proper delegation of accountability and authority;
- Sound administration;
- Effective risk identification, management and reporting;
- Adequate internal control;
- Financial planning and reporting;
- Relevant policies and procedures.

For the stability and smooth functioning of the Microbank's management, the authorities are strictly separated among the supervisory, executive and control structures. The functions of these bodies fully ensure the company's management and eliminate duplication.

The main governing bodies of the Microbank are:

- The General Meeting of Shareholders;
- The Supervisory Board;
- The Directorate.

General Meeting of Shareholders and the Supervisory Board

The General Meeting of Shareholders is MBC's highest governing body. Shareholders' rights are defined by the company's charter and regulated by the applicable legislation of Georgia.

The Microbank's activity is supervised by the Supervisory Board, which is elected by the General Meeting of Shareholders. The Board is authorized to make decisions on the strategic directions of MBC's development, oversees the activities of the executive bodies and is accountable to the General Meeting of Shareholders.

The Microbank's Supervisory Board consists of 3 members, two of whom are independent members who chair the Audit and Risk Committees. Women represent 33% (one member) of the Supervisory Board composition.

The main responsibility of the Supervisory Board is the protection of shareholders' rights and their capital as well as the determination of the Microbank's strategic directions. Furthermore, the Board's functions include approving the organizational structure exercising oversight over executive bodies and continuously evaluating their role in establishing and maintaining a sound corporate environment.

The Board also ensures the existence of adequate conditions for effective internal control and risk management, monitors the Microbank's remuneration system, approves the long-term strategic development plan, risk appetite, budget and controls their execution.

The Audit and Risk Committees operate under the Supervisory Board.

Audit Committee: The primary goal of the Audit Committee is to ensure the sound, transparent and effective operation of the organization's internal control, risk management, and reporting systems, which serves to strengthen the trust of stakeholders and effectively support the Supervisory Board in its oversight functions.

The Committee monitors the internal control system and ensures the organization's compliance with laws and regulations. The functioning of the Audit Committee allows the Supervisory Board to receive reliable information, which forms the basis for effective management decisions.

15. CORPORATE GOVERNANCE

Risk Committee: The paramount mission of the Risk Committee, established in 2025, will be to establish a risk-based management culture within the organization and ensure integrated, sustainable and effective risk management systems. To support the Supervisory Board, the Committee will oversee and evaluate the following key aspects: the determination of the organization's Risk Appetite; the structural soundness and adequacy of regulatory policies, standards, and procedures for risk management; the effectiveness of capital and liquidity management strategies; effective management processes for credit, market, operational, reputational, ESG and other types of risks; and the proper functioning of the risk-related reporting system, including the Pillar 3 reporting process and the monitoring of ESG (Environmental, Social, and Governance) issues reporting.

The Directorate

The daily operational management of MBC is led by the Directorate, which is responsible for the successful implementation of the company's strategic goals. Each member of the Directorate is collectively accountable to the Supervisory Board for the Microbank's activities and the Board, in turn, appoints the Directorate's composition.

Among other key functions, the Directorate ensures the execution of the organization's business strategies, creates and embeds effective systems for managing financial and non-financial risks and a risk culture, supervises business processes and internal control, and regularly provides the Supervisory Board with the information necessary for its functioning.

Furthermore, the Directorate is responsible for the distribution of the Microbank's employee functional duties and the establishment of an effective governance structure, which ensures high standards of accountability and transparency within the company.

The Microbank's Directorate consists of 4 members: the Chief Executive Officer (CEO), the Chief Sales Officer (CSO), the Chief Operating Officer (COO), and the Chief Risk Officer (CRO). The rules for the appointment, terms and operating regulations of the Directorate members are determined by Georgian legislation, the Microbank's charter and the Directorate's regulations.

MBC places great importance on and respects the diversity of its team members. We believe that all members of our team are equal, regardless of age, disability, gender, marital status, gender identity, national origin, religion or other similar characteristics.

The company staffs employees and leadership positions based on work experience, education, professional knowledge and necessary skills. Gender equality is maintained in the Directorate's composition, represented by two women (50%) among the four members.

Sustainable Development Management

The responsibility for the effective implementation of Corporate Sustainability and ESG (Environmental, Social and Governance) issues at MBC as well as ensuring their alignment with the Microbank's long-term business strategy, rests with the Supervisory Board.

The development, implementation and management of the corporate sustainability strategy, corresponding approaches, and policies as well as the effective management of social and environmental risks in the financing process, fall within the competence of the Microbank's Directorate.

Furthermore, the day-to-day management of issues related to corporate sustainability and ESG factors is ensured by the Operational Department, specifically the Human Capital Management and Corporate Sustainability Department, which is accountable to the Chief Operating Officer.

The management principles and structure related to sustainable development and ESG issues are reflected in the bank's internal documents and management procedures. The list of these documents includes, but is not limited to: the Code of Ethics, Personal Data Protection Policy, Financial Crime and Anti-Money Laundering Policy, Risk Management Policy and others.

In the current year, MBC continues its active work in the direction of sustainable management and aims for further refinement and improvement of its operations. In this context, the company plans to develop an ESG Risk Management Policy, implement an ESG Risk Management Framework and integrate it into the existing risk management system.

15. CORPORATE GOVERNANCE

Business Ethics

Since the company's founding, MBC has operated in accordance with a Code of Ethics, which defines the core values and norms of behavior on which the company's daily activities are based. The purpose of this Code is the implementation of corporate conduct and international standards, which implies the prioritization of universally recognized moral and ethical norms when conducting business activities.

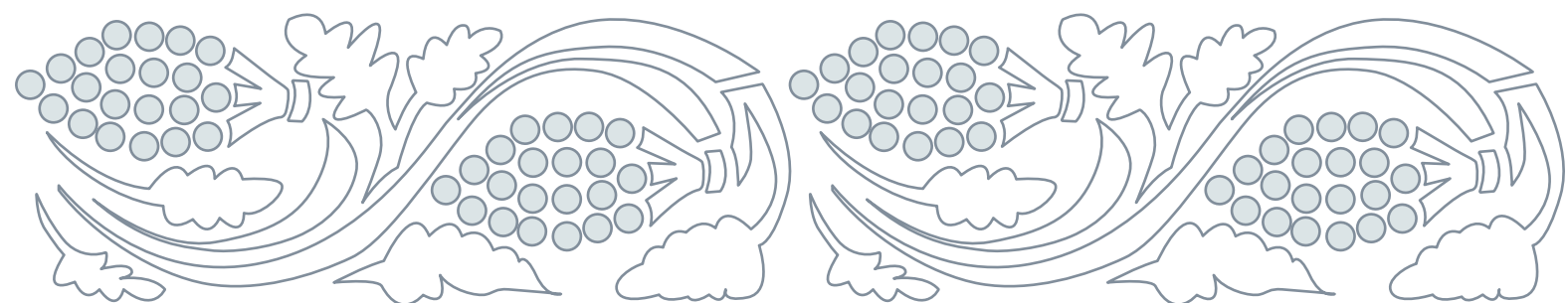
The thorough consideration and adherence to the principles defined in the Code are mandatory for all company employees and its enforcement is systematically monitored. The Code of Ethics is accessible to every employee both during the initial adaptation ("onboarding") process and at all stages of performing their professional duties.

Policy on Combating Financial Crime and Money Laundering

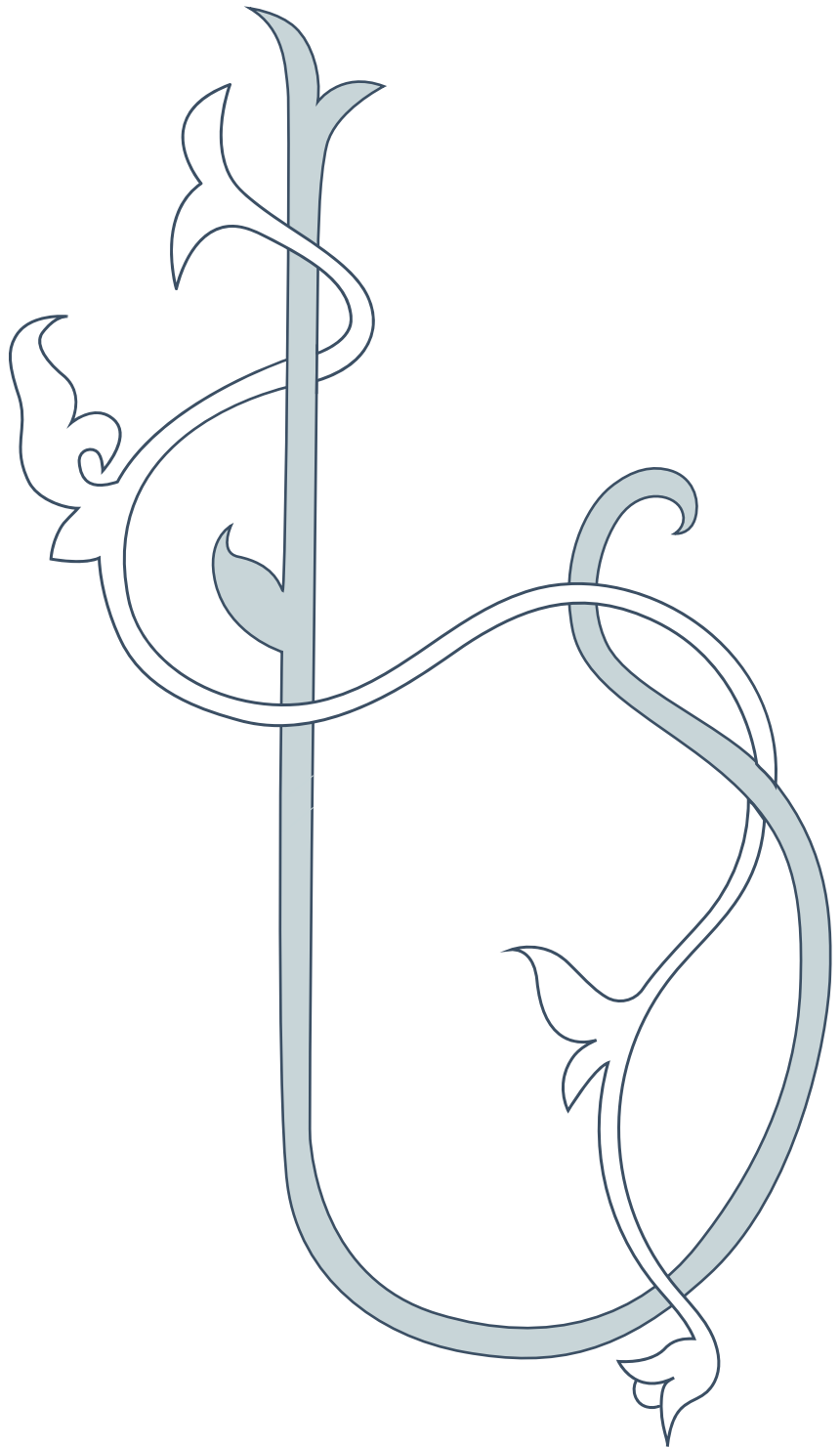
Stemming from its ethical principles and the applicable legislation and regulatory requirements of Georgia, MBC considers the prevention of money laundering (AML) and the financing of terrorism (CFT) in its daily operations as a critical priority.

For the effective implementation of this objective, the organization has implemented a Policy on Combating Financial Crime and Money Laundering and Terrorist Financing, which ensures the development of a system for combating money laundering and terrorism financing, as well as the identification, analysis, management, and mitigation of related risks.

All MBC employees are required to undergo training on anti-money laundering issues within the first three months of commencing their professional duties. Furthermore, trainings are conducted in the company at least once a year for employees, whose functional duties include establishing business relationships, conducting payment operations, assessing credit risks or ensuring compliance control.



MEMBERS OF SUPERVISORY BOARD



16. MEMBERS OF SUPERVISORY BOARD



TARAS NIZHARADZE

CHAIRMAN OF THE SUPERVISORY BOARD

Taras Nizharadze has been a partner and the Chairman of the Supervisory Board of JSC Microbank MBC since 2012.

Since 1990, he has been actively involved in the business sector, founding and managing private companies operating in the fields of banking, tourism, agriculture, natural resources and energy.

From 1998 to 2012, Taras Nizharadze was a shareholder, a member and subsequently the Chairman of the Supervisory Board of JSC Basisbank.

Since 2006, he has been the co-founder and director of Ltd. "Energo-Aragvi," leading one of the successful projects implemented in the field of hydro-energetics in Georgia.

