2023

ANNUAL REPORT

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Independent Auditor's Report

To the Shareholders and Management of JSC MFO Micro Business Capital

We expressed an opinion on the financial statements of the organization for the year ended December 31, 2023, on May 1, 2024. 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 2023 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.

Ivane Zhuzhunashvili (Registration # SARAS-A-720718)
For and on behalf of BDO LLC
10 May 2024

MBC
JSC Microfinance Organisation
Micro Business Capital

26/07/2024

JSC Microfinance Organization Micro Business Capital
Statement of responsible persons

The audited consolidated financial statements and management report for the year ended 31 December 2023 is prepared by JSC Microfinance Organization „Micro Business Capital" 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 consolidated 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 Group.

• The consolidated Management report includes a fair review of the development, performance and conditions of the business and of the position, with a description of the principal risks and uncertainties, they face.

The responsibility statement was approved by the Supervisory Board and the Management Board.

Chairman of the Supervisory Board **TARAS NIZHARADZE**

CEO **GIA PETRIASHVILI**

CFO **TATIA JAJANASHVILI**

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ABOUT US

1 ABOUT US

Micro Business Capital (MBC) is one of the leading microfinance organizations in Georgia and is currently represented by **17** service centers in **8** regions of Georgia.

The company manages a total loan portfolio of GEL **105.6** million and has **237** employees as of 2023.

The organization strives to create opportunities for the development of small entrepreneurship and farming, and in this way to promote the financial stability of micro-businesses, sustainable economic development of the country. Throughout its existence, MBC has served more than **142,000** unique customers and offered services based on responsible lending principles following international standards.
Establishing long-term and transparent relations with customers is MBC’s main priority.

MBC has been a multiple winner in the Best Annual Report and Transparency Award competition **(BARTA)**. In addition, in 2023, the company won the highest award in the Georgian Responsible Business Competition **(Meliora)** and became the "Responsible Small and Medium Company of the Year". Also, among the awards received by MBCs, an important place is held by the Corporate Sustainability Award - with the project on promoting financial education among youth. Last year, the company's COO won the local and global rounds of the United Nations Global Compact **SDG Pioneer.**

Among the important events is the placing of GEL 15 million two-year bonds of MBC on the Georgian Stock Exchange in 2022.

Such recognition deservedly places MBC next to successful companies and demonstrates its readiness to move to a new stage of development by obtaining the status of a microbank.

KEY FINANCIAL AND OPERATIONAL INDICATORS

2 KEY FINANCIAL AND OPERATONAL INDICATORS

TOTAL ASSETS (+6%)
₾117 MILLION

TOTAL LOANS (+13%)
₾105.6 MILLION

NET PROFIT (+209%)
₾2 MILLION

TOTAL CAPITAL (+3%)
₾20.6 MILLION

ROE
10%

ROA
1.8%

FUNDS BORROWED FROM FINANCIAL ORGANIZATIONS (+8%)
₾77.1 MILLION

NUMBER OF PARTNER FINANCIAL INSTITUTIONS
11

NUMBER OF BRANCHES
17

NUMBER OF EMPLOYEES
237

NUMBER OF CUSTOMERS (+12%)
60.949

EMPLOYEE SATISFACTION INDEX
79%

CUSTOMER SATISFACTION INDEX
84%

CUSTOMER LOYALTY INDEX
86%

3 CHAIRMAN’S STATEMENT

TARAS NIZHARADZE
CHAIRMAN OF THE SUPERVISORY BOARD

The year 2023 was successful for MBC not only in terms of financial indicators but also in the sense that the long-term tireless work of the company's team led to a logical result and MBC became the first microfinance organization on the market to officially declare its desire to obtain a microbank license at the National Bank of Georgia.

It is a fact to be proud of that as a result of 10 years of operation under conditions of high competition, today the company is not only among the leaders of the sector but also has the readiness to move to a new stage of development. Our main expectation in 2024 is related to this very fact - the perspective and challenges of operating with a new status before society.

Here, it must be noted that in order to get closer to the structure of a micro bank, many organizational changes have already been implemented in MBC, and the process is actively continuing at this stage.

The year 2023 was marked by improvements in almost all key indicators for MBC. The company's loan portfolio increased by 13%, a 6% increase was recorded in the direction of total assets, and in terms of the number of customers, the company had a 12% increase. At the same time, the net profit increased by 209%, and the rate of return on capital reached 10%. In addition, MBC has consistently maintained high employee and customer satisfaction and loyalty indexes, which is especially welcomed by us.

As you know, the growth of the total portfolio of the microfinance market in 2023 amounted to 8.2%. MBC had one of the highest growth rates among the representatives of the sector - 13%. In parallel with the mentioned, the company has one of the lowest risk parameters in relation to the market and the largest market players. At the end of 2023, the volume of overdue loans of MBC to total loans was 3.1%, while the same indicator of the sector was 6.2%. And the volume of MBC loans overdue for more than 30 days was 2% of total loans, while the same indicator of the microfinance market was 3.5%.

It is obvious that the trend of improving the risks of the sector is the result of the correct regulations carried out by the National Bank of Georgia. It is welcomed that today we, the remaining players in the market, continue to implement our activities through responsible lending.

The year 2023 was also important for MBC in terms of attracting investments. The trust of international partners in the company is increasing, which is also reflected in the volume of funds raised from year to year. In 2023, MBC had 7% growth of funds raised. The amount of funds raised by the company exceeded GEL 90 million.

Today, MBC serves diverse segments –in the direction of both business and retail. It is a key priority for the company to create accessible financial services and products and in this way to provide the opportunity for the development of small entrepreneurs and farmers. The proof of this is the fact that in 2023 MBC provided financial resources of almost GEL 50 million in the direction of agro-business entrepreneurship. This trend will definitely continue in the future. We plan to significantly increase both the customer segment and the volume of financing, which will allow us to obtain a micro-bank license first of all.

3 CHAIRMAN’S STATEMENT

MBC IN THE FUTURE

MBC continues to implement changes in the direction of aligning its organizational structure, processes and products with the structure, processes and products of a bank.

In 2024, the key priority of the company is the successful completion of the bank transformation project, the maximum automation of processes and the creation of new banking products.

However, the implementation of large-scale projects and changes is impossible without mutual understanding, appreciation of each other's work, constant care for development and the dedication that the MBC team has shown in the past years. That is why I consider that, along with many other factors, the success of MBC is primarily due to the 237 people who make up the MBC team today.

Accordingly, I would like to thank each and every employee of MBC, as well as our shareholders, creditors, suppliers, partners and member-colleagues of the Supervisory Board for their work. I am sure that with the support of our fantastic team and partners, we will have many successes ahead.

Taras Nizharadze
Chairman of the Supervisory Board

4 CEO LETTER

GIA PETRIASHVILI

CEO OF MBC

Dear Ladies and Gentlemen,

2023 was a jubilee year for MBC. The company has turned 10 years old, and I am especially proud of the fact that we celebrated this date with success and, most importantly, with ambitious future plans. The main novelty of the year was that MBC is the first microfinance organization in the Georgian market, which applied to the National Bank of Georgia for a microbank license.

Today, I can boldly say that the success of MBC is based on our main asset - namely, the trust and loyalty that the company has accumulated from the customers during its 10 years of existence. Also, the MBC team plays a major role in the abovementioned, which can cope with all challenges, and to whom I would like to express my special gratitude.

It is the mutually beneficial and long-term relations established with the customer and the professionalism of the team that make us expect that 2024 will be the year of transition to a new stage of development for the company. MBC will become one of the first organizations to enter the market as a micro-bank, and with this step, our main goal - to promote the financial stability of micro-businesses, to increase the possibilities of receiving financing for micro and small entrepreneurs - will gain even wider scales. Accordingly, we expect that after 2023, which ended with positive trends, we will have an even more successful and interesting year - novelties, new offers, updated product range, new markets and other interesting challenges.

WHAT WAS IMPORTANT IN 2023?

As you know, throughout 2023, hostilities continued actively in our neighborhood, which created a somewhat unstable and unpredictable situation in the country. MBC was able to adapt to the situation and closed 2023 with positive results.

During the reporting period, the company's loan portfolio increased and exceeded GEL 105 million. We have significant growth in terms of assets as well - the volume of the company's assets exceeded GEL 117 million at the end of 2023. In terms of risk parameters, MBC remains one of the best microfinance organizations in the market. The number of MBC employees reaches 237.

For 10 years, MBC has served more than 142,000 customers. Among the company's friends are about 15,000 businesses and agro-entrepreneurs, whose success particularly makes us proud, and at the same time, I think I will not exaggerate if I say that it is directly proportional to the development of the country's economy. MBC stands on the guard of the financial stability of the mentioned businesses and, most importantly, is connected with many years of friendship with them.

In this regard, MBC's relations with women entrepreneurs are worth mentioning. Supporting the empowerment of women is a priority for us, and this is evidenced by the fact that up to 30% of the company's business-agri loans portfolio are women. As for the MBC team, more than 60% of employees in the company are women, and the mentioned statistics are almost similar in middle and higher management as well.

Among the important events of 2023 is the activation of the company in the direction of unsecured loans, which means that our existing and potential customers will have even more opportunities for development and access to financial resources.

From 2024, in the process of transformation into a microbank, the direction of information technology is one of the main challenges of MBC. The company has significantly increased the volume of investments in the direction of software improvement, digitization of operational processes, data protection and security. At this stage, work on the implementation of the long-term digital transformation plan is actively underway.

4 CEO LETTER

IMPORTANT AWARDS OF 2023

Last year, for the third time in a row, MBC won the Best Annual Report and Transparency Award - BARTA. Also, we won the Meliora 2022 Grand Prix in the category - "Responsible Small and Medium-Sized Company of the Year". Among the awards received by MBC in 2023, the Corporate Sustainability Award in the small and medium business category deserves special attention. In addition, COO of MBC became the winner of the local and global rounds of the United Nations Global Compact SDG Pioneer.

RELATIONS WITH PARTNERS

In 2023, MBC continues to attract long-term, unsecured loans from existing and new international financial institutions. We appreciate such a clear expression of trust from our partners.

The European Fund for Southeast Europe (EFSE) is one of the most important partners, with which MBC signed the agreement in 2023 and received a GEL 7 million loan to increase access to financing for women entrepreneurs and farmers living in Georgia.

VISION FOR THE FUTURE

I am confident that the process of transforming MBC into a bank in 2024 will be successful. I thank all MBC employees that MBC is among the market leaders today and moreover, has ambitions to move to a new level of development, it is their merit.

The plans of the company are quite ambitious; however, I believe that by the end of the year, MBCans will congratulate each other on great success.

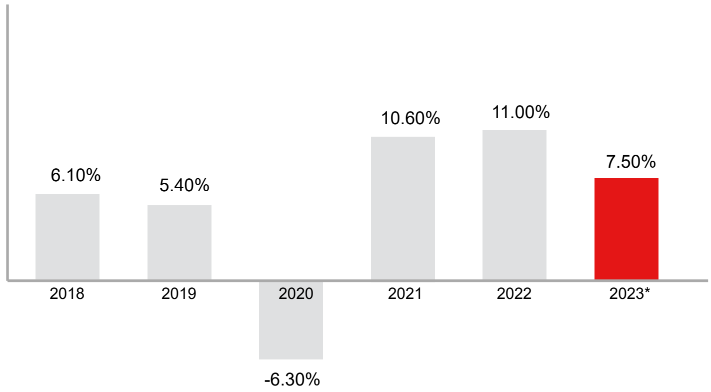
Gia Petriashvili
CEO

MACROECONOMICS REVIEW

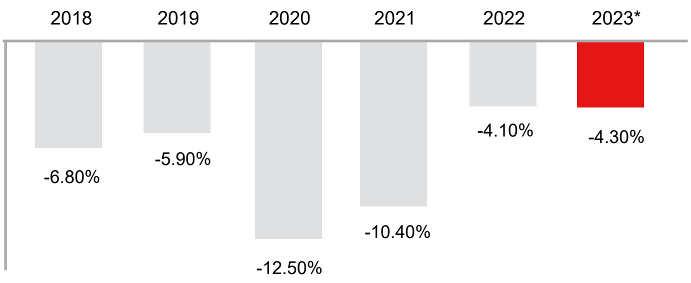
5 MACROECONOMICS REVIEW

REAL GDP GROWTH

In 2023, according to the preliminary data of the National Statistics Agency of Georgia, real GDP growth amounted to 7.5%, and in 2022, the country's economic growth rate was 11%.



CURRENT REPORT WITH GDP



CURRENT REPORT

In 2023, the current report deficit amounted to USD 1,327 million, which, compared to the previous year, is USD 206.4 million more, and in relation to GDP amounts to 4.3%.

In 2022, Georgia's current account of the balance of payments amounted to 1,121 million USD, and compared to 2021, this deficit decreased by 824 million USD. In relation to GDP, the current account deficit decreased from 10.2% in 2021 to 4.1% in 2022, while in 2023, it increased to 4.3%.

EXPORT-IMPORT

Compared to 2022, export increased by USD 0.5 billion in 2023 and amounted to USD 6 billion. As for import, it increased by USD 2 billion and amounted to USD 15.6 billion at the end of the year.

A significant share of export is held by CIS countries - 66% of total export, EU countries - 12%, China - 5%.

In import, 25% of total imports come from EU countries, 21% from CIS, 9% from China.

MONEY TRANSFERS

In 2023, total money transfers were USD 4,123 million, which is USD 249 million (6%) less compared to the same period of the previous year.

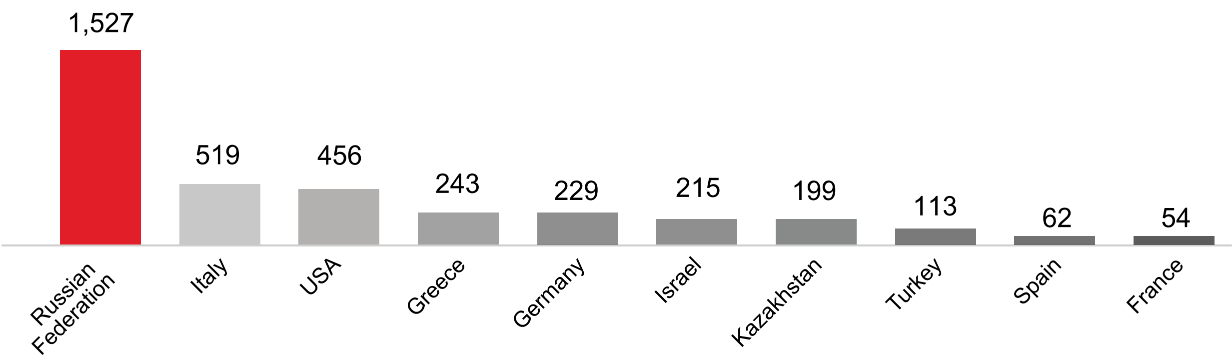
353 million US dollars was the volume of transfers in 2023 - 10 million US dollars (3%) more than in 2022.

Distribution of transfers according to the largest countries: Russian Federation - 37% of total transfers, Italy - 13%, USA - 11%, Greece - 9.4%.

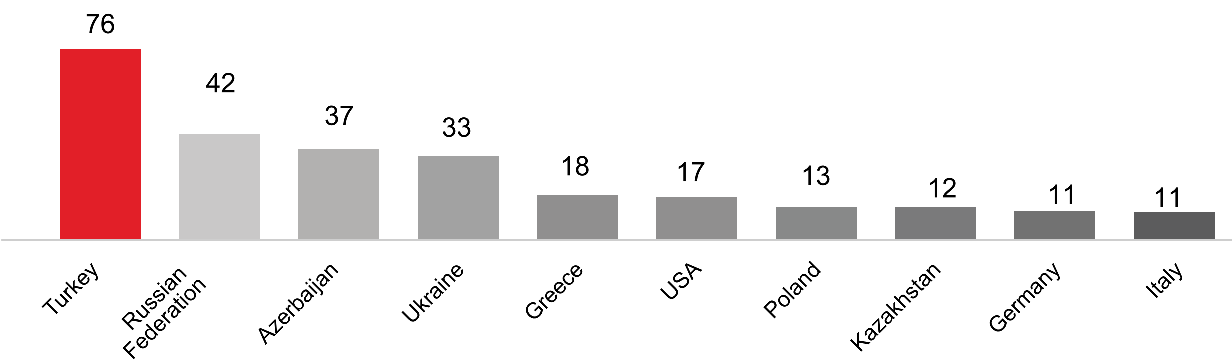
Distribution of outgoing transfers according to the largest countries: Turkey - 21% of total transfers, Russian Federation - 12%, Azerbaijan - 10%, Ukraine - 6%.

5 MACROECONOMICS REVIEW

INFLOWS OF REMITTANCES BY THE LARGEST COUNTRIES (MILLION US DOLLARS)



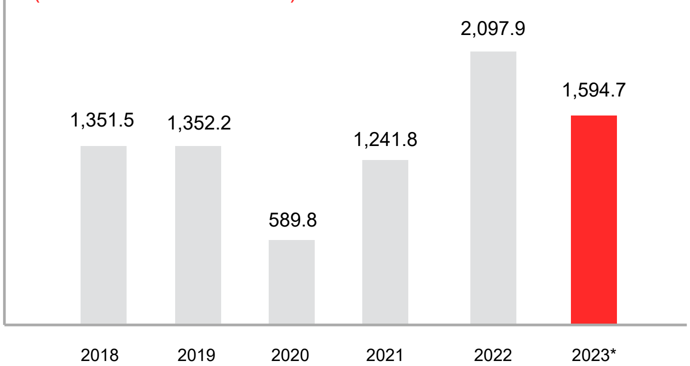
OUTFLOW OF REMITTANCE TRANSFERS BY LARGEST COUNTRIES (MILLION US DOLLARS)



TOURISM

In 2023, the average monthly number of non-resident visitors exceeded the data of 2022 by 31% and amounted to 428.2 thousand, which is 85% of the pre-pandemic situation, namely, the number of visitors in 2019. Nevertheless, in 2023, revenues from tourism exceeded the pre-pandemic period (2019) by 26%. Also, a significant improvement can be seen in recent years - namely, compared to 2022, in 2023 revenues from tourism increased by 17% and reached 4.125 billion US dollars.

DIRECT FOREIGN INVESTMENTS (MILLION US DOLLARS)



DIRECT FOREIGN INVESTMENTS

According to the preliminary data of 2023, direct foreign investments amount to 1.6 billion US dollars. In this direction, compared to 2022, a 24% decrease is observed According to the data of 2023, foreign direct investments by country look like this: the largest foreign direct investor in Georgia is the United Kingdom - with 25% of total investments, then the Netherlands - 23%, Turkey - 11% and the USA – 10%.

5 MACROECONOMICS REVIEW

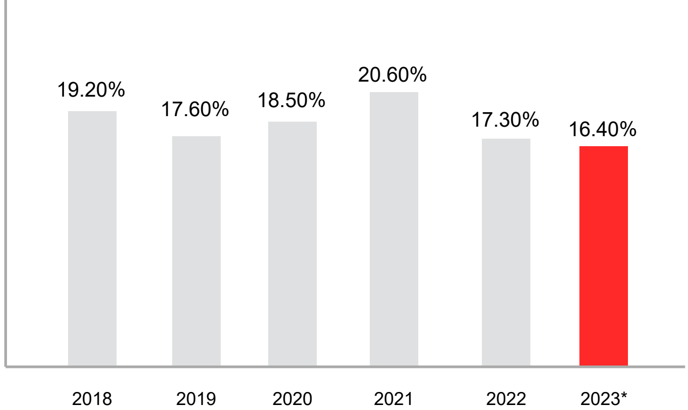
2023 Foreign direct investments by sectors: financial and insurance activities attract the most foreign direct investments in Georgia - 39.5% of total direct investments, followed by manufacturing industry - 18%, transport - 8.7%, trade - 7.3%, and energy - 6.8%.

EMPLOYMENT-SALARIES

In 2023, the unemployment rate continued to decrease. From the recent peak of 20.6% in 2021, the unemployment rate decreased to 17.3% in 2022 and further decreased by 0.9% to 16.4% in 2023.

As for the average monthly nominal salary, the positive trend continues in this direction, and according to the data of the 4th quarter of 2023, the average monthly salary was determined at 2044.5 GEL. The average salary in 2023 has increased by 20.4% compared to the previous year.

UNEMPLOYMENT RATE



EXCHANGE RATES AND INTERNATIONAL RESERVES

As of December 31, 2023, compared to the same period of 2022, the exchange rate did not alter significantly and was not characterized by large fluctuations during the year. As of December 31, 2023, compared to the end of 2022, the lari strengthened by 0.05% against the US dollar and depreciated against the Euro by 3.2%. Compared to the end of 2019, the lari strengthened by 6.2% against the US dollar, and by 7.3% against the Euro.

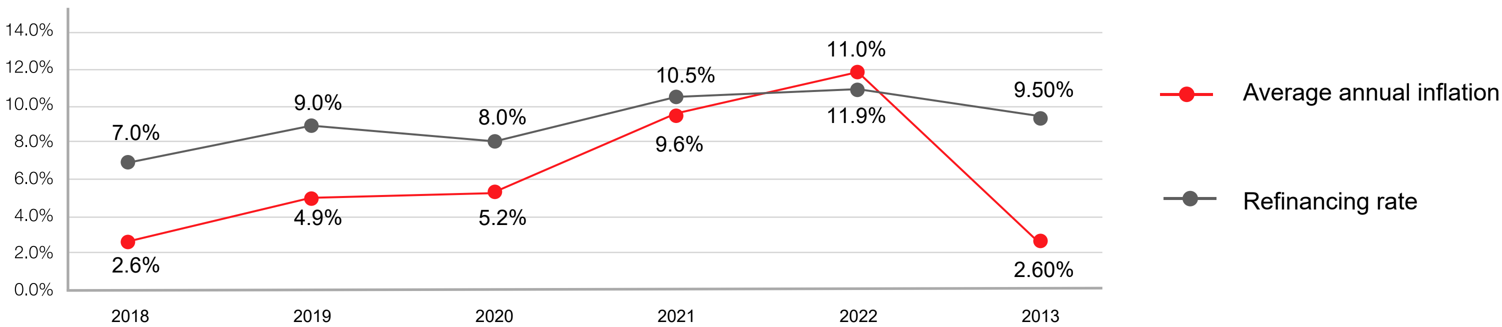
The national currency tended to strengthen against the Turkish lira and the Russian ruble. As of December 31, 2023, the lari has strengthened against the Turkish lira by 36.9% compared to the end of 2022, and by 81.1% compared to 2019. In relation to the Russian ruble - by 18.6% compared to the end of 2022, and by 35.6% compared to the end of 2019.

