TBC LEASING

Delivering Results:

A Strategic Year of Progress and Performance

ANNUAL REPORT 2024

2024

TBC LEASING

Contents

6 - 77

STRATEGIC REPORT

78 - 101

GOVERNANCE

102 - 161

FINANCIAL STATEMENTS

CHAPTER 1

Who We Are

At a Glance

Contributing to Georgia's economic growth by offering innovative, flexible, and customised asset financing solutions

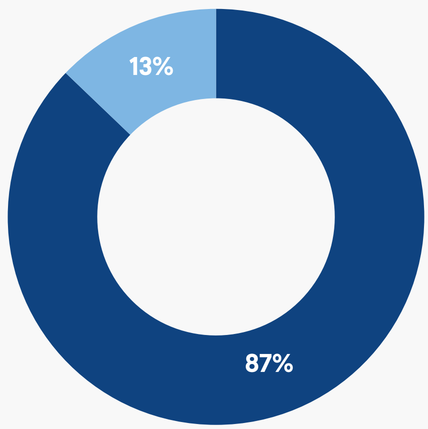
With 21 years of operational history, we are leading the underpenetrated leasing industry in Georgia with 86% market share, serving up to 2,500 customers and managing a Total Leasing Portfolio of GEL 587 million.

We lead the market by offering a wide range of leasing solutions and complementary advisory services, including financial leasing, operating leasing, and sale and leasebacks to corporates, SMEs, start-ups and individuals. The combination of our asset finance solutions, technical know-how and specialist knowledge enables us to offer an all-round service to our clients.

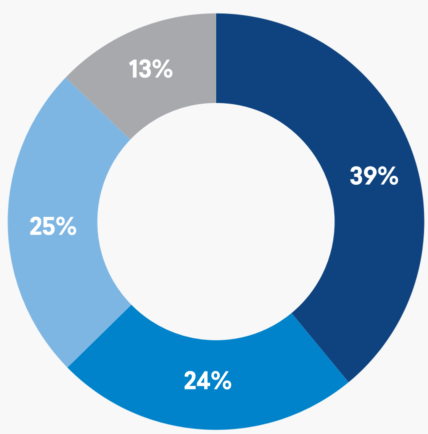
Our customers can increase their production capacity with minimum participation without additional collateral, allowing them to concentrate on and direct their resources towards their core competencies. Our solutions mainly comprise financial and operating leases for various types of assets.

We operate within two operating segments: the Business segment, which includes all leases to legal entities or groups of entities (MSME and corporate clients), where any asset can be financed; and the Retail segment, which includes all leases to all non-commercial individual customers.

Total Leasing Portfolio Breakdown by Client Segmentation



Total Leasing Portfolio Breakdown by Client Size



We strive to deliver on our mission to make asset financing fast and simple through offering comprehensive financial instruments tailored to our clients' needs, thereby supporting the continuing development of the Georgian leasing market and contributing to the country's economic growth.

Our market-leading position, unique business model, which includes significant sales channels synergy advantages, and experienced team, make us a compelling investment story.

The Market Leader in Georgia Across All Operating Segments

- The largest lease provider for Business clients on the market with 87% market share;
- The largest lease provider for Retail clients on the market with 83% market share.

A Unique Business Model with Vendor and Sales Channel Synergies

- Cooperation with top international equipment vendors and car dealers facilitating efficient and early access to customers, thereby ensuring broad sales coverage;
- Presence of customer pathway and referral synergies from the parent company;
- A leading leasing company in attracting international capital with continuing support from the largest International Financial Institutions and Development Financial Institutions.

Long-term High Growth Opportunities

- A favourable business and tax environment and an unregulated market;
- Georgia's private sector credit-to-GDP ratio stands at 66%. In 2023, 31% of bank loans were provided to SMEs, which reflects favourable economic activity in the country. The leasing industry in Georgia currently represents around 1% of the country's GDP, while the share of leasing is around 5% of GDP in peer countries, which indicates that capacity-wise, the Georgian leasing market has substantial room for growth;
- According to the EIB Bank Lending Survey, there is a significant level of loan rejections in the Georgian market. A lack of eligible collateral and project riskiness prevent firms from meeting banks' requirements, making leasing a more attractive way of financing.

Key Highlights

In 2024, the Company achieved strong financial results, through diversified earning streams, improved employee and customer experience and increased market share.

GEL 587 mln
+35.3% y-o-y on a constant rate base
TOTAL LEASING PORTFOLIO

GEL 23.1 mln
+37.8% y-o-y
NET INCOME

26%
1.8 ppts y-o-y
RETURN ON AVERAGE EQUITY

4.1%
0.2 ppts y-o-y
RETURN ON AVERAGE ASSET

14.7%
0.3 ppts y-o-y
NET INTEREST MARGIN

1.4%
-0.5 ppts y-o-y
COST OF RISK

50.6%
-1.1 ppts y-o-y
COST TO INCOME

77%
+4 ppts y-o-y
NPS

71%
+3 ppts y-o-y
ENPS

Fitch Ratings' Update

In 2024, Fitch Ratings affirmed TBC Leasing's Long-Term Issuer Default Rating (IDR) at "BB" and revised its outlook from Stable to Negative.

The revision of the outlook on TBC Leasing mirrors that on TBC Bank, which in turn followed the revision of the Outlook on Georgia's sovereign rating from Stable to Negative (see 'Fitch Revises Georgia's Outlook to Negative; Affirms at 'BB'' dated 6 December 2024 at www.fitchratings.com). The sovereign action reflected elevated political and governance risks increasing concerns over potential impacts on Georgian banks' liquidity and currency stability. Despite the banking sector's resilience, the high level of loan dollarisation and reliance on external borrowings pose vulnerabilities in a stress scenario, which affect TBC Bank's credit profile and its ability to support TBC Leasing.

TBC Leasing's IDRs are driven by support from TBC Bank, which is reflected in its Shareholder Support Rating (SSR) of 'bb'. Fitch believes the propensity of TBC Bank to support TBC Leasing is high, reflecting full ownership, common branding, integration, a record of capital and funding support, and the high reputational risks that would arise from a subsidiary default. Potential support should be manageable for TBC Bank, given the subsidiary's small relative size, with TBC Leasing accounting for less than 2% of TBC Bank's equity and 2% of its net income.

For the most recent ratings actions, please follow this link:
fitchratings.com/entity/jsc-tbc-leasing-96849823#rating-actions

Fourth Consecutive Victory for TBC Leasing at BARTA

TBC Leasing has been named the winner of the "Best Annual Report and Transparency 2024 – Small and Medium Companies" category, marking our fourth consecutive victory at BARTA. This prestigious recognition highlights our unwavering commitment to transparency, financial disclosure, and corporate governance at the highest international standards.

Established in 2019, BARTA is a joint initiative of the European Union and the World Bank, implemented in partnership with the National Accounting, Reporting, and Auditing Reform Support Fund (RSF). The competition aims to promote high-quality corporate reporting, foster transparency, and encourage healthy competition among Georgian companies. As the global financial landscape evolves—particularly with the growing emphasis on sustainability reporting—such recognition plays a crucial role in enhancing investor confidence both locally and internationally. For more details about the event, visit: https://en.barta.ge

TBC Leasing Wins The Corporate Sustainability Award 2024

In 2024, TBC Leasing was honoured as the winner in the Partnership for Sustainable Development (SDG 17) category for its outstanding contributions to fostering sustainable finance in Georgia. The award specifically recognizes TBC Leasing's partnership with the Green for Growth Fund (GGF), represented by Finance in Motion, under the "Deep Greening – Scaling Initiative" aimed at promoting solar PV systems in Georgia. Through this collaboration, TBC Leasing financed approximately GEL 7 million in solar panel projects, with a grant of up to EUR 150,000 dedicated to customers for the design and installation of solar panels. These grants were subsidised with funding from the European Union under the EU4Energy Initiative.

The Corporate Sustainability Award 2024 is made possible with support from the Government of Sweden, USAID's Civil Society Engagement Program, and the Council of Europe Office. The nominations were evaluated by a distinguished panel of Georgian and international experts, following the principles of the United Nations Sustainable Development Goals (SDGs), which were adopted in 2015.

CEO Statement

Dear Stakeholders,

2024 was a landmark year for TBC Leasing, marked by exceptional financial performance and strategic achievements. We delivered a record net income exceeding 23 million GEL, achieved an impressive Return on Average Equity (ROAE) of 26%, and expanded our portfolio by 35.3% on a constant currency basis. These milestones are a testament to the relentless dedication, ingenuity, and collaborative spirit of our exceptional team.

Strategic Highlights

Beyond financial metrics, 2024 reaffirmed TBC Leasing's standing as a corporate citizen of choice. We were proud recipients of the Corporate Sustainability Award 2024, underscoring our leadership in promoting sustainable finance in Georgia. Furthermore, our fourth consecutive victory at the BARTA Awards—recognized as Best Annual Report and Transparency 2024 in the Small and Medium Companies category—demonstrates our steadfast commitment to transparency, accountability, and stakeholder engagement. Simply put: we do not just set the bar; we continue to raise it.

Financial Resilience and Capital Strength

Our robust financial results reflect the effective execution of our long-term strategy and the prudent governance by our Supervisory Board. We preserved strong capital adequacy, posting a Tier 1 ratio of 15.9% and a Tier 2 ratio of 24.0%, comfortably aligned with internal risk appetites and our creditor's covenants. This financial resilience fortifies our foundation for sustainable value creation and positions us as a trusted partner to both investors and clients.

Shareholder Value Creation

In a landmark development, TBC Leasing declared and distributed its inaugural dividend of 5 million GEL in November 2024—an affirmation of our strengthened financial position and unwavering commitment to shareholder value creation. This historic first sets a powerful precedent for future returns, reflecting our confidence in both the durability of our business model and the trajectory of our future growth

Embracing Digital Transformation

Innovation remains at the forefront of our strategic agenda. We are advancing towards a fully digitized product suite for retail customers, aimed at elevating user experience, driving operational efficiencies, and future-proofing our business. This strategic shift is pivotal in meeting evolving customer expectations and staying competitive in the digital era.

Commitment to Sustainability

Sustainability remains at the core of our operations. We are proactively channelling investments into green financing solutions, empowering our clients to transition to more sustainable practices. Our initiatives are thoughtfully aligned with global best practices, supporting the broader drive toward decarbonisation, responsible finance, and long-term environmental stewardship.

Investing in Our People

Our people are our most valuable asset—our true competitive edge. We continue to cultivate an inclusive, empowering workplace culture that fosters professional growth, innovation, and collaboration. By investing in our team's capabilities today, we are future-proofing our organization for tomorrow's challenges—and opportunities.

Looking Ahead

As we pivot into 2025 and beyond, we do so with clear strategic intent, operational momentum, and an unyielding commitment to excellence. TBC Leasing is exceptionally well-positioned to navigate the evolving market landscape, embrace digital innovation, and champion sustainability. With the strength of our talented team and the trust of our partners, we are energized to capture the opportunities of tomorrow and continue delivering superior value for all stakeholders.

On behalf of TBC Leasing, I extend my sincere appreciation for your trust, partnership, and continued support.

Gaioz Gogua

CEO

15 May, 2025

CHAPTER 2

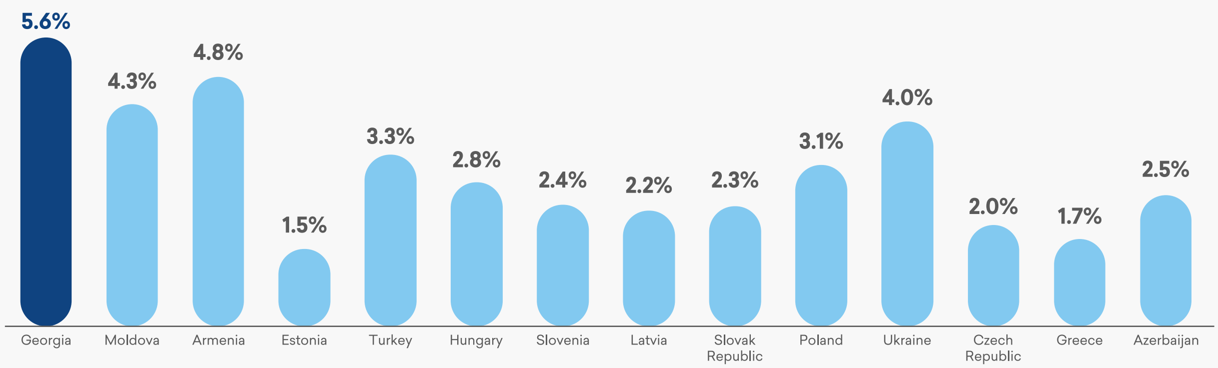
Operating Environment

Georgia's Economic Overview

Georgia has one of the fastest developing economies in the region. According to the IMF's projections, real GDP growth is expected to reach an average of 5.6%[1] in the period 2024–2029.

One of the Fastest Developing Economies in the Region

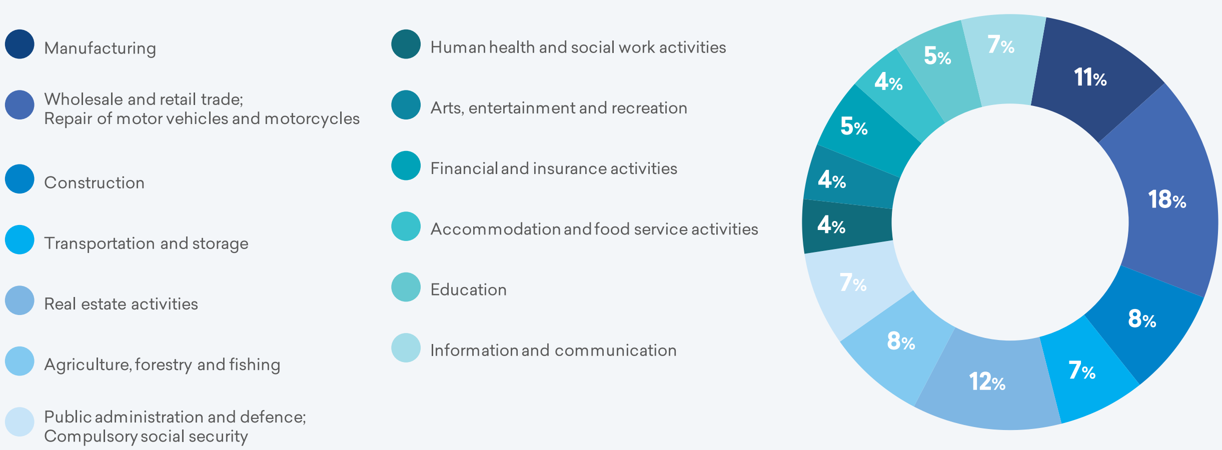
Real GDP Growth by Countries | 2024-2029 Growth Average



Source: IMF World Economic Outlook Database, October 2024

Broad-based and Diversified Nominal GDP Structure

Nominal GDP Structure

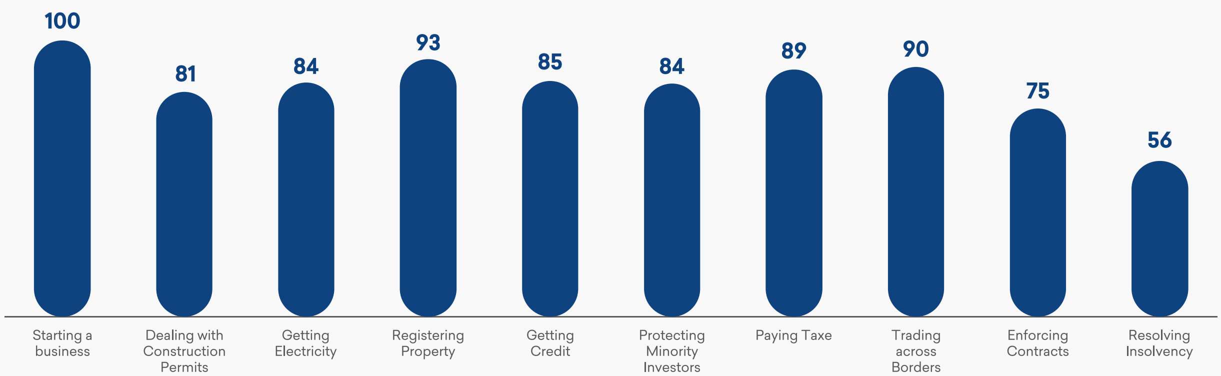


Source: Geostat, 2023

[1] Source: IMF World Economic Outlook, October 2023

Georgia was ranked as one of the best performers in the World Bank's Doing Business 2020 report, coming 7th with a score of 83.7, above the regional average on almost every indicator. Furthermore, Georgia's Economic Freedom score as measured by the Heritage Foundation is 71.8, making its economy the 26th freest in the 2022 Index out of 177 countries. Georgia is ranked 18th among 45 countries in the Europe region, with an overall score above the regional (69.5) and world averages (60.0).

Rankings on Doing Business



Source: Ease of Doing Business 2020

Georgia has 16 preferential trade agreements in force. The Association Agreement with the European Union (EU) signed in 2014, which includes a Deep and Comprehensive Free Trade Area preferential trade regime, and free trade agreements with other major trading partners such as the EU and China, position Georgia well to attract foreign direct investment. The FTA with China, effective from January 2018, and the FTA with Hong Kong, effective from February 2019, increase opportunities to further accelerate our export markets and to attract investors by offering a business-friendly environment, high quality governance, and access to a market of three billion customers without customs duties. Additionally, Georgia has FTAs with Turkey, the EFTA countries (Switzerland, Norway, Iceland, and Liechtenstein), and the Commonwealth of Independent States (CIS) countries. Visa-free travel to the EU, which was granted to Georgian passport-holders in March 2017, is another major success of Georgian foreign policy.

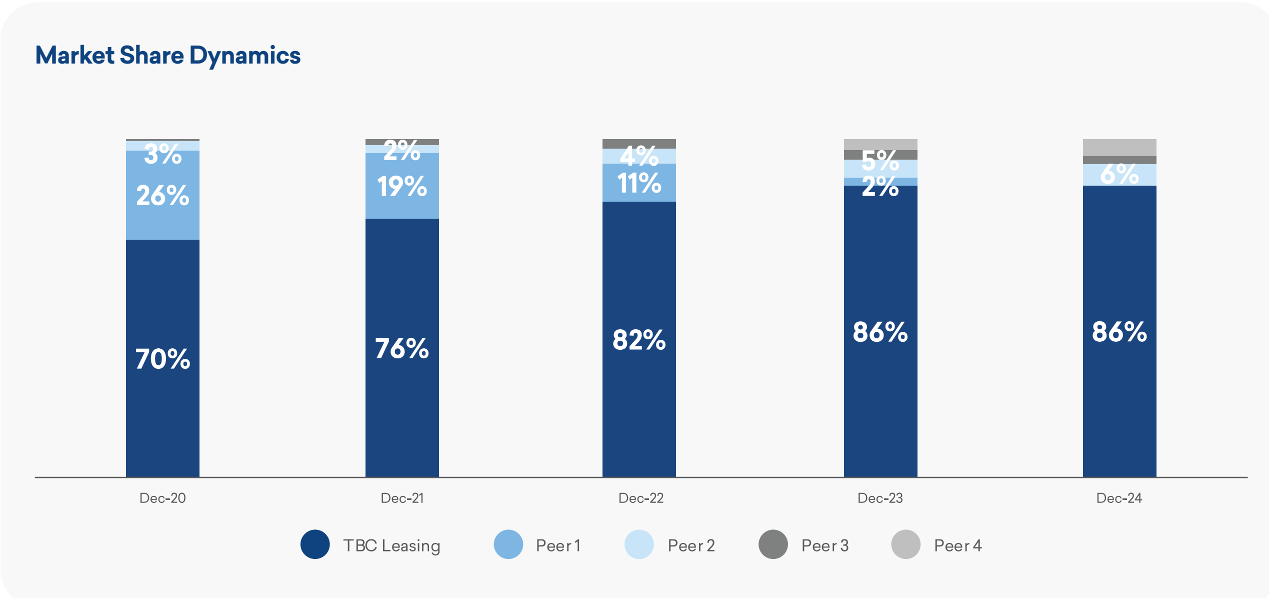
2024 Economic Update

2024 was a politically lively year in Georgia. Tensions were heightened during the spring protests and following the October 2024 parliamentary elections, which reduced confidence in GEL and raised uncertainty both domestically and internationally. Expecting the national currency to weaken in October, causing depreciation pressure and a GEL liquidity deficit on the market. At the same time, while foreign currency inflows remained broadly strong throughout the year, the National Bank of Georgia also intervened heavily on the market, keeping the GEL broadly stable between 2.70-2.80 range per USD. Heightened political tensions at the end of the year had a limited negative effect on tourism, consumer spending on durable goods, as well as expectations regarding inflows and general economic stability. Indeed, despite these challenges, Georgia's real GDP growth remained robust in December increasing by 6.7% year-on-year, while the full year growth in 2024 was a very strong 9.5%.

Industry and Market Overview

The Georgian leasing industry is dominated by five main companies with a focus on large and SME Institutions, while the retail leasing market is largely unexploited. In terms of market share, we maintain our position as a market leader and hold 86% of the market as of December 2024.

Leader in Georgia with Established #1 Market Position

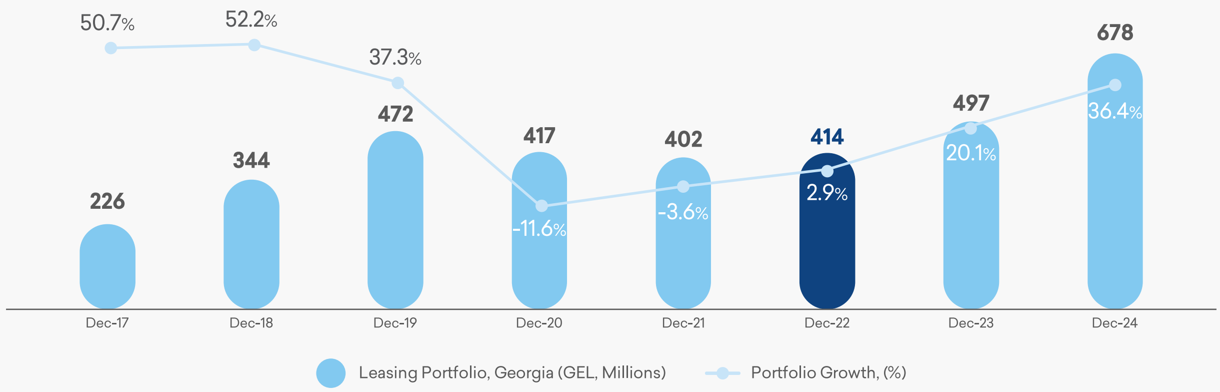


The Georgian leasing industry is at an early stage of its development and is likely to follow broader developments in the economy. The leasing industry in Georgia currently represents around 1% of the country's GDP, with a leasing portfolio of GEL 678 million. Considering that the share of leasing is around 5% of GDP in peer countries, the Georgian leasing sector has substantial room for growth. The leasing industry in Georgia is developing rapidly and becoming increasingly competitive.

Over the last five years, the Georgian leasing market posted 7.3% CAGR. The foremost reason behind the growth of the sector is that awareness of leasing products as an alternative way of financing has substantially increased among SMEs, which is the main target customer group for leasing products.

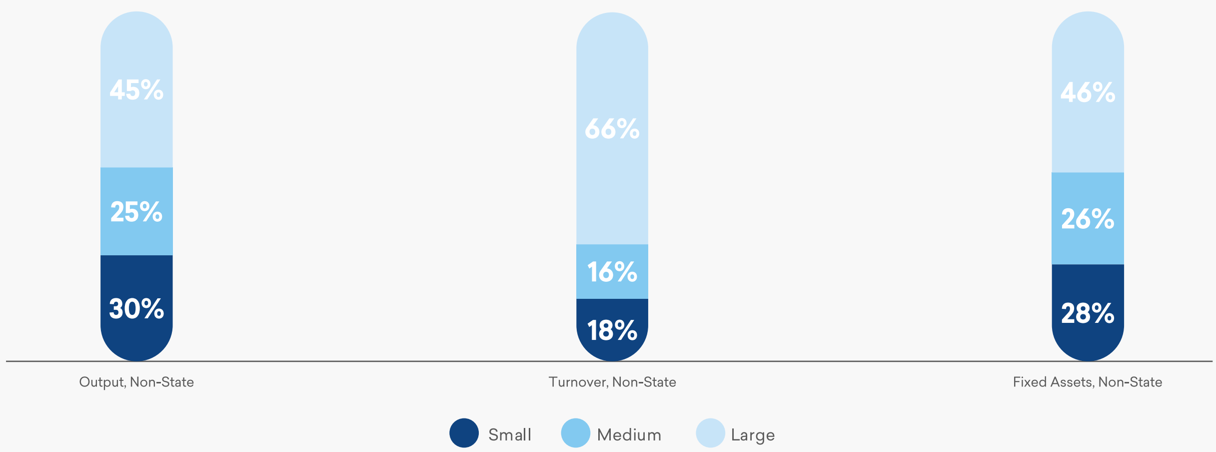
Growth in Leasing Market Expected to Continue

Leasing Market Dynamics



SMEs Dominate the Enterprise Landscape of Georgia and Account for 55% of Total Production Value and 34% of Turnover in the Private Sector.

Output, Turnover and Fixed Assets distribution among SMEs and Large Enterprises



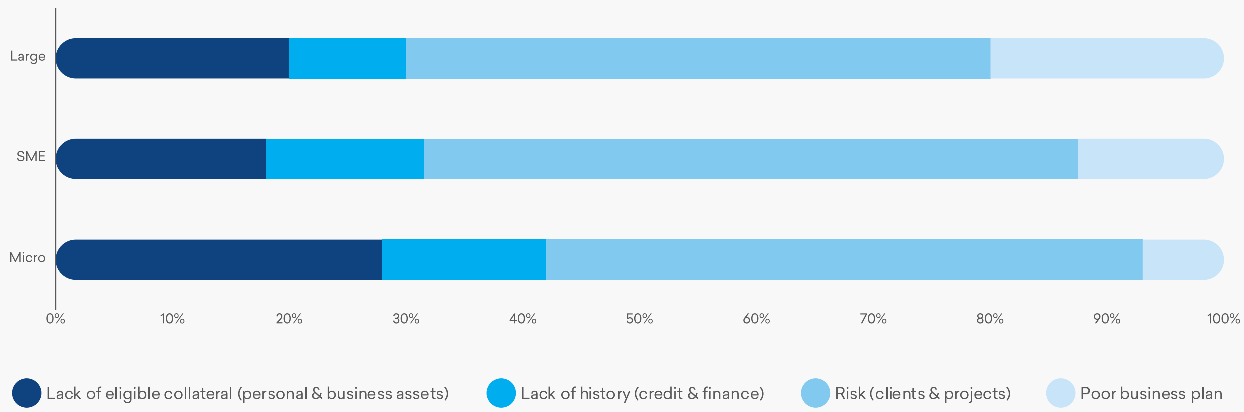
Source: Geostat - Business Sector in Georgia 2024

According to a research report from the European Investment Bank, access to funds remains one of the main limitations for SME development in Georgia. The main reasons for rejecting applications are lack of eligible collateral, lack of credit history, project riskiness, and poor business plans.

Notably, the riskiness of projects is the main reason banks reject loan applications in the SME segment. The lack of eligible collateral also reflects the inability of SME's to comply with banks' collateral requirements. Due to the highly leveraged nature of Georgian businesses, banks usually request additional collateral in the form of property/real estate, yet businesses do not have unlimited sources of additional collateral to serve their funding needs.

Therefore, leasing is a reasonable alternative form of financing for MSME and corporate clients, since in most cases no additional collateral is required as the leased asset itself serves as the main form of collateral, with the legal title belonging to the leasing Company.

Reasons for Loan Application Rejections



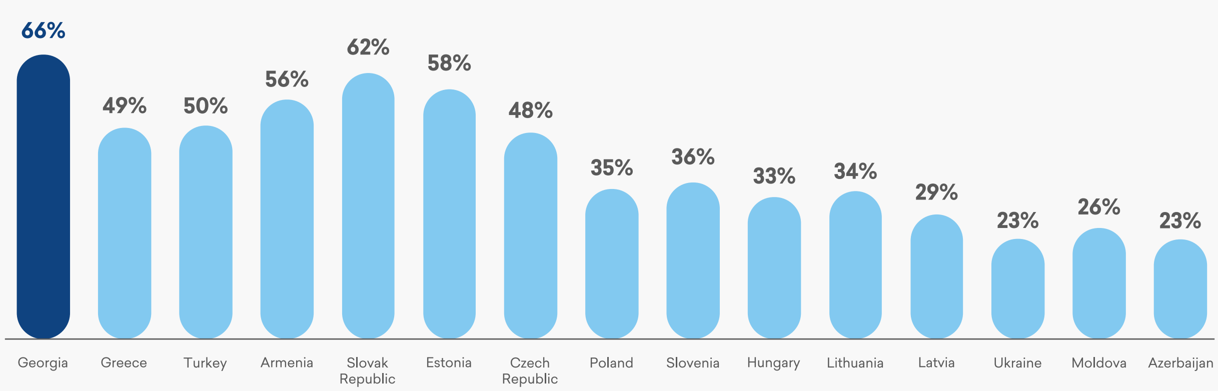
Source: Financing in Georgia - Small and medium enterprises and the private sector 2019

The most widely available source of financing for businesses is bank loans. Over the last five years, leasing has progressively gained importance. The demand for leasing as an alternative way of financing is expected to grow further due to its relative flexibility and high-risk bearing nature compared to bank loans. Lease customers are not subject to maximum loan-to-value and payment-to-income ratios or tighter underwriting requirements. Leasing customers can increase production capacity and concentrate on their core competencies with minimum participation and without additional collateral, which is directly related to the country's economic growth and development.

So far, leasing as a product is at an early stage of development and has not reached its full potential. The main leasing market portfolio consists of standard financial leasing. Given the generally positive development trends in the industry and increased opportunities in the machinery leasing market, it is likely that the operating leasing market will slowly strengthen and provide more incentives for bank-owned leasing companies to develop in this direction.

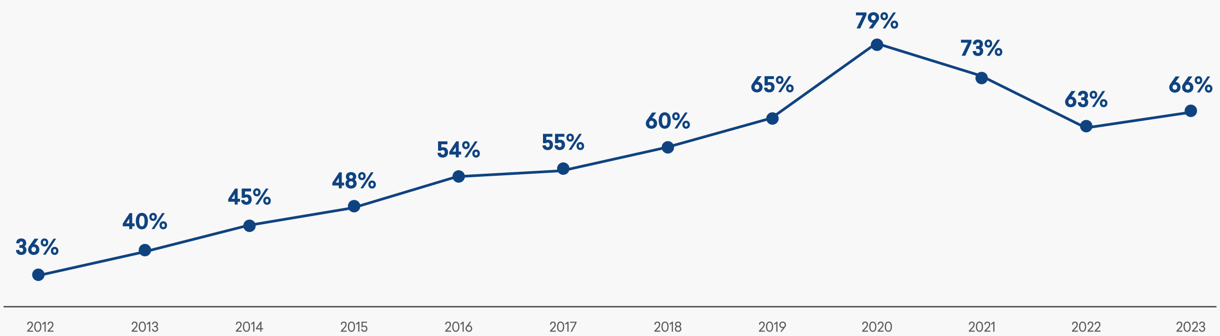
With the banking sector growing, access to financing has improved. The expansion in financial activity reflects the favourable economic environment in Georgia. Georgia stands alongside other peer countries in terms of private sector credit-to-GDP.