In 1986, Taras Nizharadze graduated from the Physics Faculty of Moscow State University, receiving Bachelor's and Master's degrees in Semiconductor Physics. He began his scientific career as a research fellow at the Republican Center for Structural Research based at the Georgian Polytechnic Institute.



MURMAN AMBROLADZE

MEMBER OF THE SUPERVISORY BOARD

Murman Ambroladze has been a partner and a member of the Supervisory Board of MBC since 2014. Effective 2025, he will assume the position of Chairman of the Supervisory Board.

In 1993, he co-founded the commercial bank- JSC Basisbank- with Gia Petriashvili and served as its director for several years. From 2008 to 2012, he was a member of the Supervisory Board of JSC Basisbank.

Since 2012, Mr. Ambroladze has been the founder and director of Ltd. "Ambro-Soft."

Murman Ambroladze holds a Master's and Doctoral degree in Mathematics from Moscow State University and is the author of several scientific publications. He began his scientific and pedagogical career at the Department of Higher Mathematics of Tbilisi State Technical University.

16. MEMBERS OF SUPERVISORY BOARD



VALERI CHECHELASHVILI

INDEPENDENT MEMBER OF THE
SUPERVISORY BOARD, CHAIR OF THE AUDIT
COMMITTEE

Valeri Chechelashvili graduated from Kyiv State University with a degree in International Relations and International Law specializing in International Economic Relations and holds a Doctoral degree in International Economics.

Since 1989, he has worked in the field of diplomatic relations, holding various positions within the Ministry of Foreign Affairs of Georgia, ranging from Second Secretary to Deputy Minister. In 2005, Valeri Chechelashvili served as the Minister of Finance of Georgia, and from 2005 to 2007, he held the position of First Deputy Minister.

From 1994 to 1998, he was the Ambassador Extraordinary and Plenipotentiary of Georgia to Ukraine, and from 2004 to 2005, to the Russian Federation. From 2000 to 2004, Mr. Chechelashvili served as the Secretary General of the Organization of the Black Sea Economic Cooperation (BSEC), and from 2007 to 2016, he held the position of Secretary General of the Organization for Democracy and Economic Development (GUAM).

From 2000 to 2004, as the Secretary General of the Organization of the Black Sea Economic Cooperation, he participated in the work of the Board of Governors of the Black Sea Trade and Development Bank (BSTDB), which is an affiliated body of BSEC in accordance with its charter.

From 2002 to 2012, he was a shareholder of JSC Basisbank.

Since 2016, Valeri Chechelashvili has been a Senior Fellow at the Georgian Foundation for Strategic and International Studies (GFSIS).

He is decorated with various medals and orders and is the author of several dozens of publications in the field of regional economic cooperation and international relations.



SOPHIO TSKHVITAVA

INDEPENDENT MEMBER OF THE
SUPERVISORY BOARD, CHAIR OF THE RISK
COMMITTEE

Sophio Tskhvitava will join Microbank MBC's Supervisory Board as a member starting in 2025 and will simultaneously serve as the Chair of the Risk Committee.

In 2005, she obtained a Bachelor's degree in Economics and Business Administration from the International Black Sea University. In 2007, she received a Master's degree in Social Sciences from the same university.

In the early stages of her professional career, Sophio Tskhvitava worked at the company "Medinservice," where she was actively involved in establishing and developing relationships with business partners in the international market.

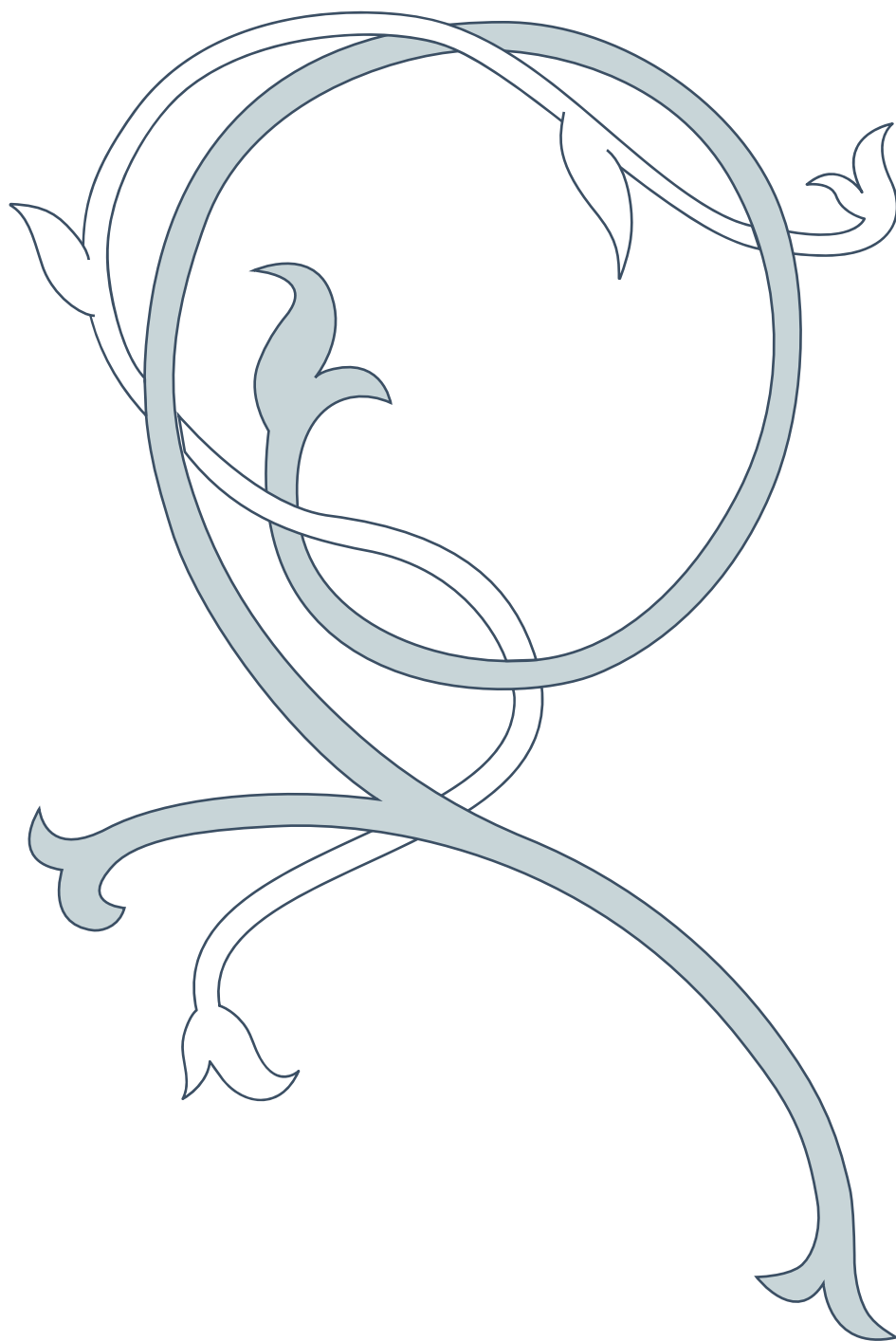
Starting in 2006, she worked at "ProCredit Bank" in various roles. From 2007, she held the position of AML (Anti-Money Laundering) Officer, and from 2010, the position of Senior AML Officer. From 2013 to 2018, she served as an Experienced Auditor at the same bank.

In 2018, Sophio Tskhvitava joined the MBC team, holding the position of Operational Risk Manager until March 2019.

From 2019 to 2024, Mrs. Tskhvitava served as the Compliance Officer for the FINCA Group at FINCA Network Support B.V. Since 2024, she has been the Senior Compliance Manager for the FINCA Group.

Sophio Tskhvitava possesses extensive knowledge and practical experience in the banking and microfinance sectors. Since 2023, she has also been actively providing consulting services to various organizations.

MEMBERS OF A BOARD OF DIRECTORS



17. MEMBERS OF A BOARD OF DIRECTORS



GIA PETRIASHVILI

CHIEF EXECUTIVE OFFICER

After many years of experience in the banking sector, **Gia Petriashvili** founded the company MBC in 2012 and has held the position of Chief Executive Officer (CEO) since its establishment.

From 1993, Gia Petriashvili was a founder and the first Chairman of the Supervisory Board of JSC Basisbank. From 1998 to 2012, he was a member of the Supervisory Board of the same bank.

From 1999, he worked at the OPIC-funded investment fund, "Caucasus Fund." From 1999 to 2002, he was the Director of the Tbilisi office of LLC Caucasus Advisors.

From 2002 to 2005, Gia Petriashvili was the founder and Managing Director of Ltd. "Entertainment Center Meidani." From 2006 to 2009, he founded and managed the real estate investment company, Ltd. "Solo-Laki Investors."

Gia Petriashvili holds a Master's and Doctoral academic degrees in Theoretical and Mathematical Physics from Moscow State University. He began his scientific career as a research fellow at the Institute of High Energy Physics at Tbilisi State University. He was also a visiting research fellow at the Institute for Nuclear Research in Moscow.



GIORGI GHVALADZE

CHIEF SALES OFFICER

Giorgi Ghvaladze has headed MBC's Sales Department since 2013. He has many years of experience working in the banking and financial sector. He started his career in 2005 at Bank Constanta as a loan expert, later holding the positions of Branch Manager and Head of Micro and Micro-Agro directions.

Giorgi Ghvaladze graduated from the Tbilisi State University with a Bachelor's degree in Economics. In 2006, he was awarded a Master of Business Administration (MBA) degree from the Caucasus Academic Center (CAC). Since 2014, he has been a PhD candidate in Business Administration at the Faculty of Engineering of the Georgian Technical University.

17. MEMBERS OF A BOARD OF DIRECTORS



ETER CHACHIBAIA

CHIEF OPERATING OFFICER

Eter Chachibaia has been a member of the MBC team since 2013. Her curatorial domain as Chief Operating Officer (COO) includes the following directions: Centralized Back-Office, Call Center and Remote Services, Marketing, Human Resources Management, PR and Corporate Sustainability, Logistics and Procurement, Information Technology and Customer Experience Management.

For many years, Eter Chachibaia was employed at JSC Basisbank and HSBC Bank Georgia, working in operational, retail and corporate services.

Furthermore, at various times, she worked in international organizations and the non-governmental sector.

Eter Chachibaia holds a Master's degree in International Economics.



NINO DEVDARIANI

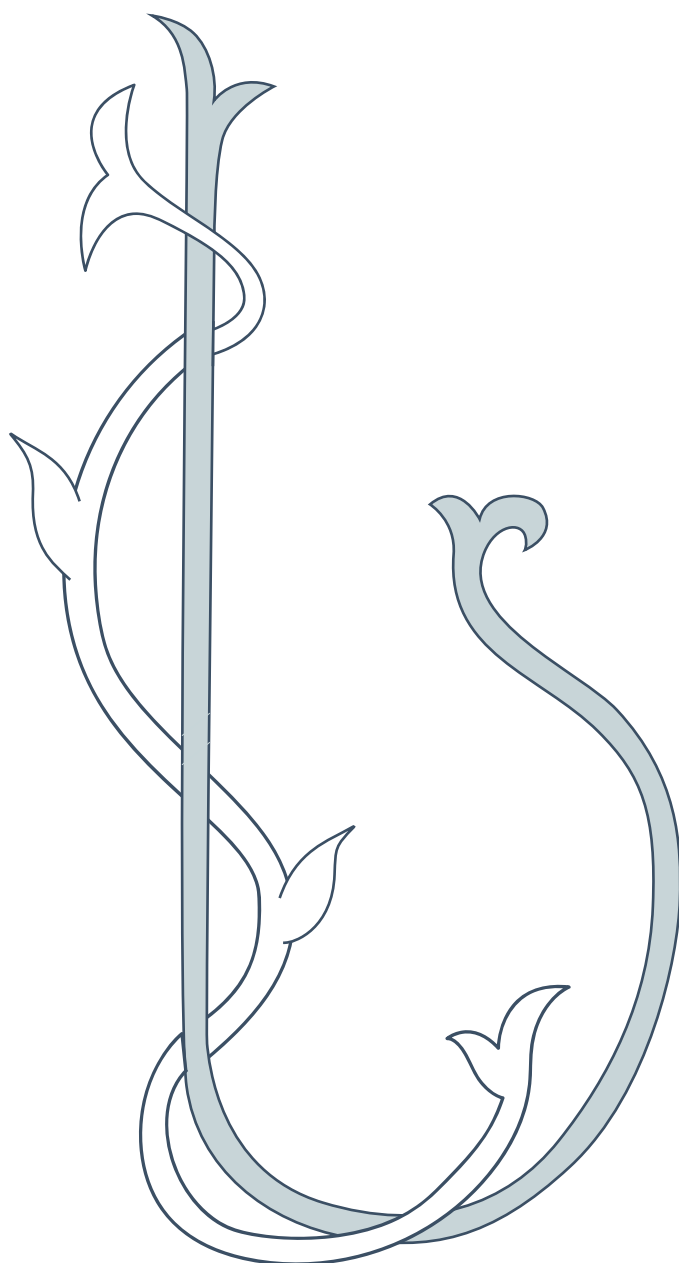
CHIEF RISK OFFICER

Nino Devdariani has held the position of Chief Risk Officer at MBC since 2016. She leads the Credit and Operational Risk departments as well as the AML (Anti Money Laundering), Legal, Financial Reporting, Investor Relations, Problem Asset Management and Real Estate Appraisal directions.