As of December 2023, the National Bank of Georgia sold 166.75 million US dollars through interventions at the foreign exchange auction in different periods and did not make any purchases. The National Bank of Georgia purchased 1,446 million US dollars (net) in 2023 without a foreign exchange auction. Of this amount, USD 1,463.7 million was purchased in the first eight months.

Official reserve assets of the National Bank amounted to USD 5 billion at the end of 2023, and were USD 4.9 billion at the end of 2022.

INFLATION AND THE MONETARY POLICY RATE

As a result of the strict monetary policy pursued by the National Bank in previous years, the average annual inflation in 2023 was 2.6% and was below the target of 3% - while in 2022 inflation was at its peak with an 11.9% indicator.
Accordingly, from the beginning of 2023, the National Bank of Georgia began to ease the monetary policy, which was reflected in the decrease in the refinancing rate. By the end of 2022, the refinancing rate was 11%, and by the end of 2023, it was reduced to 9.5%.



5 MACROECONOMICS REVIEW

STATE BUDGET

In 2022, the deficit of the state budget stabilized within the established 3% limit and amounted to 2.4% - while in 2021 the deficit exceeded 6%. According to preliminary data for 2023, the budget deficit is still at the 2.4% mark, and in 2024, the deficit is expected to increase slightly to 2.6%, although it will remain within the established 3% limit.

STATE DEBT

In 2023, the volume of the state debt to GDP amounted to 53%, where 39% of it is foreign debt, and 14% is domestic debt. In relation to the previous year, the volume of the state debt to the GDP has increased by 1%.
The state foreign debt of Georgia amounted to GEL 22.5 billion as of the end of 2022, and GEL 24 billion as of 2023. At the end of 2022, the domestic debt was 7.2 billion GEL, and as of December 2023, it was 8.6 billion GEL.

INTERNATIONAL RANKING

In 2023, Fitch changed the credit rating expectation from "negative" to "stable", while S&P Global and Moody's left Georgia's sovereign credit rating unchanged (BB (Negative) and Ba2 (Negative)).

ECONOMIC FORECAST FOR 2024

According to the forecast of the Asian Development Bank, in 2024, against the background of reduced external demand and services, the economy of Georgia will grow at a steady slow pace. In addition, the growth rate is expected to accelerate from 2025.[1]

According to the forecast of the Asian Development Bank, inflation is expected to increase to 3.5% in 2024, and to 4% in 2025, based on a slight increase in consumer prices. A positive trend will be observed in terms of gross domestic product (GDP) growth as well. In 2024, a 5% increase in GDP is expected - and in 2025, taking into account the growth of tourism and investments, an increase of 5.5% is expected. According to the expectations of the Asian Development Bank – “imports will grow at a relatively low rate and in 2024 the growth will be 6.1%, at the expense of the slowdown of domestic growth and reduced re-exports of automobiles, and will increase to 11.1% in 2025. According to the forecast, remittances are to stabilize at around $3 billion over the next 2 years, as outflows related to Russian migrants slow down and reverse, potentially putting downward pressure on the GEL”. In addition, geopolitical tensions will affect the growth dynamics of services. In 2024, services will grow by 5.5%, and in 2025, taking into account the expected growth of the tourism industry - up to 6.3%. "The growth of the industry is predicted by 4.2% in 2024, by 4.9% in 2025, at the expense of high production of ferroalloys. Agricultural growth will slow to 0.5% in 2024 and rise to 1.1% next year, with government support for agricultural credit and insurance and investment in new technologies."

According to the World Bank, in the background of increased geopolitical risks, a 5.2% growth of the Georgian economy is expected in 2024. Despite the decline in the inflow of remittances, an increase in investments and strengthening of the tourism sector is expected. According to the forecast, at the expense of monetary policy easing, inflation will reach the 3% target rate by the end of 2024.[2]

According to the expectations of the Government of Georgia, 5.2% economic growth is expected in 2024, however, according to the Minister of Finance (April 18, 2024), the economic growth rate will be revised in the near future and will probably equal 5.7%.

In 2024, economic development will focus on regional cooperation, strengthening the private sector and promoting a sustainable, green economy.

1. https://www.adb.org/news/georgian-economy-grow-5-2024-5-5-2025-adb#:~:text=News%20from%20Country%20Offices%20%7C%2011%20April%202024&text=The%20Asian%20Development%20Outlook%20(ADO,gains%20in%20tourism%20and%20investment.

2. https://www.worldbank.org/en/country/georgia/overview#3

MICROFINANCE MARKET OVERVIEW

6 MICROFINANCE MARKET OVERVIEW

(Note: the data presented in this chapter are calculated according to the quarterly reports on microfinance organizations of the National Bank of Georgia)

In 2023, growth was recorded in the microfinance sector, both in terms of assets and loan portfolio. However, the growth rate was significantly reduced compared to the previous year. The risk profile of the sector continues to improve and its health is indicated by historically low risk parameters recorded in 2023.

NUMBER OF MICROFINANCE ORGANIZATIONS AND ACTIVE LOANS

In 2023, the decreasing trend of registered organizations continued. At the end of the reporting year, the number of organizations registered in the microfinance sector (hereinafter referred to as "MFO") amounted to 34; after 2022, the sector lost two more MFOs.

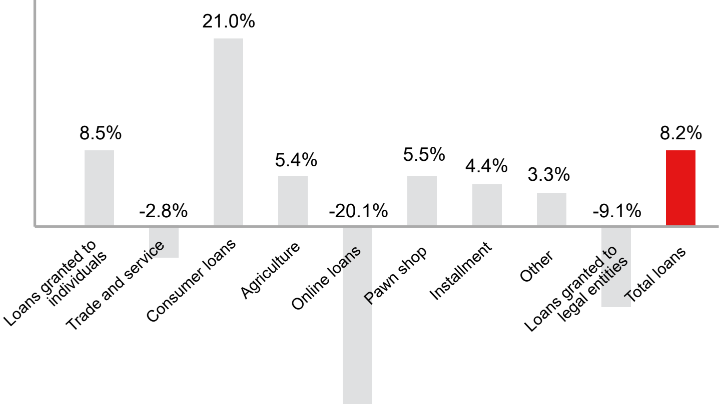
At the end of 2023, the number of active loans in the microfinance sector amounted to 850 thousand, which is 3% more compared to the same period last year.

ASSETS AND TOTAL LOANS OF THE MICROFINANCE SECTOR

At the end of 2023, the total assets of the microfinance sector exceeded 2 billion GEL, and the annual growth rate of assets was 7.4%. In 2022, the growth of assets amounted to 15%.

At the end of the reporting year, the total loans of the microfinance sector exceeded 1.7 billion GEL, and the annual growth rate was 8.2%, which is almost twice less than the 15.7% growth of the previous year.

GROWTH RATE OF LOANS BY SECTORS

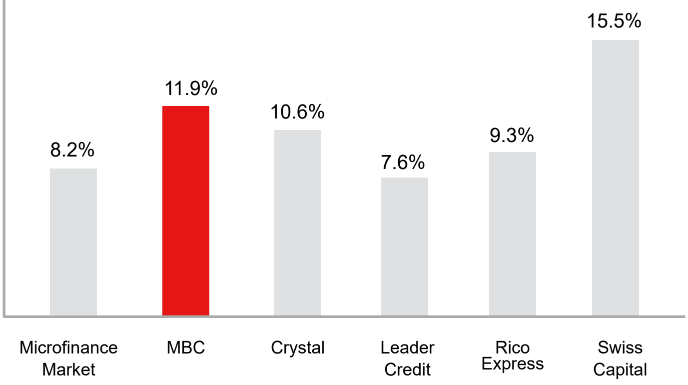


The growth of total loans in 2023 by sector looks as follows:

Loans to individuals increased by 8.5%, while loans to legal entities decreased by 9.1%. Consumer loans were characterized by the highest growth rate in lending to individuals - 21% annual growth; Pawnshop - 5.5%; Agriculture - 5.4%; Installment - 4.4%; Other types of loans - 3.3%. The decrease was observed in the following sectors: trade and services - 2.8%; Online loans - 20.1%.

In 2023, the growth of the total portfolio of the microfinance market amounted to 8.2%. In the case of sector representatives, the data looks as follows: Swiss Capital - 15.5%, MBC - 11.9%, Crystal - 10.6%, Rico Express - 9.3%, Leader Credit - 7.6%.

TOTAL LOANS



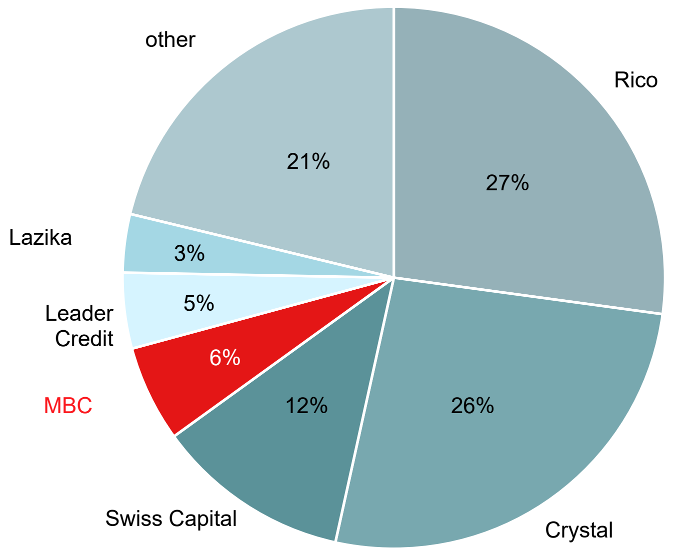
6 MICROFINANCE MARKET OVERVIEW

SHARE DISTRIBUTION OF THE MICROFINANCE SECTOR

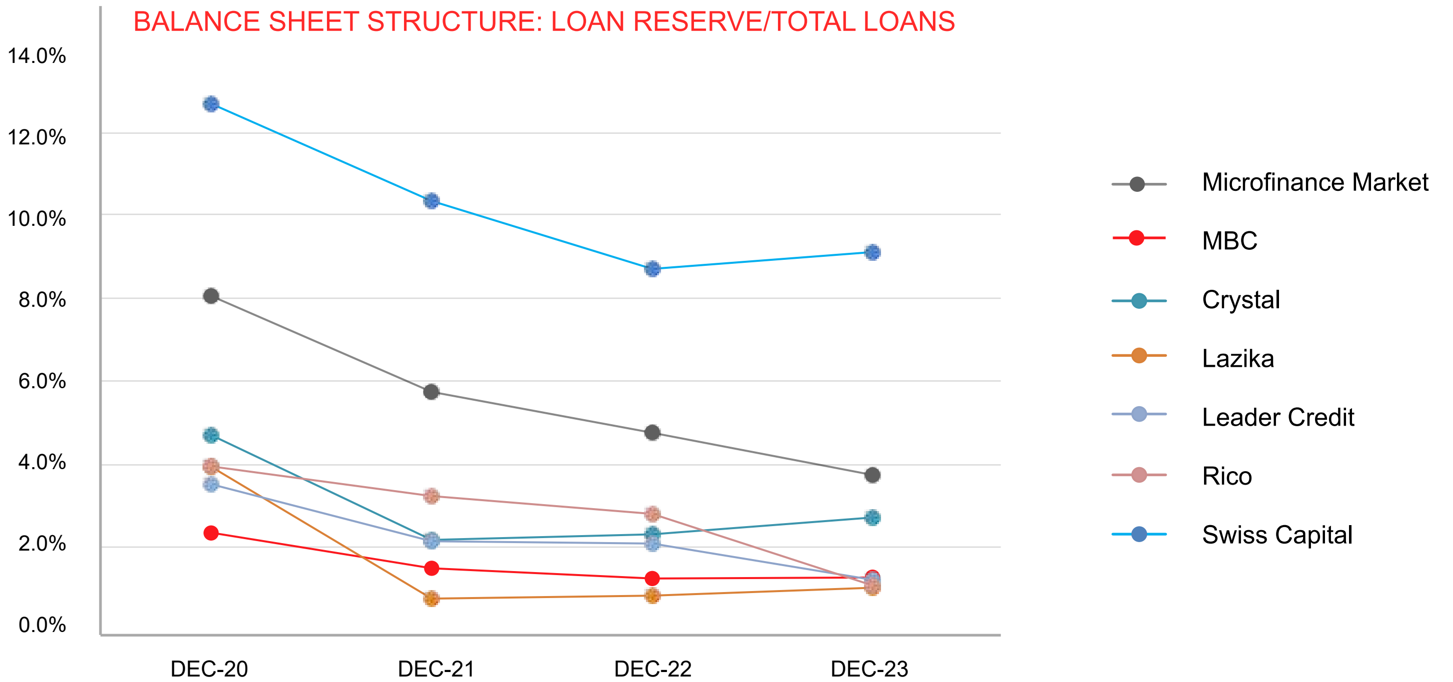
According to the data of the end of 2023, according to the volume of the portfolio (total loans), the share distribution of the representatives of the sector is as follows: Rico Express - 27%, Crystal - 26%, Swiss Capital - 12%, MBC - 6%, Leader Credit - 5%, Lazika Capital - 3%, and the remaining 28 MFO stocks account for 21% of the market portfolio.

RISKS OF THE SECTOR AND DIRECT COMPETITORS

The risks of the sector are characterized by a trend to improve, which is reflected in the decrease in risk parameters. According to data at the end of 2023, the reserve for possible loan losses in relation to total loans was 3.7%, which is less than the data of 2022 - 4.8%. In the same period, the share of non-overdue loans in the total portfolio was 93.7%, while at the end of 2022, the figure was 92.5%. The share of loans classified in the bad category has also decreased - 2.2% at the end of 2023, and 2.6% at the end of 2022.



BALANCE SHEET STRUCTURE: LOAN RESERVE/TOTAL LOANS



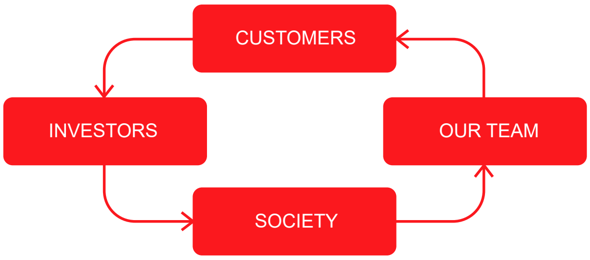
As of the end of 2023, MBC has one of the lowest and most stable risk profiles in relation to the market and the largest players in the market, which is reflected in the low rate of possible loan loss reserves to the total portfolio.

BUSINESS MODEL AND STRATEGY

7 BUSINESS MODEL AND STRATEGY

BUSINESS MODEL AND STRATEGY

The vision of the company is based on establishing long-term, transparent, mutually beneficial relations with customers, colleagues, society and investors.



The strategy of the company is focused on creating opportunities for the development of small entrepreneurs and farmers and promoting the stability of micro businesses through responsible lending. MBC's competitive advantage is its customer-focused business model, which aims to offer the best services in the microfinance sector. In its activities, the company is guided by international management standards and advanced practices, constantly develops products and improves services, and promotes the increase in the accessibility of financial resources.

An important part of the strategy is the professional development of employees, investing in knowledge and supporting interesting career opportunities for them, as well as corporate social and environmental responsibility. At the same time, we always try to provide a reliable partnership to our partners and investors.

STRATEGIC PRIORITIES

• Development of financial products and effective use;
• Initiating innovative approaches and digitization of services;
• Moving to a new stage of development and obtaining a license for a micro bank;
• Staff development;
• Promotion of financial education.

DEVELOPMENT AND EFFECTIVE USE OF FINANCIAL PRODUCTS

The company is represented by 17 service centers in 8 regions of Georgia. In the coming years, it is planned to expand the network of service centers, however, following the company's strategy, the main task is digital transformation, especially the increase in the sales of main products and the improvement of productivity through digitization of processes.

MBC customers receive services both in service centers and through remote channels. Services include a wide range of credit and non-credit products for both individuals and legal entities. In both directions, existing products are constantly improved, as well as new products and services are added.

MBC pays particular attention to the design, updating, proper integration and continuous monitoring of its products and services, internal systems, procedures and various policies.

Special attention is paid to being one of the best service providers in the financial market. To achieve and successfully implement this goal, the company continuously studies customer needs, conducts relevant surveys and research, sustains systematic direct communication with customers, and effectively utilizes feedback channels. Information is being processed and analyzed, which further assists us in transforming products and services per customer requirements and tailoring them to customer interests. This kind of approach allows us to meet customer expectations, consider their requests and maintain a high standard of service.

INITIATION OF INNOVATIVE APPROACHES AND DIGITIZATION OF SERVICES

It is crucial for MBC to encourage innovation and support the transformation of interesting ideas into a sustainable financial model, offering such new products that allow rapid development. It is crucially important to share international experiences, quickly and efficiently introduce innovative products and offer them to customers. MBC is constantly working on improving digital opportunities, remote products and services, developing innovative solutions to support customers, employees, as well as other target groups.

OBTAINING LICENSE OF A MICRO BANK

MBC plans to obtain a micro bank license in 2024. Since the main legal framework and requirements were known in advance, the company started preparatory work and fully adapted the business plan to the criteria and requirements, changes and actions to be implemented in the draft of the law.
Transformation into a micro bank creates new important opportunities, therefore MBC started working on brand change, updating the strategy of the company, offering new products and services to an extended segment of customers, establishing new sales channels and methods, stages of digital transformation, establishing new structur-

al units. Transformation into a micro-bank will foster the growth of credit portfolio and non-credit income. We expect that obtaining the bank license will have a positive effect on increasing and maintaining the number of customers.

In the process of licensing, we consider that we will be given an advantage by quick adaptation to changes, timely and quality introduction of innovations, making thoughtful and consistent investments in digitalization, maintaining a high level of service and focusing on customers, introducing products and services connected to market needs, and digitizing the main business processes.

We believe that the long-term banking experience of MBC Directorate and senior managers will be an important supporting asset on the path of transformation into a micro bank.

EMPLOYEE DEVELOPMENT

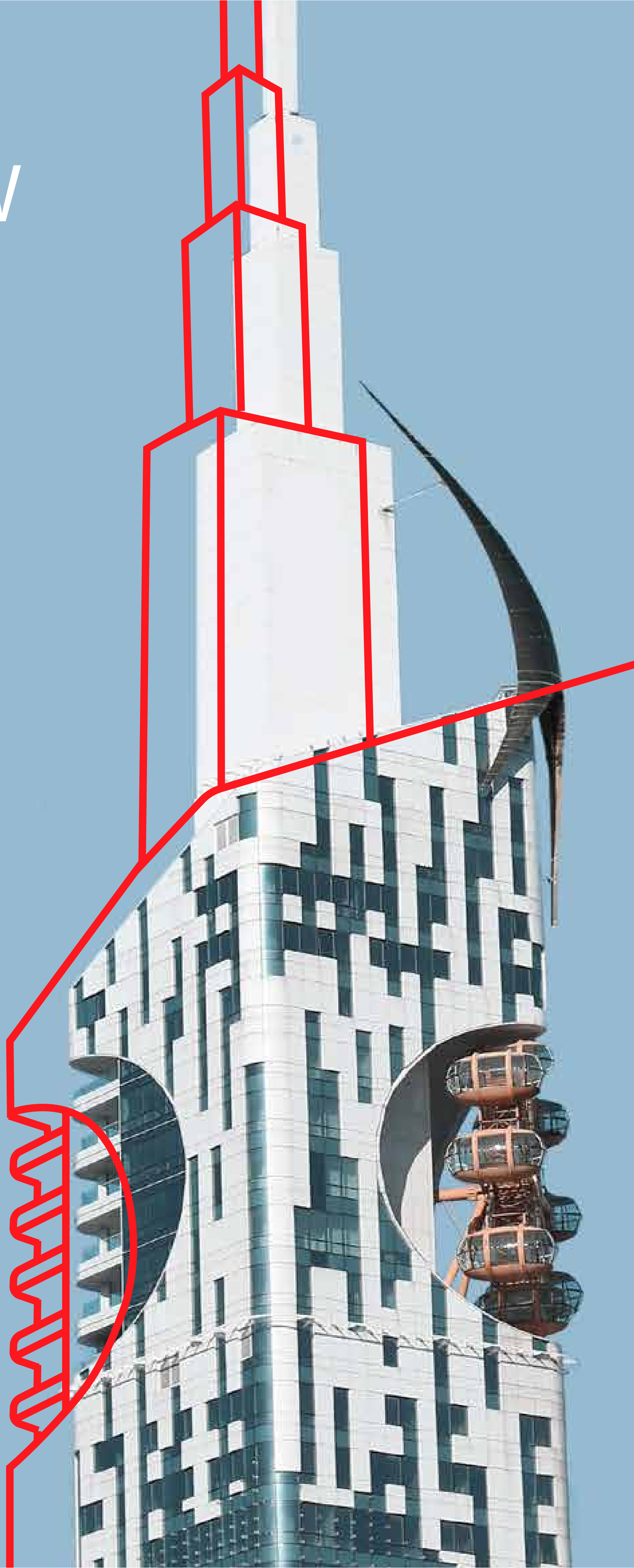
The foundation of the company's success and the most valuable asset is the team of its staff. This is why the management pays special attention to creating safe conditions, promoting development, introducing incentives, organizing a comfortable and friendly working environment for them. The staff management strategy is completely centered on a high motivation system and the promotion of healthy competition. MBC provides care for the development of employees, assists the maximum manifestation of their capabilities, creates conditions for their professional development and career advancement. The company financially supports the trainings necessary for raising qualifications and professional development. Qualification and competence of employees are important factors for the company's development. The MBC team is outstanding in their professionalism, knowledge, experience and high motivation.

FOSTERING FINANCIAL EDUCATION

Raising the financial education in the population of Georgia, especially the citizens living in the rural areas is one of the priorities and tasks reflected in the MBC strategy, since financial education is the basic skill through which financial prosperity and stability are achieved. MBC has a sustainable project "Financial Advisor", within the framework of which residents, entrepreneurs, and farmers have the possibility to get advice and get to know the relevant content, as well as to attend trainings and workshops held within the project.