Private Sector Credit-to-GDP (Georgia VS Other Countries)



Source: World Bank, 2023

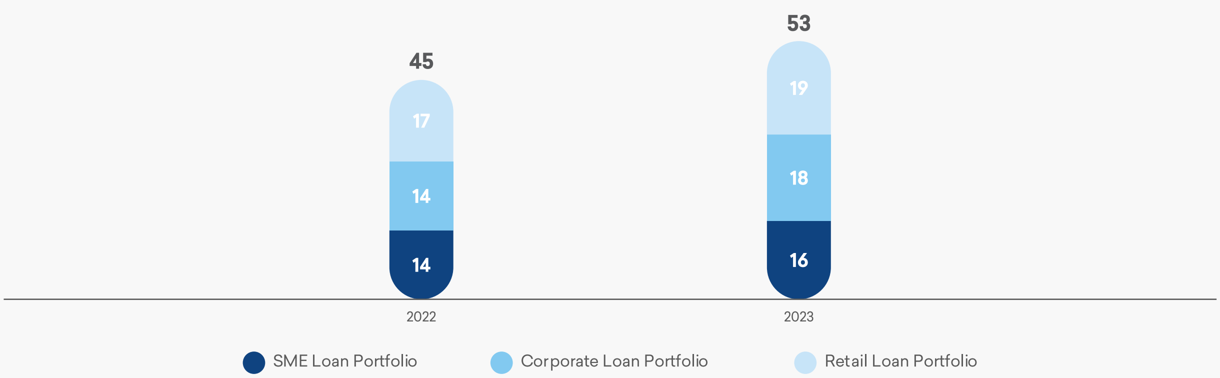
Private Sector Credit-to-GDP (Georgia 2012-2023)



Source: World Bank, 2023

In terms of capacity, the Georgian leasing sector has substantial room for growth. It should be noted that since micro, small and medium enterprises make up the majority of the businesses in Georgia, their activities and investments are crucial for the economic development of the country. Leasing, in turn, is the best financial instrument for financing fixed assets in micro, small, and medium businesses.

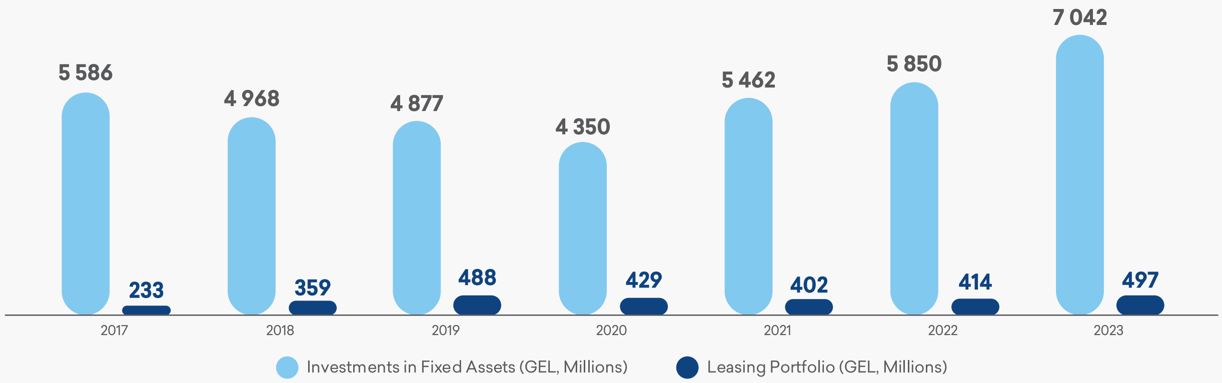
Composition of the Loan Portfolio by Segment (Excluding Interbank Loans, GEL Billions)



(Adjusted for the exchange rate effect, the exchange rate as of the end of 2023)
Source: NBG

[1] Source: National Bank of Georgia

Investments in Fixed Assets VS Leasing Portfolio Dynamics



Source: NBG

Regulatory Environment

The leasing industry in Georgia is not heavily regulated compared to other financial institutions such as banks and microfinance organizations. Instead of being governed by a separate, general framework the leasing sector is regulated by general legislation like any other entrepreneurial entity. There are no licensing, permitting, accreditation, authorization or minimum capital requirements, or any other requirements for leasing companies. As with any unregulated activity, leasing is subject to the general rules laid down in business, tax and civil law.

The only specific regulation on leasing companies is that all leasing operations worth up to GEL 200,000 must be carried out in the national currency and that a maximum annual effective interest rate is set for the lessor, which should not exceed 50%.

In the absence of regulations, the existence of a strong industry association is crucial, as it plays a key role in the self-regulation of the leasing industry. A strong industry association will ensure that the leasing industry speaks with one voice to the government and other stakeholders, introducing certain knowledge and modern standards to the industry.

Over the past few years, the government's financial support programmes have created significant demand for leasing manufacturing equipment. The Ministry of Economy and Sustainable Development and the Office of the Prime Minister have promoted the development of the leasing industry in Georgia.

With the support of the UK Good Governance Fund, facilitated by the Investors' Council, we implemented a project to ensure the development of the Georgian leasing market. Within the project, the legal, tax, regulatory and business environment of the leasing market was assessed, and a number of recommendations were developed based on international best practices. The document has been passed to the government for review.

CHAPTER 3

Business Model

Creating Market-leading Leasing Products and Services through Innovation and Expertise, Delivering Flexible Funding Solutions for Georgian Businesses, Thereby Creating Value Across the Economy

We create value by providing long-term finance leasing solutions for assets that are used in a wide variety of applications, and by providing services to a diverse customer base across Georgia.

At its most basic, our model is simple: we purchase an asset; we lease it to our customers; we generate a revenue stream each year we own it (on average, three to five years); and then we sell it in the second-hand market or release it. We incur costs in providing this service, principally through employee, maintenance, property, and transportation costs and depreciation.

Our extensive network of both international and local asset providers enables us to lease various types of assets, from small hand-held equipment to large industrial equipment. We purchase equipment from renowned manufacturers with strong reputations for product quality and reliability and preserve close relationships with them to ensure certainty of supply and good after-purchase service and support. We work continuously with our vendors to provide early visibility of our needs to ensure we receive them when we need it.

Our solutions mainly comprise leasing and asset financing for machinery and equipment, vehicles, construction equipment, agricultural equipment, IT and communications equipment, medical technology, real estate, and large-scale movable assets (aircrafts, yachts, etc.).

Our Credit Department serves as a key driving source of lease sales generation. It is divided by function into Analytical, Sales and Product Development teams. The Sales Department follows a sectorial approach with two sector heads: Construction & Healthcare and Manufacturing & Service. Apart from the Credit Department, we also have a standalone department for the Automotive segment.

The sales direction directly communicates with clients, informing them about our general conditions, and collects documents. The document packages are then given to the analysts to process projects and present them to the committee. Analysts are only involved in scheduled financial monitoring and restructuring processes.

Through leveraging our business know-how, experience, and knowledge, we provide asset expertise and leasing solutions tailored to our clients' business activities. This is facilitated by our Asset Management Department, which brings together a team of employees whose competencies include detailed knowledge of the characteristics of different types of assets.

Leasing Process

1. The customer chooses the equipment of their choice
2. TBC Leasing's lease project manager fills in an application with the lessee and defines the appropriate lease product
3. The customer provides documents for the lease application to TBC Leasing
4. TBC Leasing compiles a lease project memo with appropriate analysis and makes a decision whether or not to approve the project
5. TBC Leasing comes to terms on the price, payment and delivery conditions with the vendor and transmits an offer related to the lease project to the client
6. A lease agreement is signed between TBC Leasing and the client, and a purchase agreement is signed between TBC Leasing and vendor
7. The customer receives the equipment and starts payments to TBC Leasing
8. After providing the leased asset, the manager continues portfolio monitoring, control and communicates with the clients based on their needs. In case customer does not pay amounts due on time, Leasing Manager initiates the restructuring process and starts negotiations with the client
9. In case the customer is in 90 days or more in arrears, after exhaustion of every effort of rehabilitation the lease contract is terminated. After termination, logistics and asset management department supervises administration of legal documents, transportation of assets and other related issues
10. Terminated assets are offered for sale or re-leasing

Geographical Coverage

We have extensive geographical coverage throughout Georgia and provide our products and services through various type of sales channels, including official representative dealerships, vendors, direct sales channels and our parent bank's branches. Our broad sales coverage is supported by tight cooperation with top international equipment vendors and car dealers. Moreover, the presence of customer pathway and referral synergies from our parent company contributes further to our sales generation.

We have four branches in the largest cities of Georgia. In 2023, we opened a new branch on Aghmashenebeli alley in Tbilisi, where customers will be able to receive leasing services for new and second-hand cars and agricultural and heavy machinery.

Customer Base

Our customers range in size and scale from small, medium and corporate businesses to retail individuals, supporting them to finance and expand their business activities. Our customer base is also diversified across industries with no industry representing more than 19%. Our diversified customer base includes all sectors of the economy, including Construction, Development, Services, Road Construction, Medicine, Agriculture, Trade, HoReCa, Light Industry, Renewable Energy, Automotive, Technology, Media and Telecommunications and Printing.

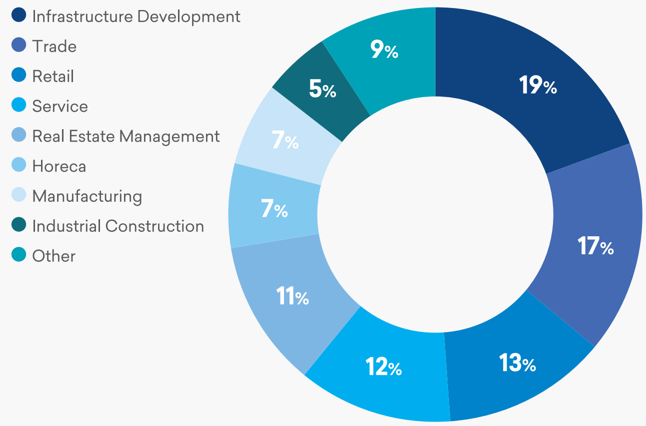
Operating Segments

Our operating segments are components that engage in business activities that may earn revenues or incur expenses. Our operating segments are:

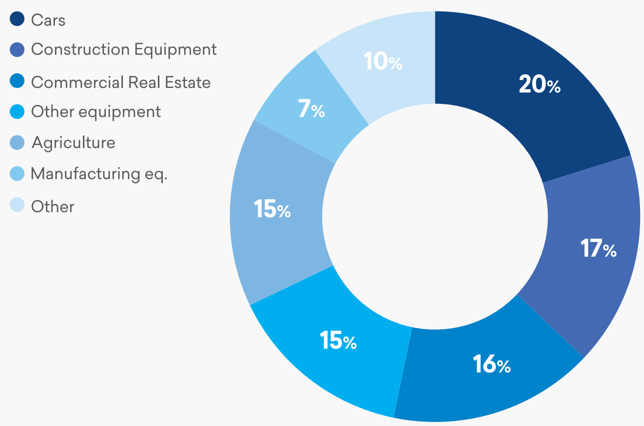
- Business, which includes all leases to legal entities or group of entities where any asset can be financed;
- Retail, which includes all leases to all non-business individual customers.

The management assesses the performance of the operating segments based on the Total Comprehensive Income/(Loss) for the year. The reportable segments are the same as the operating segments. The segment overview is discussed below.

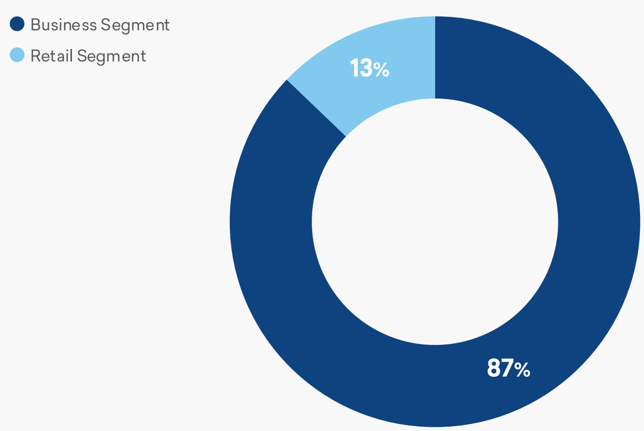
Total Leasing Portfolio Breakdown by Industries



Total Leasing Portfolio Breakdown by Asset Type



Total Leasing Portfolio Breakdown by Client Segmentation



CHAPTER 4

Segment Overview

The Business Segment

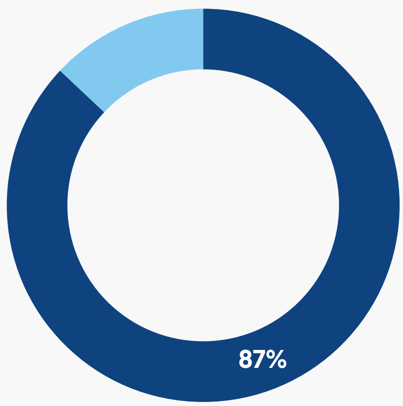


We are the leading lease service provider for the Business segment in Georgia, holding 87% market share with 692 Business segment clients and a 511 million GEL Total Business Leasing Portfolio as of 2024. As of 2024, our Total Business Leasing Portfolio, has grown by an average of 17% per annum over the last three years.

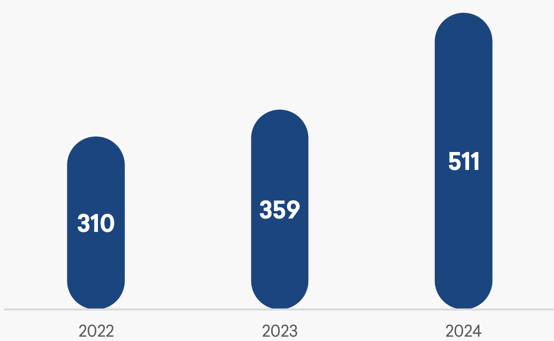
The Business segment comprises 87% of the Total Leasing Portfolio and is well-diversified across different industries.

We support the Business segment via well-structured, efficient, and beneficial leasing solutions. With special deals and a remarkable cooperation with top vendors, we manage to finance a wide range of industrial assets for large enterprises and help them expand their activities. We pride ourselves on having an extensive network of asset providers to support our clients in their operations. Over time, we have built successful partnerships with numerous corporate clients and have been part of their success.

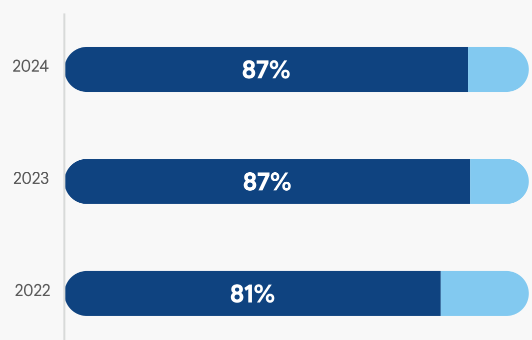
Business Segment Share in the Total Leasing Portfolio



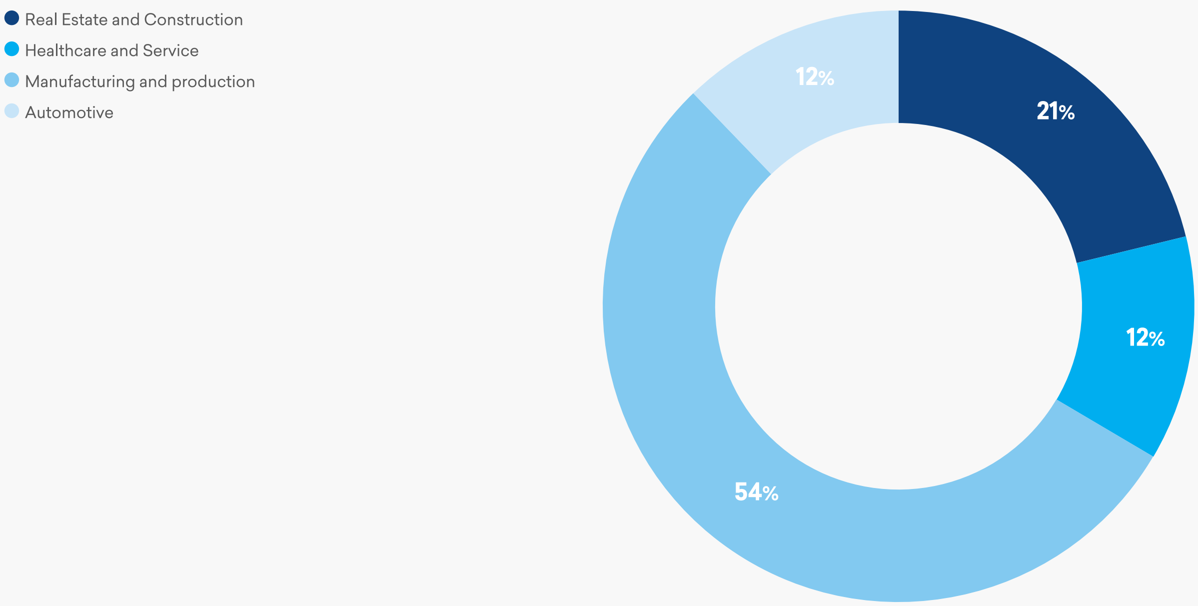
Business Segment Total Leasing Portfolio (GEL, Millions)



Business Segment Market Share Dynamics



Business Segment Total Portfolio Breakdown By Sectors



Solutions Offered

Financial Leasing

Financial Leasing is an effective investment method for our customers, providing the right of usage of any new or secondary assets such as machinery or equipment chosen by the customer for predetermined lease monthly instalments, with ownership of the asset remaining with the leasing company. In Addition to lease financing, we also offer complementary value-added services, such as equipment advisory services and after-sale asset maintenance services.

Cooperation with Enterprise Georgia

Enterprise Georgia aims to support the development of businesses in economic areas prioritized by Georgian government and the diversification of domestic production, through the creation of new enterprises and the expansion and re-equipment of existing enterprises. Under this project, leases in the range of GEL 100,000-5,000,000 receive a subsidised lease interest rate that consists of the national refinancing rate minus 3% for the full term of the lease. So far, under the subsidy program we financed up to 29 million GEL leases.

In 2022, Enterprise Georgia launched an Export Assistance Programme in order to promote the growth of export-oriented small and medium-sized businesses. The programme provides technical assistance to exporting companies through the elimination of export barriers in beneficiary companies, the introduction of export incentive mechanisms to facilitate the diversification of export markets, products and services, identifying sectors and products with high export potential, and stimulating international sales.

The programme includes three technical assistance components: product licensing/certification, which includes the introduction of an international standard for enterprise auditing, obtaining an international quality certificate, and licensing a product produced by an entrepreneur (the amount of funding was set at GEL 20,000); branding, which includes developing a brand formation and development strategy, rebranding and product packaging according to the brand book (the amount of funding was set at GEL 20,000); and stimulating international sales, which includes promoting entry into the international trade network, including the so-called “entry fee” or similar fees within established limits in the following target markets: Gulf countries, EU countries, UK, USA, Canada, and Japan (the volume of funding is 10,000 Euros equivalent in national currency). The programme covers the following sectors: clothing, leather and leather goods, footwear, toys, compound feed for pets and poultry, veterinary products, furniture manufacturing, jewellery and related goods manufacturing, packaging materials, food and beverage products (except wine).

Cooperation with Rural Development Agency (“RDA”)

The RDA’s purpose is to improve the processes of primary agricultural production, processing, storage, and sales by providing legal and natural entities with cheap, affordable, long-term and preferential funds and support the development of infrastructure to generate added value in agricultural products'.

Within the framework of the project, enterprises that are involved in creating agricultural products (such as modern farms, greenhouses, etc.), or are engaged in any form of processing of agricultural products (storage, packaging, recycling), or produce packaging materials for agricultural products, are eligible for co-financing.

This project provides co-financing of up to 12% of the lease interest for the full term of leases within the range of GEL 20,000-1,500,000.

So far, under the subsidy program, we financed up to 14 million GEL leases.

In cooperation with the RDA's co-financing program, our customers were offered leasing solutions without initial participation requirements. The RDA subsidized 30-35% of the amount required for the asset, while the remaining 65-70% was financed by us. Due to high public interest, we actively promoted and disseminated information about participating vendors, making it easier for our customers to select the desired asset.

Quick Leasing for Construction, Medical and Agricultural Equipment

The Company takes a flexible approach to financial leasing solutions compared to standard financial leasing, with an easy application and approval process. The approval process usually takes between one and three days.

Commercial Real Estate Leasing

We were pioneers in introducing commercial real estate leasing in the Georgian market in 2021. Commercial Real Estate leasing allows our clients to rent commercial properties for a monthly lease instalment over the lease period while guaranteeing ownership of the property at the end of the lease period. As of December 2024, the real estate portfolio totalled 64 million GEL (11% growth y-o-y).

Automotive Leasing

In our Automotive segment, we finance new, second-hand imported and second-hand local cars for individuals. We are the leading provider of automotive leasing solutions, including vehicle fleet leasing, managing the entire vehicle lifecycle for our clients from purchasing and maintenance to car remarketing. Our expertise in vehicle fleet management has been developed over a decade, enabling us to provide technical support and ongoing management services for the entire commercial vehicle life cycle.

We have both direct sales and indirect sales through dealers, banks, and brokers who generate referrals to TBC Leasing.

TBC Leasing has been supporting the Georgian business environment for 21 years. Since its inception, TBC Leasing has been providing funds that help businesses grow.

Supporting the Georgian business environment and contributing to the development of the country's production capacity has been a major cornerstone of TBC Leasing's mission. With a commitment to offering financing solutions tailored to clients' business activities, TBC Leasing has grown to become the country's leading provider of alternative financial services for SMEs, start-ups, and individuals over the past 21 years.

New businesses, especially those with no credit history, have a hard time securing bank loans. Fortunately, we support start-ups to invest in crucial equipment and assets for the future and provide them with access to technical support while optimising their cash flow and working capital. In 2024, we actively supported Georgian start-ups, some of which started to export to foreign markets. In 2024, several notable projects were financed, as described below.

Supporting the Launch of Cavea Cinema in Batumi

With the support of TBC Leasing, the CAVEA cinema has opened its doors in Batumi in 2024. Located on the 4th floor of Grand Mall, the cinema features four state-of-the-art auditoriums. Designed to meet modern standards, the new cinema is equipped with cutting-edge sound systems, advanced visual technology, and ultra-comfortable seating, ensuring an exceptional movie-viewing experience. Through this project, TBC Leasing provided financing for these essential assets, contributing to the successful implementation of this high-quality initiative.

Fueling the Expansion of Cafe Daphna

"Daphne" is a Tbilisi-based premier destination for authentic khinkali and contemporary Georgian dishes, which was included in Forbes' list of "The 12 Best Georgian Restaurants in Tbilisi." In 2024, TBC Leasing helped Daphne to expand by opening a new café in Batumi.

Located in a historic building at 43 Memed Abashidze Street, the Batumi café embodies a sophisticated and minimalist design ethos, mirroring the successful framework of its Tbilisi branch. This expansion not only broadens its market presence but also reinforces its commitment to delivering exceptional dining experiences that resonate with both locals and visitors alike.

Empowering Growth: SKA Juice Bar

Ska Juice Bar, a Georgian brand, entered the local market in 2019 and has since expanded its presence not only in Tbilisi but also internationally, with a branch in Prague. The company's mission is to challenge the stereotype that fast food must be unhealthy. Ska Juice Bar delights its customers with freshly prepared juices, salads, sandwiches, snacks, and desserts. As the company expanded, it encountered the need for advanced order placement monitors to ensure more efficient and refined service. TBC Leasing provided the financing to support this initiative, contributing to the company's ongoing growth and innovation.

Pizza Hut: Bringing American Pizza to Georgia

With the support of TBC Leasing, the Pizza Hut chain has expanded its presence in in Georgia by opening a new branch in Tbilisi. Pizza Hut's journey began in 1958 with an investment of $600 by two brothers, and today, it boasts over 16,000 restaurants worldwide. As the company notes, every new branch represents not only additional job opportunities but also a commitment to customer satisfaction, which they approach with great responsibility. Beyond the growth in the number of restaurants, the focus remains on delivering an exceptional culinary experience and continuously innovating the menu. The kitchen equipment and appliances for this expansion were financed through TBC Leasing.

Revolutionizing Pharmacy Services in Georgia

With the support of TBC Leasing, Pharmsakhli has introduced innovative and high-tech robotic services to its customers. Pharmsakhli is the first pharmaceutical company in the South Caucasus to implement pharmacy robots. This smart device, powered by artificial intelligence, streamlines the management of medication inventory and expiration control, simplifying the work process and reducing service time by approximately 90%.

As Part of the Company's Long Term Development Strategy, We are Committed to Financing a Wide Range of Environmentally Conscious and Sustainable Projects.

Leasing is green in that it enables businesses to invest in newer, more efficient, less resource-intensive equipment. Rather than committing capital to purchase machinery outright – especially if there is older, less-efficient equipment currently performing a specific function – it makes sense to approach a leasing company and ask them to finance the deal.

One of the most promising avenues for leasing in Georgia is still under-exploited: the rapid growth of investments in sustainable equipment (i.e. energy efficiency, renewable energy, and cleaner production).

As part of that sustainability drive, we support our clients to shift towards a greener future by financing sustainable assets. Many of our projects focus on the environment and clean energy, such as solar panels, wind power, and small-scale hydro power plants. We have facilitated financing of energy-saving agricultural and manufacturing assets and, as of 2024, our green portfolio totaled 40.2 million GEL, out of which 1.9 million GEL consisted of solar panel installations. Furthermore, as of 2024, hybrid vehicles amounted 6.9 million GEL in our portfolio.

As part of our long-term development strategy, we are committed to financing a wide range of environmentally sustainable projects. Through active cooperation with International Financial Institutions (such as EBRD, PROPARCO, FMO, CDP, GGF, EFSE etc.), we have actively started to develop new products that will help to increase the financing volume of energy efficient assets as well as finance the production of renewable energy, such as solar panels and small-scale hydro power plants.

Thanks to the active support of our long-term partners, we can further strengthen and support local small and medium-sized businesses, and, given our focus on green and responsible financing, help our clients in expanding their sustainable activities. Our role, as the leading leasing company in Georgia, is to facilitate this process and create a more diverse range of products that will allow local SMEs to benefit from the availability of alternative financing means to expand their business activities.

We have been exploring ways to support the development of the solar energy ecosystem, specifically to fill the gaps in the market. One of the challenges hindering the initial uptake of solar energy systems in Georgia is the lack of demonstration projects that could increase confidence and stimulate demand. However, interest in solar energy panels has increased due to recent hikes in electricity tariffs for households and commercial users in Georgia.

To facilitate renewable energy consumption and shift our clients' interest towards sustainable energy usage, we have cooperated with the Rural Development Agency and Enterprise Georgia to offer subsidy programs that significantly reduce our clients' monthly lease instalments and optimise energy costs.

Deep Greening – Scaling Initiative: Promoting Solar PV Systems in Georgia

In light of recent developments in Georgia, the Green for Growth Fund ("GGF"), represented by Finance in Motion, supported us in the origination of solar photovoltaic (PV) projects with our commercial and industrial clients.

In parallel with the GGF credit facility, we are also supporting key green services in terms of the design and installation costs associated with solar PV projects. The total grant budget is 150,000 EUR and is available to commercial and industrial clients, covering design and installation costs of up to 10,000 EUR per client.

To date, we have financed solar panel projects with a total financing volume of c. 6.8 million GEL. The GGF grant is subsidised with the funding from the European Union under the EU4Energy Initiative.

As Part of Our Support for Local Businesses, Especially Small and Medium-sized Enterprises, We Have so far Successfully Attracted Significant Financial Resources from Our Partner International Financial Institutions.

Securing a Landmark EUR 10 Million Credit Facility from CDP, the Italian National Development Institution, Marking its First-ever Investment in Georgia

In 2024, we successfully attracted 10 million euros from Cassa Depositi e Prestiti (CDP), the Italian Financial Institution for International Development Cooperation. This landmark transaction marks CDP’s first investment in Georgia, setting a historic precedent in the country’s financial sector by attracting new international institutional capital.

The facility, which has been designed to strengthen financial inclusion and support the development of local entrepreneurship, underscores our continued dedication to providing tailored financing solutions that address the evolving needs of micro, small, and medium-sized enterprises in Georgia, where MSMEs contribute over 55% of the total production value and account around 35% of private sector turnover.

This partnership will significantly expand the availability of flexible and innovative financing, driving innovation in financing instruments that enhance access to capital, thereby contributing to the growth and resilience of Georgian enterprises. This strategic partnership is supported by the European Fund for Sustainable Development ("EFSD"), a pivotal initiative aimed at closing the financing gap for MSMEs, particularly in the European Neighbourhood. This programme contributes to reducing inequality, generating employment, and promoting income growth across the region.

Increasing Availability of Financing for Georgian MSMEs with GGF

The Green for Growth Funds ("GGF") has provided seven million euros to promote sustainable economic development in Georgia among micro, small and medium enterprises (MSMEs), marking our second successful transaction with the fund. The new facility will support various leasing programmes in Georgia.

Collaboration with PROPARCO to Promote Sustainable Economic Development in Georgia

In 2023, we concluded our second successful transaction with PROPARCO designed to promote sustainable economic development in Georgia, following our first collaboration in 2019. This 10-million-euro financing helped us to support Georgian SMEs while fighting against climate change and supporting women's economic empowerment. 40% of the credit line was specifically targeted towards clean energy and energy efficiency projects, while 10% supported projects that empower women as entrepreneurs, business leaders, employees, and as consumers of products and services that enhance their economic participation.

6.9%
Green Portfolio Share in Total leasing Portfolio

40,244,468 GEL
Green Portfolio Volume

A 15 Million EUR Credit Facility with FMO to Boost Financial Inclusion and Support Sustainable Development in Georgia



We signed a EUR 15 million credit facility agreement with FMO, the Dutch Entrepreneurial Development Bank, marking their second successful collaboration. Following the foundation of a strong partnership established in 2019, this renewed commitment aims to foster sustainable economic growth in Georgia by enhancing financial inclusion and empowering underrepresented groups within the entrepreneurial landscape.

This facility focuses on supporting women and young entrepreneurs, as well as green projects that align with environmental sustainability goals. With 85% of the facility specifically earmarked to finance leases for women and youth-led businesses, TBC Leasing is reaffirming its commitment to bridging financing gaps, fostering entrepreneurship, and promoting equitable access to capital. The remaining 15% is allocated to green projects, underpinning the shared mission of both institutions to support environmentally conscious initiatives.

By leveraging innovative financing solutions, this partnership is poised to strengthen Georgia's entrepreneurial ecosystem, catalyse business resilience, and contribute to the broader development of the local economy. TBC Leasing remains dedicated to enabling diverse business communities and advancing sustainable growth through targeted, impactful investment in the next generation of Georgian enterprises.

Green Bonds



In 2023, for the first time in the history of the local capital market, we successfully placed national currency denominated green public bonds among financial institutions. The placement volume amounted to 15 million GEL. The proceeds from the issuance is directed towards financing the growth of the company's green leasing portfolio. Within the framework of the issuance, we obtained a Second-Party Opinion on the Green Bond Framework from Scope Ratings, an international ratings company. Scope Rating's assessment revealed that our bond framework is fully aligned with the Green Bond Principles developed by the International Capital Markets Association (ICMA). In the framework of this placement, TBC Leasing became a winner of the Capital Market Support Program for the first successful placement of GEL denominated green bonds among financial institutions on Georgia's capital market, which included a generous contribution to co-finance issuance-related fees from the European Union. The support mechanism is being implemented by the European Bank for Reconstruction and Development (EBRD).

Below is allocation report of the bond proceeds as of December 31, 2024:

Category	Amount Allocated (GEL)	% of Total Proceeds Allocated	Amount Unallocated (GEL)	% of Total Proceeds Unallocated
Energy efficient assets	2 696 147	18%	4 803 853	32%
Clean Transportation	3 243 942	22%	4 256 058	28%
Total	5 940 089	40%	9 059 911	60%

Retail Segment

We are a leading lease service provider for vehicle financing among non-business, individual customers holding 83% market share with a Total Leasing Portfolio of 75 million GEL as of 2024. The Retail segment comprises 13% of the Total Leasing Portfolio and is one of the most active and fast-growing directions in the Company.

Under the Retail Segment we provide tailored leasing solutions for agricultural equipment, new vehicles, pre-owned imported and locally sourced automobiles, as well as a diverse array of asset classes intended for individual clients. We cooperate with all official auto centres and auto dealers in Georgia. However, our customers can also use the services of official importing companies and subscribe to a used car of their choice from the US, Europe, or Japan, or find a similar model locally.

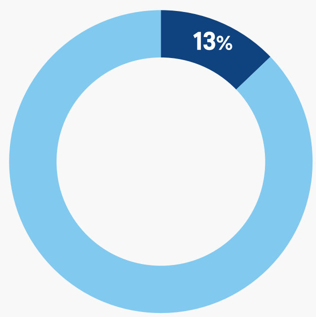
Demand for leasing is growing in the financing of second-hand imported cars due to its comparatively flexible and competitive conditions compared to bank financing. In case of imported second-hand cars, customers are exempted from leasing payments during the transportation period, with monthly payments starting after the financed asset enters the territory of Georgia.

Another strategic direction is to establish a solid position in the new car market. To date, we have already developed close partnerships with auto centers. As an active supporter of the sector, we also actively participate in sector-specific events and collaborate with market participants to introduce exclusive offers and products to customers.