From 2008 to 2013, she worked at the National Bank of Georgia in International Reserves Risk Management and Control. From 2014 to 2016, she worked at the Ministry of Finance of Georgia in State Debt Risk Management.

Nino Devdariani holds a Master's degree from Williams College (USA, 2014) and is a World Bank scholar.

SUPERVISORY BOARD AND SHAREHOLDER MEETING MATTERS



18. SUPERVISORY BOARD AND SHAREHOLDER MEETING MATTERS



Shareholder Meeting

The General Meeting of Shareholders is the highest governing body, responsible for making strategic decisions that significantly impact the company's activities. The functioning of the Meeting is carried out in two formats: the annual (ordinary) General Meeting of Shareholders and the extraordinary General Meeting of Shareholders.

Throughout 2024, one ordinary and three extraordinary sessions were held. In addition to traditional matters such as the approval of the audited financial statements and making a decision regarding the distribution of dividends on ordinary shares, the Shareholders' Meeting dedicated special attention to the process of the company obtaining the Microbank license, which represents a significant stage of strategic development. Furthermore, the Shareholders' Meeting performed substantial work in determining the candidates for the Supervisory Board, which is a critical issue for ensuring the effectiveness of corporate governance.

Supervisory Board

The company's organizational structure is based on adequate oversight, clear accountability and the optimal distribution of functional responsibilities. The Supervisory Board is the highest tier of risk management at MBC, and its competence includes defining the organization's strategic course and supervising the process of achieving strategic objectives.

The Supervisory Board is composed of members with many years of professional experience and qualifications. Each member of the Board is distinguished by in-depth knowledge and successful practical experience in key fields such as finance, internal control and audit, banking and microfinance regulation, strategic management, corporate governance structures, crisis management and reputational risk assessment. The Board's collective experience ensures high standards of strategic oversight, risk management, and management support, which contributes to the organization's long-term and sustainable development.

The obligations, functions and responsibilities of the Supervisory Board are clearly defined by the company's internal regulatory policies and procedures. These documents also regulate the Board's operating rules including mechanisms for managing conflicts of interest, procedures for the appointment, dismissal of Board members and other important aspects.

18. SUPERVISORY BOARD AND SHAREHOLDER MEETING MATTERS

The company's Supervisory Board consists of three members:

Taras Nizharadze (Georgia) – Chairman of the Supervisory Board;

Murman Ambroladze (Georgia) – Member of the Supervisory Board;

Valeri Chechelashvili (Georgia) – Independent Member, Chairman of the Audit Committee.

Concurrent with the receipt of the Microbank license, the following changes to the Supervisory Board composition are planned starting in 2025:

Murman Ambroladze (Georgia) – Chairman of the Supervisory Board;

Valeri Chechelashvili (Georgia) – Senior Independent Member, Chairman of the Audit Committee;

Sophio Tskhvitava (Georgia) – Independent Member, Chairman of the Risk Committee.

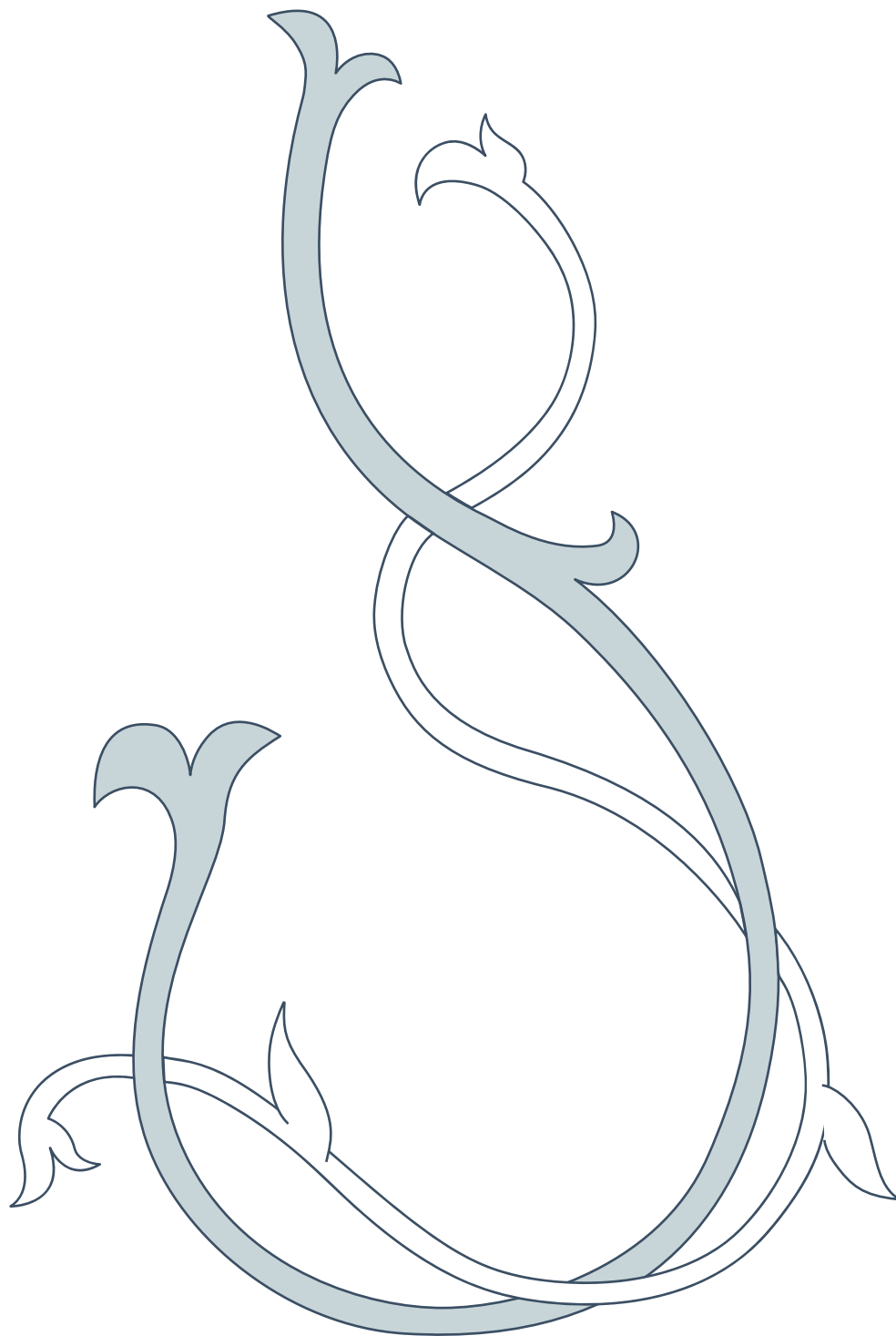
In 2024, 12 Supervisory Board meetings were held during which issues such as the company's annual business plan and its execution monitoring, quarterly reports, key financial and operational indicators, as well as the review of internal audit activities and others were discussed.

One of the Supervisory Board's main priorities is the establishment and guaranteed functioning of a strong and effective Risk Management System within the organization, which is in full alignment with the company's scale, organizational structure and risk profile. The Board is authorized to make decisions on the following strategic issues:

- ▶ Defining the company's overall structure;
- ▶ Reviewing and evaluating large-scale projects;
- ▶ Assessing the performance of senior management and creating motivation mechanisms;
- ▶ Submitting recommendations to shareholders regarding dividend distribution policy, changes in the Supervisory Board composition and other important matters.



AUDIT COMMITTEE



19. AUDIT COMMITTEE



Letter from the Committee Chairman

Dear Shareholders and Partners,

The Audit Committee, which functions completely independent of the company's management, primarily aims to protect the interests of stakeholders. This is achieved by ensuring the soundness of the internal control system, the accuracy of financial reporting, compliance with regulatory requirements and professional, results-oriented cooperation with external auditors.

The Audit Committee, in close coordination with the Internal Audit, systematically reviews general audit issues, strategic audit objectives, the results of audit inspections and the corrective measures taken by management regarding identified deficiencies.

In 2024, against the backdrop of existing national challenges, the Audit Committee regularly worked towards enhancing the effectiveness of the internal control function. Furthermore, the Committee was directly involved in the Microbank licensing process to ensure full compliance with the regulatory framework requirements.

Starting in 2025, following the receipt of the Microbank license, active cooperation is planned between the Audit and Risk Committees. This cooperation is aimed at the timely identification and minimization of risks that have a potential negative impact on the company's financial results.

Sincerely,

Valeri Chechelashvili

The main objective of the Audit Committee is to ensure the sound, transparent and effective systems of internal control, risk management and reporting within the organization, which serves to enhance the trust of stakeholders and effectively support the Supervisory Board in its oversight functions. To achieve this goal, the Audit Committee provides recommendations and advice to the Supervisory Board and the Directorate on issues such as:

- Governance structure and corporate ethics;
- The structure of internal control systems and their functional adequacy;
- The activities, independence and effectiveness of internal and external auditors;
- Regulatory, financial and public reporting.

During its sessions held throughout the year, the Audit Committee reviews the following issues related to internal and external audit, in addition to the points mentioned above:

- The selection process for the external audit firm;
- Summary results of internal and external audits;
- Reports prepared by the Internal Audit.

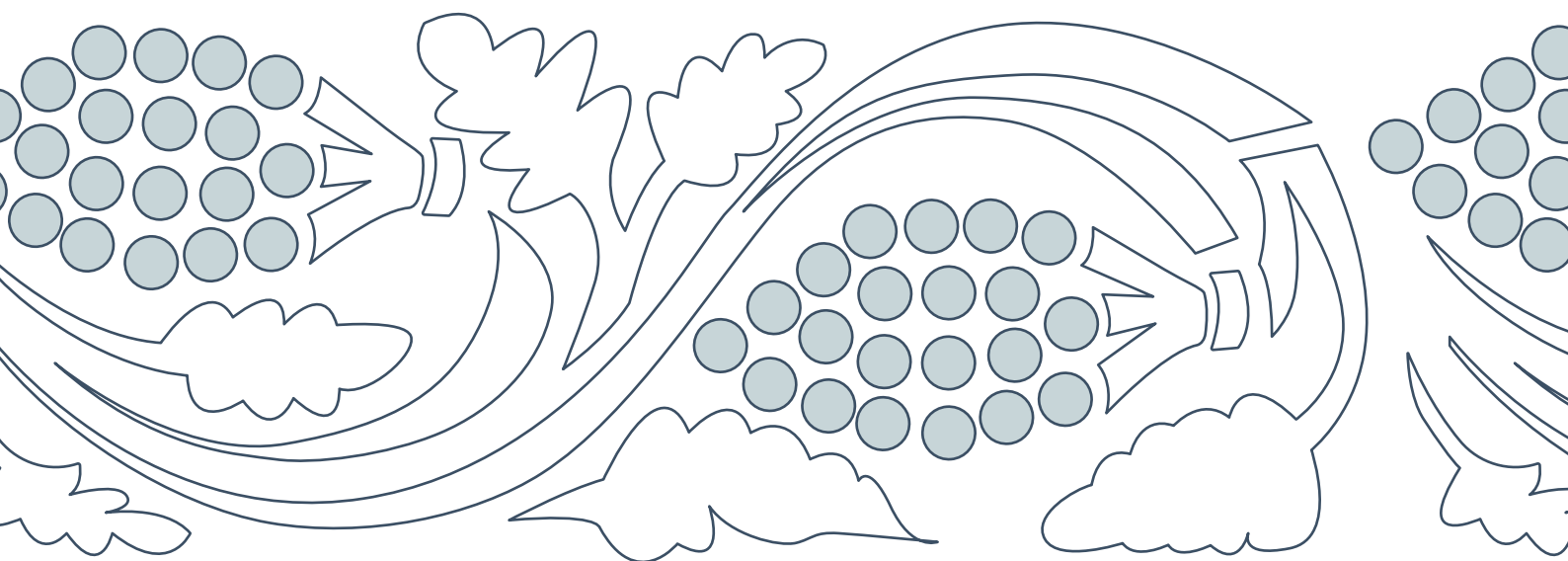
19. AUDIT COMMITTEE

- › The recommendation letter presented by the external auditor;
- › Assessment of the effectiveness of corrective measures implemented to eliminate deficiencies identified during the internal and external audit processes;
- › The strategic and annual plans of Internal Audit;
- › Internal regulations for the Internal Audit.