"Financial Advisor" aims to share the team's experience and knowledge with people who need it. MBC allocates crucial importance to progress, success, and sustainable development; therefore, the implementation of the strategy is constantly monitored, and the compliance of the goals and key indicators developed by the company is controlled. We set a goal to provide customers with tailored, transparent, and high-quality services to promote and maximize social benefits.

OVERVIEW OF KEY RESULTS



8 OVERVIEW OF KEY RESULTS

After years full of challenges, 2023 turned out to be a positive transformative year for MBC. The company improved the results that were obtained from its main activities. At the end of 2023, compared to December 2022, the total loan portfolio increased by 13% and amounted to GEL 105,619. The increase in the loan portfolio was caused by the improvement in the service center efficiency of the company. In addition, the number of active borrowers of MBC increased and the growth rate amounted to 8% by the end of the reporting year. As of December, the number of active MBC borrowers was 8,624. It should be mentioned that 65% of loan product customers are served by service centers in different regions of Georgia.

By the end of 2023, the total liabilities of MBC increased by 7%, which was caused by the increase of the volume of funds raised by 7% (GEL 5,832 thousand). Despite the increased interest rates in the financial market, MBC attracted new loans at better, lower interest rates compared to the previous years, which significantly reduced the cost of raised loans.

By the end of 2023, the total capital of MBC increased by 3% compared to the same period in 2022, the reason of which was the increase in accumulated profits. The accumulated profit of 2023 amounted to GEL 2,031 thousand. This indicator is significantly higher than the result of 2022. In 2022, the accumulated net profit of the company was GEL 657 thousand.

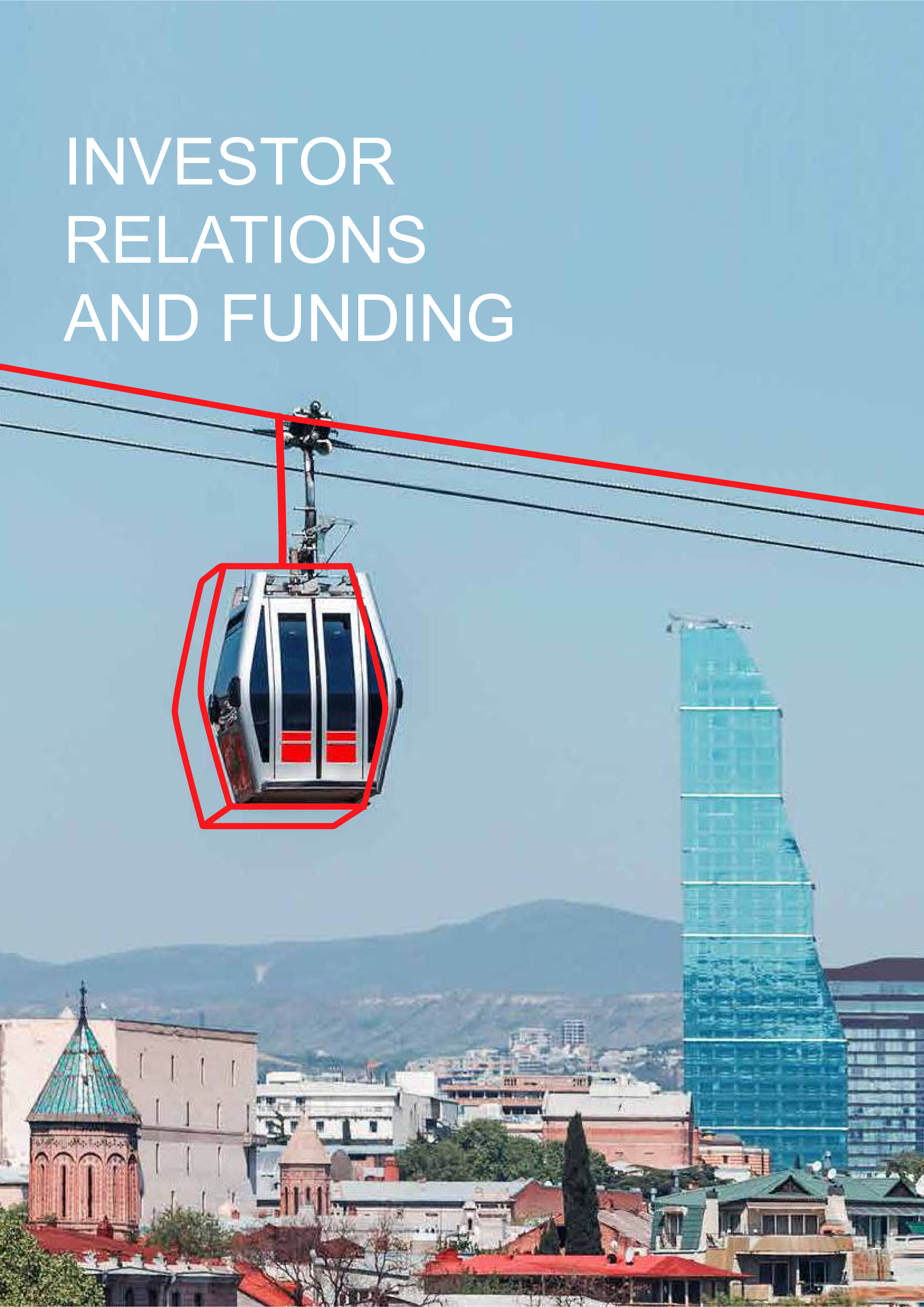
The rate of return on capital improved significantly as well, which was 10% by the end of 2023, and in the same period of 2022 - 3.3%. Profit generation was positively influenced by reduced interest and operating expenses, growth of the total loan portfolio, and, consequently, increased interest and commission income.

The risk index of total loans increased slightly. By the end of 2023, the impairment loss of financial assets was GEL 1,546 thousand (1.6% of average total loans), which is caused by the rate of possible loan losses, which increased by 0.8% compared to December 2022, which, by the end of the period, amounted to 4.2% of total loans.

By the end of 2023, MBC was successfully fulfilling the covenants set by the National Bank of Georgia and other partner organizations - both in terms of the requirements of supervisory capital and liquidity ratios, as well as the ratio of pledged assets, on which the organization had obtained a long-term waiver from the National Bank and remedied it after issuing unsecured bonds at the end of 2022. In 2023, MBC continued to reduce the security coefficient of funds borrowed from local commercial banks, which indicates the increased trust of banks in the company.

Despite the difficulties in the past years, MBC has proven many times with the results achieved that it represents a stable, development-centered organization that maintains low-risk indicators and also expresses high social responsibility towards employees, customers, the general public and the environment where it operates. The increased competitive environment in 2023, international challenges, and low profitability in 2022 and the first half of 2023 led to a change in the credit rating from B+ to B, which was assigned by the Scope Rating, an international rating company. In future reporting periods, the results of the company are expected to improve considerably, and the organization will try to restore the original rating indicator.

INVESTOR RELATIONS AND FUNDING



9 INVESTOR RELATIONS AND FUNDING

In 2023, through the maintenance of long-term cooperative relations and stable development dynamics, MBC carried on to receive long-term loans from existing and new local commercial banks and international financial organizations. The company attracted new long-term loans, as well as it was able to extend the term of overdue loans or refinance them with new loans.

In 2023, 3,000 thousand US dollars and GEL 2,567 thousand were raised from two existing partner international financial institutions, and the company got a new loan of GEL 7,141 thousand from a new international financial institution.

MBC is focused on maximally reducing currency risks and increasing the share of funds attracted in national currency. Even though the international market has sharply increased the rates of loans allocated in US dollars, in 2023 the company attracted new resources in foreign currency at a competitive price. The average rate of loans attracted in US dollars was 7.1%. At the end of 2023, the total amount of loans attracted from international institutions amounted to GEL 36,842 thousand.

In addition, MBC received loans for GEL 11,750 thousand from Georgian commercial banks with improved interest rates. Part of the funding was directed to cover overdue liabilities. Loans attracted from banks are at a variable rate and are connected to the GEL refinancing rate, which materially decreased in the reporting and subsequent periods and had a positive impact on saving interest costs of the organization. In total, by the end of 2023, the balance of loans attracted from Georgian commercial banks and bonds purchased by them in 2022 was GEL 40,305 thousand.

Since its establishment, MBC has successfully cooperated in the direction of loans attracted from individuals and legal entities. Part of the mentioned persons are shareholders of the organization or persons related to them, while a part of them are distinguished by a high confidence in MBC and have kept up the partnership relations with the company for years. At the end of 2023, the total amount of loans raised from individuals and legal entities amounted to GEL 7,808 thousand.

2023 was important for MBC a also in terms of obtaining technical support. In the first half of the year, the agro product development project, that had started in 2022 was successfully completed, its budget was GEL 40 thousand and the main part was financed by an international financial institute. Also, with the support of an international partner, in 2023, MBC started a project on the development of agro products and the digital services of the company, the budget of which is up to GEL 400 thousand and which shall be completed by the end of 2024.

MBC successfully continues its cooperation with partner organizations. After the reporting period as well, the company obtained material financial support from existing partner organizations, as well as new international financial institutions. In terms of organizational development, obtaining technical support and grants will play a crucial role in the future as well.

KEY RISKS AND UNCERTAINTIES

10 KEY RISKS AND UNCERTAINTIES

ORGANIZATIONAL STRUCTURE AND KEY PRINCIPLES OF RISK MANAGEMENT

All employees of the company are involved in the risk management process, which is the most important part of the risk management system and promotes the sustainability of the company. Each structural unit has a clearly defined role and responsibility in risk management, which ensures the effectiveness of processes.

Risk management is implemented within the framework of a unified risk management system, the goals of which are:

- Timely identification of existing risks and threats;
- Prevention of possible losses;
- Effective management of incurred incidents;
- Promoting the achievement of goals of MFO;
- Improvement of control;
- Increase the efficiency of operations;
- Promotion of the organization's sustainability;
- Ensuring compliance with regulatory requirements and international standards.

The organizational structure of the company provides for adequate supervision, accountability and distinguished division of duties. The highest risk management body is the Supervisory Board, which defines the strategy of the company and supervises the fulfillment of the goals set out therein, as for the Directorate, it participates in the management of day to day processes of MFO.

The management of individual risks on a day to day basis is carried out according to the principle of "Three Lines of Defense", which ensures the separation of obligations and responsibilities in order to achieve efficient overall risk management, which in turn contributes to the reinforcement of internal control framework of the MFO.

A three-line defense approach separates ownership/risk management from the functions that carry out overseeing risks and implementation of independent audits:

Business line - Structural units of MFO that own and manage risk.

Second line of defense - This is independent of the first line of defense and monitors the risk-taking process by the company, and assesses risks and related issues independently of the business line.

Third line of defense - Internal audit is the third line of defense in MFO. Internal audit is independent of the first and second lines of defense and its main function is to assess the consistency and efficiency of the internal control system of the company, the first and second lines of defense and the overall risk management framework.

RISK MANAGEMENT

The Supervisory Board of the company determines the risk appetite of the MFO. When developing risk appetite, strategy, capital, financial plans, and reimbursing practices of the company are considered.

Risk appetite envisages all material risks related to products, activities, processes, systems, operations, strategy of the MFO, and defines both quantitative and qualitative indicators/measures, employing which the compliance of activities carried out with the strategy of MFO is evaluated within the framework of risk appetite.

Risk appetite establishes quantitative and qualitative risk indicators, both at the individual and aggregate level, and their permissible limits, according to which the MFO should conduct its business activities and which MFO can take with existing capital, risk management and control mechanisms, considering the determined strategy and limits, which is imposed by shareholders, creditors, regulating and other stakeholders.

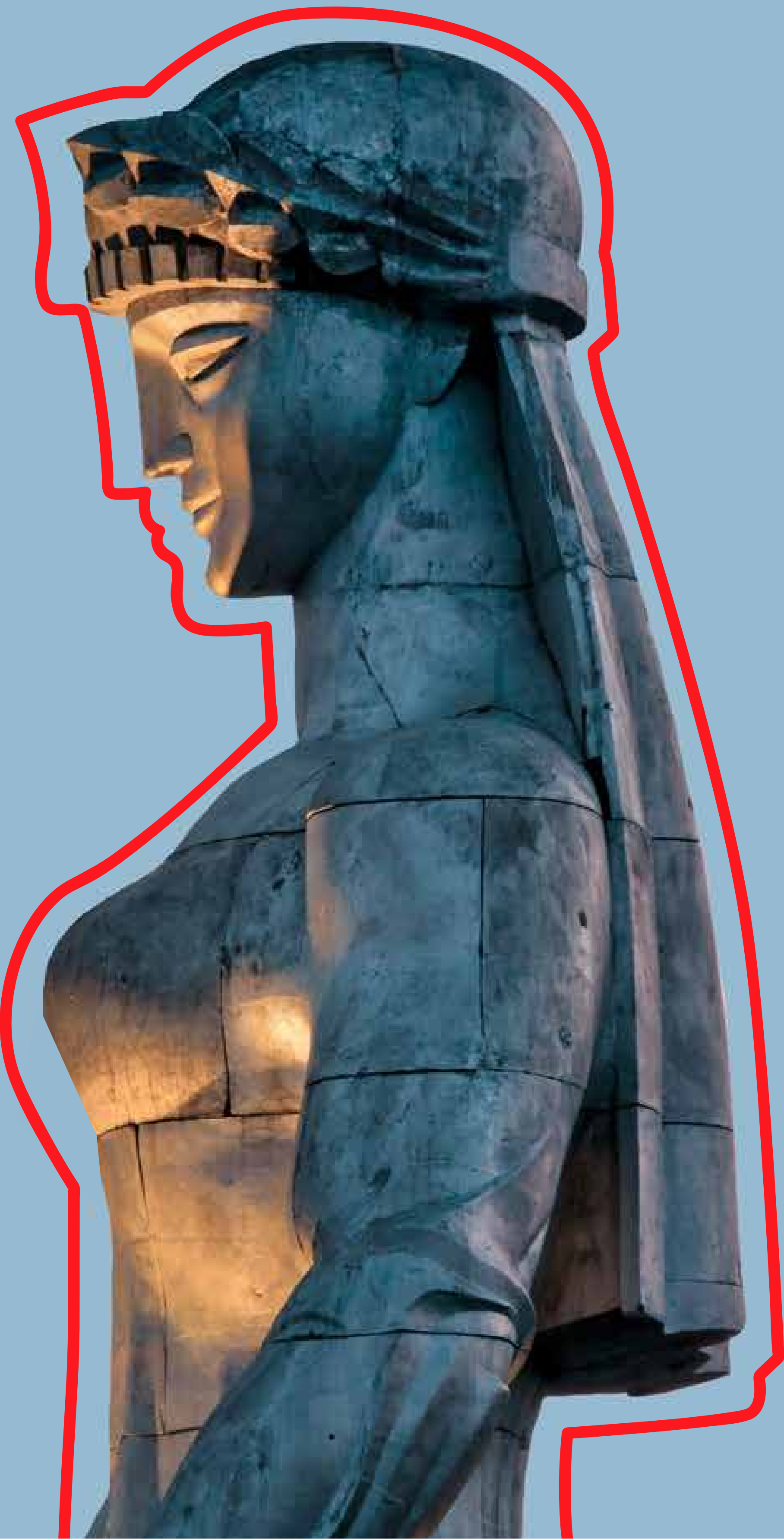
The risk appetite framework includes risk evaluation and management for all material risks, which ensures timely risk detection, information dissemination and planning of appropriate activities before the risk occurs.

Risk appetite is calculated for short-term, medium-term and long-term perspectives of the MFO. When it is drafted, the competitive environment, supervisory visions, long-term interests of MFO, the overall risk position of the organization, company size, complexity and risk profile are considered.

Based on risk appetite, detailed instructions and procedures are developed in the company, that are related to risk management activities, which define risk management standards and criteria, and the powers and duties of employees, in order to ensure effective risk management of the MFO.

Also, the effective risk management process includes risk identification, assessment, determination of the desired level, monitoring and implementation of risk mitigation actions, in case it exceeds the limits established by the MFO.

CORPORATE SUSTAINABILITY



11 CORPORATE SUSTAINABILITY

Corporate sustainability is an integral part of the operations and business strategy of MBC. The company actively continues to work in the abovementioned direction.
2023 was an exceptional year in terms of corporate sustainability. MBC has won several important awards and recognitions both at local and international levels.

AWARDS

MBC is the winner of the "Meliora 2022" grand prix

MBC became the winner of "Georgia's Responsible Business Competition Meliora 2022" and the grand prix winner in the category "Responsible Small and Medium-sized Company of the Year".

Status of the winner was awarded to the organization for significant initiatives and approaches implemented, namely: responsibility towards employees and customers, environmental protection and community support.

It should be noted that the responsible business competition has been held for the fourth time in Georgia. The purpose of the event is to develop corporate social responsibility and promote it in society.
Traditionally, the jury of "Meliora 2022" was composed of leading foreign and Georgian experts.

ETER CHACHIBAIA

COO OF MBC

"For MBC, the award received is a great incentive and motivation for us to strengthen work and development in the field of corporate responsibility. First of all, I would like to congratulate the employees of the company, since this victory is the result of their hard work and efforts.

For sure, I would like to thank the jury and the organizers of the competition - the Strategic Research and Development Center of Georgia. Also, thanks to the supporters of the competition - the European Union and the Konrad Adenauer Foundation, who actively assist the development of corporate responsibility in the country."

11 CORPORATE SUSTAINABILITY

Eter Chachibaia is the winner of the SDG Pioneer Global Round

COO of MBC, Eter Chachibaia won both the local and global rounds of the UN Global Compact SDG Pioneer.

Under the leadership of Eter Chachibaia, the company has been actively integrating sustainable development goals into its operations and continuously tries to contribute to the agenda of sustainable development, considering social, economic and ecological factors.

On September 19, the Summit of the UN Global Compact Leaders was held in New York, where the SDG pioneers of the global round were identified.

Annually, the United Nations Global Compact recognizes 12 business leaders who, through the successful introduction of the ten principles in their activities, contribute to the responsible activity of the company and the achievement of global goals.

MBC is the winner of the honorary award BARTA 2023

For the third time, MBC has become the winner of the honorary award of the BARTA 2023 competition for the best annual report and transparency.

Company was the winner in the abovementioned nomination among small and medium organizations.

Goal of the annual award is to promote compliance with new reporting rules, encourage healthy competition among companies, and raise the overall standard of corporate reporting in the process of increasing investor trust in the country both at local and international levels.

MBC is the winner of the Corporate Sustainability Award competition

In 2023, MBC won the Corporate Sustainability Award competition with its project: Promoting financial education among youth, SME category, nomination SDG4 (Quality Education)

ETER CHACHIBAIA

COO OF MBC

"We are happy to receive the corporate sustainability award in the direction of promoting education. We think that we, as a financial institution, have the capacity to play an important role in promoting financial education, especially among youth."

11 CORPORATE SUSTAINABILITY

FINANCIAL EDUCATION

MBC pursues to promote financial education in the society. In 2023, in this direction, the company actively cooperated and implemented several noteworthy initiatives together with the National Bank of Georgia, the educational platform "Finedu" and the Civic Education Program of USAID.

Celebration of Global Money Week

In 2023, MBC, on the initiative of the National Bank of Georgia and educational platform "Finedu", joined the campaign to celebrate Global Money Week for the ninth time. 15 ambassadors of the company met with pupils of the third-ninth grade of more than 10 schools throughout Georgia and conducted interactive lessons on issues related to money management to raise their awareness. More than 300 children took part in the event. Open lessons were held in public schools of Tbilisi, Marneuli, Zugdidi, Kutaisi, Samtredia, Rustavi and Akhaltsikhe. During the workshops, MBC ambassadors shared information with the children on such issues as the history of money, the importance of managing personal finances, saving, responsible actions towards the environment and society, etc.

Support for poster and slogan contest

MBC was the supporter of the poster and slogan contest held within the framework of Global Money Week.

Contest "Plan your money, create your future" was organized at the initiative of the National Bank of Georgia and the financial education portal "Finedu" and it aimed at raising public awareness of society regarding financial education, responsible actions towards the environment and society, and sustainable development.

As a result of the contest, a total of 10 winners were selected in the categories "Jury's Choice" and "Customer's Choice". Along with representatives of other financial institutions, Mari Papuashvili, graphic designer of MBC, was a member of the jury.

Moreover, MBC presented one of the competition winners (category: "Customer's Choice"), Keti Apriamashvili, with a cash award of GEL 500.

Celebration of World Savings Week

Traditionally, within the framework of World Savings Week, 15 ambassadors of MBC met about 400 pupils from 10 schools of Georgia and conducted fun lessons to raise awareness on the topic of saving money.

Activities were held for fourth-ninth grade pupils of schools in Tbilisi, Kutaisi, Batumi, Samtredia, Gori and Rustavi. During the lesson, children were informed about methods of saving money, the safety of savings, principles of wise expenditure and other important financial issues.

Global Savings Week has been celebrated since 2012 at the initiative of the National Bank of Georgia and the education platform "Finedu". The week aims to raise awareness about saving money among youth and children.

11 CORPORATE SUSTAINABILITY

Promoting financial education among youth

MBC carries on its work to support youth and in 2023, within the framework of cooperation with Civic Education Program of USAID, it offered professional internships to school pupils.

Internships of school pupils started in the Ajara region and continued in Kvemo Kartli and Imereti regions.

Program was implemented with the financial assistance of the American organization PH International, the United States Agency for International Development (USAID) and the support of the Ministry of Education and Science of Georgia.

SUPPORT FOR SOCIAL ENTERPRISES

Under the corporate sustainability strategy, MBC has been providing financial and non-financial support to social enterprises for several years now and already has the experience of cooperation with a number of enterprises. For example: sharing of expertise, a.k.a. pro bono support, social procurement, etc.

MBC as an impact investor

MBC joined the ranks of impact investors in the framework of corporate sustainability in 2022 and is the first company that has become the supporter of Actio Fund since its very establishment. As part of the support, over the next 5 years, MBC will invest USD 25,000 in Actio Fund and thereby will contribute to the empowering of social enterprises.

Actio is a new opportunity for operating social enterprises to develop business and increase social impact.

In 2022 the Impact Fund was established within the framework of the "Cooperation for Positive Changes" project by CSRDG, with the support of the European Commission and EVPA.

In 2023, as a result of cooperation with the Actio Impact Fund, MBS supported the following social enterprises:

"Babale" social enterprise

The mission of Babale is to ensure independent life for people with Down syndrome through employment and professional skills development.