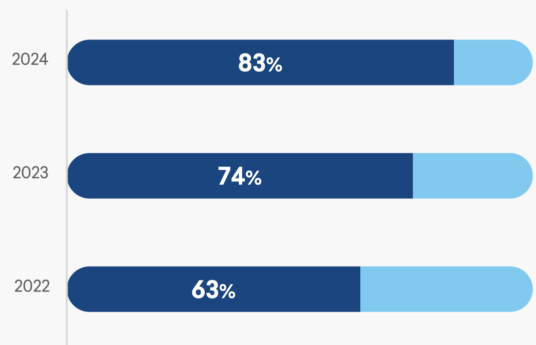
As part of our retail growth strategy, we have diversified our communication channels. Specifically, in 2024, we incorporated emerging platforms such as TikTok to deliver product information to consumers in a simplified format. We also utilised Google Ads, which includes banner placements on Google partner websites, YouTube prerolls, and Search Ads. These formats allow us to deliver targeted advertising based on relevant search keywords. Moreover, we collaborated with some of the most-watched Georgian YouTube shows and influencers, who are currently considered opinion leaders, to amplify our messages related to flexible automotive financing solutions. In terms of traditional media, we actively used radio and explored unique formats, such as advertising in CAVEA cinemas. This strategy has significantly increased our monthly reach to offline consumers, expanding the total audience to approximately 900,000 individuals.

To drive growth within the retail segment, we introduced new products and offered special promotions to customers through collaborations with various suppliers. Simultaneously, we implemented innovative projects as part of our digital transformation initiatives, as described below.

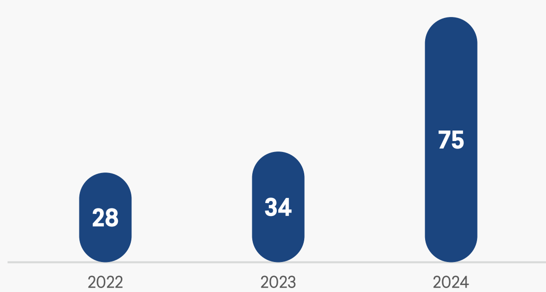
Retail Segment Share in the Total Leasing Portfolio

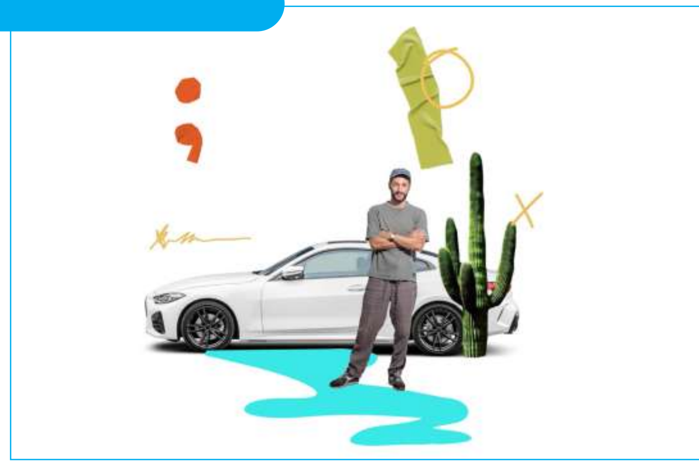


Retail Segment Portfolio Market Share Dynamics



Retail Segment Total Leasing Portfolio (GEL, Millions)



Remote Vehicle Imaging

In partnership with “Azri,” we developed a simple application for remote vehicle imaging. During the design process, we incorporated feedback from both competent specialists and customers to create an intuitive UI/UX. This innovation simplifies the asset evaluation process. The application allows a potential leasing customer to capture the necessary images of the vehicle at their preferred location, without the need to visit the office. After following an easy-to-use guide, users upload photos and await a call from a manager. On the leasing side, evaluators receive the information and photos to determine the asset’s value. This process significantly reduces the time required for leasing approval and enhances customer experience.

MYAUTO.GE - Special Leasing Button

In collaboration with TNET’s product development managers, we created a custom-designed button embedded on the vehicle listing pages of Myauto.ge, the largest auto portal in Georgia. This feature enables users to quickly submit a leasing application and request up to 90% financing with a simple click.

TRADE-IN - Vehicle Replacement

Responding to market demand, we introduced a new product, Trade-In, designed to simplify the vehicle purchase and sales process. Following a familiar practice, this product allows customers to replace their old vehicles with new ones. Customers can bring in their vehicle (manufactured in 2009 or later), have it evaluated by our team of appraisers, and trade it in for financing on a new vehicle. The simplicity of this product has garnered significant interest.

Back-Leasing

We launched a campaign activating our back-leasing product, which allows customers to receive financing secured by their vehicle.

Collaboration with SCOOT SCOOT

Scooters remain highly in demand, and even more so when offered by the company "Scoot Scoot." In collaboration with Scoot Scoot and French eyewear manufacturer Giggles, we launched a promotional campaign: "Buy a Vespa from Scoot Scoot, finance it through TBC Leasing, and receive a 300 GEL voucher from Izzy Pizzy."

TAXI Leasing

In collaboration with Bolt, we introduced a special product for their drivers, enabling them to purchase or upgrade their vehicles through a simplified leasing process. Eligible drivers, with an average monthly income of 1,500 GEL or more over the past three months via the Bolt app, can now access this service. Additionally, in partnership with auto dealerships, we offered special discounts on the most economical electric cars, such as Bestune, which were promoted through pop-ups, newsletters, and posts in Bolt drivers' communication groups.

Presence on Major Local Automarkets

In 2022, we entered two major auto markets in Georgia and distributed information brochures, banners, and light boxes where customers can now receive general information on leasing financing and leasing price indicators.

One of our strategic priorities in the Automotive segment is to capitalise on the opportunities offered by the growing trend in auto imports in Georgia. With this in mind, we partnered with Caucasus Auto Import, the largest and most experienced auto importer in the country, to introduce a new, flexible product under which we finance 80% of imported automobiles to make our customers' lives easier.

20% Cashback with GT Motors

Through our partnership with GT Motors, we incentivised customers who consistently paid their leasing installments. Specifically, customers who purchased a BMW from GT Motors and made their payments on time for three months were eligible for 20% cashback on their purchase.

Introducing a Grace Period

To encourage the purchase of new vehicles, we considered customer feedback and introduced special terms. In September, we launched an offer that provided a 6-month grace period on vehicle purchases made from any center before December 31st.

TOYOTA EASY

In collaboration with the official TOYOTA representative in Georgia, we initiated a new TOYOTA EASY offer in 2021, under which our clients gain access to exclusive offers from the official dealer with fast and easy application approval procedures, with no advance payment requirement. The attractiveness of the offer lies in the client's option to retain the vehicle for a predetermined residual value or return it to service centre for an upgrade to a new one.

LEXUS EASY

In 2023, we refined and broadened the EASY product line, and in collaboration with the official Lexus representative in Georgia, initiated a new LEXUS EASY offer. This offering will allow our clients to gain access to exclusive offers from the official dealer with quick and easy application approval procedures, with no advance payment requirement. The attractiveness of the offer lies in the client's option to retain the vehicle for a predetermined residual value or return it to the service centre and upgrade to a new one.

CHAPTER

5

Our Strategy

The Four Pillars of Our Long-term Development Strategy

Leasing Market Growth by Raising Awareness about Leasing and Broadening the Customer Base

Increasing our customer base by raising awareness of leasing as an alternative way of financing remains our main strategic priority. As stated above, the essence of leasing was incomprehensible or vague to most of the population, with most of our target audience associating leasing with auto loans rather than as an instrument for financing a broader range of assets.

SME clients often struggle to access the financing they need to acquire new equipment or vehicles to grow their operations. It is essential to provide more growth opportunities to SMEs so that they can act as an engine of growth. In collaboration with UK Good Governance Fund, we developed a strategy roadmap for enhancing the Georgian leasing market, which has now been passed on to the Georgian government.

In order to increase our brand capital, we are building up both leasing and our brand awareness through traditional and digital channels, along with identifying strategic physical touch points where our target audience is congregated. As part of the strategic communications planning process for 2024, we also focused on measuring leasing awareness in the retail market, as previous quantitative and qualitative research had only focused on small and medium-sized enterprises.

In the retail segment, we were also interested in the extent to which consumers consider leasing as an alternative to bank loans as a financing model. A survey conducted across the clients of two leading banks in Georgia yielded the following results: 57% of consumers did not consider leasing as an alternative financing option, while 32% gave a positive answer, and 12% found it difficult to answer. In 2024, further research conducted by ACT (Analysis and Consulting Team), a third-party organisation, also revealed an increase in top of mind (TOM) data in the SME segment.

Last year, we placed a strong emphasis on increasing awareness of vehicle leasing. To achieve this, we launched a dedicated video series that was not only promoted through Meta and Google Ads (including YouTube) but also featured on the largest cinema screens across Georgia. Recognizing TikTok as one of the fastest-growing platforms, we developed tailored content for this channel, including explanatory videos designed to engage users more effectively. Additionally, we collaborated with some of Georgia's most influential YouTubers to expand our reach and enhance audience engagement.

Furthermore, we have initiated the planning of a comprehensive campaign aimed at providing a detailed understanding of leasing - covering everything from legal aspects to payment structures. These informative videos are scheduled for release in the first quarter of 2025.

These information campaigns helped us to increase our outreach, with further campaigns planned for the near future. We have initiated a new campaign in which trendsetters and opinion leaders will use their voice to raise awareness of leasing and share the solutions we offer in eye-catching short videos. The campaign is intended to cover all our digital channels, as well as online media and TV shows.

Our long-term goal is to raise leasing awareness among SME clients to 70%, with the broader objective of doubling the leasing market in Georgia. Last year, we actively promoted ten customers, primarily through our own channels - including Meta, TikTok, and paid digital news media - with a strong focus on enhancing brand visibility. As a result, we reached over 2.3 million unique customers.

Digital Marketing Content Metrics

	2024
Reach	3,061,035
Frequency	19,97
Total Interactions	104,193
Post Shares	2,982
Post Engagement	10,932,306

Leasing Portfolio Growth by Introducing New Products and Increasing Customer Satisfaction

We are committed to providing great customer experience. From the first interaction with our employees, we want to make sure that customer experience is as positive and seamless as possible. This requires active engagement with our clients via various channels both to solicit feedback about our service quality and value proposition, and to understand their preferences.

Our Customer Relationship Management (CRM) system that was introduced in 2020, integrates with our call centre. CRM enables us to effectively manage the whole customer journey strengthening collaboration between our Sales, Marketing, and Customer Service Departments.

In particular, our CRM system enables us to keep track of and compile leads and customer data across different channels or contact points and redirect them to responsible managers which further enables sales teams to input, track and analyse data for leads in one place.

The sales and marketing teams procure leads from the call centre and social media and update the system with information throughout the customer lifecycle. This system helps to manage performance and productivity through reports and dashboards. In 2022, we also introduced an automatic notification procedure, under which all clients receive notifications containing the names and contact details of their Leasing Manager.

CRM also enables the registration of day-to-day customer issues, recording all interactions related to each case. The customer history data is then gathered and revised through service calls and technical support interactions.

We have also implemented a streamlined system for handling, managing, responding to, and reporting customer grievances, which allows us to ensure constant monitoring and faster resolution of any problems. When a customer submits a complaint, it is routed to the appropriate department or person, with the progress for each claim monitored and reported upon in detail. CRM has not only increased customer satisfaction but also resulted in improved efficiency.

We have mandatory procedures for customer feedback, as well as customer communication guidelines and Q/A documents in place. To simplify the life of internal and external users, we have in place an automatic message generation system. Monthly leasing reminder messages, refinancing rate changes, transactions, etc. are sent to the customer automatically.

We have a centralised call centre redirecting both existing and new customer issues to the appropriate destinations.

In 2022, to make our customers' life easier, we added a simplified hotline number, enabling clients to dial *2277 and obtain the information they need. In 2023, we trained our call centre operators to be more efficient in handling first point consultations in terms of evaluating problems and complaints and providing appropriate solutions.

In addition, we have enabled access to our Leasing Management System, through which they can easily provide customers with information about outstanding debts, fines, payment dates and amounts.

In 2022, we updated our interactive voice response on the leasing hotline. To improve user experience and minimise the percentage of calls blocked, we introduced a call back service. Additionally, to reduce waiting times during working and non-working hours, we activated a "leave number" button on our hotline, giving the user two options: either to wait for the operator until they are free to answer the call, or press a specific button to leave us their number for a call back. In order to reduce waiting times, we also set the call centre operators to auto answer, which means that when previously they had to click to answer incoming calls, the programme now automatically answers the call in a few seconds. Finally, we added an after-service assessment tool that enables customers to share their feedback both on call centre service and access to the service of their leasing manager.

In 2024, we scored 73% and 77% in our NPS survey with our business and retail clients, respectively.

The index measures how willing customers are to recommend our products and services to others. The survey was conducted among corporate and SME clients.

In 2023, we introduced a post-service survey that allows customers to rate our service in real-time both in our call centers and service centers. This service allows us to better analyse the quality of our service.

Our long-term strategy involves the introduction of innovative quick asset-based financing products and residual value offerings tailored for various sectors including commercial real estate, construction, medicine, automotive, and retail. This initiative aligns with our goal to achieve a twofold increase in the total leasing portfolio and to double the share of retail in our overall leasing portfolio.

Process Optimization and Digitalization

Simplifying our customer experience extends to the digitalisation of both our external and internal processes, which not only makes life easier for customers, but also allows employees to work more efficiently and get a closer look at our internal processes.

As stated above, in 2020 we rolled out CRM, in which has led to the systematisation of the sales stages. CRM helps us to improve sales efficiency, as the technology allows us to do the following: manage each project before selling; manage the sales pipeline dynamically; track the pre-sale process; calculate and analyse the reasons for any losses; and manage the portfolio in terms of sales stages, while analysing the pipeline in monetary and quantitative concentrations. We have daily dynamic analysis system in place for the commercial direction, which provides live analysis and serves as a monitoring tool.

We have created an electronic record system in our Leasing Management System (LMS), under which all documents are archived, thereby reducing the risk of human error.

In 2021, we integrated our system with CREDITINFO Georgia, which specialises in credit information and the provision of information essential to the decision-making processes of all financial institutions. In 2022, we integrated an updated version of the system that is more technically and operationally sophisticated in terms of speed and readability.

In 2022, to further simplify procedures for our customers, we integrated leasing payments in TBC Bank online and mobile banks. When choosing a leasing service in the Internet Banking payment system, customers are now able to verify the information and transfer the amount in one of two ways: payment by personal number / identification code or payment under a specific leasing agreement number. Clients are now also able to set an automatic leasing payment order in their online/mobile bank accounts and pay their monthly leasing payments without any further action.

TBC Leasing aimed to make leasing a digital product, which would further increase customer satisfaction. We started planning this long-term project in 2020 and met specific targets, such as the development of the customer portal and managing lead generation through the CRM tool. The customer portal is still undergoing development and will be launched at full scale by the end of 2025. This will improve communication with customers on operational issues, while enabling us to target promotions and offers and provide additional services. Furthermore, we will save leasing managers time in terms of communication and operations.

The business development section includes a new sales model that receives online applications, allowing us to automatically review incoming applications and approve leasing under pre-designed terms.

Our long-term vision involves the complete integration of all leasing-related processes into our system and the development of a comprehensive ERP system customised to our Company's needs. This initiative will empower us to seamlessly implement a range of digital services within our ecosystem, leading to a significant increase in the digital sales share of retail products, accounting for up to 50% of total sales. Additionally, we aim to double the number of active retail clients of the Company through these digital enhancements.

Enhancing Profitability and Efficiency through the Development of Value-added Services and Distinctive Products

The Company's key strategic direction remains active cooperation with leasing asset providers, both locally and internationally, and further expanding our wide network of providers across the country, which ultimately serves to make leasing an even more attractive and unique product.

As the leasing company holds ownership of the leased assets, there are opportunities to offer clients additional services related to leasing, which could be leveraged to develop distinctive leasing products and gain a competitive edge. Furthermore, drawing upon the leasing company's bargaining power, experience, and expertise across various sectors has the potential to enhance the company's profitability and efficiency.

Services such as advisory and consultation during asset selection and acquisition, vendor discounts, buyback options, cargo transportation and insurance, customs clearance, trade finance, derivative instruments, asset valuation, and monitoring represent potential avenues for providing value-added services. These services not only have the potential to differentiate the company in the market but also to enhance client satisfaction and ultimately increase profitability.

The quality, reliability, diversity, quick availability, and price of a leasing asset are important for the development of leasing as a product. We, as a major player in the country's leasing market, create value by having many years of experience in dealing with both local and foreign providers, allowing us to have prior knowledge of different types of assets before a customer arrives. Long-term, stable cooperation with our providers allows us to offer leasing assets at a competitive price.

These advantages allow us to serve our customers on "a single-window concept" principle, offering different types of assets in one space and time, as required, both on a domestic and international level, enabling them to purchase assets from different providers and, most importantly, providing complete information and expertise on different types of leasing assets.

In 2021, to facilitate and encourage our vendors to cooperate and leverage their sales through leasing solutions, we initiated a new campaign under the name of Gold Vendor. This initiative gave our suppliers a competitive advantage over others, encouraged them to offer our services to their clients, and streamlined our cooperation with vendors.

We have written out a procedure under which the Gold Vendor badge will be assigned to credible, conscientious, long-term partner suppliers. The precise parameters have been defined in the relevant document, requiring both the need for positive financial performance and a satisfactory description by our department heads and managers. The Gold Vendor badge may be awarded to a company representing any sector that has worked closely with us over the past two years and signed at least three contracts or supplied assets with a total value of one million GEL. Gold Vendor badge holders will receive special leasing offers (no advance payment requirements, lower interest rates, faster approval, and personal customer service) and enjoy the benefits of customer referrals as well as active PR and sales campaigns from us.

Our long-term strategy involves harnessing leasing-related services to craft value-added products and cultivate a distinctive competitive edge. This approach is geared towards bolstering the profitability and efficiency of the Company by generating fees and commissions, ultimately aiming for a return on equity (ROE) surpassing 25% while keeping the cost-to-income ratio (CIR) below 50%.

In 2024, the Project Management Department prioritised the enhancement and refinement of the Company's core leasing system while simultaneously implementing and improving essential digital platforms to meet the Company's evolving needs. Through these initiatives, TBC Leasing has taken significant strides in advancing its technological capabilities, streamlining operations, and enhancing both customer and employee experiences.

Core Leasing System Enhancements

Significant progress was made in the development of a web application for vehicle imaging and related system upgrades within the leasing operations platform. This innovative application enables users to photograph their vehicles at pre-determined angles and submit the images directly to the core leasing system, eliminating the need for in-person office visits. This advancement has significantly reduced wait times for lease applicants and streamlined internal processes.

Additionally, the approval processes for standard financing have been refined and automated. The system now utilises predefined matrices to automatically approve credit limits when specific criteria are met, enhancing efficiency and accuracy in decision-making.

Integration with the Enterprise Georgia Programme

The partnership between TBC Leasing and the "Enterprise in Georgia" programme was further refined and digitised in 2024. By integrating with the programme's system, we now fully manage processes through the platform, eliminating the need for manual data exchange and controls.

Enhanced Data Security

In alignment with user data protection policies, the leasing system now incorporates phone number and email verification functionality. This ensures that sensitive information is shared only with verified and accurate contact details, enhancing the security and reliability of our communications with clients.

Process Optimisation for Terminated Leasing Contracts

Comprehensive improvements were made to the functionalities associated with terminated leasing agreements, resulting in a more structured and efficient process.

Learning Management System Implementation

In 2024, we introduced a Learning Management System (LMS) designed to facilitate both the upskilling of existing employees and the training of new hires. The platform supports periodic testing and assessments, which contribute to enhancing the professionalism and qualifications of our team.

Intranet System Upgrade

The Company's Intranet system was fully revamped and tailored to meet the specific needs of TBC Leasing, ensuring more seamless internal communication and collaboration.

Establishment of a Backup Data Center

Following the recommendations of TBC Bank, a backup data centre was established. This facility ensures the secure storage of Company data and mitigates risks associated with data centre management, providing a robust safeguard for our critical information assets.

CHAPTER 6

Doing Business Responsibly

Our Colleagues

Employee Engagement and Motivation

We aim to attract and develop the best talents within our Company and keep our personnel engaged and motivated in order to support our corporate values and achieve our strategic goals.

Through our extensive selection process, which is tailored to the specific needs of each position and role, we manage to acquire both employees with extensive working experience and young talents with innovative and fresh ideas.

We offer competitive remuneration packages to our employees, comprised of a fixed salary, performance-based bonuses, and a benefits package, covering medical insurance, paid annual and sick leave, as well as six months of fully paid maternity and paternity leave. Additional benefits include monetary gifts in case of childbirth, as well as extra days-off for employees with three and more children.

In addition, we finance our employees to attend various external courses and gain international certifications such as CFA, FRM, ACCA etc. Furthermore, we run mandatory in-house training for our employees based on their needs.

As part of internal knowledge sharing, we ran a range of internal business trainings during which different departments shared their experience with each other. Apart from knowledge sharing, this contributed to the simplification of communication and processes across departments. Middle managers also took an intensive time management course. Furthermore, in cooperation to TBC Academy, our employees had an opportunity to attend training courses in the area of their choice, such as brand experience, marketing, business, law, IT, risks, digital product testing etc.

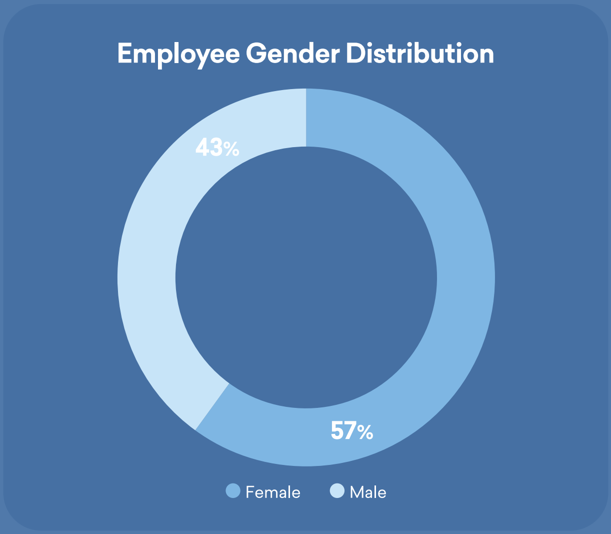
In terms of employee engagement and motivation, our management regularly conducts meetings with employees to keep them up to date on the Company's performance against its strategy and recent achievements. These meetings are held in an interactive manner where staff are given the chance to enter dialogue and share their feedback. We also have an internal Facebook group, in which we regularly share our achievements, as well as the success stories of individual employees.

To facilitate young talent acquisition and provide an opportunity to the younger generation, we have launched an internship programme. In 2024, we have prioritised internship divisional directions and recruited a total of 15 interns, 5 of whom were offered jobs within the Company.

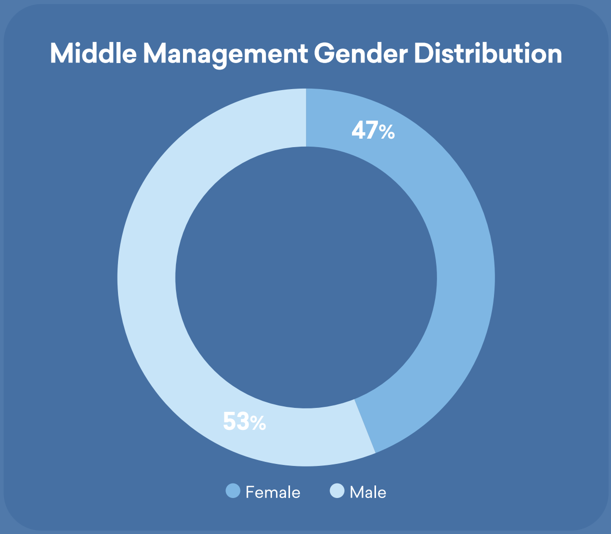
Equality and Diversity

All our employees are treated equally and fairly, being respected and valued equally regardless of gender, age, ethnicity, race, religious and political beliefs, sexual orientation, or disability.

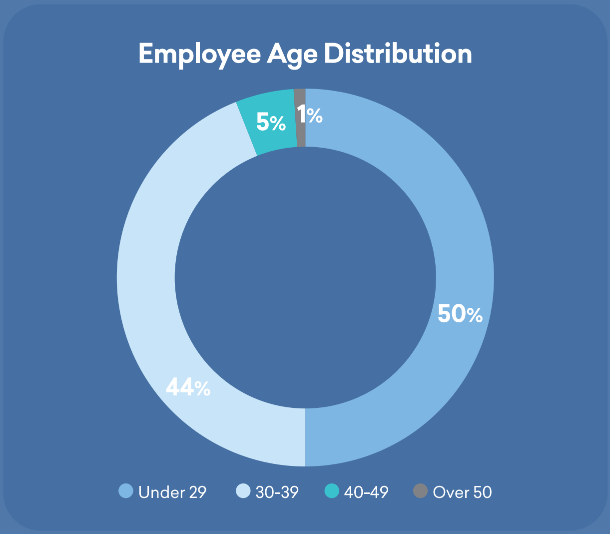
We have created a gender-balanced workforce in our workplace environment, where 57% of employees are women, while the share of women in senior positions is 47%. We also have a diversified mix of people comprised of employees with extensive working experience and young and bright talents with innovative and fresh ideas whose collaboration gives us the best results.



Employee Gender Distribution
43%
57%
Female
Male



Middle Management Gender Distribution
47%
53%
Female
Male



Employee Age Distribution
5%
1%
50%
44%
Under 29
30-39
40-49
Over 50

Ethical Standards and Responsible Conduct

We are committed to high ethical standards, values, and respect for human rights. We encourage our employees to act with integrity and responsibility towards each other and other stakeholders.

We are not only fully compliant with regulatory requirements and international policy, but we also continue to strengthen our corporate governance in accordance with international best practices and business ethics. We have in place a set of internal policies and procedures and we closely monitor their execution. These policies and procedures consist of the following:

- Code of Ethics
- Code of Conduct
- Diversity, Equality and Inclusion Policy
- Incident Response Policy
- Anti-Money Laundering Policy.

In 2021 we introduced and implemented an Incident Response Policy that aims to ensure effective corporate governance, maintain an ethical environment, ensure the timely detection and prevention of suspicious breaches, and ensure effective risk management throughout the Company, as well as welfare and better working conditions for our employees. In addition, the policy establishes special procedures to assist employees in disclosing information about any suspicious violations and problems.

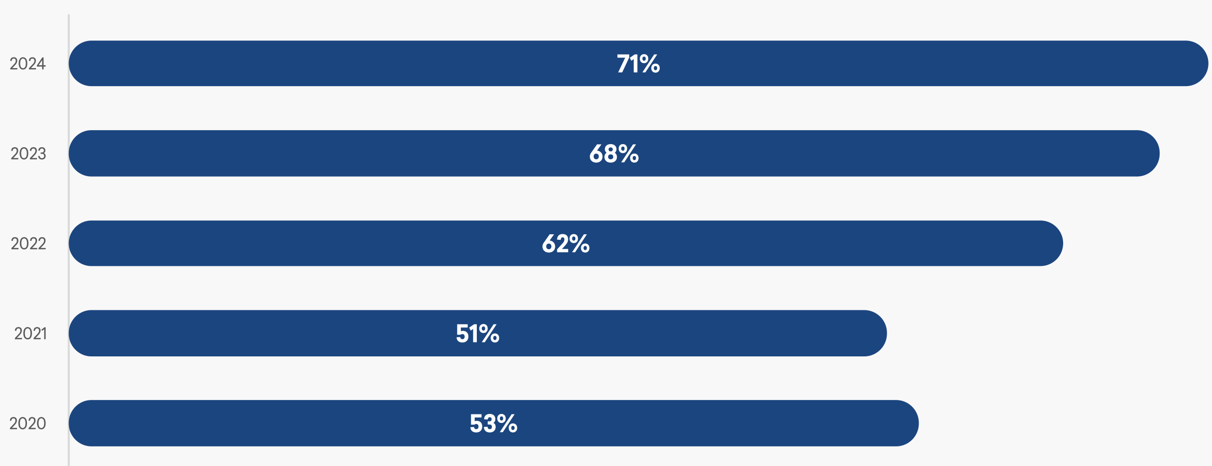
These policies lead to greater awareness of unacceptable behaviour and promote a 'speak up' culture in which all employees feel listened to and protected when reporting any suspected misconduct.

Creating Stability in the Organization

We have adapted to the post-pandemic environment and switched our working conditions to a remote and hybrid style. As of now, part of our back-office employees work in a hybrid style, combining in-person and remote working. This initiative has not only resulted in improved employee satisfaction levels but also increased efficiency across the Company. In order to maintain close contact with our employees in this new reality, our senior management regularly holds online meetings with employees to update them on the Company's achievements and future plans and address any concerns that they might have.

To measure our employee happiness and satisfaction and to observe the dynamics within the Company, we conduct ENPS and Happiness Surveys on an annual basis. The findings obtained through these surveys are good indicators of the emotional state of our employees and assist us in planning relevant activities.

ENPS



Our Community

Since leasing is considered to be one of the most attractive financing tools for financing renewable energy sources and energy efficient assets, it is often regarded as a green product in itself. Alongside our positive external environmental footprint, we carry out several CSR activities to minimise our internal environmental footprint and actively lobby for green initiatives in Georgia.

Paper Recycling Tradition

We continuously strive to minimise our environmental footprint. To minimise the damage caused by the paper industry, we are promoting going paperless across the Company. We have special waste disposal green boxes placed in our offices and collect wastepaper for recycling. From the collected paper, new books are printed, which are periodically used to update libraries in the highland regions of Georgia. In 2024, approximately 450 kg of paper was collected and recycled.

Pro Bono

During the early stages of their development, start-ups, small businesses and entrepreneurs may need specific skills in order to keep driving their plans forward, but may be unable to afford the professionals and resources required. Through our pro bono service, our employees can offer their expertise and intellectual resources free of charge to give back to the local community, partnering with organisations working to benefit the public. Our pro bono work is meaningful because it is done for the common good and manifests the social dimension of our corporate social responsibility.

With the facilitation of the Center for Strategic Research and Development of Georgia (CSRDG), we successfully completed three pro bono projects with Ana-Bana, Poteria and Dediko, three community organisations.

Ana-Bana needed assistance in building a reading space and a library in Lagodekhi, located at the foot of the Caucasus mountains in the historical region of Hereti. Our employees supported the community in collecting books and bought dozens of them for the library.

The mission of Poteria is to promote the reintegration of women who were victims of violence or offenders into society through training and employment in creative workshops. We provided our assistance in helping the organisation create corporate offerings and increase their sales.

Established in 2021, Dediko is a social enterprise that aims to improve the living conditions of single mothers and their children by producing and selling eco-friendly products made from natural materials. TBC Leasing donated essential equipment such as sewing machines to support Dediko's operations.

Journey towards a Greener Future – Collaboration with TENE

In 2023, we signed a memorandum of cooperation with TENE, the first Georgian USB cable producer to be based on innovative and eco-friendly technologies, providing a long, safe life for its gadgets. In order to support the protection of the environment, TENE collects, recycles and uses solid household waste as part of its cable production process, in line with its zero emissions policy, with a particular focus on recycling plastic, mostly from bottle caps.

As part of our collaboration, we placed plastic, paper, and batteries recycling bins and plastic cup collectors in TBC Leasing offices. Sandro Liluashvili, the founder of TENE, conducted a training session for our employees to increase awareness on the importance of waste recycling. As a result, we conduct small quizzes across employees on a weekly basis and reward them with TENE USB cables for their engagement.

Scooter Day

With the rising demand for scooters, the issue of safe driving has become increasingly critical. To address this, we organized “Scooter Day,” an initiative offering participants the opportunity to learn how to ride a scooter free of charge, receive guidance from qualified trainers, and consult with leading industry professionals. This recurring activity has garnered significant interest, and due to its growing popularity, it will be held again next year.

“LIFE IS BEAUTIFUL” Foundation

Since 2013, the “Life is Beautiful” Foundation has been assisting community organisations by organising fundraising events and concerts. In 2024, in collaboration with the Embassy of Italy in Georgia, the foundation hosted the legendary Italian group “Ricchi e Poveri” in Tbilisi. Proceeds from the concert were allocated to support women who have experienced domestic violence. TBC Leasing proudly supported this initiative as part of its commitment to social responsibility.