In 2024, the Chairman of the Audit Committee, Valeri Chechelashvili, ensured the discussion and approval of the following issues within the framework of the Supervisory Board meetings:

- › The results of the internal and external audits;
- › The letter of recommendation prepared by the external auditor;
- › The annual plan of the Internal Audit;
- › Assessment of the effectiveness of measures taken to rectify shortcomings identified during the internal and external audit processes;
- › Review and approval of reports prepared by the Internal Audit.

Starting in 2025, concurrent with the receipt of the Microbank license, the active organization of Audit Committee meetings is planned, at least once per quarter.



RISK COMMITTEE



20. RISK COMMITTEE



Letter from the Committee Chairperson

Dear Shareholders and Partners,

To ensure the effectiveness of risk management and its full alignment with strategic goals, the Risk Committee will commence operations within the organization starting in 2025. The Committee's paramount objective will be to facilitate the adequate and uninterrupted functioning of an integrated risk management system.

Throughout 2025, the Risk Committee, in close collaboration with the Chief Risk Officer, plans to actively work towards strengthening centralized management models for credit, market, operational and reputational risks.

Furthermore, the Committee will dedicate special attention to compliance, fighting against money laundering and terrorist financing (AML) and information security directions, enabling the organization to successfully manage its growing scale through the effective utilization of modern technologies.

The Risk Committee will actively cooperate with the Audit Committee to ensure the comprehensive and adequate functioning of the organization's risk management system.

Sincerely,

Sophio Tskhvitava

The primary goal of the Risk Committee is to establish a risk-based management culture within the organization and ensure integrated, sustainable and effective risk management systems. This will contribute to the successful achievement of the company's strategic goals and the strengthening of stakeholder trust. The Committee also provides support to the Supervisory Board in the assessment and oversight of the following key issues:

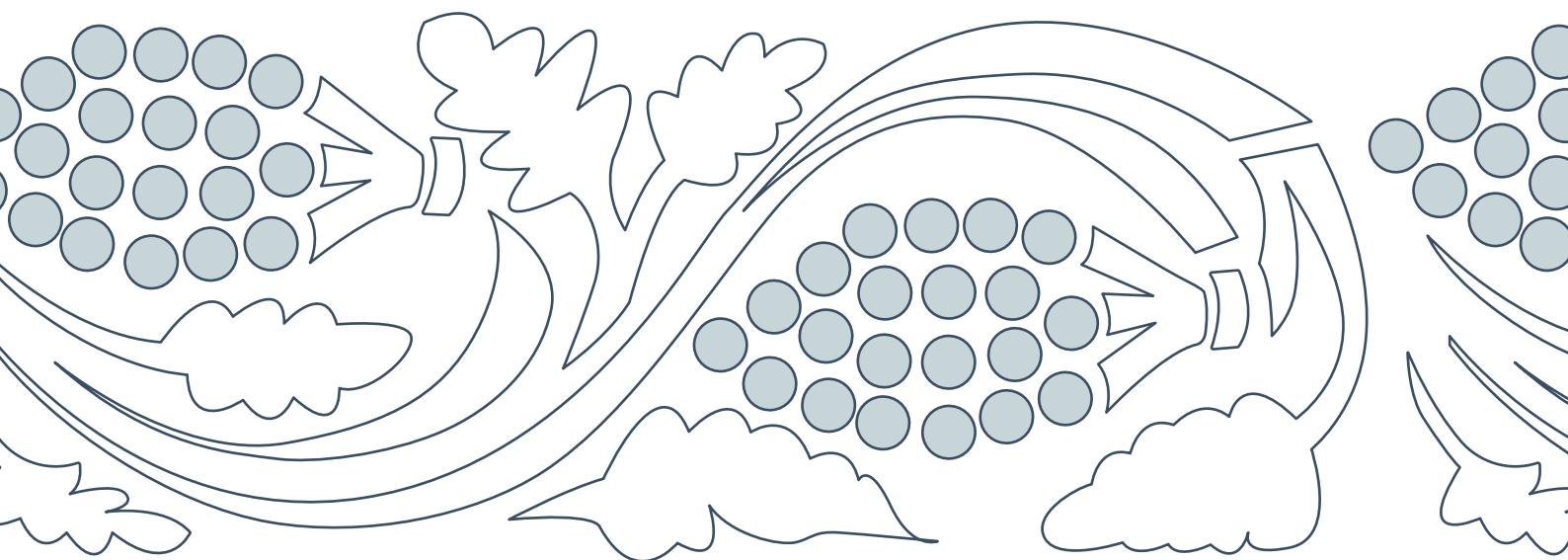
- › Defining the organization's Risk Management Strategy and Risk Appetite;
- › The structural soundness and adequacy of regulatory policies, standards and procedures for risk management;
- › The effectiveness of capital and liquidity management strategies;
- › Oversight of effective management processes for various types of risks (credit, market, operational, reputational, ESG and others);
- › The proper functioning of the risk-related reporting system including the Pillar 3 reporting process and the monitoring of ESG (Environmental, Social and Governance) issues reporting.



JSC MICROBANK
MBC

FINANCIAL STATEMENTS

Together with Independent Auditors' Report
For the year ended 31 December 2024



2024

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01. INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of JSC MICRO BANK MBC

Opinion

We have audited the financial statements of JSC Micro Bank MBC (the “Micro Bank”), which comprise the statement of financial position as at 31 December 2024, the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Micro Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The management is responsible for the preparation of other information, which is given in the management report. Other information was not provided until the date of the auditor’s opinion. Our opinion on the financial statements does not cover the above-mentioned other information. Probably, the management report will be available to us after the date of the auditor’s opinion.

In preparing the financial statements, we are responsible to review the above-mentioned other information and assess whether it is materially inconsistent with the financial statements or with evidence obtained during the audit or gives the impression that it is materially misstated. If based on our work performed, we conclude that other information is materially misstated, we are obliged to disclose this information.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Micro 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 Micro Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Micro 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 auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

01. INDEPENDENT AUDITORS' REPORT

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 Micro 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 Micro 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Micro 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Davit Darsavelidze (Registration # SARAS-A-735032)
For and on behalf of BDO Audit LLC
Tbilisi, Georgia
29 May 2025

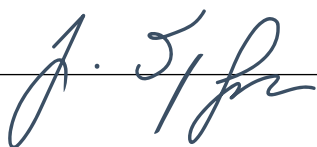
02. STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2024
(In thousands of Georgian Lari)

	Note	31 December 2024	31 December 2023
Assets			
Cash and cash equivalents	6	16,039	6,286
Loans to customers	7	119,464	101,144
Other assets	8	714	2,019
Deferred tax asset	9	74	-
Intangible assets		659	370
Right-of-use assets	10	5,102	4,733
Property and equipment	11	2,951	2,532
Total assets		145,003	117,084
Liabilities and equity			
Liabilities			
Subordinated borrowings and other borrowed funds	12	113,705	90,046
Lease liabilities	10	5,475	4,750
Deferred tax liability	9	-	51
Taxes payable		423	505
Other liabilities	13	2,159	1,155
Total liabilities		121,762	96,507
Equity			
Share capital	14	2,255	2,255
Share premium	14	1,136	1,136
Preference shares	14	6,989	6,989
Retained earnings		12,861	10,197
Total equity		23,241	20,577
Total liabilities and equity		145,003	117,084

The financial statements for the year ended 31 December 2024 were approved on behalf of the management on 29 May 2025 by:

General Director



Gia Petriashvili

03. STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024
(In thousands of Georgian Lari)

	Note	2024	2023
Interest income	15	30,282	25,026
Interest expense	15	(11,286)	(10,015)
Net interest income before impairment		18,996	15,011
Impairment losses on debt financial assets	7	(2,138)	(1,546)
Net interest income		16,858	13,465
Fee and commission income		2,980	3,743
Net foreign exchange (loss)/gain		(2,050)	56
Net gain/(loss) from trading in foreign currency		1,112	(2,445)
Personnel expenses		(9,383)	(7,201)
Depreciation and amortisation		(2,047)	(1,957)
Other operating expenses	16	(2,998)	(2,814)
Profit before tax		4,472	2,847
Income tax expense	9	(942)	(814)
Total comprehensive income		3,530	2,033

04. STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024
(In thousands of Georgian Lari)

	Share capital	Share premium	Preference shares	Retained earnings	Total
At 31 December 2022	2,255	1,136	7,464	9,099	19,954
Transactions with owners, recorded directly in equity					
Redeemed preference shares	-	-	(475)	-	(475)
Fair-value adjustment of financial asset	-	-	-	(491)	(491)
	-	-	(475)	(491)	(966)
Total comprehensive income for the year					
Profit for the year	-	-	-	2,033	2,033
Dividends declared	-	-	-	(444)	(444)
	-	-	-	1,589	1,589
At 31 December 2023	2,255	1,136	6,989	10,197	20,577
Total comprehensive income for the year					
Profit for the year	-	-	-	3,530	3,530
Dividends declared	-	-	-	(866)	(866)
	-	-	-	2,664	2,664
At 31 December 2024	2,255	1,136	6,989	12,861	23,241

05. STATEMENTS OF CASH FLOWS

For the year ended 31 December 2024
(In thousands of Georgian Lari)

	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		4,472	2,847
Adjustments for:			
Impairment losses on debt financial assets	7	2,138	1,546
Net change in interest accruals		636	(104)
Modification of contractual cash flows of financial assets		(94)	(149)
Depreciation and amortisation		2,047	1,957
Bonus and other accruals		1,117	468
Impairment of repossessed property		309	447
Net foreign exchange loss/(gain)		2,050	(56)
Net loss from disposal of property and equipment		-	3
		12,675	6,959
Changes in operating assets and liabilities:			
Loans to customers		(20,284)	(12,268)
Other assets		1,332	1,624
Tax assets/liabilities		(82)	772
Other liabilities		(468)	(38)
Cash outflow from operating activities before interest and taxation		(6,827)	(2,951)
Income tax paid		(1,067)	(626)
Interest paid on lease liabilities		(417)	(385)
Net cash outflow from operating activities		(8,311)	(3,962)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment		(747)	(336)
Purchases of intangible assets		(423)	(90)
Net cash outflow from investing activities		(1,170)	(426)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipts of borrowed funds	12	203,060	109,405
Repayment of borrowed funds	12	(181,804)	(103,579)
Repurchase of preference shares		-	(475)
Lease liabilities paid		(1,231)	(1,043)
Dividends paid		(866)	(444)
Net cash inflow from financing activities		19,159	3,864
Net increase/(decrease) in cash and cash equivalents		9,678	(524)
Cash and cash equivalents at the beginning of the period	6	6,286	6,778
Effect of changes in exchange rates on cash and cash equivalents		75	32
Cash and cash equivalents at the end of the year	6	16,039	6,286

Interest received by the Micro Bank during the year ended 31 December 2024 and 2023 amounted to GEL 27,933 thousand and GEL 24,106 thousand, respectively.

Interest paid by the Micro Bank during the year ended 31 December 2024 and 2023 amounted to GEL 10,520 thousand and GEL 9,600 thousand, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024



01. GENERAL INFORMATION

MICRO BANK

JSC Micro Bank MBC, previously known as JSC Micro Finance Organisation Micro Business Capital (the 'MBC' or 'Micro Bank'), was established in Georgia in 2012. Its principal activities are credit operations, cash operations, and foreign exchange transactions. The Micro Bank is regulated by the National Bank of Georgia (the "NBG"; the central bank of Georgia) and conducts business under license number #472. The Micro Bank's identification number is 404967078.