Within the framework of the project supported by Actio, Babale has planned to expand its economic activities, as well as to increase its social results. Babale plans to set up wood, ceramic and textile workshops, which will provide an opportunity to engage more youth with Down syndrome in the study process and promote their employment both on the spot and in the main labor market.

As a result of cooperation with Actio, Babale received two types of financial support:

- **Grant for EUR 39, 915**
- **0% loan for EUR 9,791**

11 CORPORATE SUSTAINABILITY

Istoriali Social Enterprise

Will contribute to the protection and preservation of cultural heritage through increasing the scope of its activities.

Within the framework of the project supported by Actio, Istoriali plans to widen economic activities and increase social outcomes.

As a result of cooperation with Actio, Istoriali received two types of financial support:

- **Grant for EUR 39,817**
- **0% loan for EUR 10,000**

პრო ბონო ქსელი
საქართველო

PRO BONO

MBC, in partnership with Pro Bono Network of Georgia, carries on to support civil organizations and social enterprises using pro bono services. In 2023, the company carried out the following pro bono projects:

Pro Bono Webinar in MS Excel

Within the women's empowerment and support project, MBC employees conducted a 3-day webinar on MS Excel for female leaders of community organizations living in regions. The study program was built on practical examples and exercises. Trainings were led by Gigla Papalashvili, Credit Administration Manager of MBC.

MBC has been a member of the Pro Bono Network since 2018, and over the years, has conducted a number of activities in this direction.

11 CORPORATE SUSTAINABILITY

Pro bono project for “Archivi” social enterprise

In partnership with Pro Bono Network, MBC provided help to the Archivi social cafe. Namely, the graphic designer of the company, Mari Papuashvili, worked on the logo and brand book of Archivi.
Archivi Social cafe is located in Guria, namely in Ozurgeti. Cafe was opened in 2023 and serves both local residents and visitors to the city with delicious food and drinks.

Pro bono project for Martkopi Youth Center

In 2023, in partnership with Pro Bono Network, MBC implemented another successful and interesting project. The company assisted Martkopi Youth Center in participating in the "Community Leaders Forum". Namely, the MBC marketing team worked on the creative ideas and visual side of the presentation to be shown by the center at the event.

Martkopi Youth Center

"In cooperation with MBC, our presentation became more interesting and interactive - we added creative touches that greatly impressed the audience.
MBC helped us to present our history in new and interesting ways and the victory in the "Community Leaders Forum 2023" was gained by Martkopi Youth Center.

OUR TEAM

12 OUR TEAM

Foundation of the success and sustainable activity of MBC lays in its employees. Company is focused on attracting and retaining talents, their continuous support - developing their talent and professional skills.

MBC aims to create an equal, non-discriminatory and safe work environment, gender-balanced space and support the women empowerment in the workplace.

MBC is represented by 17 service centers throughout the country. At the end of 2023, the company had 237 employees, out of which 64% were women. The share of women in managerial positions was 54%, and in company management it was 60%.

237	64%	54%	60%
TOTAL NUMBER OF EMPLOYEES	SHARE OF THE WOMEN EMPLOYEES	SHARE OF WOMEN IN MANAGERIAL POSITIONS	SHARE OF WOMEN IN MANAGEMENT

Staff Management

MBC team management is implemented through relevant policy documents and instructions, that are aimed at effective management of relations between staff. Relevant documents regulate such issues as hiring of employees, use of vacation, terms of remuneration, co-financing of employee training, rules of conduct at the workplace, etc.

Human Capital Management Division is responsible for the management of staff-related issues, which reports to the COO.

Complaints management

To record complaints and claims, the company has introduced an online platform "WeShare", through which staff have the opportunity to report any insights, views, complaints or claims to the company management anonymously or by revealing their identity.

Staff are periodically trained on the rules of using this platform. Also, all employees are getting acquainted with the information on the online platform during the "onboarding" process.

12 OUR TEAM

Training and development of staff

Caring for staff training and development is a priority direction at MBC. The company supports the professional development of each team member. Based on the staff needs survey, relevant trainings are planned, which includes internal trainings, as well as support for training outside the company. Similar to previous years, in 2023 online trainings were actively conducted at the MBC school, which aimed to deepen the professional knowledge required for the service center employees. More than 200 employees have completed the online trainings, which include the modules listed below.

- **Processing of credit products;**
- **Scripts in sales;**
- **Credit and operational risks;**
- **Sales techniques;**

MBC School:

MBC School was established in 2022. The school has been actively working throughout 2023 - retrained and mentored existing MBC staff, found, selected, and retrained interns for the company, etc.

MBC continuously strives to raise employees awareness on corporate sustainability issues. In 2023, the company employees participated in various training programs and had the chance to learn about sustainable approaches and business models.

MBC employees participated in the UN acceleration program

In 2023, the MBC team participated in the SDG Innovation Accelerator Program of the UN Global Compact.

SDG Innovation Accelerator is a program created for young innovators who are members of the United Nations Global Compact Network and in Georgia was being held for the first time. The program aims to assist young professionals in efficiently implementing business innovation and sustainable development goals. As part of nine-month program, MBC employees, together with a mentor, developed such an innovative project that aimed at empowering and supporting female entrepreneurs.

MBC team was represented by Gvantsa Patsatsia, Corporate Responsibility and Communications Manager, Natia Bitarova, Marketing Specialist, and Rusudan Macharashvili - Lawyer.

Corporate Sustainability Academy

Nino Avaliani, Human Resources Management Specialist of MBC, passed the certificate course of the Corporate Sustainability Academy of the United Nations Global Compact Georgia Network.

Within the course, Nino gained knowledge about sustainable corporate governance and ethical work standards, which in the future will give her the opportunity to make a significant contribution to the introduction of responsible business behavior in the company.

12 OUR TEAM

> "Sustainable development goals, which the certificate course of the Corporate Sustainability Academy of the UN Global Compact Georgia Network provides, assist us to better evaluate the current challenges and helps to introduce corporate sustainability in our organization."
>
> **Nino Avaliani, HR Specialist**

Equal Opportunities and Diversity

MBC supports gender equality, staff diversity, and empowering women. The company promotes the promotion of women to managerial positions and offers equal remuneration opportunities.

MBC represents a signatory to the Women's Empowerment Principles (WEPs). With the support of the United Nations Women's Organization, the company has developed an action plan and is guided by this plan during its day to day activities.

Remuneration and benefits

MBC offers incentive schemes to each employee along with the basic salary, which allows for earning salary supplements or bonuses. The said supplements/bonus depends on the performance of the plans defined.

The remuneration package includes a monthly salary, performance bonus and private health insurance, which is fully reimbursed by the company. The monthly salary is calculated according to the level of responsibility, skills and professional experience. The company provides and fully reimburses health insurance for all employees.

Along with that, initiatives of non-material incentives are regularly planned and implemented for MBC staff, the purpose of which is to increase their motivation and strengthen teamwork.

Employee incentive initiatives implemented in 2023 are:

Chess Championship

In 2023, an internal chess tournament was held in MBC, of the winners of which the company team was composed, which participated in the "Third Corporate Chess Championship of Georgia" organized by the Georgian Chess Federation.

Children's Day in MBC

Entertaining event was held in MBC on International Children's Day. The company hosted the employees' children. The children were greeted by entertainment and drawing spaces specially arranged for them, corners for popcorn, cotton candies, face painting, and invited animators. During the event, the little MBCians took commemorative photos. Together with the children, their parents actively participated in fun games.

12 OUR TEAM

Book Day campaign: #BookChallange

Traditionally, MBC joined the celebration of International Book Day in 2023 with the #BookChallenge campaign.

The campaign lasted for one month and all MBC employees had the opportunity to participate in it. As part of the activity, MBC staff gifted each other with books, and invited other employees to participate in the campaign. More than 120 employees got involved in the activity.

The event aimed at promoting the book.

Corporate Events

Celebration of "Christmas tree decorating day" has already become a tradition in MBC. The tradition was not broken in 2023 too, and the MBCians decorated the Christmas tree at the head office and service centers at the same time.

Also, in 2023, according to tradition, a large-scale corporate event was held, which aimed to deepen relations between staff, and to spend time positively in an informal environment.

It is also important that when selecting New Year's gifts for employees, MBC always gives preference to products produced in Georgia.

Voluntary activities of staff

MBC employees are actively involved in various volunteering activities. The company is a member of the Georgian Pro Bono Network and actively shares professional expertise for the benefit of society (see detailed information in the subsection - Corporate Sustainability)
In 2023, up to 7 MBC staff participated in volunteering projects.

Graphic designer of MBC became the pro bono champion of 2023

Graphic designer of MBC, Mari Papuashvili won the award of the Pro Bono Champion 2023 competition organized by Pro Bono Network of Georgia and the Strategic Research and Development Center of Georgia!

The pro bono champion of 2023 was identified based on the time devoted to pro bono activities and the number of projects completed in this field.

Throughout the last year, Mari Papuashvili spent about 100 hours of professional resources for the benefit of society.


INFORMATION
TECHNOLOGIES

13 INFORMATION TECHNOLOGIES

In 2023, MBC took important steps in the field of digitalization of operational processes, data protection and security.

The Information Technologies team has been strengthened and grown both in terms of infrastructure and support, as well as in project management, business analysis and quality management.

Cyber-security division was established as a separate structural unit in the company and staffed with appropriate employee resources.

INFORMATION TECHNOLOGY INFRASTRUCTURE AND SECURITY DIVISION

Along with the growth of the organization and the increase in the number of services, it became necessary to optimize the network and server infrastructure, which was completed in the second half of 2023 with sucess.

LibreNMS platform was introduced for monitoring and management of computer networks, which represents one of the most advanced monitoring tools.

In 2023, the Symantec Antivirus security system was also introduced.

Computer equipment of the service centers has also been considerably improved.

In the second half of the year, LMS (Alta software program) databases were optimized.

In the first half of 2024, with the purpose of strengthening the IT infrastructure, it is planned to introduce a monitoring system and update the servers.

INFORMATION TECHNOLOGY PROJECT MANAGEMENT DIRECTION

During 2023, the Human Resources Management System (HRMS) development project was actively underway. The project has passed the phases of analysis and development and is currently in the phase of test mode. The new program greatly simplifies staff management operations, thereby significantly increasing the efficiency of administration and saving both financial and human resources.

In 2023, renewal and perfection of the telephone service program (CAllApp) started and will be completed in the first half of 2024.

Based on the legal requirements, the process of uploading quick remittances to the credit information bureau was held and completed.
Work on the product of Online Currency Conversion has been completed. The product includes a virtual personal space and allows the user to remotely perform the task of cashless conversion and carry out the operation without leaving home.

Quality assurance was also improved. Product and transaction testing process was introduced and conducted.

In the process of transforming into a micro bank, the direction of information technology remains one of the main tasks and challenges for MBC. The company is well aware of this issue and plans to significantly increase investments in the direction of information technologies, namely, in the direction of software improvement, digitization of operation processes, data protection and security, as well as in terms of strengthening the team of the Division. The long-term digital transformation plan is being drafted and all necessary projects and processes have been agreed upon.

CORPORATE MANAGEMENT

14 CORPORATE MANAGEMENT

CORPORATE MANAGEMENT

Corporate management of MBC as a joint-stock company complies with international standards, principles and best practices. MFO has a clearly defined organizational structure that ensures the definition of responsibilities, proper delegation of accountability and authority, sound administration, effective risk identification, management and reporting, adequate internal control, financial planning and reporting, and appropriate policies and procedures.

For the stable functioning of the MFO management, the power is strictly divided between the supervisory, executive and controlling bodies, functions of which fully ensure the management of the MFO and are not duplicated.

Management bodies of the MFO are the General Meeting of Shareholders, Supervisory Board, and Directorate.

General Meeting of Shareholders is the highest governing body of the MFO. The rights of shareholders are determined by the Charter of the MFO and are regulated under the legislation of Georgia. The activities of MFO are supervised by the Supervisory Board, which is elected by the General Meeting of Shareholders. Board is entitled to make decisions on the strategic directions of the MFO development, direct the activities of the executive bodies and is accountable to the General Meeting of Shareholders.

Supervisory Board of the MFO consists of 3 members, one of whom is an independent member and heads the Audit Committee. Main functions of the Supervisory Board are to protect the rights of shareholders and their capital, to define the strategy of the MFO activities, to approve the organizational structure, to supervise the executive bodies, to constantly evaluate their role in establishing and maintaining a healthy corporate environment, to ensure the appropriate conditions for effective internal control and risk management, to ensure monitoring of the remuneration system of the MFO, approval of the long-term strategic plan for the MFO development, risk appetite, budget and performance control.

Audit Committee functions within the Supervisory Board, the main function of which is to facilitate the functioning of the internal and external audit of the MFO. The goal of the audit committee is to conduct the internal audit and financial reporting process, monitor the internal control system, and ensure compliance of the work done in the organization with legislation and regulations, which allows the Supervisory Board to get reliable information based on which it can make effective managerial decisions. Rights, functions and obligations of the Audit Committee of the MFO are determined by the legislation of Georgia and the Statute of the MFO on the Audit Committee, which is approved by the Supervisory Board.

Daily management of the MFO is implemented by the Directorate, which ensures the achievement of strategic goals of the MFO, is collectively accountable for its activities and reports to the Supervisory Board. The members of the Directorate are appointed by the Supervisory Board. Directorate of the MFO, among other functions, implements business strategies of the MFO, creates effective financial and non-financial risk management systems, contributes to the development and establishment of risk culture, processes, controls, provides information necessary for the performance of the functions of the Supervisory Board. Directorate is responsible for distributing responsibilities between employees of the MFO and creating an effective governing structure that ensures accountability and transparency within the MFO.

Directorate of the MFO consists of 5 members - CEO, CCO, COO, CFO and CRO. The procedure for appointing the members of the directorate, terms and regulations on the activity are determined by the legislation of Georgia, the Statute of MFO and the Charter of the Directorate.

The MFO recognizes the importance of appointing staff in governing bodies with people of different genders, nationalities and work experience, and conducts recruitment and appointment to relevant positions according to the work experience, education, professional knowledge and required skills. Three out of five members of the directorate of the company are women.

SUPERVISORY BOARD

15 MEMBERS OF SUPERVISORY BOARD

TARAS NIZHARADZE

CHAIRMAN OF THE SUPERVISORY BOARD

Since 2012, Taras Nizharadze has been a partner of JSC Microfinance Organization "Micro Business Capital" and Chairman of the Supervisory Board.

He has been active in business since 1990. He is the founder and manager of private companies in the fields of banking, tourism, agriculture, natural resources and energy.

From 1998 to 2012, Taras was one of the shareholders of JSC Basisbank, a member of the Supervisory Board and later Chairman.

Since 2006 he has been a co-founder and director of Energo-Aragvi Ltd. He is leading one of the most successful projects in the field of hydropower in Georgia. In 1986, Taras graduated from the Faculty of Physics of Moscow State University and received a Bachelor's and Master's degrees in semiconductor physics. He started his scientific career as a researcher at the Republican Center for Structural Studies based on the Georgian Polytechnic Institute.

MURMAN AMBROLADZE

MEMBER OF THE SUPERVISORY BOARD

Murman Ambroladze has been a partner and member of the Supervisory Board of JSC Microfinance Organization "Micro Business Capital" since 2014.

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

From 2012 to present, he has been the founder and director of Ambro-Soft Ltd. Murman holds a Master's and Doctorate degree in Mathematics of the Moscow State University and is the author of a number of scientific papers. He started his scientific and pedagogical career at the Department of Higher Mathematics of Tbilisi State Technical University.

15 MEMBERS OF SUPERVISORY BOARD

VALERI CHECHELASHVILI

INDEPENDENT MEMBER OF THE SUPERVISORYBOARD

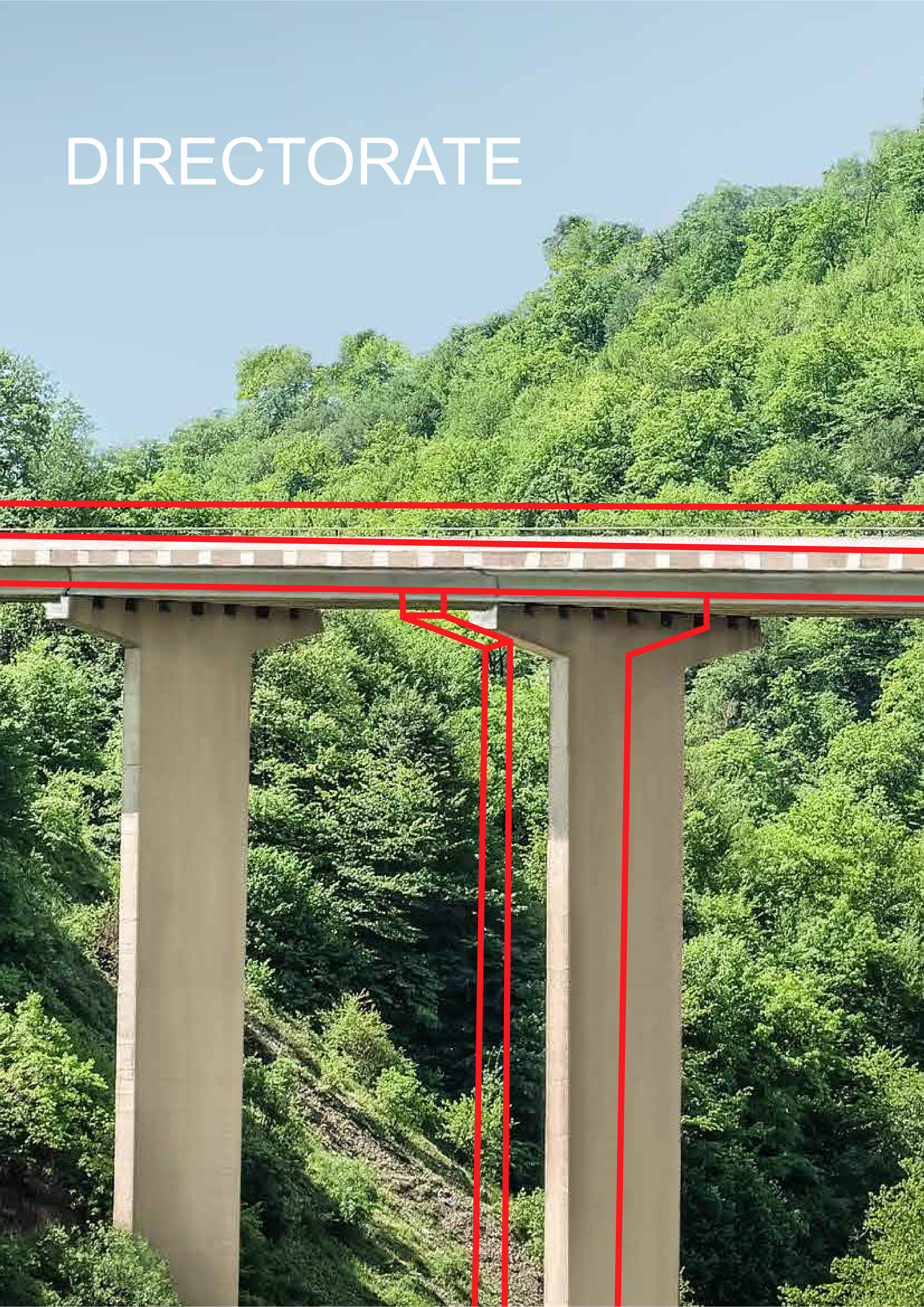
Valeri Chechelashvili graduated from the Faculty of International Relations and International Law of Kiev State University majoring in International Economic Relations and he holds a PhD in International Economics.

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

In 1994-1998, he was the Ambassador Extraordinary and Plenipotentiary of Georgia to Ukraine, and in 2004-2005 to the Russian Federation. In 2000-2004, Valeri held the position of Secretary-General of the Black Sea Economic Cooperation Organization, and in 2007-2016 - the position of Secretary-General of the Organization for Democracy and Economic Development.

From 2000 to 2004, as Secretary General of the Black Sea Economic Cooperation Organization, Valeri served on the Board of Directors of the Black Sea Trade and Development Bank (its affiliated body under the Charter of the Black Sea Economic Cooperation Organization). From 2002 to 2012, he was a shareholder of Basisbank. Since 2016, Valeri has been a Senior Researcher at the Georgian Foundation for Strategic and International Studies.

He has been awarded various medals and orders, and is also the author of several dozen publications in the field of regional economic cooperation and international relations.


DIRECTORATE

16 DIRECTORATE

GIA PETRIASHVILI
CEO

Gia Petriashvili, after many years of experience in banking sector, founded JSC Microfinance Organization "Micro Business Capital" (MBC) in 2012. Since its establishment, has held the position of CEO.

In 1993, Gia became the founder and the first chairman of the Supervisory Board of JSC Basisbank, and from 1998 to 2012, he was a member of the Supervisory Board of the same bank.

From 1999, he worked in the OPIC-funded investment fund "Caucasus Fund", and in 1999-2002 he was the director of the Tbilisi office of LLC Caucasus Advisors. From 2002 to 2005, Gia was the founder and managing director of Entertainment Center Maidan Ltd. From 2006 to 2009, he founded and managed real estate investment company "Solo-Laki Investor" Ltd.

Gia holds a Master's and Doctorate degree in Theoretical and Mathematical Physics of Moscow State University. He started his scientific career as a researcher at the Institute of High Energy Physics of Tbilisi State University. He was also a visiting researcher at the Moscow Institute for Nuclear Research.

GIORGI GHVALADZE
CCO

Giorgi Ghvaladze has been heading the credit department of JSC Microfinance Organization Micro Business Capital since 2013. He has many years of experience working in the field of banking and finance. In 2005 he started his career at Bank Constanta as a lending expert, later as a branch manager, and also as head of the Mini and Mini-Agro departments.

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

ETER CHACHIBAIA
COO

Eter Chachibaia has been a member of the team of JSC Microfinance Organization Micro Business Capital since 2013. Her area of responsibility as COO includes: Operations Products and Services, Call Center, Marketing, PR and CSR, Logistics and Procurement. For many years Eter was employed by JSC Basisbank and HSBC-Bank Georgia in the field of operational, retail and corporate services.

In addition, at various times, she has been active in international organizations and the non-governmental sector.

Eter has a Master's degree in International Economics.

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TATIA JAJANASHVILI
CFO

Tatia Jajanashvili joined the MBC team in 2014 and heads the units of Treasury, Accounting, Financial Reporting and Information Technology.