Sponsoring Students: the American Chamber of Commerce Initiative

In collaboration with MAC Georgia, the American Chamber of Commerce launched a scholarship programme designed to harness the financial and human resources of AmCham member organisations to create opportunities for financially disadvantaged youth in Georgia. By funding scholarship packages, the programme aims to support at-risk students in accessing higher education and achieving their academic and career aspirations. We are actively involved in this programme and have allocated resources to cover tuition fees for students.

Our Clients

Business Support

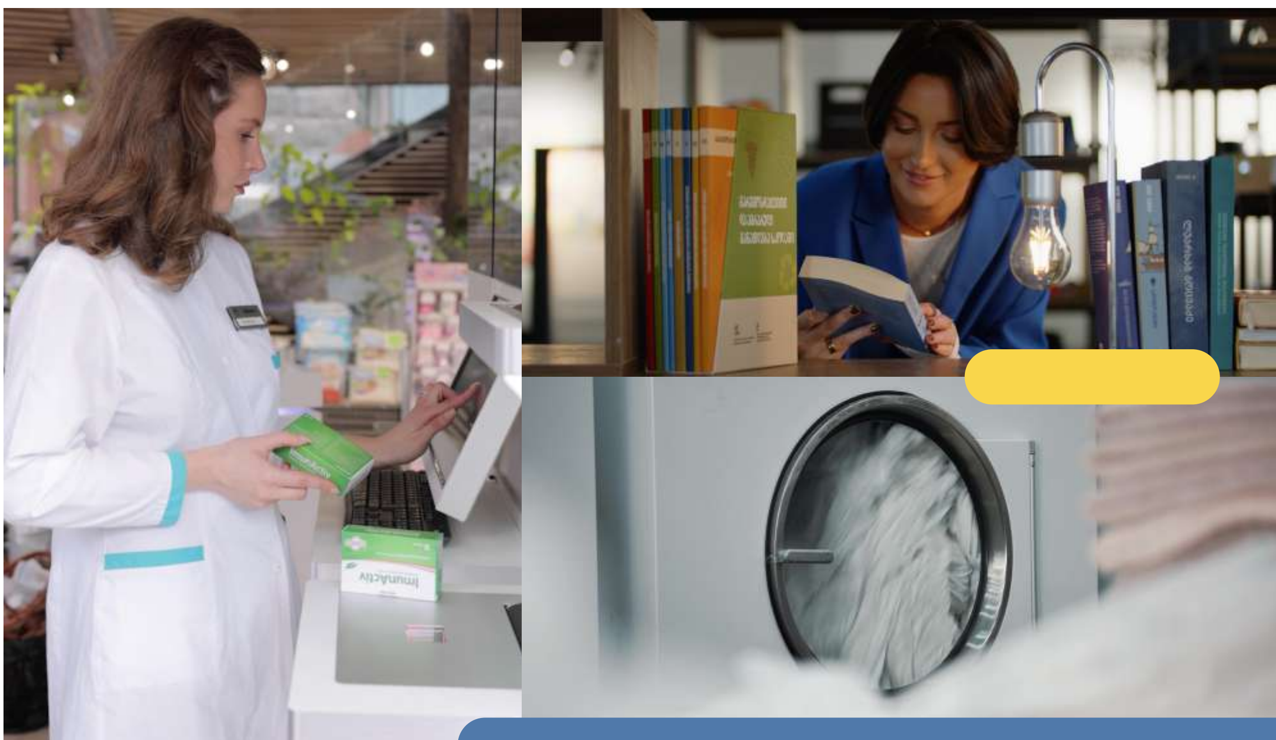
We are continuing our tradition of supporting Georgian businesses through promotional activities across our communication channels. These promotional activities include blogs about individual companies as well as topics of particular interest to our audience.

At TBC Leasing, we believe that in addition to supporting our clients through financing the equipment of their choice, it is also important to provide support in communication and other strategic services. That is why, as soon as a lease is issued, we start distributing information in the form of press releases to up to 40 rated business media partners. In 2024, we supported up to 15 clients through social media coverage, reaching 1.5 million customers through different channels.

We are also supporting our clients in terms of PR and marketing services and activities, helping them position themselves on the market. We support small businesses and start-ups to engage in a range of events and platforms, and to raise awareness through financing space allocation fees and other related costs.

Involvement in Subsidy Programs

In terms of business promotion, we are involved in all of the subsidy programmes implemented by Enterprise Georgia and the Rural Development Agency. Within the scope of these programmes, we funded 146 projects that were subsidised by these organizations (for more information, see the Business Segment overview on page 34).



146	70	76
Projects	Enterprise Georgia	Rural Development Agency

Our Investors

Financial Performance Review

Income Statements Highlights

In thousands of GEL	**2024**	**2023**	**Change, y-o-y**
Finance income from lease receivables	**91,465**	**71,837**	**27.3%**
Revenue From Operating Leasing	8	960	-99.2%
Interest expense	**(37,710)**	**(30,485)**	**23.7%**
Direct leasing costs	(12,628)	(11,075)	14.0%
Net lease income	**41,135**	**31,237**	**31.7%**
Credit loss (allowance)/recovery for Finance lease receivables	(3,055)	(2,000)	52.8%
Credit loss allowance for other financial assets	(3,181)	(4,570)	-30.4%
Administrative and other operating expenses	**(17,186)**	**(13,092)**	**31.3%**
Interest income on bank deposits	3,892	3,577	8.8%
Profit for the year	**23,054**	**16,728**	**37.8%**

Balance Sheet Highlights

In thousands of GEL	**31.12.2024**	**31.12.2023**	**Change, y-o-y**
Finance lease receivables, Gross	445,865	376,055	18.6%
Credit loss allowance	(9,301)	(7,768)	19.7%
Finance lease receivables	**436,564**	**368,287**	**18.5%**
Advances towards leasing contracts	**119,196**	**27,191**	**338.4%**
Assets repossessed from terminated leases	4,433	2,935	51.0%
Property and Equipment	3,275	3,292	-0.5%
Other financial assets	29,002	29,624	-2.1%
Total assets	**676,933**	**514,452**	**31.6%**
Loans from banks and financial institutions	356,288	255,898	39.2%
Debt Securities in issue	**114,656**	**103,127**	**11.2%**
Subordinated loans	49,676	42,184	17.8%
Advances received from customers	52,601	23,450	124.3%
Total liabilities	**580,177**	**435,750**	**33.1%**
Total equity	**96,756**	**78,702**	**22.9%**

Net Lease Income

In 2024, notwithstanding the Company's growth in yield on its lease portfolio, which transitioned from 22.5% in 2023 to 22.9% in 2024, there was a notable surge in finance income derived from lease receivables, amounting to GEL 92 million, marking a remarkable increase of 27.3%. Additionally, Gross Finance lease receivables experienced a substantial rise from GEL 376 million to GEL 446 million, a trend that aligns with the escalation in finance income.

The interest expense saw a notable increase of 23.7%, primarily attributed to the escalated loan volume necessary to fund the expansion of our portfolio. Conversely, our streamlined funding process is anticipated to yield an decrease in the COF from 9.0% to 8.7%.

In thousands of GEL	**2024**	**2023**	**Change, y-o-y**
Finance income from lease receivables	91,465	71,837	27.3%
Interest income on bank deposits	3,892	3,577	8.8%
Interest expense	(37,710)	(30,485)	23.7%
Net lease income	**57,647**	**44,929**	**28.3%**
Average Gross Finance lease receivables	400,192	319,762	25.2%
Average Finance Lease Receivables	391,624	310,928	26.0%
Average Funds Balance	433,838	339,395	27.8%
Yield	**22.9%**	**22.5%**	**0.4 pp**
COF	**8.7%**	**9.0%**	**-0.3 pp**
NIM	**14.7%**	**14.4%**	**0.3 pp**

Total Leasing Portfolio

In thousands of GEL	**2024**	**2023**	**Change, y-o-y**
Total Leasing Portfolio	586,573	427,920	37.1%
Total Leasing Portfolio FX Adjusted	579,151	427,920	35.3%

Our Total Leasing Portfolio grew by 35.3% during the year on a constant currency rate. To adjust the portfolio to account for FX changes, the official exchange rates as of 31.12.2023 are used.

Lease Portfolio Quality

In 2024, the portfolio quality indicators remained strong. The Non-Performing Loan ratio was reported at 2.7%, marking a decrease of 0.3 percentage points compared to the previous year. Additionally, the Cost of Risk stood at 1.4%, indicating sound risk management practices within the company's portfolio.

In thousands of GEL	**2024**	**2023**	**Change, y-o-y**
Non-Performing Leases	16,009	12,684	26.2%
NPL	**2.7%**	**3.0%**	**-0.3 pp**
Credit loss (allowance)/recovery for Finance lease receivables	3,055	2,000	52.8%
Credit loss allowance for other financial asset	3,181	4,570	-30.4%
Total Provision Charge	**6,236**	**6,570**	**-5.1%**
COR	**1.4%**	**1.9%**	**-0.5 pp**

Administrative and Other Operating Expenses

Direct lease costs and administrative expenses have been efficiently controlled to scale in line with the growth of our portfolio. Furthermore, we have executed strategies geared towards bolstering operational efficiency. The cost-to-income ratio for the current year stands at 50.6%.

In 2024, our company saw a rise in staff expenses due to the expansion of our business operations and the subsequent increase in our workforce. As we scaled up to meet growing demands, hiring additional staff became necessary to maintain service quality and operational effectiveness. This investment in human capital underscores our commitment to driving sustained growth to our company.

In thousands of GEL	**2024**	**2023**	**Change, y-o-y**
Net leasing and operating income	**58,897**	**46,732**	**26.0%**
Staff Expenses	11,459	8,568	33.7%
Depreciation and Amortization charge	1,310	1,222	7.2%
Other Administrative and Operating Expenses	4,417	3,302	33.8%
Total Administrative and Operating Expenses	**17,186**	**13,092**	**31.3%**
Direct leasing costs	12,628	11,075	14.0%
Cost to Income	**50.6%**	**51.7%**	**-1.1 pp**

Net Profit

The Company posted the highest net income for the third consecutive year:

In thousands of GEL	**2024**	**2023**	**Change, y-o-y**
Net Income	23,054	16,728	37.8%
Average Equity	88,689	69,157	28.2%
ROAE	**26.0%**	**24.2%**	**1.8 pp**
ROAE before expected credit loss allowances	**33.0%**	**33.7%**	**-0.7 pp**

In thousands of GEL	**2024**	**2023**	**Change, y-o-y**
Net Income	23,054	16,728	37.8%
Average Assets	560,579	432,996	29.5%
ROAA	**4.1%**	**3.9%**	**0.2 pp**

The Company monitors its capital adequacy ratios on a daily basis. As of year-end, its capital and total capital ratios were as follows:

Capital Adequacy	**2024**	**2023**	**Change, y-o-y**
Tier 1	15.9%	17.6%	-1.7% pp
Tier2	24.0%	27.0%	-3.0% pp

Bond Covenants

Compliance with the terms of the agreement between TBC Leasing and the bondholder is given in the table below:

Type of Covenant	Limit	Actual 2024	Actual 2023
Open currency position	<20%	5.4%	10.9%
Debt Service Ratio	>100%	595.6%	344.3%
Capital Adequacy 1	>9%	15.9%	17.2%
Capital Adequacy 2	>12%	19.5%	20.4%
Financial leverage ratio	<91%	76.9%	78.0%
Related party exposure	<20%	4.4%	5.0%

Definition of Ratios

- **Finance lease receivables, Gross** – Is the aggregate of the minimum lease payments, representing the amounts guaranteed by the lessee and any unguaranteed residual value, discounted at the interest rate implicit in the lease.
- **Total Leasing Portfolio** – Includes Gross Finance lease receivables and leases where inception of the lease has been exercised.
- **COF** – Cost of Fund is equal to total interest expense for the period, divided by average monthly funds balance of the same period.
- **NIM** – Net interest margin is equal to net leasing income, excluding direct leasing costs, divided by the average monthly finance lease receivables of the same period.
- **Net leasing income** – For the purposes of calculating financial ratios net leasing income also includes income from interest accrued on deposits.
- **ROE** – Return on average equity equals the Company's net loss /income divided by the monthly average of total shareholders‘ equity over the same period.
- **ROE before expected credit loss allowances** – ROE before expected credit loss allowances equals the Company's net loss/income excluding all credit loss allowances, divided by the monthly average of total shareholder's equity over the same period.
- **ROA** – Return on average assets is equal to the Company's net loss/income divided by the monthly average of total assets over the same period.
- **COR** – Cost of risk is equal to Credit loss (allowance)/recovery for Finance lease receivables plus credit loss allowance for other financial assets, divided by the average monthly gross finance lease receivables plus average net other financial assets over the same period.CIR – Cost-to-income ratio is the administrative expenses plus direct leasing costs divided by the net lease income and other operating income over the same period.
- **NPL** – Leases with overdue payments over 90 days plus unhealthy restructured leases overdue for less than 90 days divided by the Total Leasing Portfolio.
- **Tier 1** – Capital Adequacy Ratio 1 is the ratio of shareholders' equity to total assets, except for cash and cash equivalents and due from banks.
- **Tier 2** – Capital Adequacy Ratio 2 is the ratio of total shareholders' equity and subordinated loans to total assets, except for cash and cash equivalents and due from banks.

Definition of Bond Covenant

- **Open currency position** – OCP ratio to shareholder's equity and subordinated loans.
- **DSCR** – Debt service coverage ratio is equal to cash and cash equivalents, due from banks, 10% of gross finance lease receivables with a maturity of up to 6 months and the ratio of approved financial resources divided by the Company's loan liabilities with a maturity of up to 6 months.
- **Capital adequacy 1** – Ratio of shareholders' equity to the total assets of the Company, excluding cash and cash equivalents.
- **Capital adequacy 2** – Ratio of share capital and subordinated debt of the Company, 50% of foreign currency gross finance lease receivables plus total assets excluding cash and cash equivalents.
- **Financial leverage ratio** – Ratio of loans from banks as well as debt securities and subordinated loans to total assets.
- **Related party exposure** – Exposure of related party divided by shareholders' equity and subordinated debt.

CHAPTER 7

Risk Management

Principal Risks and Uncertainties

Credit Risk

Credit risk is the greatest material risk faced by the Company, given that it is principally engaged in traditional lending activities. The Company's customers include legal entities as well as individual borrowers.

Credit risk relates to non-performance of a contractual obligation by a customer or a third party, which involves the payment of an outstanding amount within an agreed timeframe. An important component of credit risk is currency risk associated with the issuance of foreign currency denominated leases to non-hedged customers. Credit risk also includes concentration risk, which is the risk associated with the deterioration of the quality of a lease portfolio, which may arise from the creation of an exposure on a single entity or a group of related entities, or the concentration of a portfolio in certain industries. Losses may be further aggravated by unfavourable macroeconomic conditions.

A comprehensive credit risk assessment framework is in place with a clear segregation of duties among the parties involved in the credit analysis and approval process. The credit assessment process is distinct across segments and is further differentiated across various product types to reflect the differing natures of these asset classes. Lending rules are developed by the risk division, which is independent from the leasing and business unit. In the case of corporate and medium-sized business users, the lease financing review process is conducted within specific sectoral cells, which accumulate deep knowledge of the corresponding sectoral developments.

The Company uses a portfolio monitoring system to react promptly in the event of a portfolio deterioration. The monitoring system allows the identification of weaknesses in the lease portfolio, after which informed decisions are made in terms of risk management. Monitoring processes are tailored to the specifics of individual directions, as well as encompassing individual credit exposures, overall portfolio performance, and external trends that may impact on the portfolio's risk profile. Additionally, the Company uses a comprehensive portfolio supervision system to identify weakened credit exposures and take prompt, early remedial actions, when necessary.

The Company's leasing portfolio is structurally highly diversified across customer types, product types, and industry segments, which minimises the credit risk level. As of December 31, 2024, the business segment represented 87% of the total portfolio, while retail customers accounted for 13%, which includes fully auto leases. At the end of 2024, the top three sectors in the business portfolio are the Infrustructure Development, Trade and Retail, where the concentrations are distributed as follows: 19%, 17% and 13%, respectively.

The most significant credit risk mitigation tool of leasing liability is co-payment, which must be provided by the lessee at the time of concluding the contract. At the same time, one of the key components of credit risk management is the effective management of a financed leasing asset, which avoids the expected risk of material and technical depreciation. Additional collateral for leasing contracts may include: real estate, mortgages on assets and shares on the balance sheet, third party guarantees, and the option of repurchase provided by the supplier.

The entire TBC Leasing Portfolio is secured in all industry segments where the subject of collateral is the leased asset itself. As of December 31, 2024, the Company's portfolio coverage ratio by leased assets was 140%. Correct determination of the amount of participation in funded assets ensures a high repayment ratio.

In addition, TBC Leasing actively conducts stress tests and scenario analysis to test clients' resilience to various stressful conditions. Stress tests include assumptions about currency revaluations, GDP growth, sectoral growth, inflation, interest rate changes, real estate, and commodity prices. TBC Leasing conducts intensive financial monitoring to identify clients with weakened financial and business prospects in order to offer them a restructuring plan tailored to their individual needs.

Credit Risk Caused by Exchange Rate Changes

TBC Leasing faces the credit risk posed by exchange rate fluctuations. Because a large portion of the funds financed in the Company's portfolio are denominated in foreign currency, any potentially significant depreciation of the Georgian Lari is a significant risk that could adversely affect portfolio quality. Non-hedged borrowers may incur a greater debt burden as their foreign currency denominated liabilities increase.

Although leasing companies fall under an NBG regulation for GEL financing, under which disbursements under GEL 200,000 can only be denominated in local currency, a significant portion of TBC Leasing's portfolio is still denominated in USD and EUR, comprising 72% of the total as at 31 December 2024. Since the income of most of the customers who have lease agreements in a foreign currency is in Georgian Lari, they are not protected from fluctuations in the GEL exchange rate.

The Company pays special attention to currency induced credit risk, given that a large part of its exposure is denominated in foreign currency. Currency depreciation is monitored regularly to ensure that action can be taken quickly if necessary. Resistance to certain exchange rate depreciation is also included in our lending standards, implying a buffer on the risk of currency depreciation for non-hedged customers.

TBC Leasing uses conservative lending standards for non-hedged clients whose funds are denominated in foreign currency to ensure that they can withstand a certain level of exchange rate fluctuation, in addition to measures in place during the underwriting process.

Concentration Risk

TBC Leasing is exposed to concentration risk, defined as the potential deterioration in portfolio quality due to large exposures or individual industries.

As a rule, leasing companies operating in an emerging market face concentration risk, both for individual customers and for sectors. TBC Leasing finances legal entities and individuals whose exposure at default implies increased credit losses and the high cost of impairment reserves. TBC Leasing's portfolio is well diversified by sectors, leading to a moderate risk of sectoral concentration risk. However, if the total debt on the main risk carriers increases, the risks will increase accordingly.

The Company has means to effectively manage concentration risk, in particular the portfolio of individual entities and sectoral concentrations. TBC Leasing is subject to concentration limits for individual entities and sectors and is focused on optimizing the structure and quality of its portfolio. In addition, we have risk appetite limits for the top 10 and 20 borrowers, which are monitored on a monthly basis. TBC Leasing continuously monitors concentration risk for individual borrowers as well as sectors and key risk carriers and sets limits to mitigate risk. Within its risk appetite, the Company sets limits for both individual and sectoral concentrations. The risk appetite criteria are reviewed once a year to reduce the risk of concentration arising. Effective monitoring tools are used to ensure compliance with the limits.

TBC Leasing's loan portfolio is reasonably and adequately diversified, with a maximum portfolio volume in one of the largest sectors (Infrustructure Development) of 19% of the leasing portfolio as of December 31, 2024. By the end of 2024, the leasing portfolio of the 10 and 20 largest borrowers accounted for 10.2% and 18.7% of the total portfolio, respectively, both of which were in the green zone as forecasted at prior year end, when a de-concentration plan was devised for these ratios to move them down from the amber zone. (The Company uses a three-layered traffic light approach in setting the risk limits: Green zone, the desired zone for the Company's risk appetite; Amber zone, which indicates that the desired zone has been breached, but the risk level is still acceptable to the Company; and Red Zone, which indicates that the risk has exceeded the allowable limit and is going outside the risk appetite).

Fraud Risks

External and internal fraud risks are part of the operational risk inherent in TBC Leasing's business. Considering the increased complexity and diversification of operations, together with the digitalisation of the financial sector, fraud risks are evolving. Unless proactively managed, fraud events may materially impact the Company's profitability and reputation.

External fraud events may arise from the actions of third parties against the Company, most frequently involving events related to banking cards and cash. Internal frauds arise from actions committed by the Company's employees, and such events happen less frequently. In 2024, none of the cases had a material impact on the Company's profit or loss account.

The Company actively monitors, detects, and prevents fraud risks. The main direction is to minimize the risk by introducing automatization, double control, and other preventive mechanisms into the procedures. Continuous monitoring processes are designed to detect unusual actions in a timely manner. The risk and control self-assessment process focuses on the residual risks of the underlying processes that can be remedied. As a result of our constant efforts to monitor and mitigate fraud risks, despite the great complexity of internal processes, the Company ensures the timely detection and control of fraudulent activities.

Enterprise Risk Management

A centralised Enterprise Risk Management (ERM) function is in place to ensure the effective development, communication, and implementation of the risk strategy and risk appetite of the Company. The ERM function facilitates cross-risk activities such as aggregation, analytics, and reporting and addresses issues that are not specific to a single type of risk. ERM ensures the harmonisation of procedures to implement optimal prevention mechanisms, facilitates the logical and efficient movement of management issues between directions, and enables the resolution of issues that require the involvement of different departments.

Stress-testing exercises are one of the crucial tools for effective risk identification, measurement, and mitigation. TBC Leasing relies on the scenarios predicted by macroeconomists at the group level and analyses them to consider the possible outcomes and keep the Company with adequate capital.

Consistency of risk management practices is also an important task of the ERM. A risk management function dedicated to promoting consistency ensures that risks are identified, measured, and governed in an optimal manner.

Generating an adequate return on risk plays a crucial role in the sustainability of the business model. Risk inputs for pricing are designed in a way to serve as a backdrop against excessive risk taking and guarantee that the Company takes adequately priced risks.

Credit Risk Management

The major objectives of credit risk management are to have smooth processes in the Company that ensure that decisions made at the level of individual transactions are consistent with the level of acceptable risk and to put in place a sound credit approval process for informed risk-taking and procedures for effective risk identification, monitoring, and measurement.

Lease Approval

TBC Leasing strives to ensure a sound credit-granting process by establishing well-defined lending criteria and building up an efficient process to assess customer's risk profile. TBC Leading has a comprehensive credit risk assessment framework with a clear segregation of duties among parties involved in the credit analysis and approval process. The funding assessment process is distinct across segments and is further differentiated across various product types to reflect the differing natures of these asset classes. Corporate, SME, and larger retail and micro loans are assessed on an individual basis. After a thorough assessment of the lessee's requirements, the Credit Department prepares a presentation containing certain key information in relation to the potential borrower and submits it for review to the Credit Risk Management Department. The risk manager ensures that the project analysis is complete and that all risks and mitigating factors are identified and adequately addressed.

A multi-tiered system of lease approval committees is in place with different approval levels to consider the lessee's overall creditworthiness. These committees are responsible for reviewing credit applications and approving exposures, with different committees based on the size and risk of the lease. At the highest level, from 1 million USD up to 1.5 million USD lease amount, the Chief Executive Officer, Commercial Director and Chief Risk Officer are involved. If the amount of the borrower's lease application exceeds 1.5 million USD, it would require review and approval by the Supervisory Board Risk Committee. In addition, if the amount of the borrower's lease application exceeds 1.5 million USD and also exceeds 15% of TBC Leasing's capital, it would require review and approval by Chairman of the Supervisory Board together with the Supervisory Board Risk Committee. The decision to finance micro, small, medium, and retail leasing is made by the Credit Risk Management Department, where the application is reviewed by the committee within pre-defined limits. Internal scorecard models and ratings submitted by the credit bureau are used for decision making. Different scorecard models are developed based on the type of product and the borrower's credit profile, taking into consideration a range of internal and external data. The performance of scorecard models is closely monitored to ensure that decisions are in line with predefined risk limits.

Lease Monitoring

TBC Leasing's risk management policies and processes are designed to identify and analyse risk in a timely manner and to monitor adherence to predefined limits by means of reliable and timely data. TBC Leasing dedicates considerable resources to gain a clear and accurate understanding of credit risks faced across various industry segments. The Company uses a robust portfolio monitoring system to react promptly to macro and micro developments, identify weaknesses in the credit portfolio, and outline solutions to make informed risk management decisions. Monitoring processes are tailored to the specifics of industry segments, as well as encompassing individual funding monitoring, overall portfolio performance, and external trends that may impact the portfolio's risk profile.

Restructuring and Collections

TBC Leasing uses a comprehensive portfolio supervision system to identify weakened credit exposures and take prompt, timely remedial actions when necessary. A detailed review of processes in an internal committee review format takes place when a borrower does not meet the agreed payments or their financial standing is weakened, potentially jeopardizing the repayment of the credit. Dedicated restructuring and recovery units manage weakened borrowers, with collection and recovery strategies tailored to business directions and individual exposure categories. The restructuring unit's primary goal is to rehabilitate the borrower and transfer the exposure back to the performing category. The approach and complexity of the rehabilitation process differs according to the type and size of the exposure. Corporate and SME borrowers are transferred to the Problem Assets Management Department when there is a strong probability of a sharp deterioration in the Company's revenue, insolvency, bankruptcy, a sharp decline in the value of assets, etc. Lease recovery plans may include all available sources of recovery, such as selling the borrower's assets, realizing collateral, or payments under guarantees.

In the process of leasing debt collection, the purpose of the Problem Assets Management

Department is to develop a payment strategy and agree with the borrower to withdraw as much money as possible or negotiate the payment of the leasing liability by selling or owning the collateral.

The Rehabilitation and Problem Assets Management Department monitors financially overdue borrowers, prepares relevant projects, transfers them to the committee, and takes appropriate action after approval or requesting additional terms. Their efforts, both with the resources of the department itself and with the involvement of the executive, are aimed at maximising the removal of leasing obligations.

Leasing repayment strategies are determined by the amount of leasing, the specifics of the business, and the financial condition of the company. Individual strategies are tailored to different subgroups of users and reflect appropriate risk levels so that greater effort is dedicated to customers with a higher risk profile.

Clients will be transferred to the Problem Assets Management Department based on a substantive review. The review starts as early as at 45 days past the due date to ensure timely measures are taken and potential loss is minimised.

After a transfer to the Problem Assets Management Department, when the Company is unable to negotiate with the borrower on terms acceptable to the parties, it may initiate collateral repossession, which is usually a standard process with limited legal complications, and may include court, arbitration, or notary procedures. Qualified incumbent experts and lawyers work in the rehabilitation and problem assets management units to accomplish litigation and repossession processes efficiently.

Measurement of Expected Credit Losses

Estimating expected losses, as well as monitoring and analysis of different business directions and products, are the key components of the strategy.

TBC Leasing uses a portfolio provisioning methodology in line with IFRS 9 requirements, which incorporates the calculation of expected credit losses using macro-economic scenarios and forward-looking information.

Measurement of the expected credit loss (ECL) is based on four components used by the Company: (i) the probability of default ("PD"); (ii) exposure at default ("EAD"); (iii) loss given default ("LGD"); and (iv) the discount rate. The Company uses a three-stage model for ECL measurement and classifies its borrowers across the following stages:

- Stage I – the Company classifies its exposures as Stage I if no significant deterioration in credit quality has occurred since the initial recognition and the instrument was not credit-impaired when initially recognised;
- Stage II – the exposure is classified as Stage II if a significant deterioration in credit quality has been identified since the initial recognition, but the financial instrument is not considered credit-impaired;
- Stage III – the exposures for which the credit-impaired indicators have been identified are classified as Stage III instruments.

The ECL amount differs depending on exposure allocation to one of the three stages:

- Stage I instruments – the ECL represents that portion of the lifetime ECL that can be attributed to default events occurring within the subsequent 12 months from the reporting date;
- Stage II instruments – the ECL represents the lifetime ECL, i.e. credit losses that can be attributed to possible default events during the whole lifetime of a financial instrument. Generally, the lifetime is set equal to the remaining contractual maturity, of the financial instrument. Factors such as the existence of contractual repayment schedules, options for the extension of repayment maturity and monitoring processes held by the Company affect the lifetime determination;
- Stage III instruments – a default event has already occurred and the lifetime ECL is estimated based on expected recoveries.

The Company actively reviews and monitors the results produced from the IFRS 9 models to ensure that the respective results adequately capture expected losses.

Financial Risk Management

The primary objective of financial institutions is to enhance profitability, which can be achieved through increased risk. As such, effective risk management is crucial for TBC Leasing. Like other financial institutions, TBC Leasing is exposed to financial risks that can significantly affect its operations, given the nature of leasing services and its economic model.

The Company encounters risks from both internal and external factors, which cannot be entirely avoided but must be mitigated. By identifying these risks, TBC Leasing ensures that any financial instruments it uses are aimed at preventing or minimising potential losses.

TBC Leasing operates according to established principles designed to achieve its objectives, which are outlined in detail below.

Liquidity Risk

Liquidity risk for TBC Leasing primarily involves insolvency or solvency at a high cost. Given that the Company's main activity is financing leasing products, its objective is to meet the needs of all parties involved while supporting core business operations. By measuring and identifying the extent of this risk, TBC Leasing can take proactive steps, developing a financing plan to address potential disruptions and unforeseen circumstances, leveraging its experience and successful partnerships with local banks and foreign financial institutions.

TBC Leasing employs several methods to assess liquidity risk, including the evaluation of liquid assets and cash flow. Both individual and combined assessments ensure that cash inflows align with outflows in the short, medium, and long term, considering resources from financial activities such as lease agreement coverage and available financing. For liquid assets, the Company focuses on easily accessible balance sheet items that can be quickly liquidated, such as term deposits, deposit agreements, and other instruments held in various banks.

The Company conducts liquidity stress testing based on internal institutional and environmental factors. This involves analysing key cash flow drivers and the broader business landscape, using forecasting to establish strategic alternatives in response to light, systemic, and strong impacts. Additionally, TBC Leasing tests liquidity against the volatility of service or funding needs and fluctuations in seasonal demand for certain leasing products.

In conjunction with difference analysis, the Company monitors risk compliance over a 3-month to 1-year period using financial indicators such as the liquidity coverage ratio, current ratio, and net stable financing ratio.

The average maturity of TBC Leasing's portfolio is 48 months, ensuring positive liquidity in the short and medium term. The introduction of new products with maturities ranging from 72-120 months has significantly improved liquidity for long-term assets.

Liquidity ratios for existing and projected scenarios are reported to the Company's management, supervisory board, parent company, and creditors. TBC Leasing typically limits cash levels to maximise profitability and ensure effective returns on assets. However, to mitigate the risk of a liquidity crisis in the event of unforeseen circumstances, management maintains a high liquidity level of around 10-12% of total assets. As key indicators show, this approach has only a minimal negative impact on the Company's financial health and profitability. Under normal business conditions, liquidity levels are maintained at around 3-5% of total assets.

Our comprehensive risk assessment, detailed cash flow forecasting, and diversified investment strategy enable the Company to achieve its long-term organisational and financial objectives.

Capital Risk

The Company faces capital risk, meaning that failing to meet the minimum capital adequacy requirements could lead to an "event of default," potentially causing lenders to demand the acceleration of existing loans.

Leasing is not a regulated industry in Georgia, so leasing companies are not subject to the minimum regulatory capital requirements set by the National Bank. Generally, the leasing business is characterised by high leverage and low capitalisation. However, the Company is subject to minimum capital adequacy requirements from both local and international lenders, with the highest being 9% for Tier-1 capital and 18% for Tier 1 + Tier 2 capital. Since 72% of the Company's portfolio is denominated in foreign currency, there is a risk that an immediate depreciation of the Georgian Lari could cause the Company to breach these limits. To mitigate this risk, the Company maintains capital buffers to withstand potential impacts from currency devaluation. Stress test analysis indicates that a 10% depreciation of the GEL would lead to a reduction of the capital adequacy limit by 1.01 percentage points.

The Company continuously conducts stress and sensitivity analyses to proactively identify potential risks and ensure the establishment of adequate capital buffers. Capital adequacy is monitored on a daily basis, with the Company's management focusing on maintaining an appropriate level of capital to ensure smooth business operations and comply with the requirements set by lenders.