On 5 December 2024, MBC received a Micro Bank license from the National Bank of Georgia, marking the beginning of a new phase in its development. Following the licensing, MBC's loan limit increases from 100,000 GEL to 1 million GEL. In addition, the Micro Bank is now authorized to attract deposits, open current accounts, and offer other related services.

The Micro Bank aims to provide customer-tailored and accessible financial services to micro, small, and medium businesses and farmers, increase the availability of funds and loan products, and maintain long-term and transparent relations with customers. The Micro Bank, as a socially responsible financial institution, aims to contribute to the sustainable economic growth of Georgia.

The Micro Bank's highest management body is the General Shareholders' Meeting. The Micro Bank's activities are supervised by the Supervisory Board, whose members are elected by the General Shareholders' Meeting. The Micro Bank's daily activities are carried out by the Board of Directors, who are elected by the Supervisory Board.

The Micro Bank is wholly owned by members of the Shareholder Group. There is no ultimate controlling party of the Micro Bank as of 31 December 2024 and 2023. Detailed information is disclosed in Note 14.

The Micro Bank has 17 branches. The average number of Micro Bank employees for the year ended 31 December 2024 equaled 265 individuals, of which: top management- 7 employees, mid-level management- 36 employees, and other staff- 221 employees. All employees held full-time positions except for 2 individuals. The Micro Bank's head office is located at 68 Queen Ketevan Avenue, Tbilisi, Georgia. The General Director of the Micro Bank is Mr. Gia Petriashvili.

02. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

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

The Micro Bank maintains its records and prepares financial statements in Georgian Lari (GEL), which is also the Micro Bank's presentation currency. Amounts in the financial statements are rounded in thousands, unless otherwise stated. The reporting period for the Micro Bank is the calendar year from January 1 to December 31.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Micro Bank's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 4. The material accounting policies adopted in the preparation of the financial statements are set in Note 3.

BASIS OF MEASUREMENT

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value.

GOING CONCERN

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

ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

A) Standards and Amendments Effective from 1 January 2024

Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7). The IASB undertook a narrow-scope standard setting, leading to the Amendments. The Amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements.

Lease Liability in a Sale and Leaseback (Amendment to IFRS 16). The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

Classification of Liabilities as Current or Non-Current (Amendment to IAS 1). The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period.

Noncurrent Liabilities with Covenants (Amendment to IAS 1). The amendment requires, if an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

B) New Standards and Amendments Not Yet Effective

Standards and Amendments Mandatorily Effective from 1 January 2025

Lack of Exchangeability (Amendment to IAS 21). The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

02. BASIS OF PREPARATION

Standards and Amendments Mandatorily Effective from 1 January 2026

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

The Amendments modify the following requirements in IFRS 9 and IFRS 7:

Derecognition of Financial Liabilities

- Derecognition of financial liabilities settled through electronic transfers;

Classification of Financial Assets

- Elements of interest in a basic lending arrangement (the solely payments of principal and interest assessment – ‘SPPI test’);
- Contractual terms that change the timing or amount of contractual cash flows;
- Financial assets with non-recourse features;
- Investments in contractually linked instruments.

Disclosures

- Investments in equity instruments designated at fair value through other comprehensive income;
- Contractual terms that could change the timing or amount of contractual cash flows.

Annual Improvements to IFRS Accounting Standards.

Annual improvements are limited to changes that either clarify the wording in an IFRS Accounting Standard, or correct relatively minor unintended consequences, oversights, or conflicts between requirements of the Accounting Standards.

- Minor clarifications and corrections across IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7 (e.g., hedge accounting, lease derecognition).

Contracts Referencing Nature Dependent Electricity (Previously Power Purchase Agreements) (Amendments to IFRS 9 and IFRS 7).

The amendments include:

- Clarifying the application of the ‘own-use’ requirements;
- Permitting hedge accounting if these contracts are used as hedging instruments; and
- Adding new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.

Standards and Amendments Mandatorily Effective from 1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18 sets out significant new requirements for how financial statements are presented, with particular focus on:

- The statement of profit or loss, including requirements for mandatory sub-totals to be presented.
- Aggregation and disaggregation of information, including the introduction of overall principles for how information should be aggregated and disaggregated in financial statements.
- Disclosures related to management-defined performance measures (MPMs), which are measures of financial performance based on a total or sub-total required by IFRS Accounting Standards.

IFRS 19 Subsidiaries without Public Accountability: Disclosures. On 9 May 2024, the International Accounting Standards Board (IASB) issued IFRS 19, which allows subsidiaries to use IFRS with reduced disclosures while applying the recognition, measurement, and presentation requirements in IFRS Accounting Standards. The eligibility criteria for an entity to apply IFRS 19 are:

- The entity is a subsidiary;
- The entity does not have public accountability; and
- The entity has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

Initial recognition

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

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

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

FINANCIAL ASSETS

Classification and subsequent measurement

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

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

Financial assets at fair value through other comprehensive income

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets at fair value through profit or loss

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

The all of Micro Bank's financial assets are measured at amortised cost, except derivative financial assets.

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Business model assessment

There are three business models available under IFRS 9:

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

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

The Micro Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Micro Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Micro Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Solely Payments of Principal and Interest (SPPI)

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

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

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

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

Derecognition of financial assets

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

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

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Micro Bank changes its business model for managing financial assets.

IMPAIRMENT OF FINANCIAL ASSETS

Changes to the impairment estimation

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

IFRS 9 requires the Micro Bank to record ECL on all of its debt financial assets at amortised cost or FVOCI. The allowance is based on the ECL associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL.

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

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

Three stage approach

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

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

Stage 2: The Micro Bank recognizes a credit Expected credit losses at an amount equal to lifetime expected credit losses for those Financial Instruments which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default that represents the probability of default occurring over the remaining lifetime of the Financial Instrument. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1. Financial Instruments in stage 2 are not yet deemed to be creditimpaired.

Stage 3: If the Financial Instrument is credit-impaired, it is then moved to stage 3. The Micro Bank recognizes a Expected credit losses

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

at an amount equal to lifetime expected credit losses, reflecting a Probability of Default (PD) of 100 % for those Financial Instruments that are credit-impaired.

Considering overdue days, the distribution of loans between three stages can be presented as follows:

Collateral	Stage 1	Stage 2	Stage 3
Real estate	0-30	31-90	>90
Movable property	0-30	31-90	>90
Third party personal guarantees	0-30	31-90	>90
Unsecured	0-30	31-90	>90

The Micro Bank automatically classified issued new loans into Stage 1. The loan will be transferred on the stage 2 if any of below-mentioned significant increase in credit risks trigger events occur:

- a) Loan being past due for more than 30 days;
- b) Restructuring of exposures;
- c) Loss of the job by the borrower;
- d) Borrower is unfit for work;
- e) Fraud in the borrower's business (for the business loans);
- f) Sale of crucial part of the business or property which is necessary for the entity's profit-making day to day activities (for business borrowers);
- g) Deterioration of the macroeconomic outlook relevant to a particular borrower or a group of borrowers;
- h) Deterioration of the regulatory, political, and technological outlook that relevant to a particular borrower or to a group of borrowers;
- i) Adverse changes in the sector or industry conditions in which the borrower operates.

The loan will be transferred from Stage 2 to Stage 1 if:

- a) The borrower pays the loan according to the loan schedule for 6 months after the Stage 2 trigger event occurrence;
- b) Improvement of the circumstances due to which loan was transferred on Stage 2;

Restructured loans are never moved back to Stage 1;

Defaulted loans are transferred on the Stage 3 at the moment of the default. Loans which are on the Stage 3 are not transferred on the other stage.

Definition of default

The Micro Bank considers loan to be in default if any of the following criteria are met:

- a) Loans being past due for more than 90 days; Death of the borrower;
- b) A default, initiation of bankruptcy proceedings (for business borrowers); or
- c) Fraud from Borrower side toward communication with MFO such as: providing misleading information on financial results; Collaboration of MBC staff member with the borrower for the purpose of manipulation of desired results;
- d) Force majeure;

The definition of default is in line with relevant regulations taking into account the 90 days past due cap presumption IFRS 9. The loans for which the Micro Bank recognizes default are credit-impaired loans.

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Significant increase in credit risk

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

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

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

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

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes more than 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in Expected credit losses from transfers between 12-month ECL (stage 1) and lifetime ECL measurements (stage 2).

Forward-looking information

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

The Micro Bank incorporates forward-looking information into its measurement of ECLs.

The Micro Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and probabilities of default. This key driver is GDP forecasts. Predicted relationships between the key indicator and default and loss rates of loan portfolios have been developed based on analysing historical data over the past 5 years.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

The Micro Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Micro Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. Restructured loans are transferred to stage 2 and lifetime ECL is applied.

The revised terms usually include extending the maturity and changing the timing of interest payments.

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:

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

These parameters are derived from internally developed statistical models and other historical data that leverage regulatory models. They are adjusted to reflect forward-looking information as described below. These variables (excluding EAD) are calculated annually. EAD is renewed whenever the loan impairment allowance is calculated.

Probability of default (PD)

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

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

PDs are calculated based on three-year average. This rate is calculated separately for all segments, loans are grouped into segments according to the types of loan collateral. The PD is calculated by matching the migration matrices to the loan portfolio, which shows the probability of the loan portfolio shifting between the impairment stages.

Loss given default (LGD)

LGD is defined as the likely loss in case of a counterparty default. The Micro Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD model considers cash recoveries only. LGD is calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Micro Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- product type;
- collateral type;

The groupings are subject to regular reviews to ensure that exposures within a particular group remain appropriately homogeneous.

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, and all bank placements or receivables with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents.

FINANCIAL LIABILITIES

The Micro Bank classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Micro Bank has classified borrowings and other short-term monetary liabilities within “Other financial liabilities” category. All of Micro Bank’s derivative financial liabilities are measured at FVTPL.

Other financial liabilities include the following items:

Other financial liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Offsetting financial assets and financial liabilities

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

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

Derecognition of financial liabilities

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

FAIR VALUE HIERARCHY

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

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

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The estimated fair values of all financial instruments as at 31 December 2024 and 31 December 2023 approximate their carrying amounts.

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

RECOGNITION OF INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in profit or loss using the effective interest method. Other fees and commissions for activities not related to the internal rate of return on loans, advances and other receivables are not settled at effective interest rate but spread over time at the straight-line method or recognised on a one-off basis at the moment of their receipt depending on the nature of such fees and commissions.

The calculation of the effective interest rate included transaction costs and fees and points paid or received that were an integral part of the effective interest rate. Transaction costs included incremental costs that were directly attributable to the acquisition or issue of a financial asset or financial liability.

Other income and expenses are recognized in accordance with the accrual method, which is in line with the volume of services issued or received.

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

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost. Interest expense presented in the statement of profit or loss and other comprehensive income includes interest on financial liabilities measured at amortised cost.

Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

A contract with a customer that results in a recognised financial instrument in the Micro Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Micro Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

SALARIES AND OTHER EMPLOYEE BENEFITS

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

RECOGNITION OF OPERATING AND ADMINISTRATIVE EXPENSES

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

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

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

LEASES

The Micro Bank as lessee

Identifying the lease

A contract is, or contains, a lease when it conveys the right to use an underlying asset for a period of time, in exchange for consideration. At inception of a contract, the Micro Bank assesses whether it meets the two following cumulative conditions to be qualified as a lease:

- its execution involves the use of an identified asset, and
- it conveys the right to direct the use of that identified asset.

Initial recognition

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

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

Leases are recognised on the Micro Bank's balance sheet as follows:

- An asset representing the right to use the underlying asset over the lease term;
- A liability for the obligation to pay the lease payments.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Micro Bank's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Micro Bank if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

At the commencement date, the Micro Bank measures the right-of-use asset at cost. The cost of the right-of-use asset is comprised:

- The amount of the initial measurement of the lease liability;
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Micro Bank is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent measurement

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Micro Bank revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the revised discount rate.

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

When the Micro Bank renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The Micro Bank elects, by class of underlying asset, not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

Determination of lease term

The lease term is defined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease (including the renewal option implied through customary business practices) if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Micro Bank's lease terms contractually are determined to be 5 to 10 years.

Management applies judgement to determine the lease term when contracts include renewal options that are exercisable only by the Micro Bank. It considers all relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Micro Bank reassesses the lease term if there is a significant event or a change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew, or to terminate the lease.

Determination of incremental borrowing rate (IBR)

IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

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

Determination of lease payments

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

Contract terms are negotiated on an individual basis with lessors; Results of these negotiations have material effect on financial statements as the lease terms, currencies and payment methods (fixed or variable) are determined.