From 2011 to 2014, she held the position of Senior Officer of Management Accounting and Analysis in Bank Constanta.

Tatia is a graduate of Caucasus University and holds a Bachelor's degree in Finance. In 2020, she was awarded a Master’s degree in Management Consulting by Grenoble Business School.

Tatia was chosen for Forbes 30 Under 30 in the Finance category in 2019.

NINO DEVDARIANI
CRO

Nino Devdariani has been the CRO of MBC since 2016 and heads the Credit and Operational Risks, as well as the AML and Legal Units.

From 2008 to 2013, she worked at the National Bank of Georgia in the field of risk management and control of international reserves, and in 2014-2016 she worked at the Ministry of Finance of Georgia in the field of public debt risk management.

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

INTERNAL AUDIT REPORT

17 INTERNAL AUDIT REPORT

LETTER FROM THE CHAIRMAN OF THE COMMITTEE

Dear shareholders and partners,

Audit Committee of MBC acts independently of the management of the Company to fulfill its trustworthy duty and to ensure that the interests of the parties are properly ensured, both in terms of internal control, financial reporting, ensuring compliance with regulatory requirements, as well as maintaining appropriate relations with external auditors.

Against the challenges in the country, the Audit Committee constantly increases its efforts to strengthen the internal controlling environment of the organization. In this regard, the 2023 was no exception, and the Committee implemented several changes in the direction of increasing the effectiveness of the internal control function.

Moreover, the Audit Committee actively cooperates with the management in terms of timely identification and reduction of risks that may affect the performance of the company.

Sincerely,
Valeri CHechelashvili

Company has an internal audit, which is subordinate and accountable only to the Supervisory Board and the Audit Committee. Members of the Committee and the head of the internal audit are appointed by the Supervisory Board of the Company. The main task of the internal audit is to assist the Supervisory Board in terms of ensuring efficiency of the risk management, quality control and supervision of financial and economic activities of the company. Head of the internal audit ensures the preparation/execution of the annual plan and audit programs, organization and management of audit activities, preparation of periodic reports for the Supervisory Board. Internal audit, through on-site inspection, controls the correctness and reliability of the management mechanisms, accounting and financial reporting, operational systems, risk management, internal control mechanisms of the company, their compliance with legislation and international standards. Procedure for appointing the internal audit team, terms and regulations of activity are determined by the legislation of Georgia, the Charter of the MFO and the Regulations on internal audit. At the end of the year, the Supervisory Board invites an independent external auditor to assess the financial and economic activity of the MFO and the reliability of the annual report.

In 2023, at the sessions of the Audit Committee, the following issues were discussed and resolved:

- Internal and external audit results;
- Letter of recommendation prepared by the external auditor;
- Annual plan of the internal audit;
- Deficiencies found in the internal and external audit process and the evaluation of efficiency of measures taken to resolve them;
- Review and approval of the Code of Ethics for internal auditors;
- Review and approval of reports prepared by the internal audit.

JSC Microfinance Organization
Micro Business Capital

FINANCIAL STATEMENTS

Together with Independent Auditors' Report
For the year ended 31 December 2023

mbc.com.ge

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1 INDEPENDENT AUDITORS’ REPORT

To the Shareholders and Management of JSC MFO Micro Business Capital

OPINION

We have audited the financial statements of JSC MFO Micro Business Capital (the “Organisation”), which comprise the statement of financial position as at 31 December 2023, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organisation as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED IT
EXPECTED CREDIT LOSS ALLOWANCE OF LOANS TO CUSTOMERS	
We focused on this area as the management's estimates regarding the expected credit loss ('ECL') allowance for loans to customers are complex, require a significant degree of judgement and are subject to high degree of estimation uncertainty. Under IFRS 9, Financial Instruments, management is required to determine the credit loss allowance expected to occur over either a 12-month period or the remaining life of an asset, depending on the stage allocation of the individual asset. This staging is determined by assessing whether or not there has been a significant increase in credit risk ('SICR') or default of the borrower since loan origination. Some of the criteria applied by management for such an assessment are highly judgmental and involve qualitative assessment of borrowers' creditworthiness. It is also necessary to consider the impact of future macroeconomic conditions in the determination of ECLs. The economic outlook is stable despite the inflationary pressures. We consider the appropriateness of the model methodologies and the following judgements used in the determination of the modelled ECL allowance to be significant: – Highly judgmental criteria applied for identification of SICR, involving qualitative assessment of borrowers' creditworthiness; – Critical assumptions applied in the determination of loss given default ('LGD') and probability of default ('PD').	We understood and evaluated the design of the key controls over the determination of ECL allowance. These controls included among others: – Controls including periodic reviews of the policy and models, testing model estimates against actual outcomes and approval of model methodology changes; – Review and approval of the key judgements and assumptions used for determining LGDs and PDs; – Controls over key parameters (such as PD and LGD) calculation; – Controls over regular monitoring of the financial standing of the borrowers; and – Controls over ECL calculation and analysis of results. We noted no exceptions in the design or operating effectiveness of the above controls. In addition, we performed the substantive procedures described below. We assessed whether the IFRS 9 ECL model methodologies developed by management are appropriate. This included an evaluation of the judgmental criteria set by management for determining whether there had been a SICR, and the critical judgements and assumptions applied in determination of LGDs and PDs. We concluded that management's judgements in deriving SICR, LGDs and PDs were reasonable. We independently verified the calculation of ECL and assessed whether the ECL calculations were consistent with the approved model methodologies. We evaluated the adequacy and appropriateness of disclosures related to ECL for compliance with the requirements of IFRS.

INDEPENDENT AUDITORS’ REPORT

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 auditor’s opinion. Our opinion on financial statements does not cover above-mentioned other information. Probably, management report will be available to us after the date of 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 Organisation’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 Organisation or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Organisation’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.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation’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 Organisation’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 Organisation 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:

Ivane Zhuzhunashvili (Registration # SARAS-A-720718)
For and on behalf of BDO LLC
Tbilisi, Georgia
1 May 2024

2 STATEMENT OF FINANCIAL POSITION

As at 31 December 2023 (In thousands of Georgian Lari)

	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	5	6,286	6,778
Loans to customers	6	101,144	90,241
Other assets	7	2,019	4,109
Tax asset		-	267
Deferred tax asset	8	-	137
Intangible assets		370	407
Right-of-use assets	9	4,733	5,511
Property and equipment	10	2,532	2,785
Total assets		**117,084**	**110,235**
Liabilities			
Subordinated borrowings and other borrowed funds	11	90,046	84,214
Lease liabilities	9	4,750	5,348
Deferred tax liability	8	51	-
Taxes payable		505	-
Other liabilities	12	1,155	719
Total liabilities		**96,507**	**90,281**
Equity			
Share capital	13	2,255	2,255
Share premium	13	1,136	1,136
Preference shares	13	6,989	7,464
Retained earnings	13	10,197	9,099
Total equity		**20,577**	**19,954**
Total liabilities and equity		**117,084**	**110,235**

The financial statements for the year ended 31 December 2023 were approved on behalf of the management on 1 May 2024 by:

CEO Gia Petriashvili

CFO თ. ჯაჯანაშვილი Tatia Jajanashvili

3 STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023 (In thousands of Georgian Lari)

	Note	2023	2022
Interest income	14	25,026	22,684
Interest expense	14	(10,015)	(8,273)
Net interest income		**15,011**	**14,411**
Fee and commission income		3,743	2,268
Net foreign exchange gain		56	4,821
Net loss from trading in foreign currency		(2,445)	(8,658)
Operating income		**16,365**	**12,842**
Impairment losses on debt financial assets	6	(1,546)	(853)
Personnel expenses		(7,201)	(6,947)
Depreciation and amortisation		(1,957)	(1,726)
Other operating expenses	15	(2,814)	(2,308)
Profit before income tax		**2,847**	**1,008**
Income tax expense	8	(814)	(351)
Total comprehensive income		**2,033**	**657**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023 (In thousands of Georgian Lari)

	Share capital	Share premium	Preference shares	Retained earnings	Total
At 31 December 2021	**2,250**	**1,117**	**7,347**	**9,579**	**20,293**
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	5	19	-	-	**24**
Issue of preference shares	-	-	117	(117)	**-**
	5	**19**	**117**	**(117)**	**24**
Total comprehensive income for the year					
Profit for the year	-	-	-	657	**657**
Dividends declared	-	-	-	(1,020)	**(1,020)**
	-	**-**	**-**	**(363)**	**(363)**
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 (Note 7)	-	-	-	(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**

5 STATEMENTS OF CASH FLOWS

As at 31 December 2023 (In thousands of Georgian Lari)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**2,847**	**1,008**
Adjustments for:			
Impairment losses on debt financial assets	6	1,546	853
Net change in interest accruals		(104)	(500)
Modification of contractual cash flows of financial assets		(149)	(180)
Depreciation and amortisation		1,957	1,726
Bonus and other accruals		468	409
Net gain from sale of repossessed property		-	113
Impairment of repossessed property		447	123
Net foreign exchange gain		(56)	(4,821)
Net (gain)/loss from disposal of property and equipment		3	(248)
Cash flows from operating activities before changes in operating assets and liabilities		**6,959**	**(1,517)**
Changes in operating assets and liabilities:			
Loans to customers		(12,268)	(18,243)
Other assets		1,624	(2,802)
Tax assets/liabilities		772	(257)
Other liabilities		(38)	(441)
Cash outflow from operating activities before interest and taxation		**(2,951)**	**(23,260)**
Income tax paid		(626)	(94)
Interest paid on lease liabilities		(385)	(470)
Net cash outflow from operating activities		**(3,962)**	**(23,824)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment		(336)	(786)
Proceeds from sale of property and equipment		-	593
Purchases of intangible assets		(90)	(179)
Net cash outflow from investing activities		**(426)**	**(372)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipts of borrowed funds	11	109,405	111,094
Repayment of borrowed funds	11	(103,579)	(91,860)
Repurchase of preference shares		(475)	-
Proceeds from issuance of ordinary shares		-	24
Lease liabilities paid		(1,043)	(949)
Dividends paid		(444)	(1,020)
Net cash inflow from financing activities		**3,864**	**17,289**
Net (decrease)/increase in cash and cash equivalents		**(524)**	**(6,907)**
Cash and cash equivalents at the beginning of the period	5	6,778	13,879
Effect of changes in exchange rates on cash and cash equivalents		32	(194)
Cash and cash equivalents at the end of the year	5	**6,286**	**6,778**

Interest received by the Organisation during the year ended 31 December 2023 and 2022 amounted to GEL24,106 thousand and GEL20,940, respectively.

Interest paid by the Organisation during the year ended 31 December 2023 and 2022 amounted to GEL9,599 thousand and GEL8,572 thousand, respectively.

JSC Microfinance Organization
Micro Business Capital

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(In thousands of Georgian Lari)

mbc.com.ge

1 GENERAL INFORMATION

ORGANISATION

MFO Micro Business Capital (the “Organisation) was established in Georgia as Joint Stock Company on 6 December 2012. Its principal activities are credit operations, cash operations, and foreign exchange transactions. The Organisation’s activities are regulated by the National Bank of Georgia (the NBG). The Organisation’s registration number is 404967078.

The Organisation aims to provide customer-tailored and accessible financial services to micro and small businesses and farmers, increase availability of funds and loan products, maintain long-term and transparent relations with customers. The Organisation, as a socially responsible financial institution, aims to contribute to the sustainable economic growth of Georgia. In February 2023 Organisation applied to change its organisational structure and become Microbank according to Georgian legislation.

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

The Organisation is wholly owned by members of the Shareholder Group. There is no ultimate controlling party of the Organisation as at 31 December 2023 and 2022. Detailed information is disclosed in Note 13.

The Organisation has 17 branches. The Organisation’s head office is located at 68 Queen Ketevan Avenue, Tbilisi, Georgia. Director of the Organisation is Gia Petriashvili.

2 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 Organisation maintains its records and prepares financial statements in Georgian Lari (GEL), which is also the Organisation’s presentation currency. Amounts in the financial statements are rounded in thousands, unless otherwise stated. The reporting period for the Organisation 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 Organisation'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 3. The principal accounting policies adopted in the preparation of the financial statements are set in the Note 19.

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 Organisation 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 Organisation in Georgia. The management believes that the going concern assumption is appropriate for the Organisation.

2 BASIS OF PREPARATION

a) New standards, interpretations and amendments adopted from 1 January 2023

The following amendments are effective for the period beginning 1 January 2023:
• IFRS 17 Insurance Contracts;
• Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
• Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
• Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes);

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2023. Neither of interpretations and amendments have material effect, on the Organisation's financial statements for the year ended 31 December 2023.

B) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Organisation has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:
• Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
• Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
• Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
• Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

The following amendments are effective for the period beginning 1 January 2025:
• Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

The Organisation is currently assessing the impact of these new accounting standards and amendments. The Organisation does not expect these or any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Organisation.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Organisation 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.

MEASUREMENT OF EXPECTED CREDIT LOSSES

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

LEASE TERM, INCREMENTAL BORROWING RATE (IBR) AND LEASE PAYMENTS

The lease term is defined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease (including the renewal option implied through customary business practices) if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. Management applies judgement to determine the lease term when lease contracts include renewal options that are exercisable only by the Organisation. It considers all relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Organisation reassesses the lease term if there is a significant event or a change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew, or to terminate the lease. The management applies judgement to estimate the IBR. The management uses an observable information to determine the base rate and adjustments for the lessee specific factors and the asset factors (the adjustment for security).
In Georgia it is customary that lease renewal option is implied through customary business practices and not all renewal options are documented within the lease agreements. In such cases, the initial measurement of the lease liability assumes the payments for renewal periods equal to the contractual amount and will remain unchanged throughout the lease term.

ASSESSMENT OF COLLATERAL VALUES

The management regularly reviews the market value of the collateral. Management uses best knowledge to updates the appraised values of collateral obtained at inception of the loan to the current values, taking into account the approximate changes in property values. The amount of collateral depends on the customer's credit risk.

TAXATION

The Organisation believes that its accruals for taxation is adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax results of these matters differ from the amounts in the existing accounting records, such differences will affect the tax expense in the period when such decision was made. The Organisation believes that it can justify its tax declarations and minimizes the risks related to this fact.

4 FINANCIAL INSTRUMENTS – RISK MANAGEMENT

As a financial institution, the Organisation is exposed to risks that arise from its use of financial instruments. This note describes the Organisation'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 Organisation'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 organisations finance function.
The overall objective of the management is to set polices that seek to reduce risks as far as possible without unduly affecting the Organisation's competitiveness and flexibility. Further details regarding these policies are set out below.

Through its operations, the Organisation 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 Organisation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Organisation 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 Organisation 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 Organisation. Regular monitoring of loans allows the Organisation 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 6.

4 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 2023	31 DECEMBER 2022
Cash and cash equivalents (excluding cash on hand)	1,945	3,739
Loans to customers	101,144	90,241
Other assets	425	3,352
	103,514	97,332

LIQUIDITY RISK

Liquidity risk is the risk that the Organisation 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 Organisation 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:

NON-DERIVATIVE FINANCIAL LIABILITIES	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
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

At 31 December 2022

NON-DERIVATIVE FINANCIAL LIABILITIES	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Other borrowed funds	1,676	4,953	83,330	-	89,959
Subordinated borrowings	95	310	1,646	5,227	7,278
Lease liabilities	371	1,044	3,783	1,337	6,535
Other financial liabilities	616	-	-	-	616
	2,758	6,307	88,759	6,564	104,388

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 Organisation'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 Organisation is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Organisation'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

The Organisation's exposure to foreign currency exchange rate risk as at 31 December 2022 is presented in the tables below:

Financial assets	**GEL**	**USD**	**EUR**	**Other Currencies**
Cash and cash equivalents	4,706	911	1,019	142
Loans to customers	88,815	1,426	-	-
Other financial assets	329	3,090	27	6
	93,850	5,427	1,046	148
Financial liabilities				
Other borrowed funds	40,843	38,477	21	-
Subordinated borrowings	-	4,873	-	-
Lease liabilities	315	5,033	-	-
Other financial liabilities	567	49	-	-
	41,725	48,432	21	-
Open balance sheet position	52,125	(43,005)	1,025	148
The effect of derivatives held for risk management	(84,901)	87,911	-	-
Net open balance sheet position	(32,776)	44,906	1,025	148

The following table details the Organisation'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 as at 31 December 2023 and 2022 can be presented as follows:

	31 DECEMBER 2023			31 DECEMBER 2022		
	(GEL / USD)	(GEL / EUR)	(GEL / OTHER CURRENCIES)	(GEL / USD)	(GEL / EUR)	(GEL / OTHER CURRENCIES)
20% increase	(1,034)	407	121	8,981	205	30
20% decrease	1,034	(407)	(121)	(8,981)	(205)	(30)

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 Organisation. This risk can arise from maturity mismatches of assets and liabilities, as well as from the re-pricing characteristics of such assets and liabilities.

4 FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The table presents the aggregated amounts of the Organisation’s interest-bearing financial assets and interestbearing financial liabilities at carrying amounts as at 31 December 2023 and 2022:

	2023	2022
Total interest-bearing financial assets	103,089	93,980
Total interest-bearing financial liabilities	(94,796)	(89,562)
	8,293	4,418

MANAGEMENT OF CAPITAL

The Organisation's objectives when maintaining capital are:

• To safeguard the Organisation'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 Organisation sets the amount of capital it requires in proportion to risk. The Organisation 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 Organisation may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Organisation is also subject to minimum capital requirements established by covenants stated in loan agreements. See detailed information in Note 16.

5 CASH AND CASH EQUIVALENTS

	31 DECEMBER 2023	31 DECEMBER 2022
Cash on hand	4,341	3,039
Cash at Bank	1,945	3,739
	6,286	6,778

Cash and cash equivalents distribution by currency is disclosed in Note 4.

6 LOANS TO CUSTOMERS

	31 DECEMBER 2023	31 DECEMBER 2022
Consumption*	50,332	28,255
Services	24,567	33,962
Trade	10,035	11,747
Farming/agro-activities	9,973	10,901
Housing*	7,934	5,827
Production/construction	2,778	2,718
	105,619	93,410
Expected credit allowance	(4,475)	(3,169)
TOTAL LOANS TO CUSTOMERS	101,144	90,241

*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.

6 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
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

6 LOANS TO CUSTOMERS

The following table provides information on the credit quality of loans to customers as at 31 December 2022:

Loans to customers	STAGE 1	STAGE 2	STAGE 3	TOTAL
Services				
Not overdue	30,855	325	-	**31,180**
Overdue less than 30 days	663	-	-	**663**
31 to 90 days overdue	-	595	-	**595**
91 to 180 days overdue	-	-	186	**186**
More than 180 days overdue	-	-	1,338	**1,338**
Total Services	**31,518**	**920**	**1,524**	**33,962**
Expected credit losses	(458)	(136)	(677)	**(1,271)**
Carrying amount	**31,060**	**784**	**847**	**32,691**
Consumption				
Not overdue	26,594	305	-	**26,899**
Overdue less than 30 days	363	-	-	**363**
31 to 90 days overdue	-	176	-	**176**
91 to 180 days overdue	-	-	185	**185**
More than 180 days overdue	-	-	632	**632**
Total Consumption	**26,957**	**481**	**817**	**28,255**
Expected credit losses	(420)	(66)	(424)	**(910)**
Carrying amount	**26,537**	**415**	**393**	**27,345**
Trade				
Not overdue	10,194	586	-	**10,780**
Overdue less than 30 days	85	1	-	**86**
31 to 90 days overdue	-	187	-	**187**
91 to 180 days overdue	-	-	83	**83**
More than 180 days overdue	-	-	611	**611**
Total Trade	**10,279**	**774**	**694**	**11,747**
Expected credit losses	(124)	(46)	(278)	**(448)**
Carrying amount	**10,155**	**728**	**416**	**11,299**
Farming/agro-activities				
Not overdue	9,796	38	-	**9,834**
Overdue less than 30 days	384	18	-	**402**
31 to 90 days overdue	-	211	-	**211**
91 to 180 days overdue	-	-	53	**53**
More than 180 days overdue	-	-	401	**401**
Total Farming/agro-activities	**10,180**	**267**	**454**	**10,901**
Expected credit losses	(170)	(37)	(201)	**(408)**
Carrying amount	**10,010**	**230**	**253**	**10,493**
Production/construction				
Not overdue	2,565	-	-	**2,565**
Overdue less than 30 days	5	-	-	**5**
31 to 90 days overdue	-	61	-	**61**
91 to 180 days overdue	-	-	-	**-**
More than 180 days overdue	-	-	87	**87**
Total Production/construction	**2,570**	**61**	**87**	**2,718**
Expected credit losses	(31)	(13)	(40)	**(84)**
Carrying amount	**2,539**	**48**	**47**	**2,634**
Housing				
Not overdue	5,568	185	-	**5,753**
Overdue less than 30 days	28	-	-	**28**
More than 180 days overdue	-	-	46	**46**
Total Housing	**5,596**	**185**	**46**	**5,827**
Expected credit losses	(30)	(2)	(16)	**(48)**
Carrying amount	**5,566**	**183**	**30**	**5,779**

6 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 Organisation 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 2023 was 39% (2022: 38%) and collateralized by vehicles was 52% (2022: 51%).
Loans collateralized by precious metals are collateralized by underlying precious metals. Weighted average loan-tovalue ratio for loans collateralized by precious metals at the end of 2023 was 85% (2022: 93%).

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

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**

At 31 December 2022	Real estate	Vehicles	Precious metals	No collateral	Total
Services	24,025	8,593	17	56	**32,691**
Consumption	9,619	17,704	22	-	**27,345**
Trade	8,729	2,509	-	61	**11,299**
Farming/agro-activities	8,374	2,017	-	102	**10,493**
Production/construction	2,328	290	-	16	**2,634**
Housing	5,598	181	-	-	**5,779**
	58,673	**31,294**	**39**	**235**	**90,241**

6 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**

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 2022:

Expected credit losses	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**815**	**156**	**1,269**	**2,240**
Transfer to Stage 1	11	(11)	-	**-**
Transfer to Stage 2	(14)	14	-	**-**
Transfer to Stage 3	(25)	(49)	74	**-**
Net remeasurement of loss allowance	(45)	78	279	**312**
New financial assets originated	1,411	-	-	**1,411**
Transfer to Stage 2	(169)	169	-	**-**
Transfer to Stage 3	(272)	-	272	**-**
Repaid loans	(479)	(57)	(193)	**(729)**
Write-Offs	-	-	(65)	**(65)**
At the end of the year	**1,233**	**300**	**1,636**	**3,169**

6 LOANS TO CUSTOMERS

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

Loans to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total
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)	
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**

Stage 2 loans include loans restructured according to the Organisation's standard procedure with gross amount of GEL1,178 thousand and with ECL of GEL50 thousand.
Stage 3 loans include loans restructured according to the Organisation's standard procedure with gross amount of GEL155 thousand and with ECL of GEL77 thousand.