Interest Rate Risk

Interest rate risk arises from potential fluctuations in market interest rates that could negatively impact the value of the Company's financial assets and liabilities. This risk can stem from mismatches in the maturity profiles of assets and liabilities, as well as from the repricing characteristics of these financial instruments.

TBC Leasing offers both variable and fixed interest rate products to its clients. Agreements denominated in GEL with floating interest rates are indexed to the Tbilisi Interbank Interest Rate (TIBR), while leases denominated in foreign currencies, such as USD and EUR, use six-month SOFR and EURIBOR rates, respectively. The floating interest rate leases align with the variable-rate loan liabilities the Company holds, and the variable-rate investments the Company attracts are funded by leasing agreements with indexed interest rates. This approach ensures a balanced relationship: income from financial activities fluctuates in line with financing costs, while leasing fees are adjusted in response to market rate reductions for customers.

The analysis of interest rate differences is based on an assessment of the maturity of receivables and payables. The Company strives to maintain a standard profitability curve, which is achieved by hedging both long-term and short-term components. Interest rate risk (IRR) is primarily managed using two key metrics: Economic Value of Equity (EVE) and Net Interest Income (NII), both of which are regularly monitored on a monthly basis.

Currency Risk

TBC Leasing holds assets and liabilities denominated in foreign currencies, thus operating a floating exchange rate market. A change in exchange rates may affect the value of the Company's assets and liabilities denominated in foreign currencies. Currency risks arise from the improper position of foreign assets and liabilities, as a result of which sudden fluctuations and volatility can pose a risk and cause a significant loss of profitability. To prevent this, risk management is carried out on a daily basis by adhering to the permissible risk limits.

Because TBC Leasing is exposed to foreign exchange risks, it has corporate policies and procedures in place to address their impact. An important step in properly defining a policy and taking adequate action is to identify risks at the right time, as financial risks cannot be managed without a proper risk measurement methodology and practices, based on all existing facts and expected assumptions in the Company.

According to our methodology, the open currency positions of the main operating currencies – the Euro and the US Dollar – are monitored individually and collectively. Adequate restrictions apply to positions and their proper performance is presented at the Company's management and team levels.

The degree of currency risk impact on the Company is assessed by the controlling parties in terms of individual currency risk ratios, total currency risk ratios and open currency position ratios. The Company limits its foreign exchange exposure in terms of its total capital, with its maximum allowance set at 25% for aggregate open currency exposure. Moreover, the Company's open currency position (OCP) limits are managed at different levels: the strictest limit is set at the treasury manager level while the most tolerable limit is set at the CEO level.

Fluctuations in daily activities and currencies can cause losses, although they can be eliminated by managing currency exposure, assessing expectations, and hedging. The Company aims to maintain a closed position, close to 0%, for which it uses specific financial instruments. Hedging operations are performed in accordance with the Company's hedging and risk management strategy and policies, which includes the use of forward transactions, swap contracts, spot conversions, and other financial products available in the Georgian foreign exchange market. Financial activity, changes in the leasing portfolio, and attracted foreign investment may be subject to hedging from the moment of entering into the relevant relationship with the second party.

As a result, a closed currency position protects the Company from unwanted fluctuations and helps to avoid potential losses when the GEL strengthens or depreciates.

In 2024, TBC Leasing maintained a hedged position to hedge against currency risks, with its aggregate open currency position fluctuating within an average of 2% of the total equity.

Non-Financial Risk Management

Operational Risk Management

One of the main risks that the Company faces is operational risk, which is the risk of internal and external fraudulent events, inadequate processes or products, business destabilisation, system malfunctions, human error, or damage to assets. Operational risk also includes damage caused by legal, reputational, compliance, or cybersecurity risks.

The Company is exposed to many types of operational risks, including the following: fraudulent and other internal or external criminal activities; breakdowns in processes, controls or procedures, system failures; or cyberattacks from an external party with the intention of making services or supporting infrastructure unavailable to its intended users, which in turn may jeopardise sensitive information and financial transactions.

Moreover, the Company is subject to risks that cause disruption to systems performing critical functions or business disruption arising from events wholly or partially beyond its control, such as natural disasters, transport or utility failures etc., which may result in losses or reductions in service to customers and/or economic losses.

The operational risks discussed above are also applicable where the Company relies on external service suppliers. Considering the fast-changing environment and the sophistication of both financial services and possible fraudsters, the importance of constantly improving processes, controls, procedures and systems is heightened to ensure risk prevention and reduce the risk of loss to the Company. An important mechanism is the Risk and Control Self-Assessment (RCSA), which aims to identify potential deficiencies in operations and processes to suggest appropriate remedial measures, including improving processes and procedures, as well as working with insurance companies to transfer risks.

Our Company actively monitors its risk appetite to ensure alignment with strategic objectives, balancing opportunity and risk exposure. We develop and implement test cases to assess the effectiveness of operational risk controls, identifying gaps and areas for improvement. Additionally, we manage a suite of internal control tools designed to streamline risk management processes, enhance compliance, and support proactive decision-making, fostering resilience and operational excellence.

Operational risk case identification is reported to the parent company level, after which systematic analysis is performed and remedial and preventive steps are taken.

Environmental and Social Risk Management System (ESMS)

Our Company recognizes the growing significance of Environmental, Social, and Governance (ESG) risks in today's business landscape. Environmental risks include challenges such as climate change, resource depletion, and environmental compliance, which can impact operations and reputation. Social risks involve labour practices, diversity and inclusion, human rights, and community relations, which influence stakeholder trust and workforce morale. Governance risks stem from issues like ethical conduct, transparency, regulatory compliance, and board effectiveness, which affect organisational integrity and decision-making. We integrate ESG risk assessment into our broader risk management framework, ensuring these factors are monitored, mitigated, and aligned with our corporate values. By doing so, we aim to meet stakeholder expectations, maintain regulatory compliance, and contribute to sustainable growth while mitigating potential ESG-related disruptions.

Our environmental policy was developed in line with TBC Group's best practice and ensures that we comply with all applicable environmental, health, safety, and occupational regulations and apply appropriate best practices, as well as take appropriate measures to ensure that our customers fulfil their environmental and social responsibilities.
Our environmental policy is fully in line with Georgian environmental legislation, including the Law of Georgia on Environmental Protection and international best practices. The full policy is available at: www.tbcleasing.ge

Environmental and social risk management functions are spread between the Enterprise Risk Management Department and the Credit Risk Management division. Both units are under the Risk Director of the Company. TBC Leasing Risk and Commercial staff undergo extensive training on an annual basis, conducted by TBC Bank's ESRM team. The training covers the importance of environmental and social risks, ways of management, and practical experience accumulated in the process.

Anti-money Laundering (AML)

The Company has high standards to protect against Money Laundering and Terrorist Financing (AML / CTF) and requires all employees and management to adhere to these standards to prevent the use of TBC Leasing products and services for money laundering / terrorist financing. The Company's AML / CTF programme is based on applicable legal and regulatory requirements that comply with FATF recommendations, EU regulations, and best practices. The Company has implemented internal policies, procedures, and detailed instructions designed to prevent itself from being used or involved in money laundering, financing of terrorism, or other unlawful activities such as bribery, corruption, or tax evasion.

The Company's AML / CTF compliance programme includes written policies, procedures, internal controls and systems, including but not limited to: policies and procedures to ensure compliance with AML laws and regulations; Know Your Customer (KYC) preventive measures (a Customer Due Diligence Procedure); rules for user identification and verification; user risk classification and risk categories; checking users against official lists of terrorists, special categories, and banned persons as well as lists of financial and other sanctions; procedures for monitoring and reporting deals / transactions and any suspicious activities by the Company's customers; and regular staff training and awareness raising.

Within the second line of defence, the Legal Department, which performs the AML and compliance functions, ensures risk management in accordance with the risk appetite defined by the Company and promotes a strong risk culture across the organisation.

The Company has developed and approved its AML / CFT Framework Policy, which is in full compliance with both Georgian and international legal requirements and regulations. The new regulation expands the definition of a politically active person (PEP) and imposes additional requirements on the KYC prevention measures.

Legal

The Legal Department of the Company is responsible for managing all legal liability and compliance issues that arise within the Company as a result of legal risks. Its objectives are as follows:

- Identify the legal risks. Analyse the legal risks associated with business plans and initiatives, including compliance and liability risks, as well as risks associated with business actions.
- Calibrate the legal risks. Assess and calibrate the legal risks the Company is facing, together with the Compliance functions, to ensure regulatory compliance and set up the Company's tolerance and level of risk.
- Manage the legal risks. Develop strategies, plans, processes, and policies, and provide the legal and other resources required to deliver them.

The Legal Department strives to accomplish these objectives by providing a wide range of professional legal services, including: (i) interacting with internal and external clients as well as outside counsel, government agencies, and regulatory agencies; (ii) issuing memos and opinions; (iii) drafting standard and customised contracts; (iv) being responsible for corporate governance matters; (v) providing regulatory updates; and (vi) representing the Company in court, other dispute resolution venues, and before third parties.

The legal team, which comprises lawyers with diverse backgrounds and experience, consists of the following key divisions: Legal support and administration; the Lease Contract Management group; Investor relations/cross border transactions; Corporate governance; and AML/ Compliance. Each division functions within clear and distinct job descriptions that correspond to the relevant knowledge, skills, and capabilities of its members. The department ensures the effective execution of its duties through different processes and procedures.

The Legal Department performs compliance functions within the Company to ensure the effective execution of the compliance programme by: (i) helping the Company understand the legislative and regulatory change that may impact its business model and operations; and (ii) assisting the Company in understanding the legal and regulatory implications of its new projects, products, services and expansion plans.

The Company's General Counsel (Head of Legal Department) manages the Legal Department and determines the key business objectives for all legal teams, introduces the policies and vision, and ensures the effective performance of their duties. The General Counsel reports to the Chief Risk Officer on existing legal risks, mitigation strategies, and the vision for their effective management in the future.

Employee Risk

Behaviour Risk

Behavioural risk is defined as the risk of delivering objective results to consumers and other stakeholders. TBC Leasing's Code of Conduct sets high ethical standards that apply to all employees.

Our employees must fulfil the responsibilities placed upon them carefully. In order to maintain the Company's reputation and ensure the smooth running of its operations, employees must behave in ways that are trustworthy, loyal, prudent, and cautious.

The Company's management realise that they are accountable to both local and international investors and therefore need to develop rules and mechanisms to protect consumers and maintain the confidence of investors and financial markets. The directors of the Company introduce the principles of good behaviour and have active communication with employees in this regard.

TBC Leasing's Enterprise Risk Department, Operations Department and HR Division work together to create a unified framework for behavioural risk and assist business and other departments in the following ways:

- Implement and manage policies and procedures to ensure that the relevant departments and individual staff comply with the regulatory provisions and the Code of Conduct, Code of Ethics and Company Rules.
- For the customer, the information provided by the employee about the product must be accurate and complete; this information is provided (both in written and oral form) easily and clearly, according to the type of customer.
- It is important to have such conversations and emails with clients and to maintain track records that contain sales-related information, including customer attraction information and the complex products on offer for existing and potential customers.
- Provide timely, introductory training on appropriate behaviour for new employees. It is important that staff are periodically trained to learn about relevant standards that are being developed and updated.
- Establish a healthy corporate culture that promotes employee openness, enabling them to speak openly. Specifically, this means introducing processes to prevent and detect conflicts of interest, creating ethical incentives and bonuses, and adapting motivation and disciplinary practices.
- The approach above ensures that behavioural risk management is not limited to risk management units, but also fully covers the Sales Department and fully integrates appropriate behaviour into the skills needed to work. As part of behaviour risk, we also monitor employee gambling activities: once a quarter, with the approval of employees, we check the bank accounts of employees to monitor any gambling. In the case of detection, we apply preventive measures to avoid repetition. We have implemented an incident management policy where employees can anonymously report workplace incidents, such as harassment, fraud, misconduct etc. The purpose of this policy is to create a healthy work environment and encourage ethical behaviour.

CHAPTER 8

Governance

Corporate Governance

Joint Stock Company TBC Leasing (the “Company” or “TBC Leasing”) recognizes the importance of sound corporate governance practices and adheres to high standards of corporate governance.

TBC Leasing's corporate governance is carried out in full compliance with the requirements of Georgian legislation, including the company's corporate governance is in compliance with the "Corporate Governance Code for Issuers of Public Securities" (the "Code") approved by Order No. 172/04 of the National Bank of Georgia dated 07 December 2021. As the company is an issuer of public securities, the requirements set forth in the Code apply to it. The Company fully shares the obligations stipulated in the Code to ensure a sound corporate governance framework to protect the rights of partners and investors, and pays due attention to the issue of staffing of governing bodies, as well as the need to develop appropriate policies and procedures.

The Company's Corporate Governance Model

TBC Leasing is the largest subsidiary of JSC TBC Bank, the largest commercial bank in Georgia, and TBC Bank is in turn a subsidiary of TBC Bank Group PLC, a company with a registered office in London and listed on the premium segment of the London Stock Exchange.

The company's corporate governance system, as well as the wide range of skills and experience of the Supervisory Board members, guarantee their independence, impartiality, and integrity in the decision-making process.

In accordance with the requirements set forth in the Code, the Company maintains the issues related to the Supervisory Board and its committees, such as gender balance in the Supervisory Board, the number of members, their independence, qualifications, responsibilities and delegation of authority, as well as the composition of the executive body, risk management and internal control departments and the competence of their members.

The main decision-making bodies of the Company are the General Meeting of Shareholders, the Supervisory Board, and the Management Body as led by the Director (a dualistic system of management). The members charged with governance do not own shares of the Company. The company's charter is focused on dividing the functions of the Supervisory Board and the Director in such a way as to ensure smooth management and effective decision-making.

The Company recognises the importance of ensuring diversity and considers it strongly beneficial for its business to have a Supervisory Board and Management Body consisting of individuals with diverse backgrounds, as they bring the necessary experience, competence, cultural diversity, and diverse perspectives to meeting sessions, which facilitates quality decision making.

There are a number of talented women in key positions who report to the Management Body. As at 31 December 2024, 47% of the Company’s middle management roles were performed by females and 57% of employees across the Company’s entire workforce were female.

The General Meeting of Shareholders is the highest management authority of the Company. The General Meeting can be ordinary or extraordinary. Ordinary meetings are held on a yearly basis, no later than six months after drawing up the annual Balance Sheet, though no later than three months from the end of the economic year. In all other cases, extraordinary General Meetings are held. The General Meeting of Shareholders takes decisions regarding issues assigned to the competence of the General Meeting of Shareholders under the legislation of Georgia and the Company’s Charter.

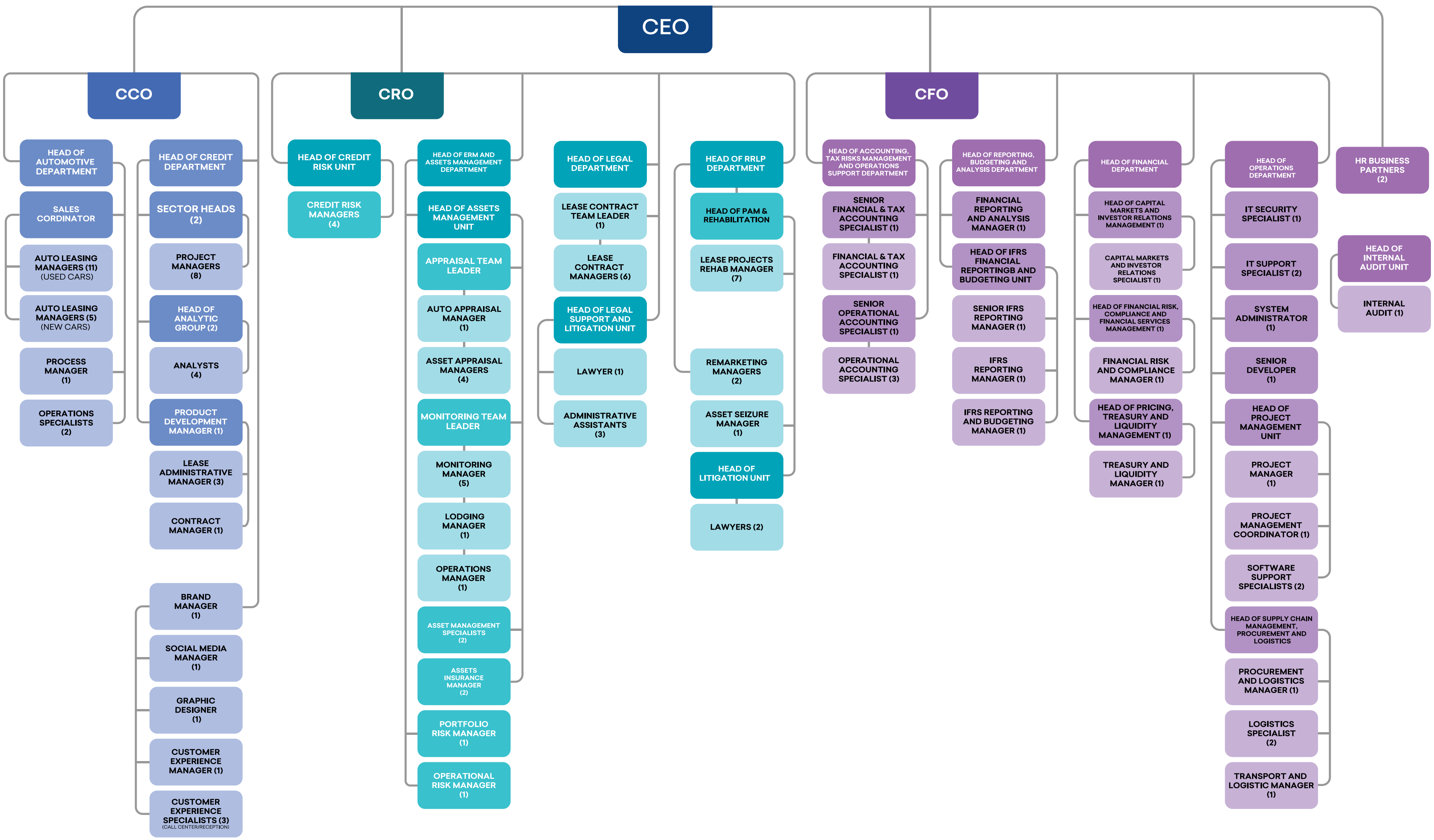
The Supervisory Board is in charge of supervision and control of the performance of the Management Body; cooperates with it within a limited scope in the preparation and resolution of issues important for the Company; takes decisions on the basis of the legislation, the Company’s Charter and internal corporate acts; and takes responsibility for the compliance with the requirements set under the Code;

The Audit Committee, which consists of three members, is set up by the Supervisory Board and presents reports to the Supervisory Board in line with the annual and semi-annual report approval periods. If necessary, the Audit Committee can request the attendance of the Management Body, internal and external auditors, and other hired persons at its meetings. The Audit Committee is chaired by a member of the Supervisory Board who is an independent person, who, according to the requirements of the Code, cannot be the Chairman of the Supervisory Board and/or the Chair of another Committee.

The Management Body executes the Company’s strategies, creates effective systems, processes, and controls for financial and non-financial risk management, and promotes the development and introduction of risk culture. Within the Company the Management Body provides effective fulfilment of various corporate governance procedures and policies approved by relevant bodies. The latter regularly provides information about important issues and problems of the Company to the Supervisory Board. The Management Body is also responsible for the correct distribution of functions and duties to the Company’s employees, as well as the creation of an efficient governance structure and mechanisms of internal control to ensure accountability and transparency within the Company.

The Company’s Director executes the Company’s management functions in an unlimited and sole manner. The Company Director’s sole representational authority in relationship with third parties is not limited.

Governance and Company Organisational Structure



The General Meeting of Shareholders

The rights of the shareholders are set out in the Charter of the Company and governed by the Law of Georgia on Entrepreneurs. The General Meeting can be either ordinary or extraordinary and is called and held in accordance with the procedures laid out in the Company's Charter under the legislation of Georgia.

The Company's Director is responsible for calling the General Meeting. If the Company's Director does not perform his duty and does not call the General Meeting, the Supervisory Board is obliged to call the General Meeting.

The information published for calling the General Meeting must include at least the data under the Georgian legislation and the materials of the General Meeting agenda, which constitute all the necessary information for taking a decision. If the procedure under the Charter for calling the General Meeting is breached, a decision can be made if all the shareholders participate in the Meeting and agree that the Meeting is held and a decision is taken. The shareholder is deemed to agree if he/she does not request that the Meeting is held another time due to the breach of the calling procedure.

In accordance with the legislation of Georgia, the Company's Management Body and the Supervisory Board are obliged to participate in the work of the General Meeting.

The General Meeting of Shareholders is chaired by the Chairman of the Supervisory Board and, in his absence, by the Deputy Chairman of the Supervisory Board. In the absence of the Deputy Chairman, it is chaired by one of the members of the Supervisory Board as elected by the General Meeting or the Company's Director.

The General Meeting of Shareholders can take a decision if a majority of shareholders with voting rights is present, except for those issues that require the presence of a larger number of shareholders with voting rights. If the General Meeting is not able to take a decision, the person who called the meeting can call a further meeting according to the same procedure and with the same agenda. Unless otherwise defined by the legislation of Georgia, the second meeting is able to take a decision regardless of the number of participating shareholders with voting rights. Any decision of the General Meeting of Shareholders must be supported by a majority of votes of shareholders participating in balloting. The resolution of issues that require a larger number of shareholders' votes under the legislation must be approved according to the quorum under the law.

The General Meeting takes decisions on issues within its competence, as defined by the legislation of Georgia and the Charter. The General Meeting is not entitled to take decisions regarding issues that fall under the competence of other governing authorities, except when those authorities request the General Meeting to resolve the issue within their competence.

If the Company has a sole shareholder, the latter exercises the authority of the General Meeting. The decision taken under that authority is executed in writing.

The General Meeting of Shareholders discusses and makes decisions on the following matters:

- Appointment, dismissal, and compensation of members of the Supervisory Board;
- Approval of reports of the Management Body and the Supervisory Board, including of financial reports;
- Profit (dividend) distribution or refusal of such distribution, in line with the proposal prepared by the Supervisory Board and the Management Body;
- Amending the Incorporation Agreement and the Charter, and adoption of a new version of the Charter;
- Selection, replacement, or dismissal of a person in charge of the audit and approval of the audit report;
- Changing placed capital, defining the number of shares, their nominal value, classes, and the related rights;
- Decreasing the Company's share capital or its shares or securities that enable the acquisition of the Company's share capital (including option, guarantee, and other rights) through conversion, exchange, or otherwise;
- The Company's re-organisation;
- The Company's liquidation, insolvency, bankruptcy, or the transfer of property in favour of a creditor;
- Participating in a court trial against the Management Body/authorities and members of the Supervisory Board of a joint stock company, including the appointment of a representative for such a trial;
- Taking a decision on any other issue that requires the consent of the General Meeting, in accordance with the legislation of Georgia, and which is not delegated to any other governance body.

The Ordinary General Meeting 2024

The company held an ordinary general meeting on November 4, 2024, at which a decision was made to approve the following issues. The attached minutes of the meeting are publicly available in the Register of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities, on the website of the authorized user of JSC TBC Leasing: https://public.reestri.gov.ge

Approval of the Company's New Charter

Part of the authority of the Supervisory Board has been delegated to the CEO of TBC Leasing. In particular, the CEO has been entitled to take independent decisions with regard to the encumbrance of the Company's property (including, real estate) within the ordinary business course. This authority will increase the flexibility and productivity of lease transactions and will have a positive impact on the Company's overall activity. The new Charter is publicly available and placed in the section of Registry of Entrepreneurial and Non-entreprenerial (noncommercial) Legal Entities of the National Agency of Public Registry website: https://public.reestri.gov.ge

Dividend Distribution

After a thorough analysis of the Company's financial position, the shareholder of TBC Leasing made a decision on declaration and payment of the first dividend. Over the past years, the Company has experienced a notable increase in profitability, which, combined with a strong capital position (Tier 1 and Tier 2 ratios standing at 17.4% and 26.02% respectively as of June 2024), allowed the Company to reward its shareholders while continuing to pursue its strategic growth objectives. The dividend has been paid out from the retained earnings for the financial years 2008-2016. The total amount of the final dividend is 5,000,000 GEL, accordingly a final dividend per ordinary share totaled 1,366.49 GEL.

Changes in the Composition of the Supervisory Board

The Supervisory Board has accepted resignation of Nino Masurashvili and Meri Chachanidze from their roles as members of the Supervisory Board. At the same time, Vepkhvia Lominashvili and Natia Pachikashvili have joined the Supervisory Board in their place as new members, while the three remaining members were reelected for the term of 3 (three) years with an immediate effect. The new composition of the Supervisory Board elected Tornike Gogichaishvili as a Chairman and Natia Pachikashvili as a Deputy Chairman of the Supervisory Board. Following these changes the composition of the Supervisory Board of TBC Leasing, effective from November 04, 2024, is as follows:

- Tornike Gogichaishvili – Chairman of the Supervisory Board;
- Natia Pachikashvili - Deputy Chairman of the Supervisory Board;
- Vepkhvia Lominashvili – Member of the Supervisory Board;
- Giorgi Tkhelidze – Member of the Supervisory Board;
- Zurab Pichkhaia – Independent member of the Supervisory Board/Chairman of Audit Committee

Corporate Secretary

As required by the Code, the Company has a Corporate Secretary who facilitates the introduction of good governance practices. The main functions of the Corporate Secretary are:

- to assist the General Meeting, the Supervisory Board (including the Committees), and the Management Body in the execution of their activities by providing organisational and informational support;
- to give the Supervisory Board and the Management Body advice with regard to corporate documents and procedural issues;
- to closely cooperate with the Supervisory Board and the Management Body in terms of drawing up and delivery of the agenda of the meetings, organising and holding meetings, and sending notifications;
- to plan necessary trainings and preparatory kick-off meetings with existing or newly appointed/elected members of the Supervisory Board and the Management Body;
- to perform the function of Secretary at meetings of the Supervisory Board and the Management Body, as well as of the General Meeting of Shareholders and drawing up minutes, recording all relevant decisions taken at those meetings, and keeping all corporate documents at least for six years;
- play the role of an intermediary between the shareholders, the Supervisory Board and the Management Body;
- organise the General Meeting of Shareholders and calling of any extraordinary Meeting; ensure the observance of all necessary terms and the fulfilment of the procedures for holding the Meeting; ensure that the person in charge of officially calling the Meeting is provided complete information with regard to the agenda issues requested by the shareholders, the members of the Supervisory Board or the Management Body, in line with all relevant legislation and the Company Charter;
- ensure compliance with all corporate governance-related legislative principles adopted by the regulatory bodies and with the principles under the Corporate Governance Code adopted by the Company.

Supervisory Board

The Supervisory Board defines the Company's policy and supervises the Company's activity based on the Charter and the decisions of the Shareholders' General Meeting. The members of the Supervisory Board are elected by the Shareholders' General Meeting for a term of three years. The term of office of a Supervisory Board member is automatically renewed once it expires until the next General Meeting is held. Members of the Supervisory Board can be elected for a new term of office several times. Elected members of the Supervisory Board can be recalled at any time by a decision of the General Meeting. Each member of the Supervisory Board may resign from the Supervisory Board at any time without causing harm to the Company. The content of the relationship with the member of the Supervisory Board and the remuneration for their activities are determined by the legislation of Georgia, the employment contract and the standards of TBC Group. The members of the Supervisory Board are jointly responsible for the general interests of the Company. A member of the Supervisory Board may not simultaneously be a member of the Company's Management Body.

The Supervisory Board shall elect the Chairman of the Supervisory Board and the Deputy Chairman of the Supervisory Board from among the members of the Board by a majority of votes cast. The Chairman of the Supervisory Board coordinates the work of the Board, chairs Board meetings, represents the Board before other bodies, authorities and employees, and is responsible for the overall effective functioning of the Board, including building confidence and collegial relations among Board Members and coordination and effective cooperation between the Management Body and the Supervisory Board. The Deputy Chairman of the Supervisory Board performs the duty of the Chairman of the Supervisory Board in case of their absence or where the latter cannot fulfil their duties.

The Chairman of the Supervisory Board, or in his absence their deputy, is authorised to convene and chair the Supervisory Board sessions. Unless otherwise defined by the legislation of Georgia or the Charter, the decisions of the Supervisory Board must be supported by a majority of votes, with each member having a single vote. If votes are evenly split, the Chairman of the Supervisory Board has a casting vote, which in their absence falls to the Chair of the meeting in question. Supervisory Board meetings must be held at least every quarter at the Company's address or online. Members of the Supervisory Board can be represented by other members, although a member can only represent one other member at a time.

The Supervisory Board ensures that the Company's management structure allows for adequate oversight and accountability, as well as a clear distribution of responsibilities. By involving all levels of government in risk management and ensuring the clear segregation of authority and effective communication between different areas, the management structure contributes to transparency and the achievement of set strategies and tasks related to the developed risk appetite, risk budget, and risk management.

In addition, the Supervisory Board has full responsibility for creating an appropriate environment at the top of the Company's management and overseeing compliance with the Company's objectives, while the Board of Directors is responsible for managing and overseeing the Company's day-to-day operations.

Conflict of Interest

Where the Supervisory Board discusses or decides on the issue(s) to which a member of the Supervisory Board (including the Chairman) is directly or indirectly related and it may give rise to a conflict of interest, the member shall declare about the conflict of interest. If there is such a conflict, he/she shall not participate in the discussion of the issue and the relevant decision-making process.

Furthermore, if a member of the Supervisory Board (including the Chairman) is indirectly related to the issue under discussion, the Company shall assess and consider the conflict of interest risks in the decision-making processes and the member shall abstain from participating in the discussion of the issue.

The Supervisory Board's Composition

The Company's charter stipulates that the Supervisory Board is composed of a minimum of 5 (five) and a maximum of 21 (twenty-one) members. The Supervisory Board elects the Chairman and the Deputy Chairman of the Supervisory Board from among its members by a majority of votes. If the candidates obtain equal votes, the eldest candidate will be appointed the Chairman of the Supervisory Board.

The Supervisory Board for the year 2024 consists of five members, including one female member. Most of the members are elected on a TBC Group level and are members of TBC Bank's Board of Directors. In line with the requirements of the Company's Charter and Code, a member of the Supervisory Board cannot simultaneously be a member of the Company's Management Body.

As of now, there is one independent member in the Supervisory Board and the Board's Chairman is the Deputy General Director of TBC Bank.

The Independence criteria set by the Code mean that independent members of the Supervisory Board should be able to make objective and independent decisions, free from the impact or potential impact of any third parties, and should be able to discuss/avoid any conflict of interest. Such a conflict of interest may appear when a person:

- has a financial, legal, economic or other kind of dependence on a company, management body or a significant shareholder;
- has a financial interest (for instance, investment, property) in a company;
- has had a professional and/or labour (including providing a service) relationship with the Company within previous years;
- has had a business partnership (direct/indirect) or other kind of business relationship with the Company, Management Body or significant shareholder within the previous two years;
- receives any additional compensations, which is related to the possession of a company's shares or related to board membership compensation;
- is a relative of a member of the Management Body or a significant shareholder;
- has any other kind of relationship, connection, or position in a company that impacts on a company's interest, Supervisory Board or Audit Committee, including a personal or business relationship with a family member of a significant shareholder.

The essential duties of the Supervisory Board are as follows:

- To appoint or dismiss the Company's Director; determines their renumeration;
- To set up the committees of the Supervisory Board;
- To approve the incorporation and liquidation of the Company's branches;
- To issue recommendations in regards to the selection, replacement, or dismissal of the Company's external auditor;
- To approve the placement of the Company's shares, bonds, and other securities on the Stock Exchange;
- To discuss and approve financial indicators for the following year, including a business plan or annual budget;
- To approve the Statutes of the Company's Supervisory Board and Management Body;
- To approve a decision on the acquisition or alienation of the Company's assets (or such interrelated deals), if the price of a deal exceeds 3% of the Company's capital, except for deals representing ordinary business activity;
- To approve the Company's attraction of investments, including a deal or group of deals related to taking credits or loans;
- To approve the incorporation/foundation of other legal entities, investments therein or share/stock/equity participation in another company/legal entity, and the encumbrance or disposal thereof;
- To approve important policies, codes of conduct and other regulatory documents related to the Company and its activities;
- To review the Company's performance report, information on the Internal Audit Service and independent inspection;
- To convene an extraordinary general meeting of shareholders if this is required by the interests of the Company;
- To make decisions on any other issue that falls within the authority of the Supervisory Board in accordance with the legislation of Georgia or this Charter.
- To take decisions with regard to the initiation of a new or suspension/termination of an existing type of activity by the Company;
- To make decisions on the encumbrance of the company's property as collateral, except for decisions on the encumbrance of the company's property (lease items) as collateral in the ordinary course of business;
- To make decisions on hiring, replacing or dismissing the company's independent registrar of shares.