Short-term leases and leases of low-value assets

The Micro Bank applies the recognition exemption for short-term leases (i.e. lease with a lease term of 12 months or less from the commencement date) and leases of low-value assets. Associated lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

TAXATION

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

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

In December 2022 the Parliament of Georgia adopted changes which will come into effect on 1 January 2023. Income tax on companies of Georgia's financial sector will be set at 20 percent, with taxation of MFOs and other entities no longer set to be switched to the Estonian tax model.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rate (and laws) that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

All property, equipment and intangible assets are stated at historical cost less depreciation (amortisation) and recognized impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation (amortisation) is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. Depreciation (amortisation) is calculated on a straightline basis at the following useful lives:

	Useful life (years)
Buildings	30 - 40
Furniture and equipment	3 - 7

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Leasehold improvements are depreciated according to lease agreement. The intangible assets with definite useful lives are amortised on a straight-line basis over expected useful lives.

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN INVENTORIES

Non-financial assets other than inventories are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised in statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

SHARE CAPITAL AND DIVIDENDS

Ordinary shares with discretionary dividends are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Difference between nominal value and market price is recognized as a share premium.

03. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared. Dividends in relation to preference shares are reflected as an appropriation of retained earnings in the period when they are approved by Annual General Meeting in each given year.

Preference share capital that is non-redeemable with discretionary dividends is classified as equity according to IAS 32.

FOREIGN CURRENCY TRANSACTIONS

Items included in the financial statements are measured using the currency of the primary economic environment in which the Micro Bank operates ('the functional currency'). Financial statements are presented in thousands of Georgian Lari (GEL), which is the Micro Bank's functional and presentation currency.

Monetary assets and liabilities are translated into the Micro Bank's functional currency at the official exchange rate of the National Bank of Georgia.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Micro Bank's functional currency at year-end official exchange rates are recognised in the statement of comprehensive income. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Table below presents the closing exchange rates by the National Bank of Georgia:

	USD / GEL	EUR / GEL
Exchange rate as at 31 December 2024	2.8068	2.9306
Exchange rate as at 31 December 2023	2.6894	2.9753

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period and events before the date of financial statements authorisation for issue that provide additional information about the Micro Bank's financial statements are reported in the financial statements. Events after the reporting period that do not affect the financial position of the Micro Bank at the balance sheet date are disclosed in the notes to the financial statements when material.

04. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements and estimates related to ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, development of models and preparation of data inputs. Expert management judgement is also an essential part of estimating expected credit losses.

Management considers management judgements and estimates in calculating ECL as follows:

Judgements used to define criteria used in definition of default. The Micro Bank defines default using both quantitative and qualitative criteria. Borrower is classified as defaulted if:

- any amounts of contractual repayments are past due more than 90 days; or
- factors indicating the borrower's unlikelihood-to-pay.
Unlikelihood to repay is qualitative and quantitative criteria based on clients monitoring/financial stability.

In addition, default exit criteria are defined using judgement as well as whether default should be applied on a borrower or exposure level. For more details on the methodology please see Note 3.

Judgements used to define criteria for assessing, if there has been a significant increase in credit risk (SICR) which is defined using both quantitative and qualitative criteria.

Qualitative factors usually include judgements around delinquency period of more than 30 days on contractual repayments; exposure is restructured, but is not defaulted.

The Micro Bank evaluates the change in the probability of default parameter for each specific exposure on a quantitative basis, comparing it to a predefined threshold since its initial recognition. When the absolute relative change in the probability of default surpasses the specified threshold, it is considered a Significant Increase in Credit Risk (SICR), leading to the transfer of the exposure to Stage 2.

Judgements used for calculation of credit risk parameters namely probability of default (PD) and loss given default (LGD). The judgements include and are not limited by:

- definition of the segmentation for risk parameters estimation purposes,
- time since default date after which no material recoveries are expected,

The table below describes sensitivity on 10% increase of PD and LGD estimates. For sensitivity calculation purposes, the staging has been maintained unchanged:

In thousands of GEL	31 December 2024	31 December 2023
10% increase (decrease) in PD estimates	Increase (decrease) credit loss allowance on loans and advances by GEL 205 thousand (GEL 205 thousand).	Increase (decrease) credit loss allowance on loans and advances by GEL 165 thousand (GEL 165 thousand).
10% increase (decrease) in LGD estimates	Increase (decrease) credit loss allowance on loans and advances by GEL 464 thousand (GEL 497 thousand).	Increase (decrease) credit loss allowance on loans and advances by GEL 446 thousand (GEL 446 thousand).

05. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

As a financial institution, the Micro Bank is exposed to risks that arise from its use of financial instruments. This note describes the Micro Bank's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. Financial assets and financial liabilities that are liquid or have a short-term maturity is assumed that the carrying amounts approximate to their fair value.

GENERAL OBJECTIVES, POLICIES AND PROCESSES

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

The overall objective of the management is to set policies that seek to reduce risks as far as possible without unduly affecting the Micro Bank's competitiveness and flexibility. Further details regarding these policies are set out below. Through its operations, the Micro Bank is exposed to the following financial risks:

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

CREDIT RISK

Credit risk is the risk of financial loss to the Micro Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Micro Bank has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications
- methodology for the credit assessment of borrowers
- methodology for the credit assessment of counterparties
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Loan credit applications are originated by the relevant credit officers and are then passed on to the credit committee members, according to credit policy. Credit Committee is responsible for the loan approval/rejection decision. Committee acts in line with the defined limits and standards, which are defined in credit policy and product specification. Analysis is based on a structured analysis, focusing on the customer's business and financial performance.

Credit officer is responsible for the accuracy, reliability and transparency of loan application, which includes information on client, detailed analysis of client's business and preliminary assessment of credit risks and etc. Based on certain criteria (clients' credit history, creditworthiness, financial position, business sustainability and etc) credit committee members review loan application.

The Micro Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Micro Bank. Regular monitoring of loans allows the Micro Bank to mitigate credit risks. Collateral is another tool for credit risk mitigation.

Risk Management Department performs clients individual risk assessment as well as analysis of overall portfolio quality, credit concentration and market risks. See allowance for loans customers in Note 7.

05. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognised contractual commitment amounts. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	31 December 2024	31 December 2023
Cash and cash equivalents (excluding cash on hand)	11,789	1,945
Loans to customers	119,464	101,144
Other assets	81	425
	131,334	103,514

LIQUIDITY RISK

Liquidity risk is the risk that the Micro Bank will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Micro Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity management policy requires:

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

The following tables show the undiscounted cash flows on financial liabilities on the basis of their earliest possible contractual maturity:

At 31 December 2024	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Other borrowed funds	14,425	24,371	84,888	55	123,739
Subordinated borrowings	106	350	6,832	-	7,288
Lease liabilities	464	1,297	4,651	179	6,591
Other financial liabilities	1,585	437	-	-	2,022
	16,580	26,455	96,371	234	139,640
At 31 December 2023	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Other borrowed funds	9,838	44,004	40,962	-	94,804
Subordinated borrowings	120	335	6,991	-	7,446
Lease liabilities	374	1,055	4,001	245	5,675
Other financial liabilities	882	-	-	-	882
	11,214	45,394	51,954	245	108,807

05. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

MARKET RISK

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

- CURRENCY RISK

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Micro Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Micro Bank's exposure to foreign currency exchange rate risk as at 31 December 2024 is presented in the tables below:

Financial assets	GEL	USD	EUR	Other Currencies
Cash and cash equivalents	12,773	2,219	924	123
Loans to customers	118,849	615	-	-
Other financial assets	80	1	-	-
	131,702	2,835	924	123
Financial liabilities				
Other borrowed funds	62,693	45,418	31	-
Subordinated borrowings	-	5,563	-	-
Lease liabilities	121	5,354	-	-
Other financial liabilities	1,544	477	1	-
	64,358	56,812	32	-
Open balance sheet position	67,344	(53,977)	892	123
The effect of derivatives held for risk management	(52,715)	53,091	(879)	-
Net open balance sheet position	14,629	(886)	13	123

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

Financial assets	GEL	USD	EUR	Other Currencies
Cash and cash equivalents	3,855	683	1,151	597
Loans to customers	100,232	912	-	-
Other financial assets	350	34	31	10
	104,437	1,629	1,182	607
Financial liabilities				
Other borrowed funds	52,818	31,855	52	-
Subordinated borrowings	-	5,321	-	-
Lease liabilities	224	4,526	-	-
Other financial liabilities	804	78	-	-
	53,846	41,780	52	-
Open balance sheet position	50,591	(40,151)	1,130	607
The effect of derivatives held for risk management	(35,559)	34,979	903	-
Net open balance sheet position	15,032	(5,172)	2,033	607

05. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The following table details the Micro Bank's sensitivity to a 20% increase and decrease in the foreign currency exchange rates against GEL and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 20% change in foreign currency rates. Impact on the statement of comprehensive income and equity based on financial instrument values can be presented as follows:

	31 December 2024			31 December 2023		
	(GEL / USD)	(GEL / EUR)	(GEL / Other Currencies)	(GEL / USD)	(GEL / EUR)	(GEL / Other Currencies)
20% increase	(177)	3	25	(1,034)	407	121
20% decrease	177	(3)	(25)	1,034	(407)	(121)

The analysis assumes that all other variables, in particular interest rates, remain constant.

- INTEREST RATE RISK

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

The table presents the aggregated amounts of the Micro Bank's interest-bearing financial assets and interest-bearing financial liabilities at carrying amounts:

	31 December 2024	31 December 2023
Total interest-bearing financial assets	131,253	103,089
Total interest-bearing financial liabilities	(119,180)	(94,796)
	12,073	8,293

MANAGEMENT OF CAPITAL

The Micro Bank's objectives when maintaining capital are:

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

The Micro Bank sets the amount of capital it requires in proportion to risk. The Micro Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the Micro Bank may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Micro Bank is also subject to minimum capital requirements established by covenants stated in loan agreements. See detailed information in Note 17.

06. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash on hand	4,250	4,341
Cash at Bank	11,789	1,945
	16,039	6,286

Cash and cash equivalents distribution by currency is disclosed in Note 5.

07. LOANS TO CUSTOMERS

	31 December 2024	31 December 2023
Consumption*	77,958	50,332
Services	17,292	24,567
Housing*	10,223	7,934
Farming/agro-activities	9,996	9,973
Trade	7,236	10,035
Production/construction	1,728	2,778
	124,433	105,619
Expected credit allowance	(4,969)	(4,475)
Total loans to customers	119,464	101,144

*Consumption loans are intended to cover personal purchases and other consumer liabilities. Housing loans are loans issued for the purpose of purchase, repair and to arrange real estate.