Respective movements in the gross carrying amounts of loans to customers for the year ended 31 December 2022 are as follows:

Loans to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	**69,461**	**2,609**	**2,987**	**75,057**
Transfer to Stage 1	239	(239)	-	**-**
Transfer to Stage 2	(1,039)	1,039	-	**-**
Transfer to Stage 3	(1,038)	(266)	1,304	**-**
New financial assets originated	111,626	-	-	**111,626**
Transfer to Stage 2	(618)	618	-	**-**
Transfer to Stage 3	(512)	-	512	**-**
Net changes in interest accruals	10	55	52	**117**
Modification of contractual cash flows of financial assets	155	25	-	**180**
Repaid loans	(91,406)	(1,483)	(353)	**(93,242)**
Write-offs	-	-	(65)	**(65)**
Foreign exchange and other movements	220	331	(814)	**(263)**
At the end of the year	**87,098**	**2,689**	**3,623**	**93,410**

6 LOANS TO CUSTOMERS

Stage 2 loans include loans restructured according to the Organisation's standard procedure with gross amount of GEL1,590 thousand and with ECL of GEL27 thousand.
Stage 3 loans include loans restructured according to the Organisation's standard procedure with gross amount of GEL11 thousand and with ECL of GEL6 thousand.
Loans to customers are presented by purpose, but the Organization defines business lending by loans issued for business purposes and/or loans whose repayment source is income from business activities.

For 31 December 2023, gross loan portfolio is given in the table below:

	By Purpose	By purpose and source of Income
Services	24,567	35,626
Trade	10,035	13,824
Farming/agro-activities	9,973	11,563
Production/construction	2,778	2,778
Consumption	50,332	32,730
Housing	7,934	9,098
	105,619	**105,619**

For 31 December 2022, gross loan portfolio is given in the table below:

	By Purpose	By purpose and source of Income
Services	33,962	37,362
Trade	11,747	12,718
Farming/agro-activities	10,901	11,813
Production/construction	2,718	2,711
Consumption	28,255	22,966
Housing	5,827	5,840
	93,410	**93,410**

7 OTHER ASSETS

	31 December 2023	31 December 2022
Receivable from related party*	1,009	-
Cash collateral pledged under the credit line agreement	278	314
Repossessed property**	386	540
Prepayments	192	83
Financial assets at fair value though profit or loss	18	3,038
Other	136	134
	2,019	**4,109**

*The organization engaged in a forward contract with it's related party – Paradigma LLC, which resulted in a gain for the organization. Paradigma LLC was obligated to settle the amount owed to the organization and parties agreed to payment terms spread over a two-year period. Aknowledging the benefit given to Paradigma LLC from deferred payments, the organization adjusted the fair value of the financial asset via market rate and presented it as part of equity operation (See Changes in Equity). Interest income, calculated using the market rate for this financial asset, is disclosed in note 14.

**Repossessed property represents non-financial assets acquired by the Organisation 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 Organisation's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies. Inventories of repossessed property are recorded at the lower of cost or net realisable value. The Organisation expects to dispose these assets in the foreseeable future. Repossessed 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 Organisation 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 2023 and 2022 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	**31 December**
Sell GEL to Buy USD		
Less than 3 months	35,882	63,077
Between 3 and 12 months	-	24,834
	35,882	87,911

8 DEFERRED TAX ASSET AND LIABILITY

Temporary differences at a rate of 20% due to:	Balance at 31 December 2021	Credited (charged) to the Income Statement	Balance at 31 December 2022	Credited (charged) to the Income Statement	Balance at 31 December 2023
Loans to customers	**313**	(5)	**308**	(308)	**-**
Right-of-use assets	**(799)**	(303)	**(1,102)**	155	**(947)**
Property and equipment	**(217)**	(154)	**(371)**	44	**(327)**
Intangible assets	**20**	2	**22**	9	**31**
Subordinated borrowings and other borrowed funds	**110**	18	**128**	20	**148**
Lease liabilities	**891**	179	**1,070**	(120)	**950**
Other liabilities	**76**	6	**82**	12	**94**
	394	**(257)**	**137**	**(188)**	**(51)**

Income tax expense for the years ended 31 December 2023 and 2022 comprises the following:

	2023	2022
Current income tax	(626)	(94)
Effect of temporary differences	(188)	(257)
	(814)	**(351)**

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

	2023	2022
Profit before income tax	**2,847**	**1,008**
Applicable tax rate	20%	20%
Theoretical Income tax benefit	**(569)**	**(202)**
Effect of permanent differences	(245)	(149)
	(814)	**(351)**

9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Organisation'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 2023 and 2022 years are in range of 6.5-7.5% for leases denominated in USD and 12.5-15% for leases denominated in GEL.

Lease liabilities distribution by currency is disclosed in Note 4.

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

	2023	2022
At the beginning of the year	**5,511**	**5,328**
New lease contracts	399	247
Modification	67	1,026
Amortisation	(1,244)	(1,090)
At the end of the year	**4,733**	**5,511**

Lease liabilities can be presented as follows:

	2023	2022
At the beginning of the year	**5,348**	**5,941**
New lease contracts	399	247
Interest expense	385	470
Modification	67	971
Lease payments	(1,428)	(1,419)
Foreign exchange movements	(21)	(862)
At the end of the year	**4,750**	**5,348**

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

10 PROPERTY AND EQUIPMENT

Historical cost	Land and buildings	Furniture and equipment	Leasehold improvements	Total
As at 31 December 2021	**1,210**	**2,081**	**1,033**	**4,324**
Additions	-	380	406	**786**
Disposals	(339)	-	(27)	**(366)**
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**
Accumulated depreciation				
As at 31 December 2021	**(79)**	**(1,038)**	**(327)**	**(1,444)**
Depreciation	(15)	(355)	(166)	**(536)**
Disposals	18	-	3	**21**
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)**
Carrying amount				
As at 31 December 2022	**795**	**1,068**	**922**	**2,785**
As at 31 December 2023	**780**	**881**	**871**	**2,532**

Real estate with carrying amount of GEL560 thousand is pledged as a collateral of borrowings from local financial institutions for 2023 (2022: 0).

11 SUBORDINATED BORROWINGS AND OTHER BORROWED FUNDS

	31 December 2023	31 December 2022
Principal	89,128	83,347
Interest Payable	918	867
	90,046	**84,214**

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

	Currency	Nominal interest rate	Year of maturity	31 December 2023
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

	Currency	Nominal interest rate	Year of maturity	31 December 2022
Secured loans				
From local financial institutions	GEL	12%-16%	2023-2024	21,716
Unsecured loans				
From international financial institutions	USD	6%-8%	2023-2025	31,277
From international financial institutions	GEL	14%	2023	3,480
Subordinated loans from related parties	USD	8%-10%	2028-2029	4,873
From related parties	USD	4%-11%	2023-2024	1,866
Other legal entities	USD	4%-6%	2023	545
Other legal entities	GEL	13%-16%	2023-2024	252
Bonds	GEL	16%	2024	14,986
From individuals	USD	2%-7%	2023-2024	4,789
From individuals	GEL	14%-15%	2023-2024	409
From individuals	GEL	3%	2023	21
				84,214

11 SUBORDINATED BORROWINGS AND OTHER BORROWED FUNDS

On December 13, 2022, the Organization issued bonds worth GEL15,000 GEL, the interest rate of which was determined from its nominal value, and amounts to 450 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 13, June 13, September 13 and December 13.

Borrowings received from local financial institutions for 2023 and 2022 were secured with the Organisation's loan portfolio with amount of GEL16,546 thousand and GEL14,660 thousand, cash collaterals GEL278 thousand and GEL314thousand, respectively. Borrowings secured with Organisation's real estate with carrying amount equaled GEL560 thousand 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:

	2023	2022
At the beginning of the year	**84,214**	**70,146**
Repayment	(103,579)	(91,860)
Proceeds	109,405	111,094
Interest paid	(9,600)	(8,572)
Net Cash flows:		
Interest expense	9,630	7,803
The effect of changes in foreign exchange rates	(24)	(4,397)
At the end of the year	**90,046**	**84,214**

12 OTHER LIABILITIES

	31 December 2023	31 December 2022
Salaries Payable	468	352
Financial liabilities at fair value though profit or loss	219	123
Payables from received services	195	132
Deffered income	91	-
Other	182	112
	1,155	**719**

13 SHARE CAPITAL AND RESERVES

As at 31 December 2023 and 2022 the following shareholders owned shares of the Organisation and comprise the Shareholder Group:

31 December 2023

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**

31 December 2022

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	370
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**	**1,400**

13 SHARE CAPITAL AND RESERVES

ISSUED CAPITAL

As at 31 December 2023 and 2022 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 2023 and 2022 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 Organisation.

PREFERENCE SHARES

During 2018, the Organisation 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 Organisation in January 2023. Nominal value of A class preference shares is GEL10. The ability to pay dividends is subject to the Organisation's financial condition and results of operations and other factors considered by Annual General Meeting.

In August 2023, in line with shareholders decision, the Organisation 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 Organisation, 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.

DIVIDENDS

Dividends payable are restricted to the maximum of retained earnings of the Organisation, which are determined according to Georgian legislation. In 2023 the Organisation declared preference dividends at amount of GEL444 (2022: GEL1,020).

14 NET INTEREST INCOME

Interest income is arising from:	2023	2022
Loans to customers	24,402	22,420
Receivable from Related party	354	-
Modification gain of contractual cash flows of financial assets	149	180
Placements with banks	121	84
	25,026	**22,684**

Interest expense is arising from:	2023	2022
Borrowings from financial institutions	(3,672)	(4,881)
Bonds	(2,313)	(116)
Borrowings from international financial institutions	(2,233)	(1,498)
Borrowings from individuals	(808)	(705)
Other borrowings	(604)	(603)
Leases	(385)	(470)
	(10,015)	**(8,273)**

15 OTHER OPERATING EXPENSES

	2023	2022
Advertising and marketing	(641)	(456)
Loss from sale and impairment of repossessed properties	(450)	(239)
Application inspection	(226)	(165)
Consulting*	(217)	(168)
Utilities	(211)	(208)
Tax expense other than income tax	(188)	(132)
Office supplies	(176)	(203)
Communication	(101)	(129)
Bank charges	(82)	(93)
Security	(80)	(79)
Business trips	(68)	(55)
Transportation	(49)	(68)
Rent	(29)	(45)
Other	(296)	(268)
	(2,814)	**(2,308)**

*For 2023 and 2022, professional fees paid to the audit firm for the provision of audit and other professional services comprised GEL 53 and GEL 48, respectively.

16 COMMITMENTS AND CONTINGENCIES

LITIGATION - In the ordinary course of business, companies are usually subject to legal actions and complaints.
Following the Organisation's customers' failure to meet loan repayment obligations the Organisation 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 Organisation.

COMPLIANCE WITH COVENANTS - The Organisation is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Organisation including declaration of default.
The Organisation has complied with all the financial covenants stipulated by lending agreements as of 31 December 2023 and 2022.

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 2023 and 2022 the Organisation has issued financial guarantee of GEL 2,200 thousand to a Georgian Commercial Bank to secure loan of a related party with premium rate of 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 2023 and 2022 the Organisation 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 Organisation 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 Organisation has not prepared Management Report at the date of issue of the financial statements.

REGULATIONS OF NATIONAL BANK OF GEORGIA - Starting from 1 September 2018, the Organisation also has to comply with the financial covenants established by the National Bank of Georgia (NBG), such as: capital adequacy, liquidity, property investment, investment, related party exposure and pledged assets ratios. The compliance with these ratios is monitored by the NBG on a monthly basis. According to the NBG regulations, the Organization has to hold minimum level of CAR at least 18%.

16 COMMITMENTS AND CONTINGENCIES

The below table discloses the compliance with NBG CAR ratio as at 31 December 2023 and 2022:

	31 December 2023	31 December 2022
Share capital	2,255	2,255
Share premium	1,136	1,136
Preference shares	6,990	7,464
Retained earnings	10,197	9,099
Eligible subordinated debt	5,321	4,873
Regulatory capital before reductions	**25,899**	**24,827**
Less intangible assets	(371)	(407)
Regulatory capital	**25,528**	**24,420**

	31 December 2022	31 December 2021
Total assets before reduction	117,085	110,235
Less intangible assets	(371)	(407)
Total assets after reduction	**116,714**	**109,828**

	31 December 2023	31 December 2022
Capital adequacy ratio (CAR)	**22%**	**22%**

17 TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 “Related party disclosures”, could be one or more of the following:
(A) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Organisation (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Organisation that gives then significant influence over the Organisation; and that have joint control over the Organisation;

(B) Members of key management personnel of the Organisation or its parent;

(C) Close members of the family of any individuals referred to in (a) or (b);

(D) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (b);
In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Organisation and other related parties are disclosed below.

17 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)	-

Related party balances and transactions as and for the year ended 31 December 2022:

Financial statement caption	Shareholder	Other related parties	Key management personnel
Subordinated borrowings	4,873	-	-
Other borrowed funds	1,183	683	-
Lease Liabilities	-	2,992	-
Other liabilities	1	-	49
Fee and commission income	-	34	-
Short-term employee benefits	-	-	(972)
Net gain from trading in foreign currency	-	2,827	-
Interest expense	(524)	(289)	-

18 EVENTS AFTER REPORTING PERIOD

Non-Adjusting:

DIVIDENDS

On 29 January 2024 according to the decision of supervisory board the Organisation declared preference dividends of GEL 435 thousand.

19 SUMMARY OF SIGNIFICANT 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 Organisation 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 Organisation 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 Organisation 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.

19 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Organisation's financial assets are measured at amortised cost, except derivative financial assets.

Business model assessment

There are three business models available under IFRS 9:

• Hold to collect: It is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest form the counterparty.
• Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
• Other: all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.
The assessment of business model requires judgment based on facts and circumstances at the date of the assessment. The business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on observable factors.
The Organisation 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 Organisation'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 Organisation'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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Derecognition of financial assets

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

• The rights to receive cash flows from the asset have expired, Or

• The Organisation 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 Organisation has transferred substantially all the risks and rewards of the asset, or (b) the Organisation 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 Organisation 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. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

IFRS 9 requires the Organisation 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 Organisation 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 Organisation 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 Organisation 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 Organisation recognizes a Expected credit losses 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 Organisation 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;
c) 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 Organisation 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 Organisation recognizes default are credit-impaired loans.

Significant increase in credit risk

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

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

The Organisation 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 Organisation renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Organisation'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.

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 Organisation 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 Organisation 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.

FINANCIAL LIABILITIES

The Organisation classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Organisation has classified borrowings and other short-term monetary liabilities within “Other financial liabilities” category. All of Organisation’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 Organisation derecognises financial liabilities when, and only when, the Organisation’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.

19 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:
1. Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
2. 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.
3. 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.

The estimated fair values of all financial instruments as at 31 December 2023 and 31 December 2022 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 Organisation 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 Organisation'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 Organisation 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.

19 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Organisation.

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.

LEASES

THE ORGANISATION 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 Organisation 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 Organisation'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 Organisation'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 Organisation 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 Organisation 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 Organisation 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 Organisation 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.

When the Organisation 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 of 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 rightof- use asset is adjusted by the same amount.

The Organisation 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.

19 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Organisations 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 Organisation. It considers all relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Organisation 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 Organisation 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.

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.

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.

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).

19 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

FOREIGN CURRENCY TRANSACTIONS

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

Monetary assets and liabilities are translated into The Organisation'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 Organisation'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 as at 31 December 2023 and 2022:

	USD / GEL	EUR / GEL
Exchange rate as at 31 December 2023	2.6894	2.9753
Exchange rate as at 31 December 2022	2.7020	2.8844

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 Organisation's financial statements are reported in the financial statements. Events after the reporting period that do not affect the financial position of the Organisation at the balance sheet date are disclosed in the notes to the financial statements when material.

JSC Microfinance Organization
Micro Business Capital

ANNEXES

The information provided below regarding the “Corporate Governance Code Compliance Report” , which is presented on pages 106-127, has not been audited by an independent auditor.

1 ANNEX

Application on Submitting Corporate Governance Compliance Report

საქართველოს ეროვნული ბანკი
National Bank of Georgia

Application
on submitting Corporate Governance Compliance Report

Date (DD/MM/YYYY) 2 6 / 0 7 / 2 0 2 4

1.INFORMATION ABOUT ISSUER

Issuer`s Name	JSC Microfinance Organization 'Micro Business Capital'
Legal Form	Joint Stock Company
Legal Address	Tbilisi, Isani District, 68 Queen Ketevan Avenue, Floor N1, Office Space N2
Factual Address	Tbilisi, Isani District, 68 Queen Ketevan Avenue, Floor N1, Office Space N2
Contact Number	+995 32 2 50 50 02
E-mail	info@mbc.com.ge
Web Site	www.mbc.com.ge

2. LIST OF APPENDIXES

Following annexes enclosed to the application (indicate number of copies and number of pages):

Annex N1 - Charter of the Company (14 pages)
Annex N2 - Internal Legislation (13 pages)
Annex N3 - Regulation on Corporate Ethics (6 pages)
Annex N4 - Regulation on Corporate Governance Principles (6 pages)
Annex N5 - Charter of the Supervisory Board (5 pages)
Annex N6 - Internal Audit Charter (13 pages)
Annex N7 - Charter of the Board of Directors (4 pages)
Annex N8 - Business Plan (45 pages)
Annex N9 - Prospectus for the Issuance (152 pages)
Annex N10 - Instruction of the Online Platform 'WeShare' (4 pages)
Annex N11 - Key Terms of the Bonus and Additional Benefits Contract for Top Management (Members of the Board of Directors) (4 pages)
Annex N12 - Instructions for Employee Performance Evaluation and Compensation (36 pages) და Annex (electronically, Excel file)

3. INFORMATION ABOUT APPLICANT PERSON

Name and Surname	Taras Nizharadze
Position Held	Chairman of the Supervisory Board
Contact Number	+995 32 2 50 50 02
E-mail	info@mbc.com.ge

3. INFORMATION ABOUT APPLICANT PERSON

Name and Surname	Gia Petriashvili
Position Held	Chief Executive Officer
Contact Number	+995 32 2 50 50 02
E-mail	info@mbc.com.ge

1 ANNEX

Application on Submitting Corporate Governance Compliance Report

INFORMATION ABOUT APPLICANT PERSON	
Name and Surname	Tatia Jajanashvili
Position Held	Chief Financial Officer
Contact Number	+995 32 2 50 50 02
E-mail	info@mbc.com.ge

Signature	DATE (DD/MM/YYYY)
	2 6 / 0 7 / 2 0 2 4

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ANNEX

Corporate Governance Compliance Report

Legislative Requirement	Description of the Legislative Requirement	Requirement Compliance: yes, no, alternative	Reference to Relevant Information Disclosed in the Annual Report (Section/Page)	Relevant Documentation, which Additionally Defines the Requirements Defined by the Code	Note
1	2	3	4	5	6
Corporate Governance Code, Chapter II. Governing Body					
Corporate Governance Code (Article 3, Paragraph 1)	Supervisory Board is responsible for ensuring compliance of the Company with the requirements of this Code. Board of Directors shall ensure efficient fullfilment of policies of corporate governance, approved by the Supervisory Board.	yes	page 45	Other (please indicate as a note)	The issue is also considered in the Regulation on Corporate Governance Principles.
Corporate Governance Code (Article 3, Paragraph 2, Subparagraph 'a')	a)Company shall have the Charter of the Company, which defines the functions and responsibilities of the Supervisory Board and the Board of Directors in such manner that the process of fulfillment of their rights and efficient decision-making is ensured.	yes	page 45	Charter of the Company	
Corporate Governance Code (Article 3, Paragraph 2, Subparagraph 'b')	b)Company shall have the Code of Ethics, which will implement high standards of ethical behavior for the employees and the governing body.	yes	page 38	Code of Ethics	
Corporate Governance Code (Article 3, Paragraph 2, Subparagraph 'c')	c)Company shall have the Business Strategy of the Company and appropriate resources in order to achieve intended aims, including the strategy of sustainable development.	yes	pages 22-23	Other (please indicate as a note)	Business Plan
Corporate Governance Code (Article 3, Paragraph 2, Subparagraph 'd')	d)Company shall have the goals of sustainable development, including environmental, social and governance issues, which at a minimum shall include such matters as are the following:	yes	pages 31-36	Other (please indicate as a note)	The issue is also considered in the Regulation on Corporate Governance Principles.
Corporate Governance Code (Article 3, Paragraph 2, Subparagraph 'd.a')	d.a) Development of human resources policy, based on Georgian legislation, as well as the internationally acknowledged labor standards and human rights protection;	yes	pages 38-41	Annual Report	
Corporate Governance Code (Article 3, Paragraph 2, Subparagraph 'd.b')	d.b) Ensuring safe and healthy working environment for the employees;	yes	page 23; page 38	Annual Report	
Corporate Governance Code (Article 3, Paragraph 2, Subparagraph 'd.c')	d.c) Ensuring environmental protection in accordance with the regulations of environmental protection and interntational standards and guidelines;	yes	pages 31-36	Other (please indicate as a note)	The issue is also considered in the Regulation on Corporate Governance Principles.
Corporate Governance Code (Article 3, Paragraph 2, Subparagraph 'e')	e)Company shall have the Charters of the Committees set up under the Supervisory Board, in which mandate of the Committee, directions and procedures of the activity shall be defined, including but not limited to the reporting to the Supervisory Board by the Committee, information about restrictions for the membership of the Committee, roles and functions of the members of the Committee;	alternative			The drafting process of Committees' Charters is currently in progress. The functions and responsibilities of the Audit Committee are partially defined in the Charter of the Supervisory Board.