The Supervisory Board Members are Individually and Jointly Responsible for:

- Defining the values, vision, mission, organizational structure of the Company and ensuring that the Company is governed in full compliance with the principles of fairness, competence, professionalism and ethics;
- Defining the Company's ethical standards, code of conduct, and constantly evaluating the role of the Management Body in establishing and maintaining a healthy corporate and ethical environment;
- Determining the Company's strategy and monitoring the implementation of strategic goals by the Management Body;
- Ensuring that the Company's activities comply with Georgian legislation, including regulatory requirements;
- Monitoring the activities of the Management Body, evaluating the decisions made by the Management Body, and taking appropriate measures as a result of the evaluation;
- Ensuring strict compliance with the requirements established by the legislation, the internal corporate acts of the Company and the agreement concluded with them and the performance of their functions.
- The Supervisory Board or its members may not delegate their powers to others. This does not apply to the delegation of its own powers by the Supervisory Board to committees established at the board level, as well as delegations permitted by Georgian legislation.

Supervisory Board Meetings

- The Supervisory Board meeting shall be held at least once a quarter, at the address of the Company or at any other place or online. The members of the Supervisory Board may be represented by other members. One member may represent only one member. The Chairman of the Supervisory Board shall ensure the holding of the meetings. The members of the Board shall attend the meeting in person, and if a member is unable to attend in person, then it is permissible to hold the Supervisory Board meeting by electronic means of communication.
- Meetings of the Supervisory Board are convened by the Chair of the Supervisory Board. Any member of the Supervisory Board or a member of the Management Body may request the Chair to convene an extraordinary meeting. Such a request must specify the reasons and objectives for holding the meeting. The Chair is obligated to ensure that the meeting is held within ten (10) days of receiving the request. If the request is not fulfilled, the requesting Supervisory Board member or director may convene the meeting themselves.
- The meetings of the Supervisory Board are chaired by the Chairman of the Supervisory Board, and in their absence, by the Deputy Chairman, and in the absence of both, by one of the members of the Supervisory Board elected by the Board.
- The proceedings of the meeting and the decisions of the Supervisory Board shall be recorded in the minutes or documented through a signed written resolution. The minutes or written resolution shall be prepared and signed by the Chair of the meeting and the Corporate Secretary. The Chair and the Corporate Secretary are responsible for the accuracy and authenticity of the minutes and the facts recorded therein. If a member of the Supervisory Board does not attend the meeting in person or by proxy, the minutes shall be sent to such members—electronically if necessary—and must be approved in writing by all members, including via electronic communication. The Supervisory Board may adopt decisions only if at least half of its members are present at the meeting.
- If the Supervisory Board lacks a quorum, the chair of the meeting must convene a new meeting within ten (10) days. This subsequent meeting shall be deemed quorate regardless of the number of members participating in the vote.
- A meeting of the Supervisory Board shall be convened by sending a notice 5 (five) calendar days in advance. In exceptional cases, meetings of the Supervisory Board may be convened at a shorter notice, but with a notice of at least 24 (twenty-four) hours in advance.
- The Supervisory Board may make decisions on matters within its authority through written or electronic communication (including email), without convening a meeting. In such cases, a draft written resolution—either in hard copy or sent electronically (including via email)—shall be distributed simultaneously to all Supervisory Board members by the Corporate Secretary. The Corporate Secretary's notice shall specify the procedure and deadline for providing consent to or rejecting the proposed resolution. The decision shall be considered adopted once all members have communicated their consent or rejection in accordance with the procedure outlined in the notice. If any member objects to this procedure, a Supervisory Board meeting shall be convened to address the matter.

Supervisory Board Committees

The Supervisory Board is authorised to take a decision on setting up committees by a simple majority of votes. The composition and functions of the Committees are defined by the Supervisory Board. The Committees shall provide their conclusions and recommendations to the Supervisory Board.

The Company shall set up at least the Audit Committee from the members of the Supervisory Board. Apart from that Committee, the Board may also set up Risk Management, Compensation, Corporate Governance and Nomination Committees.

Each Committee shall have relevant Regulations to set forth the Committee mandate, activity directions and procedures that inter alia cover the information about regular reporting of the Committee to the Board, cooperation between Committees, restrictions with regard to Committee membership, and the roles and functions of the Committee members. The Supervisory Board shall replace the Committee Chairman and members at reasonable intervals to promote new visions and directions in the Committee's activities.

Relevant records shall be maintained on the decisions taken by the Committees. Furthermore, the Committees shall regularly present a report on the decisions and recommendations to the Supervisory Board.

The Committees shall be able to receive all the information of the Company in the format and with the frequency defined by each of them. Besides, they shall be able to independently meet with the control functions, external consultants or external auditors without the presence of members of the Management Body. The objectivity and active participation of all members must also be promoted at the Committees to ensure the creation of an environment necessary for taking sound decisions.

Apart from the requirements otherwise envisaged by the legislation of Georgia, the Committees shall at least meet the following terms:

a) they must consist of at least three members. A member of the Supervisory Board shall not be a member of more than two Committees at the same time;

b) the Committee members shall individually and jointly possess the knowledge, skills and experience adequate to the role, responsibility and activity of the Committee that will enable them to properly exercise the conferred rights and fulfil the assumed obligations.

Unless a Committee hereunder is set up at the Company, the Supervisory Board is responsible for the performance of activities of the Committees. Committee meetings shall be held at least twice a year, but they may also meet more regularly, at any time, if necessary.

Risk Management Committee

The Risk Management Committee implements risk management principles within the Company and protects decisions related to products and processes from hazardous risks.

Within effective risk management, the Management Body can improve the cost of the Company's assets, predict expected future losses, improve the methods and processes of systematic decisions on the basis of information availability, use the Company's database to assess its work, assess the risks characteristic for business activity and complex financial instruments, and create a healthy risk management infrastructure, which strengthen competitiveness.

Instead of members of the Supervisory Board, the Risk Management Committee is composed by the Management Body, Deputy Directors and members of middle management. The Chairman of the committee is the Director, who approves the other committee members. The committee consists of the following members: Deputy Directors (CFO and CRO), the Head of Operations, the Head of Finance, the Head of Corporate and Asset Management, and the Head of Legal and Compliance. The Operation Risk Manager acts as the committee secretary. Additionally, the representatives of various directions, as well as members of the Supervisory Board, may be called on to attend specific committee meetings. The Committee meets once a quarter. The Committee's quorum is established if more than half of the Committee members are present.

The duties of the committee are to:

- review and approve the risk management strategy, polices, and action plan;
- review and supervise the Company's important risks and measurements taken within the risk management framework;
- review risk mitigation measures and their effectiveness;
- set risk thresholds;
- supervise the compliance of the products and services offered by the Company with the business model;
- monitor the operational, legal, compliance, reputational, and technological risk management, including planning of business consistency, cyber security, and data security;
- monitor the fulfilment of recommendations issued by internal and external auditors;
- inform the Supervisory Board about the material risks and submit action plans for their approval.

The Risk Management Committee reports to Supervisory Board and once a quarter sends a report to the Board. Moreover, the committee is entitled to escalate an issue before the Supervisory Board upon a majority vote of the committee members.

Remunaration Committee

Instead of a Remuneration Committee, remuneration is managed by an internal group within the Company. The group consists of the following members: the Director, Deputy Directors, the Head of Reporting and Budgeting Department, and the Head of Human Resources Department. The group is responsible for the remuneration committee functions:

- Regular review of remuneration policy and submitting recommendations to the Supervisory Board;
- Assess the effectiveness of the Company's remuneration policy and its compliance with requirements set under the relevant law.

The Audit Committee

The Supervisory Board has established the Audit Committee as a sub-committee. The Audit Committee is comprised of three members of the Supervisory Board. In line with the Code, the independent member of the Supervisory Board is the Chairman of the Audit Committee.

Any former partner or director of the Company's current audit firm/auditor may not simultaneously be a member of the Company's Audit Committee: a) within twelve months of leaving the position of a partner or a director of an audit firm; and / or b) if he/she has some financial interest in the audit firm, regardless of leaving the position.

The Audit Committee meets four times a year and presents reports to the Supervisory Board in line with the annual and semi-annual report approval periods. If necessary, the Audit Committee can request the attendance of the Management Body, internal and external auditors, and other hired persons at its meetings. Among other functions, the Audit Committee is responsible for:

- defining the internal audit and financial reporting policy;
- monitoring the processes of drawing up financial statements and non-financial reports;
- monitoring and actively cooperating with the Company's internal and external auditors;
- evaluating the efficiency of the external auditor and the efficiency and independence of the activity of the Internal Audit Service;
- discussing the recommendation letter prepared by the external auditor and monitoring the execution of relevant measures by the Management Body to improve any existing weaknesses;
- receiving the internal audit reports and ensuring that the Management Body takes proper measures in a timely manner in the audit process to eliminate any control weaknesses, legislative incompliance, or other drawbacks identified by other control functions;
- monitoring the development of the Company's accounting policy and practice; and
- discussing the Company's entire Risk Management Framework and the effectiveness and efficiency of internal control systems.

Members of the Audit Committee shall have unrestricted access to the governing body, as well as to the internal audit and risk management functions, at all times. The Audit Committee shall conduct an annual review of the external auditors' independence and disclose the following information in the corporate governance report:

- Remuneration paid to external auditors during the entire reporting period;
- The elements of remuneration provided for audit and non-audit services during the reporting period or the corresponding adverse opinion stated in the Company's annual report. If the external auditors provide non-audit services in addition to audit services, the Audit Committee must assess the nature and scope of those services to ensure that objectivity is preserved and that any potential conflicts of interest are avoided.

The current members of the Audit Committee are:

- Zurab Pichkhaia – Chairman of the Committee/ independent member
- Tornike Gogichaishvili – member
- Natia Pachkashvili – member.

Management Body

The Management Body consists of the Director, who is in charge of effective implementation of different policies of corporate governance approved by the Supervisory Board. The Director is also the main decision-making body of the Company and is responsible for the day-to-day administration of the Company in accordance with the Supervisory Board's guidelines and instructions, as well as promoting the Company's goals, culture, values, and long-term success strategy and setting sustainable values. The Supervisory Board shall be regularly informed by the Company's Management Body about significant issues and challenges facing the Company. The Management Body is also responsible for the appropriate allocation of duties and responsibilities among employees and for establishing an effective governance structure that promotes accountability and transparency within the organization.

The Supervisory Board appoints the Director to the position for a maximum term of three years and can dismiss him/her in line with the procedures defined by the legislation of Georgia. The Director is a legal and fully-fledged representative of the Company in relation to third parties. If, once the Director's term expires, there is a failure to register a new term of office for the Director or the change of a person with management and representational authority in line with the appropriate legal procedure, the law deems the authority of the registered manager to be extended for an unlimited term.

The regulations of the Management Body are approved by the Supervisory Board. The contents of relations with the Director and the salary for his/her work are defined by the legislation of Georgia and the job contract. The Supervisory Board is authorised to dismiss the Director from the position at any time, without providing relevant grounds therefor.

The Director ensures the execution of the decisions taken by the Supervisory Board and the General Meeting of Shareholders. Along with other functions, the Director executes the Company's business strategies, develops effective systems for financial and non-financial risk management, promotes the development and introduction of the risk culture, processes and controls. The Director is also responsible for the effective functioning of the compensation system. Moreover, the Director provides the Supervisory Board with the necessary information for the execution of its functions in a format and with a frequency established by the Supervisory Board and the Committees, with any additional information that the Director finds necessary for the Supervisory Board to take a decision.

The Director is also responsible for the distribution of duties and responsibilities of the Company's employees and the development of an efficient governance structure that ensures accountability and transparency within the Company. The Company has Deputy Directors, who are appointed by the Director.

The Director takes decisions on all issues that do not fall under the competence of the General Meeting of Shareholders and/or the Company's Supervisory Board under the Charter.

The functions of the Director cannot be transferred to the Supervisory Board. Furthermore, the Director may not be a member of the Supervisory Board.

The essential duties of the Director are to:

- Ensure day-to-day administration of the Company, including management of the Company and sole representation with third parties;
- Supervision of the activities of the Company's branches, service centers and structural units and the fulfillment of the tasks assigned to them;
- Develop and present for approval to the Supervisory Board the current year's business plan by the end of the financial year, covering the annual budget, the Profit and Loss Account, and the Company's investment plan;
- Prepare other annual reports (if any), including the proposal on profit distribution;
- Discuss Internal Audit decisions;
- Execute decisions of the General Meeting of Shareholders and the Supervisory Board;
- Develop the Company's internal regulatory acts and procedures and ensure the smooth functioning of the Company, with responsibility for the Company's internal operations, compliance, and performance;
- Serve as the main liaison between the Company and the Supervisory Board;
- Take decisions concerning the Company's personnel selection, dismissal, training, and compensation, and appoint and dismiss employees according to the payroll plan (if any);
- Take decisions concerning the selection, appointment, and dismissal of Deputy Directors, who manage relevant lines of the Company within their areas of competence;
- Sign contracts related to the Company's ordinary business activity;
- Represent the Company before the court and/or in relations with any third party in an unlimited manner;
- Take decisions with regard to the acquisition, alienation, exchange, and encumbrance of the Company's property (including, real estate) and sign deals within ordinary business activity;
- Take decisions with regard to the acquisition and disposal of the Company's property (or such interrelated deals) and sign deals not within the ordinary business activity whose value is less than 3% of the Company's capital; and
- Perform functions under the Charter, regulations of the Management Body, and other internal corporate acts.

Responsibility of Management Bodies of the Company

The Management Body of the Company will be held responsible for non-fulfilment or improper fulfilment of its duties as stipulated in the effective legislation, agreements signed with them, and in the internal corporate acts of the Company;

The Company's shareholders, the Supervisory Board, the Management Body, and their members are responsible to act in the best interests of the Company and in consideration thereof.

Rule of Information Transparency

The management bodies of the Company provide equal treatment to all owners of public securities and the Company's investors who are in equal conditions. Equal treatment means:

- The company is responsible for ensuring that timely and accurate information is provided to all relevant persons on all material matters of the Company, including its financial condition, performance, ownership, and management, so that this information is readily available to stakeholders;
- promptly disclosing any change in the rights of the various classes of equity securities;
- publishing information on the distribution and payment of dividends on equity securities, as well as the issuance of new equity securities, including information on the placement, acquisition, conversion, or cancellation of shares;
- providing information about the interest rate, periodic payments, conversion/exchange, right to buy or cancel, or repayment of the debt security.

Compliance with Corporate Governance Code, Governing Internal Rules and Regulations

TBC Leasing's internal governance strategy is well aligned with TBC Group's goals.

TBC Leasing has in place an effective management policy system in order to ensure accurate and reliable governance. Internal policies are created considering the activity, size, and complexity of the Company. Key documents and provisions include the following:

- The Company's charter, which is public, defines and assigns various functions and duties to the Supervisory Board and the Management Body to ensure the effectiveness of their work and decision-making;
- The Code of Ethics, which is public and which introduces highest standards of ethical behavior for employees and the Management Body and regulates the prevention of conflicts of interest, the misuse of authority, corrupt practices, money laundering, and other illegal activity;

- Sustainable development goals, including environmental and social governance issues;
- The Company's strategy, and appropriate resouces to achieve set goals, including sustainable development goals. covers its human resource policy, based on Georgian legislation as well as international best employment practices and principles for defending human rights, providing a safe and healthy work environment for all employees;
- The Charter of the Audit Committee, established by the Supervisory Board, that sdefine the committee's mandate, scope of activities, and procedures, including provisions on reporting to the Supervisory Board by the committee, membership restrictions, and the roles and responsibilities of committee members;
- The Risk Management Framework and the Risk Management Committee Charter, that define the company's risk management system, for which the Supervisory Board holds ultimate responsibility.
- Committee procedures shall outline the authority, scope, and operational guidelines governing the activities of the respective committee;
- A clearly defined organizational and governance structure where no individual holds unlimited authority, and which provides for the clear allocation of responsibilities, effective processes for risk identification, management, monitoring, and reporting, robust internal control mechanisms—including sound administrative and accounting procedures—and efficient risk management information systems and controls.
- Internal Control Implementation Policy;
- The Diversity, Equality and Inclusion Policy;
- The Incident Response Policy aims to ensure effective corporate governance, maintain an ethical environment, ensure the timely detection and prevention of suspicious breaches, and effective risk management throughout the Company, as well as welfare and better working conditions for employees. The policy establishes special procedures to assist employees in disclosing information about any suspicious violations and problems;
- The Whistleblowing Policy, which defines internal personnel to whom employees, customers, and vendors can turn to report suspected, serious improprieties that the "whistle-blower", for whatever reason, does not want to report internally via the normal reporting channels.

Internal Control Over Financial Reporting and Risk Management Systems

The financial statements are prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) and the Law of Georgia on Accounting, Reporting, and Auditing. The Company's financial reporting procedures are overseen by the Finance Department. A dedicated financial reporting team, composed of professionals with expertise in accounting and reporting, is responsible for preparing TBC Leasing's financial statements on a daily, monthly, quarterly, and annual basis. The overall process is monitored and supervised by the Company's Financial Director.

The Company has established internal control procedures that enable the Management Body to effectively fulfill its responsibilities related to the financial reporting process. An appropriate internal control environment is in place to support the integrity and accuracy of financial and governance reporting, as well as to ensure compliance with applicable regulatory requirements.

- The Company has established an internal control system designed to ensure accurate financial reporting and timely, effective management. The internal controls supporting financial and governance reporting include, but are not limited to: delegated authority and approval processes; balance sheet reconciliations; regular reviews of the income statement and balance sheet, including comparisons of actual results against the budget; review and approval of accounting registers; and the implementation of segregation of duties for cash inflows and outflows.
- The Internal Audit Department shall report to the Internal Audit Committee at least once per quarter. The Internal Audit Report shall cover activities conducted in line with the pre-approved annual internal audit plan, as well as any other significant issues that may have arisen during the reporting period.
- The primary risk management bodies within the Company are the Supervisory Board, Management Body, Audit Committee, Internal Audit, Finance Department, Legal Department, and the Reporting and Accounting Department.

Alternative Approaches To Corporate Governance

The Company's corporate governance is fully aligned with the requirements established by the National Bank of Georgia for issuers of public securities. However, as the Code follows a "Apply or Explain an Alternative" approach, the Company has, in certain instances, adopted alternative methods, namely:

Code Requirement	Description	Chosen Solution and Justification
1. The number of independent members of the Supervisory Board	No fewer than two members of the Supervisory Board, meaning at least 1/3 of its total membership, should be independent.	There is one independent member in the Supervisory Board, who at the same time appears as the Chairman of the Audit Committee, as required by the Code. The shareholder is of the opinion that the following, special reasons exist for an alternative approach to the Code's requirements: This does not represent an obligatory requirement set forth by any other regulatory act. An independent member of the Board is capable of making decisions objectively and without the influence or potential influence of any external party while carrying out their duties. The number of independent members on the Board is sufficient to ensure that any material conflicts of interest are properly considered and addressed. Additionally, Since TBC Bank is the 100% shareholder of TBC Leasing, the composition of the Supervisory Board essentially consists of members of TBC Bank's top management, who have the greatest knowledge of business development and the strategic goals of TBC Group, are well aware of the specifications of leasing, and have a range of professional experience in banking and investment, asset management, and capital markets. As such, the shareholder sincerely believes members of the management board of TBC Bank have sufficient motivation and abilities to achieve the Company's goals. Moreover, apart from the independent member of the Supervisory Board, members of the management board of TBC Bank do not receive additional compensation either as a fixed pay or as bonus remuneration, for performing their Supervisory Board functions for TBC Leasing, which allows for additional cost optimization.
2. The independent status of the Supervisory Board Chairman	The Chairman of the Supervisory Board should be an independent member.	The Chairman of the Supervisory Board of TBC Leasing has been a member of the management board or Supervisory Board of TBC Bank since the company's inception. Currently, the Chairman serves as a member of the management board of TBC Bank. The approach to his appointment as Chairman of the Supervisory Board is consistent with the rationale provided for the appointment of other Board members, most of whom also serve on the management board of TBC Bank.

Code Requirement	Description	Chosen Solution and Justification
3. Criteria for Board evaluation, self-evaluation and selection of Board members	In accordance with the requirements of the Code, the Supervisory Board must implement appropriate procedures for self-assessment, evaluation, and selection of its members. Additionally, the company must have policies and procedures in place to ensure compliance with the criteria for selecting Supervisory Board members.	TBC Group's Board Diversification Policy outlines the diversification criteria for the Supervisory Boards of the companies within the Group. The Company does not have written procedures for the self-assessment and evaluation of the Supervisory Board. The matter of the Board's self-assessment is governed by the shareholder in accordance with TBC Group policy.
4. Corporate Secretary	The Corporate Secretary should report directly to the Supervisory Board, which defines the employment provisions for the position. The Corporate Secretary should not be a member of Management Body or in any other way be related to the Company to avoid any kind of bias in decision making and perform functions independently.	The Company is a small sized company, consisting of no more than 180 employees. Since there are various functions in the Company that do not require dedicated, full time personnel, these functions are successfully covered by the other positions. Such an approach is, on the one hand, due to the scale of the company, while also contributing to cost optimization. At the moment, based on the Company's decision, the position of Corporate Secretary is filled by the head of the Budgeting and Reporting department, who reports to CFO of the Company.
5. Risk Management Committee	There may be created a Risk Management Committee composed of Supervisory Board members.	Instead of the Supervisory Board members, the committee composition consists of the Management Body, Deputy Directors and members of middle management. The committee reports to the Supervisory Board. The Company believes that such an alternative approach Has the following specific reasons: With this composition, the committee effectively manages the risk related management process. Nevertheless, it reports to the Board, which possesses relevant knowledge and expertise. Overall, experience to date shows that this model of collaboration is effective to achieve the goal.

Code Requirement	Description	Chosen Solution and Justification
6. Remuneration Committee	There may be created a Remuneration Committee composed by the Supervisory Board members	Instead of a Remuneration Committee, there exists an internal group within the Company. The group consists of the following members: the Director, Deputy Directors, the Head of Finance, and the Head of Human Resources. The group carries out the functions of a Remuneration Committee. The Company believes that such an alternative approach has the following specific reasons: Since the Company is a small sized company, consisting of up to180 employees, there is no necessity to create a special committee for staff remuneration, as the group, in cooperation with the Supervisory Board, effectively manages those issues. Although the Company has not yet developed a Remuneration Policy, the internal regulations and the Bonus Policy govern the process of remuneration and bonus awards. The remuneration range is established by the Management Body for each position. The amount of remuneration is determined by the employment contract. Remuneration is revised by the Management Body, based on the employee's performance and competencies. The bonus scheme is developed and approved for each position based on performance evaluation criteria, bonus multiplier, and accrual intervals. Remuneration is paid at certain intervals depending on the performance indicators. In term of non-monetary rewards, the Company covers health insurance costs – the employee's share, as well as the pension contributions.
7. Corporate Governance and Nomination Committee	There may be created a A Corporate Governance and Nomination Committee composed of Supervisory Board members.	No such committee currently exists. Instead, corporate governance issues are covered by the Legal and Compliance Department, while decisions on nomination issues are taken by shareholders on the Group level for subsidiaries.

Supervisory Board Biographies and Main Responsibilities

Tornike Gogichaishvili

Chair of the Supervisory Board

Tornike Gogichaishvili has more than 20 years of experience in financial services and operations management in Georgia and Central and Eastern Europe. Prior to joining TBC, he served as a Deputy CEO and Chief Operating Officer at the Bank of Georgia Group, occupying several other key positions at the same institution before that. In 2008-2010, Tornike held the position of CFO at BG Bank Ukraine, a subsidiary of Bank of Georgia. Earlier in his career, Tornike held the position of CEO of Aldagi, an insurance company in Georgia, Chief Financial Officer of UEDC PA consulting, and various managerial positions at BCI Insurance.

Tornike holds an MBA from the Caucasus School of Business and an executive diploma from Said Business School in Oxford.

Natia Pachikashvili

Deputy Chair of the Supervisory Board

George Tkhelidze

Member of the Supervisory Board

Natia Pachikashvili is a seasoned risks professional whose career in the financial sector spans up to 15 years. Having joined TBC Bank in 2013, her successful career progressed within the group rapidly. Natia was recently promoted to the position of the Deputy Chief Risks Officer (effective from 1 January 2025) of the Bank after holding the role of the Head of the Enterprise Risk Management Department, which she took up back in 2017. Prior to that, Natia held several senior roles within the Bank, including Deputy Head of the Credit Risk Governance Unit. Before TBC Bank, Natia served as a financial manager and a business analyst. Natia holds a BBA degree from the Free University of Tbilisi and an Executive MBA (with distinction) from HEC Paris. She has held a Financial Risk Manager (FRM) charter since 2017 and a CFA charter since 2018.

George Tkheilidze was appointed to his current role at the Bank in November 2016, leading the Corporate and Investment Banking businesses. George has also been responsible for the Bank's Wealth Management and Leasing businesses since January 2021. George first joined TBC in 2014 as Deputy CEO and Chief Risk Officer.

George has more than 20 years of experience in global financial services. Prior to joining TBC, he worked for Barclays Investment Bank, where he held the position of Vice President in the Financial Institutions Group (FIG), EMEA. Before that, he was an Associate Director in Barclays Bank's Debt Finance and Restructuring teams. In his earlier career in Georgia, George served as the Chief Executive Officer at Aldagi.

George is a Stanford Executive Program (SEP) graduate and holds an MBA from the London Business School and a Master of Laws degree (LLM) in International Commercial Law from the University of Nottingham.

Vepkhvia Lominashvili

Member of the Supervisory Board

Vepkhvia Lominashvili has over 20 years of experience in the banking industry. He began his career in 2002 as a Business Loan Officer at Procredit Bank Georgia. Currently, Mr. Lominashvili leads the MSME Business Segments Management Department at TBC Bank, where he is responsible for developing strategies in key areas, including lending process automation and digitalizstion, customer acquisition and experience, marketing, business support programmes, and overall commercial success. Throughout his career at TBC Bank, he has held several key managerial roles, including Head of the SME Commercial Management Team, Head of the Agro Business Unit, Regional Director at TBC Bank Constanta, and Branch Director. His broad expertise and strategic focus have been instrumental in driving growth and fostering innovation within the Bank. Mr. Lominashvili graduated from Tbilisi State University with a degree in Commerce and Marketing.

Zurab Pichkhaia

Independent Member of the Supervisory Board / Chair of the Audit Committee

Zurab Pichkhaia is an independent Supervisory Board Member at TBC Leasing. Zurab acted as Chief Financial Officer at Anaklia Development Consortium and Lisi Development. He also acted as Deputy Chief Risk Officer at TBC Bank, where he oversaw enterprise risk management and strategic projects. Mr. Pichkhaia also served as the Deputy Chief Financial Officer at TBC Bank, overseeing the Bank's financial risk management, profitability analysis, and reporting functions. Earlier in his career, he held various positions in credit, underwriting, and internal audit at VTB Bank Georgia, Bank Republic Société Générale Group and PrivatBank Georgia.

Zurab holds a bachelor's degree in Economics and a master's degree in Business Administration (MBA) from Georgian Technical University. In addition, he holds an MBA degree with a major in Finance from the University of Pennsylvania's Wharton Business School.

Division of Responsibilities

As Chairman, Tornike Gogichaishvili is responsible for ensuring the Board as a whole performs a full and constructive role in the development and determination of the Company's strategy and overall commercial objectives. He also oversees the Board's decision-making processes. As the Chairman defines strategic goals and objectives, the role of other Board members is to provide leadership through effective oversight and review of operations. They set the Company's risk appetite, monitor its operational and financial performance and reporting, ensure that the Company is adequately resourced with effective controls and remuneration policies, and check that there are appropriate succession planning arrangements in place.

Zurab Pichkhaia, the independent board member and head of the Audit Committee, acts independently of management to fulfil its fiduciary duty to shareholders and ensure that their interests are properly protected by effective internal controls, financial reporting, and an appropriate relationship with external auditors. His main responsibilities are:

- To review the Company's internal financial controls and other internal controls to ensure the effectiveness of the internal control structure and to review any recommendations on changes to them;
- To monitor the integrity of the Company's financial statements to ensure they meet all statutory requirements and appropriate International Financial Reporting Standards;
- To provide oversight of the Company's compliance and anti-money laundering functions; and
- To consider the effectiveness and independence of internal audit activities and its relationship with the external auditors.

Company Management Biographies and Main Responsibilities

Gaioz Gogua

Chief Executive Officer

Nugzar Loladze

Chief Financial Officer

Gaioz (Gaga) Gogua has been the CEO of TBC Leasing since 2017. He has 18 years of experience working in the banking sector at TBC Bank. Gaga began his career at TBC in 2001, working as a Credit Officer. In 2003-2004 he held the position of Head of the Credit Department, following which he worked as the director of various branches of TBC Bank in Tbilisi and the regions. In 2005-2008, Gaga was appointed as a member of TBC's Marketing Committee. From 2008 to 2016, he served as Regional Director of various branches, and then, in 2017, was appointed as the Head of Regional Management. He holds a bachelor's and master's degree in Physics from Georgian Technical University, as well as a bachelor's degree in Management from TACIS Tbilisi and a master's degree in Business Administration from the Free University.

As CEO, Gaga Gogua is responsible for the Company's day-to-day management and is in charge of proposing, developing, and implementing the strategy and overall commercial objectives, in close consultation with the Chairman and the Board.

Nugzar Loladze joined TBC Leasing team as a CFO in 2014. At the same time, in 2017-2018, he was also the Head of Risk Management at the Company. Prior to joining TBC Leasing, in 2008 he started working in the auditing company EY, eventually becoming Senior Auditor. In 2012, he was appointed as the head of the Consulting Department for transactions in CIS countries. While working in these positions, he led and participated in projects with the following large companies: BTA Georgia, VTB Georgia, SOCAR Energy Georgia, TAV Urban Georgia, National Bank of Georgia, Bank of Georgia, GRDC, Heidelberg Cement, KazTransGas, V-Tell and others. Nugzar holds a bachelor's degree in Finance from Caucasus Business School.

As Chief Financial Officer (CFO), Nugzar is in charge of the Financial and Operational Departments of the Company. He oversees the daily operations of the treasury, funding, budgeting, reporting, IT, PMO and procurement teams. The CFO is responsible for, and directly engaged in, implementing and introducing internal control systems, ensuring the transparent disclosure of processes and transactions, and reaching the strategic and financial goals of the Company.

Zurab Gugushvili

Chief Commercial Officer

Zurab Gugushvili was appointed as Chief Commercial Officer of JSC TBC Leasing in March 2021. Prior to joining TBC Leasing, Zurab was appointed to the position of Commercial Director of the insurance company Unison in 2018. Prior to joining the insurance industry, Zurab was a member of the TBC Group team for 12 years, holding various positions from 2006. From 2008, he focused on providing attractions and services to legal entities instead of expert supervision. During the last nine years of his stay at TBC, he managed the major directions of the corporate sector, focusing principally on retail and the auto industry, although periodically overseeing education, hospitality, commercial real estate, and other sectors. With the growth of the group since 2016, Zurab was appointed Head of Corporate, responsible for about 20% of the corporate business.

As Chief Commercial Officer, he manages the Company's income generation, attracting new customers and maintaining existing ones. Through the introduction and development of new and existing products, his main objective is to create a healthy, long-term lease portfolio.

Giorgi Maisuradze

Chief Risk Officer

Giorgi Maisuradze joined TBC Leasing team in 2018 as Chief Risk Officer. Giorgi has 23 years of experience in the financial sector, almost half of which has been in the field of risk management. He began his career at Baker Tilly as an Audit Manager. He then gained experience in various banks operating in Georgia: TBC Bank, Bank of Georgia, Bank Republic Societe Generale, ProCredit Bank, Privat Bank and Basis Bank. In 2010-2014, Giorgi worked as a Senior Credit Risk Specialist at the National Bank of Georgia. In 2015-2018, he held leading managerial positions at Basis Bank. He gained his education at the Faculty of Economics of Tbilisi State University, holding a bachelor's and master's degree in Macroeconomics. He also possesses several designations from the Corporate Finance Institute: Capital Markets & Securities Analyst (CMSA), Financial Modelling & Valuation Analyst (FMVA), and Financial Planning & Wealth Management (FPWM).