07. LOANS TO CUSTOMERS

The following table provides information on the credit quality of loans to customers as at 31 December 2024:

Loans to customers	Stage 1	Stage 2	Stage 3	Total
Services				
Not overdue	14,816	234	-	15,050
Overdue less than 30 days	169	3	-	172
31 to 90 days overdue	-	181	-	181
91 to 180 days overdue	-	-	220	220
More than 180 days overdue	-	-	1,669	1,669
Total Services	14,985	418	1,889	17,292
Expected credit losses	(210)	(85)	(977)	(1,272)
Carrying amount	14,775	333	912	16,020
Consumption				
Not overdue	73,331	322	-	73,653
Overdue less than 30 days	1,119	108	-	1,227
31 to 90 days overdue	-	838	-	838
91 to 180 days overdue	-	-	543	543
More than 180 days overdue	-	-	1,697	1,697
Total Consumption	74,450	1,268	2,240	77,958
Expected credit losses	(1,006)	(270)	(1,314)	(2,590)
Carrying amount	73,444	998	926	75,368
Trade				
Not overdue	6,091	271	-	6,362
Overdue less than 30 days	53	15	-	68
31 to 90 days overdue	-	129	-	129
91 to 180 days overdue	-	-	20	20
More than 180 days overdue	-	-	657	657
Total Trade	6,144	415	677	7,236
Expected credit losses	(99)	(55)	(304)	(458)
Carrying amount	6,045	360	373	6,778
Farming/agro-activities				
Not overdue	8,761	364	-	9,125
Overdue less than 30 days	100	22	-	122
31 to 90 days overdue	-	294	-	294
91 to 180 days overdue	-	-	7	7
More than 180 days overdue	-	-	448	448
Total Farming/agro-activities	8,861	680	455	9,996
Expected credit losses	(144)	(75)	(268)	(487)
Carrying amount	8,717	605	187	9,509
Production/construction				
Not overdue	1,606	36	-	1,642
Overdue less than 30 days	24	-	-	24
31 to 90 days overdue	-	3	-	3
91 to 180 days overdue	-	-	6	6
More than 180 days overdue	-	-	53	53
Total Production/construction	1,630	39	59	1,728
Expected credit losses	(24)	(3)	(36)	(63)
Carrying amount	1,606	36	23	1,665
Housing				
Not overdue	9,990	18	-	10,008
Overdue less than 30 days	97	-	-	97
31 to 90 days overdue	-	61	-	61
91 to 180 days overdue	-	-	25	25
More than 180 days overdue	-	-	32	32
Total Housing	10,087	79	57	10,223
Expected credit losses	(64)	(12)	(23)	(99)
Carrying amount	10,023	67	34	10,124

07. LOANS TO CUSTOMERS

The following table provides information on the credit quality of loans to customers as at 31 December 2023:

Loans to customers	Stage 1	Stage 2	Stage 3	Total
Services				
Not overdue	21,274	178	-	21,452
Overdue less than 30 days	304	-	-	304
31 to 90 days overdue	-	296	-	296
91 to 180 days overdue	-	-	364	364
More than 180 days overdue	-	-	2,151	2,151
Total Services	21,578	474	2,515	24,567
Expected credit losses	(307)	(77)	(1,215)	(1,599)
Carrying amount	21,271	397	1,300	22,968
Consumption				
Not overdue	47,782	266	-	48,048
Overdue less than 30 days	486	55	-	541
31 to 90 days overdue	-	365	-	365
91 to 180 days overdue	-	-	292	292
More than 180 days overdue	-	-	1,086	1,086
Total Consumption	48,268	686	1,378	50,332
Expected credit losses	(656)	(112)	(760)	(1,528)
Carrying amount	47,612	574	618	48,804
Trade				
Not overdue	8,691	269	-	8,960
Overdue less than 30 days	78	2	-	80
31 to 90 days overdue	-	122	-	122
91 to 180 days overdue	-	-	135	135
More than 180 days overdue	-	-	738	738
Total Trade	8,769	393	873	10,035
Expected credit losses	(120)	(44)	(433)	(597)
Carrying amount	8,649	349	440	9,438
Farming/agro-activities				
Not overdue	8,430	284	-	8,714
Overdue less than 30 days	285	-	-	285
31 to 90 days overdue	-	317	-	317
91 to 180 days overdue	-	-	93	93
More than 180 days overdue	-	-	564	564
Total Farming/agro-activities	8,715	601	657	9,973
Expected credit losses	(141)	(111)	(336)	(588)
Carrying amount	8,574	490	321	9,385
Production/construction				
Not overdue	2,632	37	-	2,669
Overdue less than 30 days	6	-	-	6
31 to 90 days overdue	-	15	-	15
91 to 180 days overdue	-	-	18	18
More than 180 days overdue	-	-	70	70
Total Production/construction	2,638	52	88	2,778
Expected credit losses	(30)	(6)	(47)	(83)
Carrying amount	2,608	46	41	2,695
Housing				
Not overdue	7,766	35	-	7,801
Overdue less than 30 days	26	-	-	26
31 to 90 days overdue	-	-	-	-
91 to 180 days overdue	-	-	63	63
More than 180 days overdue	-	-	44	44
Total Housing	7,792	35	107	7,934
Expected credit losses	(43)	(1)	(36)	(80)
Carrying amount	7,749	34	71	7,854

07. LOANS TO CUSTOMERS

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

Loans to customers are generally collateralized by real estate and vehicles (few amounts are collateralized by precious metals).

Weighted average loan-to-value ratio for loans collateralized with real estate at the end of 2024 was 43% (2023: 39%) and collateralized by vehicles was 56% (2023: 52%).

Loans collateralized by precious metals are collateralized by underlying precious metals. Weighted average loan-to-value ratio for loans collateralized by precious metals at the end of 2024 was 62% (2023: 85%).

Following table provides information on the collateral, securing the loan portfolio, net of impairment:

At 31 December 2024	Real estate	Vehicles	Precious metals	No collateral	Total
Services	11,785	3,288	1	946	16,020
Consumption	32,149	40,534	1	2,684	75,368
Trade	4,263	1,803	-	712	6,778
Farming/agro-activities	6,848	1,462	-	1,199	9,509
Production/construction	1,289	203	-	173	1,665
Housing	9,622	353	-	149	10,124
	65,956	47,643	2	5,863	119,464

At 31 December 2023	Real estate	Vehicles	Precious metals	No collateral	Total
Services	17,118	5,475		375	22,968
Consumption	20,496	27,405	11	892	48,804
Trade	6,516	2,621	-	301	9,438
Farming/agro-activities	7,154	1,796	-	435	9,385
Production/construction	2,178	399	-	118	2,695
Housing	7,558	247	-	49	7,854
	61,020	37,943	11	2,170	101,144

The following table shows reconciliations from the opening to the closing balances of the expected credit losses of loans to customers as at 31 December 2024:

Expected credit losses	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	1,297	351	2,827	4,475
Transfer to Stage 1	61	(49)	(12)	-
Transfer to Stage 2	(28)	78	(50)	-
Transfer to Stage 3	(56)	(114)	170	-
Net remeasurement of loss allowance	(239)	103	2,398	2,262
New financial assets originated	1,923	-	-	1,923
Transfer to Stage 2	(240)	240	-	-
Transfer to Stage 3	(551)	-	551	-
Repaid loans	(620)	(109)	(1,318)	(2,047)
Write-offs	-	-	(1,644)	(1,644)
At the end of the year	1,547	500	2,922	4,969

07. LOANS TO CUSTOMERS

The following table shows reconciliations from the opening to the closing balances of the expected credit losses of loans to customers as at 31 December 2023:

Expected credit losses	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	1,233	300	1,636	3,169
Transfer to Stage 1	142	(103)	(39)	-
Transfer to Stage 2	(21)	21	-	-
Transfer to Stage 3	(72)	(148)	220	-
Net remeasurement of loss allowance	(229)	173	1,077	1,021
New financial assets originated	1,115	-	-	1,115
Transfer to Stage 2	(116)	116	-	-
Transfer to Stage 3	(164)	-	164	-
Repaid loans	(591)	(8)	(151)	(750)
Write-offs	-	-	(80)	(80)
At the end of the year	1,297	351	2,827	4,475

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

	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost				
At the beginning of the year	97,760	2,241	5,618	105,619
Transfer to Stage 1	636	(636)	-	-
Transfer to Stage 2	(1,549)	1,549	-	-
Transfer to Stage 3	(1,770)	(497)	2,267	-
New financial assets originated	142,870	-	-	142,870
Transfer to Stage 2	(803)	803	-	-
Transfer to Stage 3	(832)	-	832	-
Net changes in interest accruals	10	53	(11)	52
Modification of contractual cash flows of financial assets	94	-	-	94
Repaid loans	(120,340)	(661)	(1,439)	(122,440)
Write-offs	-	-	(1,812)	(1,812)
Foreign exchange and other movements	81	47	(78)	50
At the end of the year	116,157	2,899	5,377	124,433

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

	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost				
At the beginning of the year	87,098	2,689	3,623	93,410
Transfer to Stage 1	180	(183)	-	(3)
Transfer to Stage 2	(1,402)	1,402	-	-
Transfer to Stage 3	(2,191)	(1,005)	3,196	-
New financial assets originated	112,877	-	-	112,877
Transfer to Stage 2	(460)	460	-	-
Transfer to Stage 3	(300)	-	300	-
Net changes in interest accruals	(37)	34	47	44
Modification of contractual cash flows of financial assets	124	6	19	149
Repaid loans	(97,900)	(1,280)	(1,314)	(100,494)
Write-offs	-	-	(80)	(80)
Foreign exchange and other movements	(229)	118	(173)	(284)
At the end of the year	97,760	2,241	5,618	105,619

08. OTHER ASSETS

	31 December 2024	31 December 2023
Reposessed property*	419	386
Prepayments	213	192
Financial assets at fair value through profit or loss	68	18
Receivable from related party	-	1,009
Cash collateral pledged under the credit line agreement	-	278
Other	14	136
	714	2,019

*Reposessed property represents non-financial assets acquired by the Micro Bank to settle overdue loans. The assets are initially recognised at fair value when acquired and included in inventories within other assets depending on their nature and the Micro Bank's intention in respect of recovery of these assets and are subsequently re-measured and accounted for in accordance with the accounting policies. Inventories of reposessed property are recorded at the lower of cost or net realisable value. The Micro Bank expects to dispose these assets in the foreseeable future. Reposessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

Foreign Currency Forward Contracts

Foreign Currency Forward Contracts are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts. In a foreign currency forward, the Micro Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency forwards are grosssettled.

The table below summarizes the undiscounted contractual amounts outstanding at 31 December 2024 and 2023 with remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts are recognized in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount	
	31 December 2024	31 December 2023
Sell GEL to Buy USD		
Less than 3 months	41,367	35,882
Between 3 and 12 months	12,230	-
Sell EUR to Buy GEL		
Less than 3 months	882	-

09. DEFERRED TAX ASSET AND LIABILITY

Temporary differences at a rate of 20% due to:	Balance at 31 December 2022	Credited (charged) to the Income Statement	Balance at 31 December 2023	Credited (charged) to the Income Statement	Balance at 31 December 2024
Loans to customers	308	(308)	-	-	-
Right-of-use assets	(1,102)	155	(947)	65	(262)
Property and equipment	(371)	44	(327)	(73)	(1,020)
Intangible assets	22	9	31	7	38
Subordinated borrowings and other borrowed funds	128	20	148	(148)	-
Lease liabilities	1,070	(120)	950	145	1,095
Other liabilities	82	12	94	129	223
	137	(188)	(51)	125	74

Income tax expense for the years ended 31 December 2024 and 2023 comprises the following:

	2024	2023
Current income tax	(1,067)	(626)
Effect of temporary differences	125	(188)
	(942)	(814)

Reconciliation of the Income tax expense based on actual statutory rate is as follows:

	2024	2023
Profit before income tax	4,472	2,847
Applicable tax rate	20%	20%
Theoretical Income tax benefit	(894)	(569)
Effect of permanent differences	(48)	(245)
	(942)	(814)

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Micro Bank's lease agreements, for which right of use assets are recognised, includes leases of the head office and branches. Lease payments for these spaces are fixed over the lease term and are denominated in USD and GEL. The incremental borrowing rates for 2024 and 2023 years are in range of 6.5%-9.5% for leases denominated in USD and 12.5-15% for leases denominated in GEL.

Lease liabilities distribution by currency is disclosed in Note 5.

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

	2024	2023
At the beginning of the year	4,733	5,511
New lease contracts	847	399
Modification	913	67
Amortisation	(1,344)	(1,244)
Other movement	(47)	-
At the end of the year	5,102	4,733

Lease liabilities can be presented as follows:

	2024	2023
At the beginning of the year	4,750	5,348
New lease contracts	838	399
Interest expense	417	385
Modification	913	67
Lease payments	(1,659)	(1,428)
Foreign exchange movements	205	(21)
Other movement	11	-
At the end of the year	5,475	4,750

IBR was determined based on observable market data for a similar sector.

11. PROPERTY AND EQUIPMENT

Historical cost	Land and buildings	Furniture and equipment	Leasehold improvements	Total
As at 31 December 2022	871	2,461	1,412	4,744
Additions	-	187	149	336
Disposals	-	(99)	(128)	(227)
As at 31 December 2023	871	2,549	1,433	4,853
Additions	-	687	301	988
Disposals	-	(105)	(49)	(154)
As at 31 December 2024	871	3,131	1,685	5,687
Accumulated depreciation				
As at 31 December 2022	(76)	(1,393)	(490)	(1,959)
Depreciation	(15)	(371)	(200)	(586)
Disposals	-	96	128	224
As at 31 December 2023	(91)	(1,668)	(562)	(2,321)
Depreciation	(15)	(323)	(231)	(569)
Disposals	-	105	49	154
As at 31 December 2023	(106)	(1,886)	(744)	(2,736)
Carrying amount				
As at 31 December 2023	780	881	871	2,532
As at 31 December 2024	765	1,245	941	2,951

Real estate with carrying amount of GEL 543 thousand is pledged as a collateral of borrowings from local financial institutions for 2024 (2023: GEL 560).