Corporate Governance Code (Article 3, Paragraph 2, Subparagraph 'f')	f)Company shall have clearly defined organizational and management structure, where no one has unlimited authority, and which ensures definition of liabilities, efficient identification of the risks, management, monitoring and reporting processes. Therefore, it shall include internal control means, fair administering and accounting procedures, efficient informative systems and controls of the management of risks, policies and procedures of remuneration.	yes	page 29; page 45	Annual Report	
Corporate Governance Code (Article 3, Paragraph 3)	Any member of the governing body of the Company is eligible to address the Supervisory Board regarding the problematic issues related to the Corporative Governance System.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Company, the Regulation on Corporate Governance Principles and the Charter of the Board of Directors.
Corporate Governance Code (Article 3, Paragraph 4)	Charter of the Company, Code of Ethics and Charters of the Committees shall be subject to the regular renewal and shall be publicly available.	yes	page 22	Other (please indicate as a note)	The Charter of the Company is available on napr.gov.ge. The Code of Ethics is on the company's website, and the Committees' Charters will be posted on the company's website after the documents are fully finalized.
Corporate Governance Code (Article 3, Paragraph 5)	The Company shall ensure compliance of its Corporate Governance System with the requirements of the present Code. The policies and procedures of the company shall be in a full compliance with the requirements envisaged by this code.	yes	page 45	Other (please indicate as a note)	The issue is also considered in the Regulation on Corporate Governance Principles.
Corporate Governance Code (Article 4, Paragraph 1)	Each Company shall establsih a written Code of Ethics that regulates the issues regarding avoiding the conflict of interest, abuse of authority, corruption, insider dealing, money laundering and other matters aimed to prevent the violations of law. The Code of Ethics shall include:	yes		Other (please indicate as a note)	The Regulation on Corporate Ethics
Corporate Governance Code (Article 4, Paragraph 1, Subparagraph 'a')	a) Indication, that the members of the governing body and employees shall act in good faith and professionally;	yes		Other (please indicate as a note)	The Regulation on Corporate Ethics
Corporate Governance Code (Article 4, Paragraph 1, Subparagraph 'b')	b) Implication that Directors shall act in accordance with the best interests of the Company, stockholders/partners;	yes		Other (please indicate as a note)	The Regulation on Corporate Ethics
Corporate Governance Code (Article 4, Paragraph 1, Subparagraph 'c')	c) Procedures for regulating and identifying existing and potential conflict of interests;	yes		Other (please indicate as a note)	The Regulation on Corporate Ethics
Corporate Governance Code (Article 4, Paragraph 1, Subparagraph 'd')	დ) Procedures for suppressing corruption practice, which includes offering and receiving bribe, gifts or other benefits;	yes		Other (please indicate as a note)	The Regulation on Corporate Ethics
Corporate Governance Code (Article 4, Paragraph 1, Subparagraph 'e')	e) Procedures for disclosure of information related to illegal or unethical behavior;	yes		Other (please indicate as a note)	The Regulation on Corporate Ethics

Corporate Governance Code (Article 4, Paragraph 1, Subparagraph 'f')	f) Issues related to use, protection and insurance of the information, assets of the Company;	yes		Other (please indicate as a note)	The Regulation on Corporate Ethics
Corporate Governance Code (Article 4, Paragraph 1, Subparagraph 'g')	g) Issues related to the compliance with legislation;	yes	page 29	Other (please indicate as a note)	The issue is also considered in the Regulation on Corporate Ethics.
Corporate Governance Code (Article 4, Paragraph 1, Subparagraph 'h')	h) Efficient system of whistleblowing in frames of which employees shall be able to confidentially disclose illegal/inappropriate/unethical facts without any risk of discriminatory and inappropriate treatment. The whistleblowing system shall also regulate the investigation of identified facts and procedural issues of relevant reaction. The supervisory board shall ensure monitoring on the process of elobaration of whistleblowing system and the issues related to its proper execution.	yes	page 32	Other (please indicate as a note)	The issue is also considered in the Instruction of the online platform 'WeShare'.
Corporate Governance Code (Article 4, Paragraph 2)	Supervisory Board shall be responsible for elaboration and monitoring of execution of Code of Ethics of the Company.	yes		Other (please indicate as a note)	The Charter of the Supervisory Board
Corporate Governance Code (Article 4, Paragraph 3)	The Code of Ethics shall be applicable to the governing body and the employees of the Company.	yes		Other (please indicate as a note)	The Regulation on Corporate Ethics
Corporate Governance Code (Article 5, Paragraph 1)	Along with the fulfilment of main functions, members of Supervisory Board individually and jointly are also responsible for:	yes		Other (please indicate as a note)	The Charter of the Supervisory Board
Corporate Governance Code (Article 5, Paragraph 1, Subparagraph 'a')	a) Determining the values of the Company and governing it in full compliance with the principles of justice, competence, professionalism and ethics;	yes	page 45	Other (please indicate as a note)	The Charter of the Supervisory Board
Corporate Governance Code (Article 5, Paragraph 1, Subparagraph 'b')	b) Determining the organizational structure of the Company, including functions and responsibilities in such a manner, to ensure fulfilment of the authority and efficient decision-making process by the Board of Directors;	yes	page 45	Other (please indicate as a note)	The Charter of the Supervisory Board
Corporate Governance Code (Article 5, Paragraph 1, Subparagraph 'c')	c) Determining the ethical principles of the Company and steadily evaluate the role of the Board of Directors in implementation and maintenance of fair corporative and ethical culture which is not limited to but comprises constant compliance with the existing legislation, including the present Code, Code of Ethics and internal standards of the Company;	yes		Other (please indicate as a note)	The Charter of the Supervisory Board
Corporate Governance Code (Article 5, Paragraph 1, Subparagraph 'd')	d) Approving the annual budget of the Company, determining the strategy of the Company and monitoring the fulfilment of strategic aims by the Board of Directors;	yes	page 45	Other (please indicate as a note)	The Charter of the Supervisory Board
Corporate Governance Code (Article 5, Paragraph 1, Subparagraph 'e')	e) Together with the Board of Directors, determining and approval of the Risk Management Framework of the Company, during developing of which specific environment, possible future regulations, environmental and social governance issues, long-term interests of the Company, efficient risk management, functions of monitoring and internal control shall be considered;	yes	page 22; page 29	Other (please indicate as a note)	The issue is also considered in the Charter of the Supervisory Board.

Corporate Governance Code (Article 5, Paragraph 1, Subparagraph 'f')	f) Monitoring the activity of the Board of Directors and assessment of its decisions, ensuring that the members of the Supervisory Board received sufficient information from the Board of Directors, including explanations and persuasion regarding the fact that the activity of the Board of Directors is fully in compliance with the strategy and Risk Management Framework approved by the Supervisory Board;	yes		Other (please indicate as a note)	The issue is considered in the Regulation on Corporate Governance Principles and the Charter of the Supervisory Board.
Corporate Governance Code (Article 5, Paragraph 1, Subparagraph 'g')	g) Monitoring the appropriate operation of the labor remuneration system in the Company, which also includes discussing and monitoring the issues related to the remuneration of the Directors, and compliance with risk culture and Risk Management Framework of the Company;	yes	page 29; page 45	Other (please indicate as a note)	The issue is also considered in the Internal Legislation and the Charter of the Supervisory Board.
Corporate Governance Code (Article 5, Paragraph 1, Subparagraph 'h')	h) Ensuring the efficient system of replacement of the Board of Directors and important employees and monitoring its implementation.	yes		Other (please indicate as a note)	The Charter of the Supervisory Board
Corporate Governance Code (Article 5, Paragraph 2)	The Supervisory Board shall at least once in a quarter hold meetings, and in case of necessity, increase the frequency of the meetings.	yes		Other (please indicate as a note)	The Charter of the Supervisory Board
Corporate Governance Code (Article 5, Paragraph 3)	In the process of fulfilment of its functions, the Supervisory Board shall first consider the interests of the Company, stockholders/partners and other interested parties. The Supervisory Board shall ensure to establish and maintain efficient communication and collaboration with the stockholders/partners and other interested parties.	yes	page 45	Other (please indicate as a note)	The Charter of the Supervisory Board
Corporate Governance Code (Article 5, Paragraph 4)	The Supervisory Board shall regularly meet with the Board of Directors and structural units carrying out internal control, including internal audit, individuals carrying out the functions of risk management and compliance, in order to discuss the issues about important material risks related to the policies and control and to identify the matters and segments which need to be improved. In frames of communication with the Board of Directors, the Supervisory Board shall critically evaluate the explanations and relevant information provided by the Board of Directors. In addition, considering the organizational structure of the Company, Corporative Secretary shall be responsible for administering of the minutes of the Supervisory Board Meetings. Minutes of both - Supervisory Board and Committees set up at the level of the Board, together with the decisions, shall describe the process of decision-making, including important positions of the members of the Board/Committee, which resulted in to making specific decision, as well as positions of those members of the Board who did not support the decision.	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board. At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 5, Paragraph 5)	The Supervisory Board in the annual report shall describe its activity during the financial year, which shall also include information regarding the fulfillment of the provisions set by this Code, as well as the issues of sustainable development, environmental and social governance.	yes		Other (please indicate as a note)	The Charter of the Supervisory Board

Corporate Governance Code (Article 6, Paragraph 1)	The competence and skills of the members of the Supervisory Board shall collectively contribute to the efficient management of the activities of the Company and efficient risk management. One third of the Supervisory Board, but at least two members shall have the ability to analyze financial statement and shall have the relevant experience in finance, economics, audit and/or other relevant fields. In addition, if the Supervisory Board fails to perform the assigned functions or is no longer in compliance with the requirements of the legislation, the Supervisory Board shall take appropriate measures, including regarding the replacement of the Supervisory Board member, but at no more than 1/3 of the Board members simultaneously and provide the relevant information to the National Bank.	yes	pages 47-48	Annual Report	
Corporate Governance Code (Article 6, Paragraph 2)	Despite the scale and complexity of the activities, the Supervisory Board of the Company shall consist of at least 5 members.	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The Changes in the composition of the members are planned.
Corporate Governance Code (Article 6, Paragraph 3)	The chairperson of the Supervisory Board of the Company shall not be the Director of this Company at the same time.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 6, Paragraph 4)	One third of the Supervisory Board, but at least two members shall be independent members as determined by article 16 of this Code.	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The Changes in the composition of the members are planned.
Corporate Governance Code (Article 6, Paragraph 5)	The General Meeting of the Company shall ensure that the members of the Supervisory Board shall be elected in such a manner, to ensure the balance of diversity of opinions. This implies the composition of the Board with people of different genders, skills, qualifications and experiences, who have enough time, resources, proper qualifications, professional experience, appropriate competence to fulfil their functions and who will act in a good faith.	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The Changes in the composition of the members are planned.
Corporate Governance Code (Article 6, Paragraph 6)	The Company shall have appropriate policy and procedures of compliance for selection criteria of Supervisory Board members.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 7, Paragraph 1)	The Supervisory Board Chairperson is selected from members of Supervisory Board by the Supervisory Board, who is responsible for the overall efficient functioning of the Supervisory Board, including coordination of trust and collegial relations between the members of the Board and efficient collaboration.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 7, Paragraph 2)	The Chairperson of the Supervisory Board shall be an independent member in accordance with the Article 16 of this Code.	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The Changes in the composition of the members are planned.

Corporate Governance Code (Article 7, Paragraph 3)	In case the Chairperson has or may have a legally defined conflict of interests while participating in decision-making process, his deputy is responsible for avoiding and eliminating existing and potential conflicts of interests.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 8, Paragraph 1)	The Committee shall execute its functions in accordance with the Committee Charter approved by the Supervisory Board.	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 8, Paragraph 2); Law of Georgia on Securities Market (Article 9(1))	Every Company, despite the size, complexity and activity shall create at least an Audit Committee from the members of the Supervisory Board.	yes	page 45, page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board. The Audit Committee has been established under the Company's Supervisory Board.
Corporate Governance Code (Article 8, Paragraph 3 and Paragraph 4)	In order to increase efficiency of the Company, it is desirable to create Committees with other functions, such as: Risk Management, Remuneration, Nomination and Corporate Governance Committees and others. For some industries specialized committees related to IT, cybersecurity, and sustainability might be appropriate. In case of absence the Risk Management, Remuneration, Nomination and Corporate Governance Committees, the Supervisory Board or its existing committees shall ensure fulfilment of the functions of these Committees.	yes	page 29, page 45, pages 47-48	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board. At this stage, only the Audit Committee has been established under the Company's Supervisory Board, chaired by the independent member. The functions of other committees recommended by the Code are performed by the Supervisory Board.
Corporate Governance Code (Article 8, Paragraph 5)	The Supervisory Board shall change the Chairperson and the composition of the Committee in a timely manner to ensure that the Committee is encouraged to promote new visions and directions.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 8, Paragraph 6)	The company shall keep and maintain records of relevant minutes on the recommendations and results of discussions by the Committee, preferably by the corporate secretary if it's possible. Committees shall regularly submit reports on their decisions and recommendations to the Supervisory Board.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 8, Paragraph 7)	The Committee shall be composed of at least 3 members, in case of a small Company the Committee may consist of 2 members. The member of the Board shall not be member of more than two Committees.	alternative	page 29; page 45; pages 47-48	Other (please indicate as a note)	At this stage, the Audit Committee established under the Company's Supervisory Board consists of 1 independent member, who chairs the Audit Committee. The changes in the composition of the members are planned.

Corporate Governance Code (Article 8, Paragraph 8)	It is desirable that meetings of the Committees are held before the meetings of the Supervisory Board. In other cases, they shall assemble at least twice in a year, as well as in any time depending on the necessity.	yes	page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board. The Audit Committee meeting is held at least once a quarter, prior to the start of the Supervisory Board meeting.
Corporate Governance Code (Article 8, Paragraph 9)	Members of Committees of the Supervisory Board shall be appointed according to their specialized skills and experience. In addition, objectivity shall be encouraged and fair environment for discussion shall exist in committees.	yes	pages 47-48	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 1)	The committee of audit shall assemble 4 times in a year and shall submit to the Supervisory Board annul and semmi-annual reports in accordance with the time period of approval, in case of necessity the committee may require that the board of directors, internal and external auditors and other employees attended the meeting.	yes	page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2)	The Audit Committee set up with the Supervisory Board, together with other functions, shall be responsible for:	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'a')	a) Determining the policy of internal audit and reporting;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'b')	b) Monitoring the financial and non-financial reporting preparation process;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'c')	c) Monitoring and active collaboration with the internal and external auditors;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'd')	d) Evaluating the activity of the external auditors, expressing opinion about the candidacies of the external auditors, submitting relevant recommendations to the Supervisory Board or stockholders/partners regarding the issues of their candidacies, appointment, remuneration or dismissal issues;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'e')	e) Evaluating the efficiency and independence of activities of the internal audit;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'f')	f) Ensuring the adequacy, independence and efficient cooperation of the functions of the internal and external auditors;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'g')	g) Reviewing a letter of recommendation prepared by the external auditor and monitoring appropriate measures taken for correcting the deficiencies made by the Board of Directors;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'h')	h) Reviewing and submitting to the Supervisory Board the scopes of the internal audit to be conducted and its frequency for approval;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.

Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'i')	i) Receiving reporting from the internal audit and ensuring that all the appropriate measures are timely taken by the Board of Directors in order to resolve the deficiencies, incompatibility with the legislation or other issues arisen in the process of audit, or identified during implementation of other controlling functions;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'j')	j) Monitoring the development of accounting policy and practice of the Company;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 2, Subparagraph 'k')	k) Discussing the whole framework of risk management and the efficiency and structure of internal control systems, including discussing the ideas of third parties regarding the aforementioned matters.	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 3); Law of Georgia on Securities Market (Article 9(1), Paragraph 1)	The chairperson of the committee shall be the independent member of the supervisory board, but at the same time, it shall not be the chairperson of the supervisory board or/and any other committess.	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 4)	Members of the Audit Committee, including the Chairperson, shall have an ability to analyze financial statements and have financial education or relevant financial experience.	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 5)	Members of the Audit Committee shall always have full access to the functions of the Board of Directors, Internal Audit and Risks Management. The Audit Committee shall annually discuss independence of the external auditors and disclose following information:	yes	page 45; page 48; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 5, Subparagraph 'a')	a) Remuneration paid to the external auditors during the whole reporting period;	yes	page 88	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board. This information is also disclosed in the Annual Report.
Corporate Governance Code (Article 9, Paragraph 5, Subparagraph 'b')	b) Elements of compensation paid for audit or other services during the reporting periods, or negative feedbacks provided in annual report. In case the external auditors, except for audit service, provide other services, the Committee shall discuss the content and scopes of such services and ensure objectivity and exclude the conflict of interests;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 6)	Former partner or Director of the Firm/Auditor conducting current audit of the Company at the same time may not be the member of the Audit Committee:	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.

Corporate Governance Code (Article 9, Paragraph 6, Subparagraph 'a')	a) During 12 months from the moment of leaving position as partner or Director of the Audit Company;	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 9, Paragraph 6, Subparagraph 'b')	b) If the person still has some kind of financial interest at the Audit Company despite of leaving the position.	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 10, Paragraph 1)	Depending on the activity of the Company, Risk Committee may be established from the members of the Supervisory Board, which together with the other functions shall provide the following:	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. At this stage, the functions of the Committee are performed by the Supervisory Board, the establishment of the Risk Committee is planned.
Corporate Governance Code (Article 10, Paragraph 1, Subparagraph 'a')	a) Discuss the strategy for risk considering both, aggregated and individual risk factors and give relevant recommendations to the Supervisory Board.	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. At this stage, the functions of the Committee are performed by the Supervisory Board, the establishment of the Risk Committee is planned.
Corporate Governance Code (Article 10, Paragraph 1, Subparagraph 'b')	b) Prepare and submit to the Supervisory Board report on current risk culture in the Company and discuss risk policies, at least once a year;	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. At this stage, the functions of the Committee are performed by the Supervisory Board, the establishment of the Risk Committee is planned.
Corporate Governance Code (Article 10, Paragraph 1, Subparagraph 'c')	c) Monitor the Board of Directors ensure that the companys' activities are in compliance with its' risk policy;	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. At this stage, the functions of the Committee are performed by the Supervisory Board, the establishment of the Risk Committee is planned.
Corporate Governance Code (Article 10, Paragraph 1, Subparagraph 'd')	d) Give recommendations to the Supervisory Board on the efficiency of the strategies of risk and policies, also on maintaining and allocation of enough capital for identifying the risks.	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. At this stage, the functions of the Committee are performed by the Supervisory Board, the establishment of the Risk Committee is planned.
Corporate Governance Code (Article 10, Paragraph 2)	The Committee shall consistently receive relevant reporting from the structural units of the Company on current risk profile, activities related to the risk culture, margins, breach of the margins and mitigation plans.	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. At this stage, the functions of the Committee are performed by the Supervisory Board, the establishment of the Risk Committee is planned.
Corporate Governance Code (Article 10, Paragraph 3)	The Audit and Risk Committees shall have efficient communication and coordination, including exchange of information, considering all kinds of risks, including newly revealed risks and all the necessary amendments to the risk management framework of the Company.	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. At this stage, the functions of the Committee are performed by the Supervisory Board, the establishment of the Risk Committee is planned.

Corporate Governance Code (Article 10, Paragraph 4)	The Risk Committee shall have full access to the staff of the Board of Directors and the staff of Risk and Financial Control, as well as other internal or external parties, in order to fulfil the functions efficiently.	alternative		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. At this stage, the functions of the Committee are performed by the Supervisory Board, the establishment of the Risk Committee is planned.
Corporate Governance Code (Article 11, Paragraph 1)	Remuneration Committee set up with the Supervisory Board shall facilitate the Supervisory Board in creating remuneration system of the Company and its functioning, as well as achieving that remuneration system of the Company is in compiance with its culture, long-term business and risk management framework, activity of the Company, control environment and legislation/supervisory requirements.	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.
Corporate Governance Code (Article 11, Paragraph 2)	Together with the other functions Remuneration Committee is also responsible for the following::	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.
Corporate Governance Code (Article 11, Paragraph 2, Subparagraph 'a')	a) Regularly discussing a remuneration policy of the Company and provide the Supervisory Board with the recommendations. As well as, ensuring the evaluation of efficiency of the remuneration policy of the Company and its compliance with the requirements of legislation, including in relation to the activity result indicators;	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.
Corporate Governance Code (Article 11, Paragraph 2, Subparagraph 'b')	b) Preparing reccomendations regarding the remuneration of the supervisory board and submit it annually to the general meeting for approval	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.
Corporate Governance Code (Article 12)	The Corporate Governance Committee set up with the Supervisory Board, together with other functions, provides following:	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.
Corporate Governance Code (Article 12, Subparagraph 'a')	a) Ensures compliance of the internal governance structure of the Company with the requirements of the legislation regulating corporate governance issues and with the internal rules/documentation of the organization;	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.
Corporate Governance Code (Article 12, Subparagraph 'b')	b) Ensures the existence of a decision-making system within the Company, which provides evaluation of reputational risks during decision-making in the Company and full compliance with the legislation and internal standards of the Company;	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.
Corporate Governance Code (Article 12, Subparagraph 'c')	c) Gives recommendations regarding new candidates of the Supervisory Board and the Board of Directors. In addition, the Committee shall be actively involved in structural planning process of the Supervisory Board, including the issues of re-electing the members of the Board, considering the requirements of the Company and its business strategy, means, skills of the Board and expert knowledge;	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.