As CRO, Giorgi oversees the Credit Risk, Enterprise Risk Management, Problem Assets Management and Rehabilitation, and Legal Departments. He implements different control systems to ensure a healthy lease portfolio, ensuring effective underwriting processes and further healthy collection actions.

Responsibility Statement

The Management Report and Financial Statements have been prepared in accordance with applicable laws and regulations.

We confirm that:

- The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and fully, accurately, and fairly reflect the assets, liabilities, income and expenses, financial position, profit or loss and cash flows of the Company.
- The Management Report includes a fair review of the development, performance and conditions of the business and of the position of the Company, with a description of the principal risks and uncertainties, they face.
- The Management Report and Financial Statements are fair, balanced, and understandable, and provide the information for the shareholders to assess Company's position, performance, and business strategy.

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

Chair of the Supervisory Board
Tornike Gogichaishvili

15 May 2025

Chief Executive Officer
Gaioz Gogua

15 May 2025

CHAPTER 9

Joint Stock Company Tbc Leasing

Independent Auditor's Report and Financial Statements

31 December 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of JSC TBC Leasing

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JSC TBC Leasing (the "Company") which comprise:

- the statement of financial position as at 31 December 2024;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

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

Other Information

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

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

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. These matters were addressed in the context of our 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 on Finance lease receivables	
We focused on this area as the management's estimates regarding the expected credit loss ('ECL') allowance for Finance lease receivables are complex, require a significant degree of judgement and are subject to high degree of estimation uncertainty. Under IFRS 9, Financial Instruments ('IFRS 9'), 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 lessee since lease contract origination. It is also necessary to consider the impact of future macroeconomic conditions in the determination of ECL. The economic outlook is stable despite the inflationary pressures. Management has designed and implemented an expected credit loss provisioning model to achieve compliance with the requirements of IFRS 9. Among others, management applies judgement to the model in situations where past experience is not considered to be reflective of future outcomes due to limited or insufficient data. We consider the appropriateness of the model methodologies and the following judgements used in the determination of the modelled ECL allowance to be significant: - Critical assumptions applied in the determination of loss given default ('LGD') and probability of default ('PD'); - Assessment of the key assumptions related to forward-looking information ('FLI') including the appropriateness of scenario weightings and macroeconomic variables.	We assessed whether the IFRS 9 ECL model methodologies developed by management are appropriate, by engaging our credit risk modelling specialists and by applying our knowledge of the industry and the specifics of the business. This included an evaluation of the criteria set by management for determining whether there had been a SICR or default, and the models and approach applied in determination of ECL parameters. We assessed appropriateness of areas of major judgement and key assumptions involved in estimation of LGDs, PDs, FLI and ECL. We independently verified the accuracy of the calculation of ECL and assessed whether the ECL calculations were consistent with the approved model methodologies. We evaluated key aspects of model monitoring and validation performed by management relating to model performance and stability and critically assessed the monitoring results. The test results of statistical models were interpreted in the context of relevant circumstances and explanations were obtained for deviations from the expectation. We challenged management in respect of the appropriateness of the macroeconomic models as well as weightings applied to each macroeconomic scenario. We also considered whether Post Model Adjustments ('PMAs') were required to address relevant risks that were not captured in the modelled provision. We verified adequacy and completeness of disclosures on ECL.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

Report on Other Legal and Regulatory Requirements

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

- The information given in the Company's 2024 Management Report is consistent in all material respect with the 2024 financial statements; and
- The 2024 Management Report includes the information required by the Article 7 of the Georgian Law on Accounting, Reporting and Auditing in all material respect.

Responsibilities of Management and Those Charged with Governance for the 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

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.

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

Ivane Zhuzhunashvili (Registration # SARAS-A-720718)

For and on behalf of BDO Audit LLC

Tbilisi, Georgia

15 May 2025

STATEMENT OF FINANCIAL POSITION

In thousands of Georgian Lari	Note	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	6	66,868	57,326
Due from banks	7	-	10,000
Prepayments	8	4,128	3,086
Tax assets, net	9	2,559	5,654
Advances towards leasing contracts	10	119,196	27,191
Finance lease receivables	11	436,564	368,287
Property and equipment	12	3,275	3,292
Intangible assets	13	4,017	3,552
Assets purchased for leasing purpose		6,887	3,410
Assets repossessed from terminated leases	14	4,433	2,935
Derivative financial Instruments	29	-	91
Other financial assets	15	29,002	29,624
Other assets		4	4
TOTAL ASSETS		**676,933**	**514,452**
LIABILITIES			
Loans from banks and financial institutions	16	356,288	255,898
Advances received from customers	17	52,601	23,450
Debt securities in issue	18	114,656	103,127
Subordinated loans	19	49,676	42,184
Derivative financial Instruments	29	445	-
Other liabilities	20	6,511	11,091
TOTAL LIABILITIES		**580,177**	**435,750**
EQUITY			
Share capital	21	3,659	3,659
Additional paid-in capital	21	7,550	7,550
Retained earnings		85,547	67,493
TOTAL EQUITY		**96,756**	**78,702**
TOTAL LIABILITIES AND EQUITY		**676,933**	**514,452**

Chief Executive Officer
Gaioz Gogua

Chief Financial Officer
Nugzar Loladze

15 May 2025

The notes set out on pages 112 to 161 form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of Georgian Lari	Note	2024	2023
Finance income from lease receivables		91,465	71,837
Revenue from operating leasing		8	960
Interest expense		(37,710)	(30,485)
Direct leasing costs	24	(12,628)	(11,075)
Net lease income		**41,135**	**31,237**
Credit loss allowance for finance lease receivables	11	(3,055)	(2,000)
Net lease income after expected credit loss		**38,080**	**29,237**
Credit loss allowance for other financial assets	15	(3,181)	(4,570)
Revenue from sales of repossessed assets	14	7,747	12,678
Cost of sales of repossessed assets	14	(7,752)	(12,322)
Gain from release of repossessed assets	14	427	34
Gain / (Loss) on initial recognition of repossessed assets		(31)	1,141
Write-down of repossessed assets to net realizable value	14	(185)	(799)
Net losses from derivative financial instruments	29	(2,981)	(1,191)
Net gain from foreign exchange translation		2,389	957
Administrative and other operating expenses	25	(17,186)	(13,092)
Other income	22	5,727	4,655
PROFIT FOR THE YEAR		**23,054**	**16,728**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Losses on cash flow hedges	27	-	(1,091)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23,054**	**15,637**

The notes set out on pages 112 to 161 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

In thousands of Georgian Lari	Share capital	Additional Paid in Capital	Cash flow hedge reserve	Retained earnings	Total equity
Balance at 1 January 2023	**3,659**	**7,550**	**1,091**	**50,765**	**63,065**
Profit for the year	-	-	-	16,728	16,728
Other comprehensive income	-	-	(1,091)	-	(1,091)
Total Comprehensive Income	**-**	**-**	**(1,091)**	**16,728**	**15,637**
Balance at 31 December 2023	**3,659**	**7,550**	**-**	**67,493**	**78,702**
Profit for the year	-	-	-	23,054	23,054
Total Comprehensive Income	**-**	**-**	**-**	**23,054**	**23,054**
Dividends declared	-	-	-	(5,000)	(5,000)
Balance at 31 December 2024	**3,659**	**7,550**	**-**	**85,547**	**96,756**

The notes set out on pages 112 to 161 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

In thousands of Georgian Lari	Note	2024	2023
Cash flows from operating activities			
Cash receipts from lessees		234,626	195,984
Cash received from deposits (Due from banks)		94,064	33,110
Cash receipts from lessees before commencement		24,638	20,367
Cash receipts from sale of repossessed assets		8,644	14,668
Cash receipts from terminated lease contracts		2,717	1,876
Cash inflow / (outflow) from derivative financial instruments		(10,476)	2,527
Interest received from current account		4,379	4,095
Interest received from deposit		425	59
Cash paid for purchase of assets for financial leasing purposes		(309,084)	(241,537)
Cash paid for deposits (Due from banks)		(75,285)	(44,859)
Cash paid for direct leasing costs		(10,192)	(10,574)
Cash paid to employees		(8,812)	(6,010)
Cash paid for administrative and other operating expenses		(4,978)	(6,553)
Cash used in operating activities		**(49,334)**	**(36,847)**
Interest paid on loans from banks and financial institutions	26	(18,697)	(14,135)
Interest paid on debt securities issued	26	(13,449)	(17,092)
Interest paid on subordinated loans	26	(3,783)	(3,351)
Taxes paid other than income tax		(12,157)	(15,263)
Net cash used in operating activities		**(97,420)**	**(86,688)**
Cash flows from investing activities			
Purchase of property and equipment	12	(109)	(45)
Purchase of intangible assets	13	(1,048)	(908)
Net cash used in Investing activities		**(1,157)**	**(953)**
Cash flows from financing activities			
Proceeds from loans from banks and financial institutions	26	211,974	197,387
Proceeds from subordinated loans	26	5,548	11,805
Repayment of borrowings from banks and financial institutions	26	(112,991)	(155,894)
Dividends paid		(5,000)	-
Repayment of subordinated loans	26	-	(2,447)
Repayment of lease liabilities	26	(798)	(559)
Proceeds from debt securities in issue	26	11,633	50,282
Net cash from financing activities		**110,366**	**100,574**
Effect of exchange rate changes on cash and cash equivalents		(2,247)	(1,453)
Net increase in cash and cash equivalents		**9,542**	**11,480**
Cash and cash equivalents at the beginning of the year	6	57,326	45,846
Cash and cash equivalents at the end of the year	**6**	**66,868**	**57,326**

The notes set out on pages 112 to 161 form an integral part of these financial statements

1. INTRODUCTION

JSC TBC Leasing (the "Company") was incorporated in 2003 and is domiciled in Georgia. The Company is a joint stock company limited by shares and was set up in accordance with Georgian regulations and is registered by Vake-Saburtalo law court with identification number: 205016560.

Principal activity. The Company's principal business activity is providing finance and operating leases to companies and individuals within Georgia. The Company is the largest provider of a wide spectre of leasing products to more than 2,000 large, corporate, MSME and individual clients all across Georgia. The Company's products include financial and operating leases in agro, medical, construction, service, manufacturing and retail business sectors. The Company offers its products through various type of sales channels including parent bank, official representative dealerships, vendors and direct sales channels. The Company leases various types of assets, from industrial equipment and equipment used in information technology to vehicles, which are purchased from suppliers in Georgia and abroad. The Company is a partner of governmental agencies like Enterprise Georgia and Agricultural Projects' Management Agency (APMA), which provide subsidies to companies to assist the growth of their businesses. The Company employs over 170 permanent staff and operates head office and three retail branches.

The shareholder of the Company was JSC TBC Bank (the "Parent") with ownership interest 100 % as at 31 December 2024 and 2023. TBC Bank Group PLC is a public limited company incorporated in the United Kingdom. TBC Bank Group PLC held 99.88% of the share capital of JSC TBC Bank (hereafter the "Bank") as at 31 December 2024 (2023: 99.88%), thus representing the TBC Leasing's ultimate parent company. TBC Bank Group PLC and its subsidiaries is referred as "TBCG" or "Group".

As at 31 December 2024 and 31 December 2023 the TBC Bank Group PLC's shares were listed on London Stock Exchange and has no ultimate beneficial owner.

Registered address and place of business. The Company's registered office is located at 76m Chavchavadze Avenue, Tbilisi 0160, Georgia.

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

2. OPERATING ENVIRONMENT OF THE COMPANY

Overview: Georgia, where the Company conducts its operations, continues to exhibit characteristics typical of an emerging market. The legal, tax, and regulatory frameworks are evolving, with frequent changes and varying interpretations, reflecting Georgia's dynamic business environment. Amid global geopolitical shifts, supply chain disruptions, redirection of trade, and migration flows resulting from the ongoing Russian-Ukrainian conflict, Georgia has displayed considerable economic resilience.

Economic Performance: Despite the political turbulence in 2024, Georgia's economy has shown robust growth, with GDP expanding by 9.4% in the year, following growth rates of 10.6% in 2021, 11% in 2022, and 7.8% in 2023. This sustained expansion was largely driven by strong domestic consumption, a rebound in tourism, and robust real credit growth. However, foreign direct investments (FDI) and remittances saw a slight decline, as did migration-related inflows, which moderated their contribution to overall growth.

Geopolitical and Economic Risks: While the sources of economic inflows into Georgia remain diversified, the country remains vulnerable to both regional and global geopolitical and economic developments. Key risks continue to stem from the ongoing Russian-Ukrainian conflict, which could negatively affect the Georgian economy through trade disruptions, market volatility, and changes in foreign relations. Additionally, domestic political instability and heightened political tensions have exerted pressure on the Georgian Lari (GEL), tourism inflows, and FDI.

Georgia also faces risks from potential resurgent military conflicts in its breakaway regions under Russian occupation. Furthermore, global developments, such as the escalation of tensions in the Middle East or shifts in global oil markets, could affect Georgia's economic performance through factors like a stronger USD, elevated oil prices, and shifts in migration flows.

Migration Impact and Domestic Dynamics: In 2024, the impact of migration on economic growth began to moderate. While migration-related inflows were once a significant contributor to economic activity, this influence has decreased. However, migration still plays a noticeable role in shaping the Georgian economy, and a large outflow of migrants could negatively affect the business climate and economic performance. Conversely, any rapid resolution to regional conflicts or political tensions would likely lead to positive economic spillovers, including stronger growth rebounds in Russia and Ukraine, which could benefit Georgia.

2. OPERATING ENVIRONMENT OF THE COMPANY CONTINUED

Global Developments and Risks: The Georgian economy has thus far remained resilient in the face of heightened geopolitical risks and the ongoing fallout from Russia's invasion of Ukraine. However, the risk of more severe spillover effects remains, particularly in light of other global disruptions. Potential geopolitical shifts, regional conflicts, supply chain disruptions, and even health-related issues such as future pandemics could further destabilize Georgia's economy. The materialization of these risks could result in significant economic downturns, negatively affecting both the business environment and the Company's clientele.

Forecasting and Expected Credit Losses (ECL): For the measurement of expected credit losses (ECL), the Company continues to rely on credible forward-looking information, including macroeconomic forecasts. As is the case with any economic forecast, these projections carry a high degree of uncertainty, and the actual outcomes may significantly differ from those projected. The Company remains vigilant in monitoring key risk factors that could impact the economic landscape and financial stability in Georgia.

3. MATERIAL ACCOUNTING POLICIES

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by fair valuation of certain instruments as set out in policies below and in accordance with Law of Georgia on Accounting, Reporting and Auditing. The principal accounting policies applied in the preparation of these financial statements are set out below.

Going concern. The Board has fully reviewed the available information pertaining to the principal existing and emerging risks, strategy, financial health, profitability of operations, liquidity and solvency of the Company, and determined that the Company's business remains a going concern. The Director have not identified any material uncertainties that could threaten the going concern assumption and have a reasonable expectation that the Company has adequate resources to remain operational and solvent for the foreseeable future (which is, for this purpose, a period of 12 months from the date of approval of these financial statements).

Accordingly, the accompanying financial statements are prepared in line with the going concern basis of accounting.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 30.

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

3. MATERIAL ACCOUNTING POLICIES CONTINUED

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

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

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

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC (Amortised Cost) and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

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

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

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

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

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

3. MATERIAL ACCOUNTING POLICIES CONTINUED

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole change. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and for the exposures arising from lease commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

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

The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition.

- Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL").
- Stage 2: If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 27 for a description of how the Company determines when a SICR has occurred;
- Stage 3: If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 27.

ECL model is applied not only to investment in leases, but for other financial assets as well. Note 27 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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

Financial assets – modification. The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a lease when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes,

3. MATERIAL ACCOUNTING POLICIES CONTINUED

including determining whether a SICR has occurred. The Company also assesses whether the new lease or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

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

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

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Hedge Accounting. The objective of hedge accounting is to represent, the effect of risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (P&L) or other comprehensive income (OCI).

The requirements for hedge accounting are applied only if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged item;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements.

The hedging relationship meets all hedge effectiveness requirements if:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship, and
- the hedge ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Company actually hedges and the amount of the hedging instrument that the Company actually uses to hedge that amount of hedged item.

Following a comprehensive review of our risk management strategies and the risks applicable to our financial instruments, the Company has updated its hedge accounting practices effective from the 2023 financial year. This update ensures better alignment with our current risk management objectives and financial reporting standards.

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

3. MATERIAL ACCOUNTING POLICIES CONTINUED

on hand and balance with banks 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, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Due from Bank. Due from other banks include any placements with banks with original maturities of more than three months and restricted cash that are not available for use due to the restrictions placed on these balances.

Interest income on bank deposits. Interest income on bank deposits is recorded on an accrual basis using a contractual interest rate and includes income from bank deposits and current account placed in banks. Interest income on bank deposit is recognise as other income in the statement of profit and loss.

Inception of the lease. The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

Commencement of the lease term. The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

Finance lease receivables. Where the Company is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease by applying the rate implicit in the lease. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded profit or loss.

Credit loss allowance is recognised in accordance with the general ECL model. The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Operating leases. Where the Company is a lessor in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the Company to the lessee, the lease payments receivables are recognised as rental income on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option. Accounting policy for the assets under operating lease is defined in property and equipment below.

Accounting for leases by the Company as a lessee. The Company's leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

3. MATERIAL ACCOUNTING POLICIES CONTINUED

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

As an exception to the above, the Company accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight-line basis.

In determining the lease term, management of the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Advances towards leasing contracts. Advances towards leasing contracts are advance payments for purchase of leasing assets, which are transferred into finance lease receivable at the commencement date of the leasing contract.

Receivables from terminated leases. The Company recognises outstanding exposure as receivables from terminated contracts at the moment of lease contract termination. Receivables are accounted for at amortised cost.

Loans issued to lessees. Receivables from terminated leases are reclassified to loans issued to lessees in certain cases when the receivable becomes overdue and there is an agreement between the former lessee and the Company on payment of principal amount together with interest charged. Loans are recognised initially at cost of receivable less ECL and subsequently at amortised cost less ECL.

Prepayments. Prepayments primarily comprise advances paid for insurance of leased assets, assets intended for operating leases and other prepayments. Prepayments are accounted for at cost less provision for impairment. If the recoverable amount of prepayment is less than its carrying amount, the carrying amount of prepayment is reduced to its recoverable value. The difference being an impairment loss is recognized as an expense in the profit or loss for the year in which it arises. Impairment of prepayments is assessed on an individual basis.

Other receivables. Other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method less the loss allowance determined applying the expected credit losses model

Assets Repossessed from Terminated Leases. Assets returned as a result of termination of finance and operating lease contracts are considered as assets, which can be sold or leased again. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term. For finance lease contracts the Company determines the fair value of these assets at the date of termination of the respective lease contract based on a valuation performed by an internal appraiser. The Company determines net realisable value at reporting date as the estimated selling price less all estimated costs necessary to make the sale. The fair value and selling price is determined by the internal or external appraisers using market comparison, cost or revenue approaches.

Property and equipment. Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

At each reporting date management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the statement of profit or loss and other comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Accounting for vehicles leased out under operating lease at the time of termination is described in Note 3, Assets repossessed from terminated lease paragraph. The gain or loss arising from the derecognition of an item of property, plant and equipment are included in profit or loss.

3. MATERIAL ACCOUNTING POLICIES CONTINUED

Depreciation. Land is not depreciated. Depreciation of property and equipment is calculated, using declining balance method to allocate their cost to their residual values over their estimated useful life, except for vehicles leased out under operating leases, which uses straight-line method. Estimated useful lives are presented in table below:

	Years
Computers and office equipment	5
Vehicles and vehicles leased out under operating lease	5
Furniture and fixtures	5
Leasehold improvements	6.5
Right of use assets	3

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Intangible Assets. Company's intangible assets have definite useful lives and primarily include capitalised computer software and licences.

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the entity are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives:

	Years
Leasing ERP software	10
Other intangible assets	5-7

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Advances received from customers. Advances from lessees represent payments received prior to the commencement of the lease term and are accounted for at amortised cost. Such advances are netted off with finance lease receivable at the due date of the first lease payment by the customer.

Other liabilities. Trade and other payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

Loans from banks and financial institutions. Loans from banks are initially recognized at fair value. Subsequently amounts due are stated at amortized cost using the effective interest rate method.

Subordinated loans. Subordinated loans include long-term loans from banks and are carried at amortized cost using the effective interest rate method. The repayment of subordinated loans ranks after all other creditors in case of liquidation.

Debt securities in issue. Debt securities in issue include bonds issued by the Company. Debt securities are stated at amortized cost. If the Company purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Provisions. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

3. MATERIAL ACCOUNTING POLICIES CONTINUED

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both 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. Any excess of the fair value of consideration received over the par value of shares issued is recorded as an Additional paid-in capital.

Contingencies. Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Derivative financial instruments. Derivative financial instruments are carried at their fair value. The Company also enters into offsetting deposits with its counterparty banks to exchange currencies. Such deposits, while legally separate, are aggregated and accounted for as a single derivative financial instrument (currency swap) on a net basis where (i) the deposits are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they relate to the same risk, and (iv) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period.

On 13 May 2016 the Government of Georgia enacted the changes in the Tax Code of Georgia whereby companies (other than banks, credit unions, insurance companies, microfinance organizations and pawn shops) do not have to pay income tax on their profit earned since 1 January 2017, until that profit is distributed or deemed distributed in a form of dividend.

The income tax at 15% is payable on gross up value (i.e. net dividends shall be grossed up by withholding tax 5%, if applicable, and divided by 0.85) at the moment of the dividend payment to individuals or to non-resident legal entities. Dividends paid to resident legal entities from the profits earned since 1 January 2017 are tax exempted.

Dividends on earnings accumulated during the period from 1 January 2008 to 1 January 2017 is subject to income tax on grossed up value, reduced by respective tax credit calculated as a share of corporate income tax declared and paid on taxable profits vs total net profits for the same period multiplied to the dividend to be distributed. However, tax credit amount should not exceed the actual income tax imposed on dividend distribution.

Income tax arising from distribution of dividends is accounted for as an income tax expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

In addition to the distribution of dividends, the tax is still payable on expenses or other payments incurred not related to economic activities, free delivery of assets or services and representation costs that exceed the maximum amount determined by the Tax Code of Georgia. All advances paid to entities registered in jurisdictions having preferential tax regime and other certain transactions with such entities as well as loans granted to individuals or non-residents are immediately taxable. Such taxes along with other taxes, net of tax credits claimed on assets or services received in exchange for the advances paid to entities registered in jurisdictions having preferential tax regime or recovery of loans granted to individuals or non-residents, are recorded under Taxes other than on income within operating expenses.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

Value added taxes ("VAT"). Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis.

Value-added taxes related to down payments of leases are accounted as the advances received from customers, respective VAT amounts are transferred to VAT payable at the leasing commencement date.

3. MATERIAL ACCOUNTING POLICIES CONTINUED

Recognition of income and expenses. Income and expenses are recognized on an accrual basis calculated using the effective yield method. Loan origination fees paid on borrowings and loans received, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loan's effective yield. Commission income/expenses are recognized on an accrual basis.

Foreign currency translation. The Company's functional and presentation currency is the national currency of Georgia, Georgian Lari ("GEL"). Monetary assets and liabilities denominated in foreign currencies are translated into Georgian Lari at the appropriate spot rates of exchange ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

At 31 December 2024 the closing rate of exchange used for translating foreign currency balances was USD 1 = GEL 2.8068 (2023: USD 1 = GEL 2.6894); EUR 1 = GEL 2.9306 (2023: EUR 1 = GEL 2.9753).

Staff costs and related contributions. Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits as well as the cash settled part of the share-based payment schemes are accrued in the year, in which the associated services are rendered by the employees of the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements and estimates that have the most significant effect on the amounts recognised in the financial statement and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities are the following:

ECL measurement. Measurement of ECLs is a significant estimate that involves forecasting future economic conditions, longer the term of forecasts more management judgment is applied and those judgements may be the source of uncertainty. Details of ECL measurement methodology are disclosed in Note 27. The following components have a major impact on credit loss allowance: definition of default, definition of significant increase in credit risk (SICR), probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as well as macro-economic scenarios used in order to calculate forward looking information (FLI) adjustment. The Company regularly reviews and validates these scenarios to reduce any differences between Probability of default (PD) and Loss given default (LGD) parameters, which are one of the key drivers of expected credit losses.

Judgements used to define criteria used in definition of default. The Company defines default using both quantitative and qualitative criteria. A client is classified as defaulted if: any amount of contractual repayments is past due more than 90 days, if exposure had been classified as distressed restructuring, or in case of individually assessed clients, there are other factors indicating unlikeliness-to-pay. For more details on the methodology, please see Note 27.

Judgements used to define SICR. Criteria for assessing if there has been a significant increase in credit risk (SICR) represent: exposure past due of more than 30 days, restructured exposures other than distressed, and probation period of previously defaulted exposures. For more details on the methodology please see Note 27.

The effects of respective sensitivity analysis of finance lease receivable ECL are described below:

In thousands of Georgian Lari	**2024**	**2023**
10% increase (decrease) in PD estimates	PD Increase (decrease) credit loss allowance on leases by GEL 656 thousand (GEL 671 thousand)	PD Increase (decrease) credit loss allowance on leases by GEL 470 thousand (GEL 481 thousand)
10% increase (decrease) in LGD estimates	LGD Increase (decrease) credit loss allowance on leases by GEL 888 thousand (GEL 888 thousand)	LGD Increase (decrease) credit loss allowance on leases by GEL 776 thousand (GEL 776 thousand)
10% deterioration (improvement) in FLI estimates	Increase (decrease) credit loss allowance on leases by GEL 655 thousand (GEL 670 thousand)	Increase (decrease) credit loss allowance on leases by GEL 443 thousand (GEL 450 thousand)

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following amended standards became effective from 1 January 2024

The adoption of new pronouncements had no impact on the Company, or the impact was insignificant enough that disclosure was not required.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements.

The Company has not early adopted any of the amendments effective after 31 December 2024. The Company expects the amendments will have an insignificant effect.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS CONTINUED

On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

(a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
(b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
(c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
(d) Update the disclosures for equity instruments designated at fair value through other comprehensive income (FVTOCI).

The Company is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026). IFRS 1 was clarified that a hedge should be discontinued upon transition to IFRS Accounting Standards if it does not meet the 'qualifying criteria', rather than 'conditions' for hedge accounting, in order to resolve a potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9. IFRS 7 requires disclosures about a gain or loss on derecognition relating to financial assets in which the entity has a continuing involvement, including whether fair value measurements included 'significant unobservable inputs. This new phrase replaced reference to 'significant inputs that were not based on observable market data'. The amendment makes the wording consistent with IFRS 13. In addition, certain IFRS 7 implementation guidance examples were clarified and text added that the examples do not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7. IFRS 16 was amended to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9 guidance to recognise any resulting gain or loss in profit or loss. This clarification applies to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. In order to resolve an inconsistency between IFRS 9 and IFRS 15, trade receivables are now required to be initially recognised at 'the amount determined by applying IFRS 15' instead of at 'their transaction price (as defined in IFRS 15)'. IFRS 10 was amended to use less conclusive language when an entity is a 'de-facto agent' and to clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de-facto agent. IAS 7 was corrected to delete references to 'cost method' that was removed from IFRS Accounting Standards in May 2008 when the IASB issued amendment 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'. The Company is currently assessing the impact of the amendments on its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information.

The Company expects the amendments will have an insignificant effect, when adopted.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027). The International Accounting Standard Board (IASB) has issued a new IFRS Accounting Standard for subsidiaries. IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures.

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS CONTINUED

Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. Subsidiaries using IFRS Accounting Standards for their own financial statements provide disclosures that maybe disproportionate to the information needs of their users. IFRS 19 will resolve these challenges by:

- enabling subsidiaries to keep only one set of accounting records – to meet the needs of both their parent company and the users of their financial statements;
- reducing disclosure requirements – IFRS 19 permits reduced disclosure better suited to the needs of the users of their financial statements.

IFRS 19 will not have impact as the Company is not eligible to apply it.

Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 1 January 2026). The IASB has issued amendments to help companies better report the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements (PPAs). Current accounting requirements may not adequately capture how these contracts affect a Company's performance. To allow companies to better reflect these contracts in the financial statements, the IASB has made targeted amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures. The amendments include: (a) clarifying the application of the 'own-use' requirements; (b) relaxing certain hedge accounting requirements if these contracts are used as hedging instruments; and (c) adding new disclosure requirements to enable investors to understand the effect of these contracts on financial performance and cash flows. The Company is currently assessing the impact of the amendments on its financial statements.

6. CASH AND CASH EQUIVALENTS

In thousands of Georgian Lari	31 December 2024	31 December 2023
Current accounts with banks	66,868	57,326
Cash and cash equivalents	**66,868**	**57,326**

At 31 December 2024, cash and cash equivalents of GEL 44,059 thousand (2023: GEL 29,116 thousand) are held on the Company's current accounts with JSC TBC Bank, included in cash balance GEL 1,492 thousand (2023: GEL 15,064 thousand), which is blocked for short-term loan.

The credit quality of cash and cash equivalents balances may be summarized as follows at 31 December:

In thousands of Georgian Lari	31 December 2024	31 December 2023
Current accounts with banks with "BB-" to "BB+" rating	53,824	42,538
Current accounts with banks with "B-" to "B+" rating	13,030	14,786
Current accounts with banks unrated	14	2
Cash and cash equivalents	**66,868**	**57,326**

As of 31 December 2024, GEL 20,637 thousand cash balances (2023: GEL 14,975 thousand) were pledged as collateral for loans obtained from banks and financial institutions.

The information on related party balances and transactions is disclosed in Note 33.

Investing and financing transactions that did not require the use of cash and cash equivalents, and were excluded from the statement of cash flows are as follows:

In thousands of Georgian Lari	31 December 2024	31 December 2023
Recognition of right of use assets against lease liabilities	99	899
Non-cash investing activities	**99**	**899**

In thousands of Georgian Lari	31 December 2024	31 December 2023
Initial recognition of lease liabilities	99	899
Non-cash financing activities	**99**	**899**

7. DUE FROM BANKS

In thousands of Georgian Lari	31 December 2024	31 December 2023
Placements with banks with original maturities of more than three months	-	10,000
Due from banks	**-**	**10,000**

As of 31 December 2024, nil (2023: GEL 10,000 thousand) Due from Banks were pledged as collateral for loans obtained from banks and financial institutions.

Refer to Note 16 for the loans from bank and financial institutions. The information on related party balances and transactions is disclosed in Note 33.

8. PREPAYMENTS

In thousands of Georgian Lari	31 December 2024	31 December 2023
Prepaid insurance for leasing assets	4,050	3,008
Other prepayments	78	78
Total prepayments	**4,128**	**3,086**

9. TAX ASSETS

As of December 2024 tax assets amounted GEL 2,559 thousand (2023: GEL 5,654 thousand), mainly comprised from VAT assets. In general company accounts for VAT, property and Personal income tax, last two are mainly accrued and repaid in such way that no significant balance is accumulated. In general VAT are payable to tax authorities on the earlier of (a) collection of receivables or advances from customers or (b) delivery of goods and services, and as a rule December is the relatively active month in terms of new lease generation, so Company has to pay VAT on advances received from leases, which creates material balance of VAT assets at year end. It should be mentioned that material balance of VAT assets mainly arises at the end of high lease disbursement periods and are on the balance sheet only up to commencement of the respective lease.

10. ADVANCES TOWARDS LEASING CONTRACTS

Advances towards leasing contracts comprised GEL 119,196 thousand as at 31 December 2024 (2023: GEL 27,191 thousand). These advances typically give rise to finance lease receivables within one to three months after the reporting date and are therefore primarily classified as current.

However depending on the type of leased asset, certain advances may relate to lease arrangements that commence over a longer-term horizon. In such cases, these advances may be classified as non-current.

As at 31 December 2024, advances towards leasing contracts in the amount of GEL 117,324 thousand (2023: GEL 51,861 thousand) have been pledged as collateral for loans from banks and financial institutions. For further information, see Note 16.