12. SUBORDINATED BORROWINGS AND OTHER BORROWED FUNDS

	31 December 2024	31 December 2023
Principal	112,495	89,128
Interest Payable	1,210	918
	113,705	90,046

12. SUBORDINATED BORROWINGS AND OTHER BORROWED FUNDS

Details regarding subordinated borrowings and other borrowed funds are given in the tables below:

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>31 December 2024</u>
Secured loans				
From local financial institutions	GEL	11%-16%	2025	20,787
Unsecured loans				
From international financial institutions	USD	6%-9%	2025-2027	41,649
From international financial institutions	GEL	15%-15%	2025-2026	5,550
Subordinated loans from related parties	USD	9%	2028	5,562
From related parties	USD	8%-11%	2025-2026	1,334
From related parties	GEL	11%-15%	2025-2026	241
Other legal entities	GEL	13%-15%	2025	1,059
Bonds	GEL	13%-15%	2026	30,041
From individuals	USD	2%-7%	2025-2026	2,436
From individuals	GEL	12%-15%	2025-2026	5,015
From individuals	EUR	3%	2025	31
				113,705

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>31 December 2023</u>
Secured loans				
From local financial institutions	GEL	10%-15%	2024-2025	25,195
Unsecured loans				
From international financial institutions	USD	6%-9%	2024-2025	26,708
From international financial institutions	GEL	14%-15%	2024-2026	9,931
Subordinated loans from related parties	USD	8%-9%	2028-2029	5,321
From related parties	USD	2%-11%	2024	1,079
From related parties	GEL	13%-15%	2024	136
From related parties	EUR	3%	2024	21
Other legal entities	GEL	11%-15%	2024	631
Bonds	GEL	15%	2024	15047
From individuals	USD	2%-7%	2024-2025	4068
From individuals	GEL	14%-15%	2024-2025	1878
From individuals	EUR	3%	2024-2024	31
				90,046

On December 27, 2024, the Micro Bank issued bonds worth GEL30,000 GEL, the interest rate of which was determined from its nominal value, and amounts to 425 basis points (spread) plus TIBR3M, including taxes established by law. Interest accrual will take place on a 365 day per year basis. The accrued interest will be paid four times a year on March 27, June 27, September 27 and December 27.

12. SUBORDINATED BORROWINGS AND OTHER BORROWED FUNDS

Borrowings received from local financial institutions for 2024 and 2023 were secured with the Micro Bank's loan portfolio with amount of GEL14,774 thousand and GEL16,546 thousand, cash collaterals GEL0 thousand and GEL278 thousand, respectively. Borrowings secured with Micro Bank's real estate with carrying amount equalled GEL543 thousand for 2024 and GEL560 for 2023.

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

	2024	2023
At the beginning of the year	90,046	84,214
Repayment	(181,804)	(103,579)
Proceeds	203,060	109,405
Interest paid	(10,520)	(9,600)
Net Cash flows:		
Interest expense	11,003	9,630
The effect of changes in foreign exchange rates	1,920	(24)
At the end of the year	113,705	90,046

13. OTHER LIABILITIES

	31 December 2024	31 December 2023
Salaries Payable	1,117	468
Financial liabilities at fair value through profit or loss	246	219
Payables from received services	586	195
Deferred income	-	91
Other	210	182
	2,159	1,155

14. SHARE CAPITAL AND RESERVES

As at 31 December 2024 and 2023 the following shareholders owned shares of the Micro Bank and comprise the Shareholder Group:

Shareholder	Percentage of total ordinary shares	Number of ordinary shares	Number of preference shares (A Class)	Number of preference shares (B Class)
Gia Petriashvili	31.76%	716,000	27,000	100
Otar Rukhadze	14.42%	325,000	108,000	400
Tengiz Maziashvili	9.29%	209,500	33,750	125
Taras Nizharadze	8.25%	186,000	99,900	190
Murman Ambroladze	7.98%	180,000	13,500	50
Goderdzi Meladze	6.65%	150,000	40,500	150
Giorgi Gotoshia	6.65%	150,000	13,500	50
Giorgi Vachnadze	5.48%	123,500	14,850	55
JB LLC	2.66%	60,000	27,000	100
Eter Chachibaia	2.00%	45,000	-	-
Giorgi Ghvaladze	1.95%	44,000	-	-
Tatia Jajanashvili	1.49%	33,500	-	-
Nino Devdariani	1.42%	32,000	-	-
	100.00%	2,254,500	378,000	1,220

Issued capital

As at 31 December 2024 and 2023 authorised, issued and outstanding share capital comprises 2,254,000 ordinary shares. All shares have a nominal value of GEL 1.

Difference between nominal value and market price is recognized as a share premium. As at 31 December 2024 and 2023 share premium amounts GEL 1,136 thousand.

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

Preference shares

During 2018, the Micro Bank issued 2,800 non-redeemable preference shares with nominal value of USD1,000. In 2022, according to minutes of the meeting #14, 50% of class B preference shares were converted into class A preference shares and the change was reflected in register of shares of the Micro Bank in January 2023. Nominal value of A class preference shares is GEL10. The ability to pay dividends is subject to the Micro Bank's financial condition and results of operations and other factors considered by Annual General Meeting.

In August 2023, in line with shareholders decision, the Micro Bank repurchased 180 B class preference shares from Taras Nizharadze with nominal value of GEL475 and it was converted into subordinated loan from shareholder.

Dividend payments on class A preference shares will be made at a variable rate, which consists of two components: the monetary policy rate approved by the National Bank of Georgia ("Refinancing rate") and rate approved by general meeting of shareholders, which is 6.5%. Dividend payment on class B preferred shares are made at a fixed rate of 10%. According the Charter of the Micro Bank, if based on the decision of AGM dividends on preference shares will not be paid two times in a row or dividend rate will be decreased, the holder of the preference shares has right to convert its preference shares into ordinary shares.

Subscribed capital

In accordance with the Law of Entrepreneurs of Georgia, the Micro Bank hereby declares that its share capital and preference shares fully represent the subscribed capital, amounting to GEL 9,244 thousand as at 31 December 2024 and 2023.

Dividends

Dividends payable are restricted to the maximum of retained earnings of the Micro Bank, which are determined according to Georgian legislation. In 2024 the Micro Bank declared preference dividends at amount of GEL866 (2023: GEL444).

15. NET INTEREST INCOME

Interest income is arising from:

	2024	2023
Loans to customers	29,700	24,402
Receivable from Related party	138	354
Modification gain of contractual cash flows of financial assets	94	149
Placements with banks	350	121
	30,282	25,026

Interest expense is arising from:

	2024	2023
Borrowings from financial institutions	(4,010)	(3,672)
Borrowings from international financial institutions	(3,570)	(2,233)
Bonds	(2,001)	(2,313)
Borrowings from individuals	(977)	(808)
Leases	(417)	(385)
Other borrowings	(311)	(604)
	(11,286)	(10,015)

16. OTHER OPERATING EXPENSES

	2024	2023
Advertising and marketing	(727)	(641)
Office supplies	(319)	(176)
Loss from sale and impairment of repossessed properties	(309)	(450)
Consulting*	(249)	(217)
Tax expense other than income tax	(220)	(188)
Application inspection	(197)	(226)
Communication	(190)	(101)
Utilities	(183)	(211)
Bank charges	(133)	(82)
Security	(86)	(80)
Business trips	(66)	(68)
Transportation	(65)	(49)
Rent	(56)	(29)
Other	(198)	(296)
	(2,998)	(2,814)

*For 2024 and 2023, professional fees paid to the audit firm for the provision of audit and other professional services comprised GEL 71 and GEL 53, respectively.

17. COMMITMENTS AND CONTINGENCIES

LITIGATION - In the ordinary course of business, companies are usually subject to legal actions and complaints.

Following the Micro Bank's customers' failure to meet loan repayment obligations the Micro Bank is involved in legal disputes against such customers. The highest possible outcome from such legal disputes is the amount of loans receivable from such customers (including accrued interest and other charges).

Management is unaware of any significant actual, pending or threatened claims against the Micro Bank.

COMPLIANCE WITH COVENANTS - The Micro Bank is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Micro Bank including declaration of default.

The Micro Bank has complied with all the financial covenants stipulated by lending agreements as of 31 December 2024 and 2023.

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

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

FINANCIAL GUARANTEES - As at 31 December 2024 and 2023 the Micro Bank has financial guarantee of GEL 2,200 thousand to a Georgian Commercial Bank to secure loan of a related party with premium rate of 1.5%-2%. The period of the guarantee is 10 years (5 years to maturity). The loan is secured by the property, for which the related party obtained the loan. The property (residential-commercial building in Tbilisi) is pledged under the same loan as a primary security. Based on management's assessment, there is a remote chance of default. As at 31 December 2024 and 2023 the Micro Bank allocated financial guarantee in Stage 1 for the purposes of identifying expected credit loss under IFRS 9. Management estimates that ECL is immaterial at reporting date.

MANAGEMENT REPORT - In accordance with the Law of Georgia on Security Markets (article 11) the Micro Bank has an obligation to prepare and submit Management Report to the State Regulatory Authority, together with Independent Auditors' Report no later than 15 May of the year following the reporting period. The Micro Bank has not prepared Management Report at the date of issue of the financial statements.

REGULATIONS OF NATIONAL BANK OF GEORGIA - The Micro Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Micro Bank's capital is monitored using, among other measures, the ratios established by the National Bank of Georgia in supervising the Micro Bank.

The primary objectives of the Micro Bank's capital management are (i) to ensure that the Micro Bank complies with externally imposed capital requirements set by the NBG, (ii) to safeguard the Micro Bank's ability to continue as a going concern and the Micro Bank's capital is monitored daily and monthly with reports outlining their calculation reviewed and subsequently submitted to the NBG.

The Micro 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. In order to maintain or adjust the capital structure, the Micro Bank may reassess its business strategy or adjust the amount of return capital to shareholders or issue capital securities.

According to the NBG regulations about capital adequacy (Decree N111/04- 21 June 2023) capital requirements consist of a Pillar 1 minimum requirement (4.5%, 6.0%, 8.0% for CET1, Tier1 and Total Capital consequently), combined buffers (countercyclical and conservation buffers that were set at 0.25% and 2.5% respectively as at 31 December 2024) and Pillar 2 buffers.

Under total Basel III requirements the Micro Bank was required to maintain a minimum regulatory capital ratio, Tier 1 capital adequacy ratio and Common Equity Tier 1 capital adequacy ratio of 14.01%, 11.38% and 9.41%. The Micro Bank was in compliance with these capital adequacy ratios as at 31 December 2024.

17. COMMITMENTS AND CONTINGENCIES

The calculation of the capital adequacy ratios in accordance with the IFRS-based NBG rules and capital adequacy Basel III framework as at 31 December 2024:

GEL'000	2024
Tier 1 capital	22,582
Supplementary capital	3,277
Total regulatory capital	25,859
Risk weighted assets*	136,005
Regulatory capital ratio*	19,01%
Common Equity Tier 1 capital adequacy ratio/tier 1 capital adequacy ratio*	16,60%

* These amounts are unaudited.

As at 31 December 2024 and as at the date these financial statements were authorised for issue (unaudited), the Micro Bank was in compliance with the minimum regulatory capital requirements.

18. TRANSACTIONS WITH RELATED PARTIES

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

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

Financial statement caption	Shareholder	Other related parties	Key management personnel
Other Assets	-	-	-
Subordinated borrowings	4,427	1,136	-
Other borrowed funds	1,134	440	-
Lease Liabilities	-	3,005	-
Other liabilities	-	-	610
Fee and commission income	-	34	-
Interest income	-	137	-
Short-term employee benefits	-	-	(1,532)
Interest expense	(433)	(119)	-

18. TRANSACTIONS WITH RELATED PARTIES

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

Financial statement caption	Shareholder	Other related parties	Key management personnel
Other Assets	-	1,009	-
Subordinated borrowings	4,243	1,079	-
Other borrowed funds	924	311	-
Lease Liabilities	-	2,641	-
Other liabilities	-	-	19
Fee and commission income	-	34	-
Interest income	-	354	-
Short-term employee benefits	-	-	(847)
Net gain from trading in foreign currency	-	345	-
Interest expense	(474)	(261)	-

19. EVENTS AFTER REPORTING PERIOD

Non-Adjusting:

Dividends - On 28 January 2025, according to the decision of the Supervisory Board, the Micro Bank declared preference dividends of GEL 912 thousand. As of the financial statements authorisation date, GEL 456 thousand had been paid. The decision regarding the payment of the remaining amount is expected to be made by the Supervisory Board in July 2025.