Corporate Governance Code (Article 12, Subparagraph 'd')	d) Regularly discusses efficiency and effectiveness of the functions of the Supervisory Board. In addition, the Nomination Committee regularly discusses candidacies of certain positions, such as General Director, Financial Director, as well as reasons for appointing other persons;	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.
Corporate Governance Code (Article 12, Subparagraph 'e')	e) Ensures that the adequate policies and procedures existed in a Company regarding the appointment, dismissal and re-election of the members of Board of Directors. In light of the above mentioned issues, the Committee shall be actively involved in the ongoing procceses of the Company;	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.
Corporate Governance Code (Article 12, Subparagraph 'f')	f) Shall be involved in the process of replacement and evaluation of the efficiency of the Supervisory Board and the Board of Directors, as well as in the process of monitoring human resources policy in the Company.	no		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board. The functions of the Committee are performed by the Supervisory Board.
Corporate Governance Code (Article 13, Paragraph 1)	In the Supervisory Board broad spectrum of members' skills and experience shall be ensured and this shall be considered in each case of selection of a new member of the Supervisory Board.	yes	pages 47-48	Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 13, Paragraph 2)	The Structure size and composition of the Supervisory Board, as well as structure and coordination of the Committees set up with the Supervisory Board, correspondence of each member with legislation and internal requirements of the Company, efficiency of the Board's internal practice and procedures shall be a subject to annual assessment by the Supervisory Board.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 13, Paragraph 3)	The Supervisory Board shall have relevant procedures for self-assessment and assessment.	alternative			The relevant document is being developed
Corporate Governance Code (Article 14, Paragraph 1)	Together with the other functions Board of Directors executes business strategies of the Company, creates efficient system of financial and non-financial, including sustainable development, environmental protection, social and governance effective risk management with the Supervisory Board, as well as risk culture, processes and controls, provides the Supervisory Board with the information necessary for fulfilment of the functions. This also includes the information necessary for efficient fulfilment of the function related to the evaluation of the activity of the Board of Directors by the Supervisory Board. Consequently, the Supervisory Board shall be regularly provided with the information regarding important issues and problems of the Company. The above mentioeded includes the information that is necessary for the supervisory board to evaluate the activity of the board of directors and to supervise effectively. The board of directors shall regularly pass the information to the supervisory board with respect to the important matters and problems of the company. The Board of Directors of the Company is also responsible for the correct assignment of the functions and duties between the employees of the Company and for creating an efficient governance structure, that shall ensure accountability and transparency within the Company.	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 14, Paragraph 2)	Functions and responsibilities of the Board of Directors shall be defined by the Charter of the Company in order to avoid unlimited control over business activity by the individuals/group of individuals.	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Board of Directors.

Corporate Governance Code (Article 14, Paragraph 3)	The members of the Board of Directors shall have necessary experience, competence and resources to fulfil their functions. In addition, they shall have ability to participate in the relevant training programs to deepen the knowledge of competence and necessary directions. Selection of the members of the Board of Directors is desirable to be carried out based on the recommendations from the previous job and in accordance with the strategy and structure of the company, in each case the qualification and skills of the candidates shall be evaluated.	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Board of Directors.
Corporate Governance Code (Article 15, Paragraph 1)	The General Director shall be presented in the structure of every company. The General Director shall be responsible for internal operations, compliance and activity, the general director shall be carry out the connective function between the Supervisory Board and Board of Directors of the Company. The Supervisory Board shall make a decision on appointing the General Director.	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Board of Directors.
Corporate Governance Code (Article 15, Paragraph 2)	In order to fulfil their functions properly, General Director shall have enough time, resources, relevant qualification, professional experience, competence and good faith approach to the job and long-term sustainable development of the Company.	yes	page 45; page 50	Other (please indicate as a note)	The issue is considered in the Charter of the Board of Directors.
Corporate Governance Code (Article 16, Paragraph 1)	During implementation their activities, independent members of the supervisory board shall have the ability to make objective decisions independent of any external influence/potential influence and their enough number shall ensure appropriate discussion/elimination of the issues related to the conflict of interests.	yes		Other (please indicate as a note)	The issue is considered in the Regulation on Corporate Ethics and the Charter of the Board of Directors.
Corporate Governance Code (Article 17, Paragraph 1)	The existence of a corporate secretary institution in the company enhances both the governance of the organization and the effective and proper functioning of the company itself. Main functions of the Corporate Secretary are the following:	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 1, Subparagraph 'a')	a) In a manner of informative and organizational support, to assist General Meeting, Supervisory Board (including Committees) and Board of Directors in implementation their activities;	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 1, Subparagraph 'b')	b) To give advices to the Supervisory Board and the Board of Directors regarding corporative documentation and procedural issues;	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 1, Subparagraph 'c')	c) Cooperate closely with the Supervisory Board and the Board of Directors during organizing and sending their agenda, also with the issues related to the organizing and holding the meeting, delivering the notifications;	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 1, Subparagraph 'd')	d) To plan necessary trainings and preparatory orientation meetings with the current or newly appointed/selected members of the Supervisory Board and the Board of Directors;	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 1, Subparagraph 'e')	e) Maintain and/or Keep all the corporate documents, minutes or other necessary documentation and information for at least 6 years;	no			At this stage, the Corporative Secretary has been appointed in the company.

Corporate Governance Code (Article 17, Paragraph 1, Subparagraph 'f')	f) Carry out of connecting role function between stockholders/partners, Supervisory Board and Board of Directors;	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 1, Subparagraph 'g')	g) Organize holding of the General Meeting of Stockholders/partners, convening an extraordinary meeting and ensure that all necessary terms and procedures are met to hold the meeting. To guarantee that the person convening the meeting is fully informed about the issues which, according to the requirements of law and Charter, are included in the agenda by the request of stockholders/partners or members of the Supervisory Board and the Board of Directors;	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 1, Subparagraph 'h')	h) Ensure compliance with the principles of corporate governance established by the regulatory/supervisory bodies in normative and regulatory documents, also in the Corporate Governance Code adopted by the Company;	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 1, Subparagraph 'i')	i) Carry out a role of Secretary of the meetings of the Supervisory Board and the Board of Directors, as well as the General Meeting of the Stockholders/partners and to keep minutes.	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 2)	The Corporate Secretary is person directly supervised by the Supervisory Board, who provides information and organizational support for the governing bodies, stockholders/partners and other interested parties.	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 3)	The Supervisory Board shall in details determine authorities and obligations, the list of functions, necessary education and qualification required for the corporate secretary candidate.	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 4)	The Supervisory Board appoints the Corporate Secretary and defines the terms of the employment contract.	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 17, Paragraph 5)	The Corporate Secretary shall not be a member of the governing body of the Company, shall have the authority of decision-making, or shall otherwise be related to the Company in such a manner that may impede to fulfil their obligations impartially and independently.	no			At this stage, the Corporative Secretary has been appointed in the company.
Corporate Governance Code (Article 18, Paragraph 1)	If the Company is a holding group, Supervisory Board of the Parent Company is responsible for creating and functioning the governance systems in the Subsidiary Company of this holding. This governance system shall follow the structure of the group and its Companies, their business-activity and risks.	no			The Company does not represent a holding company/is not a member of a group.
Corporate Governance Code (Article 18, Paragraph 2)	The Supervisory Board of the Parent Company shall have information about those essential risks and issues that may have some influence on it and its Subsidiary Companies. In addition, the Supervisory Board of the Parent Company shall carry out adequate monitoring over the Subsidiary Companies. In this process legal and managerial responsibilities of the Managing Body of the Subsidiary Companies shall be maintained.	no			The Company does not represent a holding company/is not a member of a group.

Corporate Governance Code (Article 18, Paragraph 3)	Each Supervisory Board and Board of Directors in each Subsidiary Company shall be responsible for maintaining efficient process of risk management within the Company. It is important to facilitate the efficiency of the risk management at the group level by the Company.	no			The Company does not represent a holding company/is not a member of a group.
Corporate Governance Code (Article 18, Paragraph 4)	Governing body of the Parent Company shall evaluate the compliance of the group policies with local legislation and supervisory requirements and if necessary, modify these policies and make certain amendments, when the group policies are not in compliane with the legislative/supervisory requirements or/and it damages the fair and prudential management goals of Subsidiary Company.	no			The Company does not represent a holding company/is not a member of a group.
Corporate Governance Code (Article 18, Paragraph 5)	In order to increase the efficiency the Supervisory Board of the Parent Company shall require periodic independent review of structure, control and activity of the Subsidiary Companies, as well as an information on their approved strategy.	no			The Company does not represent a holding company/is not a member of a group.
Corporate Governance Code (Article 18, Paragraph 6)	The Supervisory Board shall consistently maintain its readiness to carry out relevant reporting to the Supervisory Authority regarding the policies and strategies of the Company.	no			The Company does not represent a holding company/is not a member of a group.
Corporate Governance Code, Chapter III - Risk Management and Internal Control					
Corporate Governance Code (Article 19, Paragraph 1)	Supervisory Board is responsible for creating and monitoring a risk management system. It is important that the risk identification, mitigation and monitoring systems of the Company corresponded to the size, complexity and risk profile of the Company.	yes	page 29	Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 19, Paragraph 2)	Supervisory Board shall be well aware of the financial reporting situation, risks, including environmental and social risks of the Company, as well as risks on the level of group and business activity, which include analysis of ongoing/current risks as well as issues on identification new and future risks. Based on this, Risk Management Framework of the Company shall be documented, which may be attached to the strategy of the Company, its capital, financial plans and remuneration practices.	yes	page 29	Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 19, Paragraph 3)	Risk Management Framework shall be consistent, understandable, considered for short-term, medium-term, long-term perspectives of the Company. Supervisory Board shall review the risk management framework at least once a year.	yes	page 29	Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 19, Paragraph 4)	The Company shall have a Risk Management System and approved processes/procedures regarding new products or services, environmental and social issues, business line and large and complex transactions, technologies used and their safety, which requires significant resources or/and its risks are difficult to determine.	yes	გვერდი 29	Annual Report	

Corporate Governance Code (Article 19, Paragraph 5)	In case of holding companies, risk identification and assessment approaches shall be presented in Subsidiary Companies too. Risk Management Framework of the Company shall include assessment of the substantial risks arisen from those Subsidiary Companies which carry higher risks and throughout the risk management, shall consider merger and transactions of purchasing significant number of stocks/share and other similar important changes, which are associated with major challenges.	no			The Company does not represent a holding company.
Corporate Governance Code (Article 19, Paragraph 6)	Supervisory Board shall regularly review the core policies and controls together with the of Board of Directors and Risks Committee, as well as with the heads of Compliance and Internal Audit, in order to identify and together with them discuss significant risks, issues and needs.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board and the Regulation on Corporate Governance Principles.
Corporate Governance Code (Article 20, Paragraph 1)	For the purposes of the effective risk management function, it is important for a Company to have sound internal control systems, which, among others, include effective internal audit structural unit, which provides an independent opinion to the Supervisory Board and the Board of Directors, regarding the internal control, risk management, management systems and processes efficiency.	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 20, Paragraph 2)	The Supervisory Board and the Board of Directors shall ensure the independence and effectiveness of internal audit, which implies:	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 2, Subparagraph 'a')	a) Full access of internal audit to the information, records, protocols and other data in the Company;	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 2, Subparagraph 'b')	b) Maintaining the independence of internal audit while assessing the efficiency and effectiveness of internal control, risk management systems and processes;	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 2, Subparagraph 'c')	c) Demanding from the internal auditors to be in full compliance with their internal and international professional standards;	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 2, Subparagraph 'd')	d) Sufficient knowledge, skills and resources of internal audit staff for the purpose of effectively conducting activities that shall be in line with the activities and risks of the Company	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 2, Subparagraph 'e')	e) Considering the recommendations of the Board of Directors regarding the audit and timely and effective elimination of the existing deficiencies;	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 2, Subparagraph 'f')	f) The Internal Audit Function's assessment of the Companie's Total Risk Management Framework, which at least includes however, is not limited to:	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 2, Subparagraph 'f.a')	f.a) Assessment of the effectiveness of risk management and compliance functions;	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.

Corporate Governance Code (Article 20, Paragraph 2, Subparagraph 'f.b')	f.b) Assessment of the quality of reporting processes on risks with the Supervisory Board and the Board of Directors;	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 2, Subparagraph 'f.c')	f.c) Assessment of the effectiveness of the internal control system of the Company.	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 3)	The Internal Audit Service shall be accountable to the Supervisory Board and its Audit Committee. The Supervisory Board makes decisions on appointment and dismissal, assessment and remuneration of the Head of Internal Audit Service. Participation of the Board of Directors of the Company in the approval of the remuneration of Internal Audit Employees is inadmissible.	yes	page 29; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company, the Charter of the Supervisory Board and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 4)	In addition to accountability to the Supervisory Board, the internal audit service shall immediately submit the report to the board of directors regarding the identified problematic issues and evaluation results.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 5)	The size and structure of the Internal Audit Service shall comply with the complexity of the goals set for the internal audit and the risks faced by the Company. The Audit Committee of the Company shall give the opportunity to the Internal Audit Service to receive the legal, technical and other consultations and services from external experts.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Internal Audit Charter.
Corporate Governance Code (Article 20, Paragraph 6)	The Audit Committee shall evaluate the efficiency of the internal control and risk management systems of the Company at least once a year and shall report to the General Meeting of stockholders/partners about this matter.	yes	page 45; page 53	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 21, Paragraph 1 and Paragraph 2)	The General meeting shall be responsible for approval the amount of remuneration and structure of the governing body. The Company shall have the documented policy of remuneration, which, among others, shall include the relevant sizes of activity, the forms of remuneration and their combinations, including the forms of fixed and variable remunerations, elements of the bonus system and issues of timetables and periodicity of payments.	yes	page 40	Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Key Terms of the Bonus and Additional Benefits Contract for Top Management (Members of the Board of Directors).
Corporate Governance Code (Article 21, Paragraph 3)	In order to disclose information on the remuneration in the corporate governance report, a report shall be developed, where the policy of remuneration, the amount of compensation and any benefits of the governing body shall be disclosed. In addition, any alterations that will be made in the remuneration policy after the end of the reporting period, shall be clearly reflected in the remuneration report.	yes	page 61, page 100	Annual Report	
Corporate Governance Code (Article 21, Paragraph 4)	The Supervisory Board shall be responsible for monitoring the efficient functioning of the remuneration system defined by the Board of Directors, which will review the plans, processes and outcomes through the Remuneration Committee (if such committee exists) or by itself at least once a year.	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board and the Regulation on Corporate Governance Principles.
Corporate Governance Code (Article 21, Paragraph 5)	The Supervisory Board, along with the Remuneration Committee, approves the remuneration policy of the Board of Directors, Internal Audit, Corporate Secretary, and other committees (in case such committees exist), amount and monitors the effective functioning of remuneration policies, system and related control processes.	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Supervisory Board and the Regulation on Corporate Governance Principles.

Corporate Governance Code (Article 21, Paragraph 6)	In order to attract, keep them and give them proper motivation, the remuneration of the members of the Board of Directors shall be sufficient but not unjustifiably large. The remuneration of the members of the Board of Directors shall be based on the long-term results of the entire Company, as well as on the results of the activities of individual members. In determining each member's remuneration, their obligations and responsibilities shall also be taken into consideration, including the financial and operational indicators of the Company and positions of competitors in the market.	yes	page 29	Other (please indicate as a note)	The issue is considered in the Charter of the Board of Directors and the Charter of the Supervisory Board.
Corporate Governance Code (Article 21, Paragraph 7)	The remuneration of members of the Supervisory Board shall comply with their involvement, obligations, efforts and time resources. Remuneration shall not put their independence under risk. Remuneration of the members of the Supervisory Board shall include only fixed remuneration and shall not include bonuses or a variable component related to achievement of certain financial or operational indicators by the Company.	yes	page 29	Annual Report	The issue is considered in the Charter of the Supervisory Board.
Corporate Governance Code (Article 21, Paragraph 8)	Remuneration Policy shall contain at least the following elements:	yes	page 100	Other (please indicate as a note)	The issue is considered in the Instructions for Employee Performance Evaluation and Compensation.
Corporate Governance Code (Article 21, Paragraph 8, Subparagraph 'a')	a) Definitions of fixed and variable component of the remuneration;	yes	page 100	Other (please indicate as a note)	The issue is considered in the Instructions for Employee Performance Evaluation and Compensation.
Corporate Governance Code (Article 21, Paragraph 8, Subparagraph 'b')	b) Maximum limit for each component of the remuneration;	yes	page 100	Other (please indicate as a note)	The issue is considered in the Instructions for Employee Performance Evaluation and Compensation.
Corporate Governance Code (Article 21, Paragraph 8, Subparagraph 'c')	c) Criteria for determining the efficiency of the members of the governing bodies;	yes	page 100	Other (please indicate as a note)	The issue is considered in the Instructions for Employee Performance Evaluation and Compensation.
Corporate Governance Code (Article 21, Paragraph 8, Subparagraph 'd')	d) The relation between the remuneration and the efficiency of the activity;	yes	page 100	Other (please indicate as a note)	The issue is considered in the Instructions for Employee Performance Evaluation and Compensation.

Corporate Governance Code (Article 21, Paragraph 8, Subparagraph 'e')	e) Conditions and parameters of the annual bonus scheme;	yes	page 100	Other (please indicate as a note)	The issue is considered in the Instructions for Employee Performance Evaluation and Compensation.
Corporate Governance Code (Article 21, Paragraph 8, Subparagraph 'f')	f) Other non-cash remuneration (Company stocks, options for purchase of the Company, insurance, pension scheme, etc.)	yes	page 100	Other (please indicate as a note)	The issue is considered in the Instructions for Employee Performance Evaluation and Compensation.
Corporate Governance Code, Chapter IV - Stockholders/Partners and interested parties' rights					
Corporate Governance Code (Article 22, Paragraph 1); Article 9 of the Transparency Rule.	1. The Supervisory Board and the Board of Directors shall ensure the compliance with the requirements set by the article 9 of the transperency rule, which include the following:	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Regulation on Corporate Governance Principles.
Corporate Governance Code (Article 22, Paragraph 1, Subparagraph 'a'); Article 9 of the Transparency Rule.	a) Ensuring equal treatment towards to each security holder, being in the same positions;	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Company, the Charter of the Supervisory Board and the Regulation on Corporate Governance Principles.
Corporate Governance Code (Article 22, Paragraph 1, Subparagraph 'b'); Article 9 of the Transparency Rule.	ბ) Making publicly available information regarding the rights of the security holders and regarding the changes in the conditions of the security (Article 9, Paragraphs 2-3);	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Company, the Charter of the Supervisory Board and the Regulation on Corporate Governance Principles.
Corporate Governance Code (Article 22, Paragraph 1, Subparagraph 'c'); Article 9 of the Transparency Rule.	გ) Making available the necessary measures and information to the security holders to enable them to perform their rights;	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Company, the Charter of the Supervisory Board and the Regulation on Corporate Governance Principles. It is also defined by Prospectus for the Issuance.
Corporate Governance Code (Article 22, Paragraph 2);	The Company shall ensure that the stockholders/partners are well aware of the principles of corporate governance and shall give them the relevant explanations in case of deviation from the Code, and also give them the opportunity to express their reasoned opinions. The Supervisory Board shall hold a dialogue with stockholders/partners in case they do not agree with the Company's position considering the size, complexity and risks faced by the company.	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Company, the Charter of the Supervisory Board and the Regulation on Corporate Governance Principles.
Corporate Governance Code (Article 22, Paragraph 3);	Stockholders/partners shall be able to protect their rights and request compensation for damages caused to them, in cases defined by legislation.	yes	page 45	Other (please indicate as a note)	The issue is considered in the Charter of the Company, the Charter of the Supervisory Board and the Regulation on Corporate Governance Principles.

Corporate Governance Code (Article 22, Paragraph 4);	The Company shall ensure to implement a policy of communication and information disclosure with stockholders/partners and potential stockholders/partners. Stockholders/partners shall be able to obtain information from the Supervisory Board and Board of Directors as well as to hold the Extraordinary General Meeting of stockholders/partners in accordance with the relevant legislation.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Company.
Corporate Governance Code (Article 22, Paragraph 5);	The Supervisory Board and the Board of Directors shall ensure effective and fair communication with stockholders/partners through the General Meeting of stockholders/partners and shall support active participation of stockholders/partners in the General Meeting.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 22, Paragraph 6)	The General Meeting shall be leaded by the Chairperson of the Supervisory Board, in case of his/her absence - the deputy and in case of the deputy's absence - one of the directors. In case of their absence the Chairperson of the meeting shall be elected by the General Meeting with majority of the votes. All members of the governing body, Chairpersons of internal audit and other committees, as well as external auditors shall attend the General Meeting. The Chairperson of the General Meeting shall ensure that the questions of stockholders'/partners' are answered. The board directors shall answer the stockholders/partners questions, except when the answer might incur the material damage to the company, its stockholders/partners and employees, or violate the requirements of the legislation.	yes		Other (please indicate as a note)	The issue is considered in the Charter of the Company and the Charter of the Supervisory Board.
Corporate Governance Code (Article 22, Paragraph 7);	The company shall ensure to make publicly available the information set by the Article 22, Paragraph 6 of the Corporate Governance Code and the minute of the General Meeting.	yes		Other (please indicate as a note)	The minutes are available on napr.gov.ge.
Corporate Governance Code (Article 23, Paragraph 1);	The Company shall have a relevant stakeholder engagement policy, which considers the interests of stakeholders and provides an adequate level of information disclosure.	yes		Other (please indicate as a note)	The issue is considered in the Regulation on Corporate Governance Principles and the Charter of the Supervisory Board.
Corporate Governance Code (Article 23, Paragraph 2);	Company's website shall be functional in order to allow investors and other interested parties to access the financial and other information of the Company, information about including corporate governance and environmental and social governance.	yes			The website is functioning properly and the necessary information is available.
Corporate Governance Code (Article 23, Paragraph 3);	Governing body shall ensure that interested parties can freely communicate their opinions about unlawful or unethical practices within the entity and this shall not be the cause for violation of their rights.	yes	page 38	Annual Report	
Corporate Governance Code (Article 23, Paragraph 4);	The Supervisory Board and the Board of Directors shall be aware of the rights and interests of interested parties and provide effective communication with them.	yes		Other (please indicate as a note)	The issue is considered in the Regulation on Corporate Governance Principles and the Charter of the Supervisory Board.

3

ANNEX

List of Additional Documents to be Submitted

Additional Documentation to be Submitted	Publicly Available: yes/no	Relevant Address/Hyperlink	Note
1	2	3	4
Charter of the Company	yes	https://www.napr.gov.ge/	
Code of Ethics	yes	https://mbc.com.ge/modules/contract_pdf/uploads/25.pdf	
Strategy Document	no		Attached to the application form
Charter(s) of the Committee			There was no reference to this type of document in Annex N2
Organizational and Management Structure of the Company	no		Attached to the application form
Relevant Decisions			There was no reference to this type of document in Annex N2
Risk Management Framework of the Company			There was no reference to this type of document in Annex N2
Assessment Reports			There was no reference to this type of document in Annex N2
Policies/Procedures	no		Attached to the application form
Minutes of Meetings	yes	https://www.napr.gov.ge/	
Annual Report	yes	https://reportal.ge/	
Information Reflecting the Resumes/Biographies of the Members of the Supervisory Board	yes	https://mbc.com.ge/ge/%E1%83%A1%E1%83%90%E1%83%9B%E1%83 %83%97%E1%83%95%E1%83%90%E1%83%9A%E1%83%A7%E1%83% %A0%E1%83%94%E1%83%9D-	
Decisions			There was no reference to this type of document in Annex N2
Other (please indicate as a note)			