11. FINANCE LEASE RECEIVABLES

Gross investment in finance lease and finance lease receivables are as follows:

In thousands of Georgian Lari	31 December 2024	31 December 2023
Gross investment in finance lease	610,260	515,747
Unearned finance income	(164,395)	(139,692)
Finance lease receivables, Gross	**445,865**	**376,055**
Credit loss allowance	(9,301)	(7,768)
Finance lease receivables	**436,564**	**368,287**

11. FINANCE LEASE RECEIVABLES CONTINUED

The table below present the gross investments in finance lease according to maturity:

In thousands of Georgian Lari	**Due in 1 year**	**Due between 1 and 2 year**	**Due between 2 and 3 year**	**Due between 3 and 4 year**	**Due between 4 and 5 year**	**Due in 5 year or more**	**Total**
Gross investment in finance lease as at 2023	168,823	119,340	70,111	47,313	32,911	77,249	**515,747**
Unearned finance income	(45,432)	(31,380)	(19,548)	(12,940)	(8,333)	(22,059)	**(139,692)**
Credit loss allowance	(2,489)	(1,791)	(1,071)	(728)	(520)	(1,169)	**(7,768)**
Finance lease receivables as at December 2023	**120,902**	**86,169**	**49,492**	**33,645**	**24,058**	**54,021**	**368,287**
Gross investment in finance lease as at 2024	201,435	125,934	84,932	62,610	41,886	93,463	**610,260**
Unearned finance income	(49,218)	(40,982)	(24,703)	(16,687)	(10,583)	(22,222)	**(164,395)**
Credit loss allowance	(3,163)	(1,776)	(1,259)	(960)	(654)	(1,489)	**(9,301)**
Finance lease receivables as at December 2024	**149,054**	**83,176**	**58,970**	**44,963**	**30,649**	**69,752**	**436,564**

The Company has no contractual amount outstanding on finance lease receivables, which was written off during the 2024 and 2023 reporting period and is still subject to enforcement activity.

The following tables disclose the changes in the credit loss allowance and gross carrying amount carried at amortised cost between the beginning and the end of the reporting period. Below main movements in the table are described:

- Transfers occur between Stage 1, 2 and 3, due to significant increases (or decreases) of credit risk or exposures becoming defaulted in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL
- New originated or purchased gives us information regarding gross leases issued and corresponding credit loss allowance created during the period (however, exposures which were issued and repaid during the period and issued to refinance existing ones are excluded);
- Derecognised during the period refers to the balance of leases and credit loss allowance at the beginning of the period, which were fully repaid during the period.
- Partial repayments refer to the net changes in gross carrying amounts, which is lease disbursements less repayments, excluding loans that were fully repaid;
- Changes to ECL measurement model assumptions due to stage transfers and risk parameters changes refers to the movements in ECL as a result of transfer of exposure between stages or changes in risk parameters and forward looking expectations;
- Foreign exchange movements refer to the translation of assets denominated in foreign currencies;
- Write-offs refer to write off of leases during the period;
- Other movements include accrued interest, penalties and modifications

11. FINANCE LEASE RECEIVABLES CONTINUED

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	Stage 1 (12 - months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12 - months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
At 31 December 2023	**2,916**	**2,054**	**2,798**	**7,768**	**319,749**	**38,670**	**17,636**	**376,055**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	440	(382)	(58)	**-**	4,054	(3,892)	(162)	**-**
– to lifetime (from Stage 1 and Stage 3 to Stage 2)	(442)	1,026	(584)	**-**	(34,771)	37,493	(2,722)	**-**
– to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(35)	(339)	374	**-**	(22,847)	4,649	18,198	**-**
New originated or purchased	2,342	1,176	63	**3,581**	229,246	-	-	**229,246**
Derecognised during the period	(732)	(1,197)	(1,730)	**(3,659)**	(79,207)	(20,077)	(12,273)	**(111,557)**
Partial repayment	-	-	-	**-**	(41,740)	(2,860)	(643)	**(45,243)**
Movements without impact on credit loss allowance charge for the period:								
Foreign currency effect	(157)	67	52	**(38)**	1,935	282	494	**2,711**
Changes due to change in credit quality	(245)	1,127	767	**1,649**	-	-	-	**-**
Other movements	-	-	-	**-**	(13,501)	8,545	(391)	**(5,347)**
At 31 December 2024	**4,087**	**3,532**	**1,682**	**9,301**	**362,918**	**62,810**	**20,137**	**445,865**

11. FINANCE LEASE RECEIVABLES CONTINUED

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	Stage 1 (12 - months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12 - months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
At 31 December 2022	**3,655**	**1,462**	**2,564**	**7,681**	**237,281**	**34,689**	**18,175**	**290,145**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	255	(157)	(98)	-	4,109	(3,459)	(650)	-
– to lifetime (from Stage 1 and Stage 3 to Stage 2)	(420)	460	(40)	-	(28,268)	30,825	(2,557)	-
– to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(262)	(337)	599	-	(12,428)	(4,989)	17,417	-
New originated or purchased	1,655	505	387	**2,547**	210,676	-	-	**210,676**
Derecognised during the period	(1,169)	(653)	(1,515)	**(3,337)**	(60,815)	(12,995)	(9,869)	**(83,679)**
Partial repayment	-	-	-	-	(26,654)	(11,758)	(8,503)	**(46,915)**
Movements without impact on credit loss allowance charge for the period:								
Foreign currency effect	13	14	10	**37**	1,015	338	36	**1,389**
Write-offs	(811)	760	891	**840**	-	-	-	-
Other movements	-	-	-	-	(5,167)	6,019	3,587	**4,439**
At 31 December 2023	**2,916**	**2,054**	**2,798**	**7,768**	**319,749**	**38,670**	**17,636**	**376,055**

The Company normally structures its finance lease contracts so that the lessee makes a minimum prepayment of 20% of the equipment purchase price at the inception of the lease term. The Company holds title to the leased assets during the lease term. The title to the asset under finance lease contract is transferred to the lessees at the end of the contractual term subject to full payment of lease obligations. Generally, the lease terms are up to five years.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral obtained are:

- Leased assets
- Down payment
- Real estate properties

The financial effect of collateral is presented by disclosing the collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the assets' carrying value ("over-collateralized assets") and (ii) those assets where collateral and other credit enhancements are less than the assets' carrying value ("under-collateralized assets").

11. FINANCE LEASE RECEIVABLES CONTINUED

The effect of collateral at 31 December 2024:

	Over-Collateralised assets		Under-Collateralised assets	
In thousands of Georgian Lari	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Finance lease receivables	332,351	525,040	113,514	80,983

The effect of collateral at 31 December 2023:

	Over-Collateralised assets		Under-Collateralised assets	
In thousands of Georgian Lari	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Finance lease receivables	281,478	419,188	94,577	78,262

As at 31 December 2024, credit quality of finance lease receivables is analysed below:

In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Finance lease receivables risk category				
– Very Low	341,634	-	-	**341,634**
– Low	21,284	8,735	-	**30,019**
– Moderate	-	47,877	-	**47,877**
– High	-	6,198	-	**6,198**
– Default	-	-	20,137	**20,137**
Gross carrying amount	**362,918**	**62,810**	**20,137**	**445,865**
Credit loss allowance	(4,087)	(3,532)	(1,682)	**(9,301)**
Carrying amount	**358,831**	**59,278**	**18,455**	**436,564**

11. FINANCE LEASE RECEIVABLES CONTINUED

As at 31 December 2023, credit quality of finance lease receivables is analysed below:

In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Finance lease receivables risk category				
– Very Low	255,318	-	-	**255,318**
– Low	64,431	9,637	-	**74,068**
– Moderate	-	17,525	-	**17,525**
– High	-	11,508	-	**11,508**
– Default	-	-	17,636	**17,636**
Gross carrying amount	**319,749**	**38,670**	**17,636**	**376,055**
Credit loss allowance	(2,916)	(2,054)	(2,798)	**(7,768)**
Carrying amount	**316,833**	**36,616**	**14,838**	**368,287**

As at 31 December 2024, a portion of the net investment in leases in the amount of GEL 245,585 thousand (2023: GEL 222,060 thousand) has been pledged as collateral for loans from banks and financial institutions. For further details, refer to Note 16.

12. PROPERTY AND EQUIPMENT

In thousands of Georgian Lari	**Land**	**Prem-ises**	**Computer and office equipment**	**Furni-ture and Fixtures**	**Vehi-cles**	**Vehi-cles for Fleet***	**Leasehold improve-ment**	**Right of use Assets**	**Total**
Cost at 1 January 2023	23	7	509	517	351	4,129	201	1,758	**7,495**
Accumulated depreciation	-	(4)	(272)	(291)	(198)	(2,314)	(65)	(948)	**(4,092)**
Carrying amount at 1 January 2023	**23**	**3**	**237**	**226**	**153**	**1,815**	**136**	**810**	**3,403**
Additions	-	-	107	94	-	-	242	899	**1,342**
Disposals	-	-	-	-	(35)	(3,679)	-	-	**(3,714)**
Depreciation charge	-	-	(67)	(53)	(48)	(424)	(38)	(308)	**(938)**
Elimination of accumulated depreciation on disposals and transfers	-	-	21	-	26	2,375	5	772	**3,199**
Carrying amount at 31 December 2023	**23**	**3**	**298**	**267**	**96**	**87**	**345**	**2,173**	**3,292**
Cost at 31 December 2023	23	7	616	611	316	450	443	2,657	**5,123**
Accumulated depreciation	-	(4)	(318)	(344)	(220)	(363)	(98)	(484)	**(1,831)**
Carrying amount at 31 December 2023	**23**	**3**	**298**	**267**	**96**	**87**	**345**	**2,173**	**3,292**
Additions	-	-	121	95	239	-	93	99	**647**
Disposals	-	-	-	-	-	(447)	-	-	**(447)**
Depreciation charge	-	-	(71)	(54)	(68)	(5)	(54)	(622)	**(874)**
Elimination of accumulated depreciation on disposals and transfers	-	-	-	-	14	365	-	278	**657**
Carrying amount at 31 December 2024	**23**	**3**	**348**	**308**	**281**	**-**	**384**	**1,928**	**3,275**
Cost at 31 December 2024	23	7	737	706	555	3	536	2,756	**5,323**
Accumulated depreciation	-	(4)	(389)	(398)	(274)	(3)	(152)	(828)	**(2,048)**
Carrying amount at 31 December 2024	**23**	**3**	**348**	**308**	**281**	**-**	**384**	**1,928**	**3,275**

* Vehicles for operating leasing

The right of use assets includes offices of the Company.

13. INTANGIBLE ASSET

In thousands of Georgian Lari	Leasing ERP Software	Other intangible assets	Total
Carrying amount at 1 January 2023	**2,823**	**6**	**2,829**
Additions	991	79	**1,070**
Amortization charge	(310)	(37)	**(347)**
Carrying amount at 31 December 2023	**3,504**	**48**	**3,552**
Cost at 31 December 2023	4,346	109	**4,455**
Accumulated amortisation	(842)	(61)	**(903)**
Carrying amount at 31 December 2023	**3,504**	**48**	**3,552**
Additions	865	36	**901**
Amortization charge	(388)	(48)	**(436)**
Carrying amount at 31 December 2024	**3,981**	**36**	**4,017**
Cost at 31 December 2024	5,211	145	**5,356**
Accumulated amortisation	(1,230)	(109)	**(1,339)**
Carrying amount at 31 December 2024	**3,981**	**36**	**4,017**

14. ASSETS REPOSSESSED FROM TERMINATED LEASES

In thousands of Georgian Lari	31 December 2024	31 December 2023
Carrying value at the beginning of the year	**2,935**	**17,766**
Assets repossessed from terminated leases	16,528	12,816
Disposal through sales from financial leases	(7,752)	(15,701)
Disposal through transfer to new financial leases	(7,093)	(11,134)
Write down to net realizable value	(185)	(799)
Other movement	-	(13)
Carrying amount at the end of the year	**4,433**	**2,935**

Gain from sale or release of repossessed assets comprised GEL 422 thousand and GEL 390 thousand for 2024 and 2023 years respectively.

15. OTHER FINANCIAL ASSETS

Private and legal entities, which incurred financial or operational difficulties are subject to termination and their balances are transferred from finance lease receivable to other financial assets. Only those who fulfil their obligations are derecognized from other financial assets balance.

In 2024, based on Business model and accumulated data the Company made a slight change to the financial asset provisioning methodology, from using individual LGDs calculated per contract according to specific asset valuation amounts, it was decided to use portfolio based statistical LGDs. In case of termination, LGD increases to 100% after recovery horizon is past and asset is not repossessed in both approaches: .

In thousands of Georgian Lari	31 December 2024	31 December 2023
Gross receivables from terminated lease	53,915	58,945
Less: Credit loss allowance for receivables from terminated leases	(29,613)	(34,297)
Total carrying amount of receivable from terminated leases at AC	**24,302**	**24,648**
Gross other receivables	4,994	5,624
Less: Credit loss allowance for other receivables	(1,900)	(1,966)
Total carrying amount of other receivables at AC	**3,094**	**3,658**
Gross loans issued to lessees	2,770	2,684
Less: Credit loss allowance for loans issued to lessees	(1,164)	(1,366)
Total carrying amount of loans issued to lessees at AC	**1,606**	**1,318**
Total other financial assets	**29,002**	**29,624**

15. OTHER FINANCIAL ASSETS CONTINUED

Presentation of other financial assets gross carrying amount and credit loss allowance by IFRS 9 stages are as follows, where other movements include repossession of terminated assets, as well as origination of other financial assets except transfers from finance lease receivables:

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	Stage 1 (12 - months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12 - months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
At 31 December 2023	**-**	**-**	**37,629**	**37,629**	**-**	**-**	**67,253**	**67,253**
Movements with impact on credit loss allowance charge for the period:								
Transferred from finance lease receivables	-	-	3,599	**3,599**	-	-	17,057	**17,057**
Derecognised during the period	-	-	(8,033)	**(8,033)**	-	-	(11,075)	**(11,075)**
Changes due to change in credit quality	-	-	1,852	**1,852**	-	-	2,685	**2,685**
Other movements	-	-	(2,370)	**(2,370)**	-	-	(14,241)	**(14,241)**
At 31 December 2024	**-**	**-**	**32,677**	**32,677**	**-**	**-**	**61,679**	**61,679**

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	Stage 1 (12 - months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12 - months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
At 31 December 2022	**-**	**-**	**28,015**	**28,015**	**-**	**-**	**38,291**	**38,291**
Movements with impact on credit loss allowance charge for the period:								
Transferred from finance lease receivables	-	-	8,250	**8,250**	-	-	30,708	**30,708**
Derecognised during the period	-	-	(1,712)	**(1,712)**	-	-	(1,712)	**(1,712)**
Changes due to change in credit quality	-	-	4,104	**4,104**	-	-	5,845	**5,845**
Partial repayment	-	-	(1,028)	**(1,028)**	-	-	(5,879)	**(5,879)**
At 31 December 2023	**-**	**-**	**37,629**	**37,629**	**-**	**-**	**67,253**	**67,253**

16. LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

The table below represents loans from banks and financial institutions:

In thousands of Georgian Lari	31 Dec 2024	31 Dec 2023
Loans from foreign banks and financial institutions	**306,880**	**201,809**
Georgian Laris	77,407	21,375
US Dollars	61,900	59,860
Euros	167,573	120,574
Loans from local banks and financial institutions	**49,408**	**54,089**
Georgian Laris	-	30,053
US Dollars	49,408	24,036
Total loans from banks and financial institutions	**356,288**	**255,898**

Loans from banks and financial institutions are secured by certain cash and cash equivalents, certain leases receivable and advances towards leasing contracts as detailed in Note 6, 10 and 11. The amount of net investment in leases pledged as collateral comprised GEL 245,585 thousand (2023: GEL 222,060 thousand), the amount of advances towards leasing contracts pledged as collateral comprised GEL 117,324 thousand (2023: GEL 51,861 thousand), as well as the amount of cash and cash equivalents pledged as collateral comprised GEL 20,637 thousand (2023: GEL 14,975 thousand).

The Company is obliged to comply with certain financial covenants stipulated by the loan agreements. All covenants were in compliance as of December 2024 and 2023.

Refer to Note 30 for the estimated fair value of loans from banks and financial institutions. The information on related party balances and transactions is disclosed in Note 33.

17. ADVANCES RECEIVED FROM CUSTOMERS

Advances from customers that were outstanding at the year-end comprised GEL 52,601 thousand as at 31 December 2024 (2023: GEL 23,450 thousand). By defaults the Company requires customers to pay in advance at least 20% of total cost of the leased asset. These amounts are collected from the Company's customers in advance upon signing of the lease agreements and are used for financing part of lease asset value during its acquisition and maintained as buffer until the leased assets are transferred to the customer. Subsequent to physical transfer of the leased assets, the amounts received from customers as advances are credited against net investment in lease receivable from the same customer. GEL 50,673 thousand as at 31 December 2024 (2023: GEL 21,484 thousand) represents security deposit received from customers in advance, while the remaining part of balance is lease payments received in advance and advances received for sale of repossessed assets.

18. DEBT SECURITIES IN ISSUE

In thousands of Georgian Lari	Currency	Maturity date	31 December 2024	31 December 2023
Bonds issued on domestic market	GEL	Mar – June 2026	114,656	103,127
Total debt securities in issue			**114,656**	**103,127**

As of 31 December 2024, the debt securities in issue have a coupon rate of 10.99% (2023: 13.71%) and an effective interest rate of 11.03% based on their issue price, net of transaction costs.

As at 31 December 2024 accrued interest payable included in debt security in issue amounted to GEL 331 thousand (2023: GEL 350 thousand).

Debt security in Issue are secured by certain leases receivable and advances towards leasing contracts as detailed in Note 10 and 11. The amount of gross investment in leases pledged as collateral comprised GEL 122,831 thousand (2023: GEL 114,415 thousand), the amount of advances towards leasing contracts pledged as collateral comprised GEL 8,597 thousand (2023: GEL 1,024 thousand).

Refer to Note 30 for the estimated fair value of debt security in issue. The information on related party balances and transactions is disclosed in Note 33. Additionally, information on events after reporting period is disclosed in Note 34.

19. SUBORDINATED LOANS

In thousands of Georgian Lari	Currency	Interest rates	Maturities	31 December 2024	31 December 2023
Subordinated bonds	USD	9.0%	31.Mar.28	18,424	17,613
Subordinated loans from financial institutions	USD	9.5%	31.Mar.28	16,985	16,241
Subordinated loans from TBC	USD	9.0%	15.Apr.28	8,704	8,330
Subordinated bonds	USD	9.3%	15.Jan.30	5,563	-
Total Subordinated Loans				**49,676**	**42,184**

As at 31 December 2024, accrued interest payable included in subordinated loans amounted to GEL 445 thousand (2023: GEL 741 thousand).

Refer to Note 30 for the estimated fair value of subordinated loans. The information on related party balances and transactions is disclosed in Note 33. Additionally, information on events after reporting period is disclosed in Note 34.

20. OTHER LIABILITIES

In thousands of Georgian Lari	31 December 2024	31 December 2023
Lease liabilities	2,168	2,270
Liabilities to asset providers	1,821	5,348
Liabilities to service providers	605	1,627
Accrued expenses	253	227
Other liabilities	69	105
Total other financial liabilities	**4,916**	**9,577**
Bonuses payable	1,595	1,514
Total other non-financial liabilities	**1,595**	**1,514**
Total other liabilities	**6,511**	**11,091**

20. OTHER LIABILITIES CONTINUED

Liabilities to assets providers represent accounts payable balance for assets received for leasing purposes.

Bonuses payable are short-term by their nature. The current and non-current portion of other financial liability is presented in Note 27.

The table below represents the maturity of lease liabilities as of 31 December 2024 and 2023 respectively:

In thousands of Georgian Lari	**2024**	**2023**
Up to 1 month	52	42
1 month to 3 months	104	85
3 months to 1 year	159	407
1 year to 5 years	1,854	1,736
Total Lease Liabilities	**2,169**	**2,270**

21. SHARE CAPITAL

The share capital of the Company as at 31 December 2024 was GEL 3,659 thousand (2023: GEL 3,659 thousand). In December 2019 the Company issued GEL 600 thousand ordinary shares with the face value of 1,000 GEL each and issue price of 10,000 GEL per share. As at 31 December 2024 the total number of authorised, issued and paid shares comprised 3,659 common shares with par value of GEL 1,000 each. Each share carries one vote. There was no movement on share capital during 2024 and 2023 years.

In accordance with the Law of Entrepreneurs of Georgia, the Company hereby declares that its share capital fully represents the subscribed capital, amounting to GEL 3,659 thousand as at 31 December 2024 (2023: GEL 3,659 thousand).

Additional paid-in capital amounted to GEL 7,550 thousand as at 31 December 2024 and 2023 and is an excess of the fair value of the consideration received over the par value of shares issued.

In November 2024, the Company declared and paid dividends in the amount of GEL 5,000 thousand to its shareholder.

22. OTHER INCOME

In thousands of Georgian Lari	**2024**	**2023**
Interest income on bank deposits	3,892	3,577
Sundry income	846	140
Reimbursement from insurer	793	700
Income from discounts	109	78
Income from capitalization of other services	59	-
Income from conciliations	28	160
Other income	**5,727**	**4,655**

Interest income on bank deposits are calculated using effective interest method

23. SEGMENT ANALYSIS

Operating segments are components that engage in business activities that may earn revenues or incur expenses. The operating segments are determined as follows:

- Business – All Leases to legal entities or group of entities where asset financed is everything but vehicles
- Automotive – All Leases to legal entities or group of entities where asset financed is vehicle
- Retail – non-business individual customers;
- Corporate centre and other operations - comprises of the treasury and financial risk management unit

23. SEGMENT ANALYSIS CONTINUED

The Company's management assesses the performance of the operating segments based on a measure of Total Comprehensive Income/ (Loss) for the year.

The reportable segments are the same as the operating segments.

The Company's revenues are attributable to Georgia. A geographic analysis of origination of the assets and liabilities is given in Financial Risk Management Note.

Allocation of indirect expenses is performed based on drivers identified for each type of cost if possible. If there is no identifiable driver for any type of expense/overhead cost, those expenses are allocated between segments based on the same logic as applied for the expenses with similar nature.

A summary of the reportable segments for the years ended 31 December 2024 and 2023 provided below:

In thousands of Georgian Lari	**Business**	**Auto-motive**	**Retail**	**Corporate center and other operations**	**Total**
Finance income from lease receivables	71,000	7,924	12,541	-	**91,465**
Revenue from operating leasing	-	8	-	-	**8**
Interest expense	(28,529)	(3,493)	(5,688)	-	**(37,710)**
Direct leasing costs	(7,850)	(2,271)	(2,507)	-	**(12,628)**
Net lease income	**34,621**	**2,168**	**4,346**	**-**	**41,135**
Credit loss (allowance)/recovery for finance lease receivable	(2,692)	35	(398)	-	**(3,055)**
Net lease income after expected credit loss	**31,929**	**2,203**	**3,948**	**-**	**38,080**
Credit loss allowance for other financial assets	(221)	(317)	(2,643)	-	**(3,181)**
Revenue from sales of repossessed assets	6,099	605	1,043	-	**7,747**
Cost of sales of repossessed assets	(6,104)	(605)	(1,043)	-	**(7,752)**
Loss from release of repossessed assets	427	-	-	-	**427**
Gain on initial recognition of repossessed assets	(31)	-	-	-	**(31)**
Write-down of repossessed assets to net realizable value	(185)	-	-	-	**(185)**
Losses net of gain from derivative financial instruments	-	-	-	(2,981)	**(2,981)**
Foreign exchange translation gains less losses / (losses less gains)	-	-	-	2,389	**2,389**
Administrative and other operating expenses	(13,790)	(1,491)	(1,726)	(179)	**(17,186)**
Other income	-	-	-	5,727	**5,727**
PROFIT FOR THE YEAR	**18,124**	**395**	**(421)**	**4,956**	**23,054**
Cash and cash equivalents	-	-	-	66,868	**66,868**
Advances towards leasing contracts	115,405	117	3,674	-	**119,196**
Finance lease receivable, Gross	341,535	37,510	66,821	-	**445,866**
Credit loss allowance	(8,186)	(442)	(674)	-	**(9,302)**
Advances received from customers	51,844	43	714	-	**52,601**

23. SEGMENT ANALYSIS CONTINUED

In thousands of Georgian Lari	Business	Auto-motive	Retail	Corporate center and other operations	Total
Finance income from lease receivables	54,567	8,609	8,661	-	**71,837**
Revenue from operating leasing	-	960	-	-	**960**
Interest expense	(22,950)	(3,475)	(4,060)	-	**(30,485)**
Direct leasing costs	(7,189)	(2,205)	(1,681)	-	**(11,075)**
Net lease income	**24,428**	**3,889**	**2,920**	**-**	**31,237**
Credit loss (allowance)/recovery for finance lease receivable	(1,729)	(494)	223	-	**(2,000)**
Net lease income after expected credit loss	**22,699**	**3,395**	**3,143**	**-**	**29,237**
Credit loss allowance for other financial assets	(3,338)	(251)	(981)	-	**(4,570)**
Revenue from sales of repossessed assets	11,874	634	170	-	**12,678**
Cost of sales of repossessed assets	(11,518)	(634)	(170)	-	**(12,322)**
Loss from release of repossessed assets	34	-	-	-	**34**
Gain on initial recognition of repossessed assets	1,141	-	-	-	**1,141**
Write-down of repossessed assets to net realizable value	(799)	-	-	-	**(799)**
Losses net of gain from derivative financial instruments	-	-	-	(1,191)	**(1,191)**
Foreign exchange translation gains less losses / (losses less gains)	-	-	-	957	**957**
Administrative and other operating expenses	(9,777)	(1,835)	(1,082)	(398)	**(13,092)**
Other income	-	-	-	4,655	**4,655**
PROFIT FOR THE YEAR	**10,316**	**1,309**	**1,080**	**4,023**	**16,728**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Gains on cash flow hedges	-	-	-	(1,091)	**(1,091)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,316**	**1,309**	**1,080**	**2,932**	**15,637**
Cash and cash equivalents	-	-	-	57,326	**57,326**
Due from banks	-	-	-	10,000	**10,000**
Advances towards leasing contracts	25,773	663	755	-	**27,191**
Finance lease receivable, Gross	304,841	39,538	31,676	-	**376,055**
Credit loss allowance	(6,944)	(500)	(324)	-	**(7,768)**
Advances received from customers	23,094	186	170	-	**23,450**

23. SEGMENT ANALYSIS CONTINUED

Reportable segments' assets were reconciled to total assets as follows:

In thousands of Georgian Lari	31 December 2024	31 December 2023
ASSETS		
Total Segment Assets (Gross)	631,929	470,572
Credit loss allowance allocated to segments	(9,301)	(7,768)
Prepayments	4,128	3,086
Tax assets, net	2,559	5,654
Property and equipment	3,275	3,292
Intangible assets	4,017	3,552
Assets purchased for leasing purpose	6,887	3,410
Assets repossessed from terminated leases	4,433	2,935
Derivative financial Instruments	-	91
Other financial assets	29,002	29,624
Other assets	4	4
TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION	**676,933**	**514,452**
LIABILITIES		
Advances received from customers	52,601	23,450
Loans from banks and financial institutions	356,288	255,898
Debt securities in issue	114,656	103,127
Subordinated loans	49,676	42,184
Derivative financial Instruments	445	-
Other liabilities	6,511	11,091
TOTAL LIABILITIES PER STATEMENT OF FINANCIAL POSITION	**580,177**	**435,750**

24. DIRECT LEASING COSTS

Legal ownership of the leased assets requires the Company to pay property tax on leasing assets and be the policyholder for insurance of assets. The Company acts as a principal and pays these taxes on a monthly basis during the period when it legally owns the asset under lease. These costs are considered as directly attributable to lease income and they are presented directly below lease income in profit or loss. Property tax rate and calculation method is regulated by Georgian Tax code.

The table below represents direct leasing costs for the 2024 and 2023 years respectively.

In thousands of Georgian Lari	2024	2023
Insurance expenses	7,316	5,714
Property tax on leasing assets	4,887	5,221
Other leasing costs	425	140
Total direct leasing costs	**12,628**	**11,075**

25. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In thousands of Georgian Lari	**2024**	**2023**
Staff costs	11,459	8,568
Professional services	1,432	674
Depreciation and amortization charge	1,310	1,222
Taxes other than income tax	550	250
Occupancy and rent	379	310
License and subscription cost	366	272
Advertising costs	310	263
Expenses on Assets maintenance	241	234
Bank charges	179	398
Land and Buildings maintenance	61	75
Other property insurance expenses	29	105
Other expenses	870	721
Administrative and other operating expenses	**17,186**	**13,092**

Occupancy and rent include the leases of low-value assets and short-term leases amount of GEL 97 thousand (2023: GEL 161 thousand).

As of 31 December 2024, professional services included GEL 98 thousand related to financial audit (2023: GEL 94 thousand) and GEL 15 thousand related to TAX Audit (2023: GEL 15 thousand). Presented expenses are exclusive of taxes.

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Liabilities from financing activities				
In thousands of Georgian Lari	**Loans from banks and financial institutions**	**Debt Securities in Issue**	**Subordinated Loans**	**Lease Liability**	**Total**
Net debt at 31 December 2022	**211,481**	**58,580**	**32,357**	**810**	**303,228**
Cash flows	27,358	33,190	6,007	(559)	**65,996**
Foreign exchange adjustments	2,788	-	235	59	**3,082**
Interest accrual	13,955	12,481	3,938	111	**30,485**
Modification of contractual cash flows	-	-	-	1,849	**1,849**
Other non-cash movements	316	(1,124)	(353)	-	**(1,161)**
Net debt at 31 December 2023	**255,898**	**103,127**	**42,184**	**2,270**	**403,479**
Cash flows	80,286	(1,816)	1,765	(798)	**79,437**
Foreign exchange adjustments	1,089	-	1,842	84	**3,015**
Interest accrual	20,053	13,451	4,033	173	**37,710**
Other non-cash movements	(1,038)	(106)	(148)	439	**(853)**
Net debt at 31 December 2024	**356,288**	**114,656**	**49,676**	**2,168**	**522,788**

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

The information on related party balances and transactions is disclosed in Note 33.

27. FINANCIAL RISK MANAGEMENT

The risk management function within the Company is carried out in respect of financial risks (credit, liquidity and market risks (including currency and interest rate risks)), geographical, operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's entering into finance lease contracts and other transactions with counterparties giving rise to financial assets. Maximum exposure to credit risk equals the carrying amounts of the financial assets recognised in Statement of Financial Position.

Risk management and monitoring is performed within set limits of authority, by the Credit Committee of the Parent and the Company's Management Board. The Supervisory board members get involved in decisions of issue leases with value more than USD 1,500,000. Before any application is made to the Credit Committee or the Company's Management Board, all recommendations on lease processes (lessee's limits approved, or amendments made to lease agreements, etc.) are reviewed and approved by the risk-manager or the Credit Department.

The Company normally structures its finance lease contracts so that the lessee makes a prepayment of 20% of the asset purchase price at the inception of the lease contract. The Company holds title to the leased assets during the lease term. The title to assets under finance lease contracts passes to the lessees at the end of those contracts when liability is fully repaid.

Risks related to the leased assets such as damage caused by various reasons, theft and other are always insured. Management periodically assesses financial performance of lessees by monitoring analysing their financial reports. The primary factors that the Company considers whether a lease is impaired is its overdue status, lessee financial performance and liquidity and value of leased asset. Management believes that the provision created for investment in finance leases is adequate to absorb potential losses existing in the lease portfolio at the reporting date.

The management also assesses collectability of other financial assets on quarterly basis, based on the financial performance of debtors and other factors, such as results of legal cases at court. Management believes that provision created for other financial assets is adequate at the reporting date.

Credit Quality: Financial assets are classified in credit quality grades by taking into account the internal and external credit quality information (e.g. delinquency)..The Company defines following credit risk grades:

- Very low risk – exposures demonstrate strong ability to meet financial obligations;
- Low risk – exposures demonstrate adequate ability to meet financial obligations;
- Moderate risk – exposures demonstrate satisfactory ability to meet financial obligations;
- High risk – exposures that require closer monitoring, and
- Default – exposures in default, with observed credit impairment.

Expected credit loss (ECL) measurement: ECL is a probability-weighted estimate of the present value of future cash shortfalls. An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The Company uses a three-stage model for ECL measurement: The Company classifies lease exposures as Stage 1 if no significant deterioration in credit quality occurred since initial recognition and the instrument was not credit-impaired when initially recognized. The exposure is classified to Stage 2 if the significant deterioration in credit quality was identified since initial recognition, but the financial instrument is not considered credit-impaired. The exposures for which the credit-impairment indicators have been identified are classified as Stage 3 instruments. The Expected Credit Loss (ECL) amount differs depending on exposure allocation to one of the Stages. In the case of Stage 1 instruments, the ECL represents that portion of the lifetime ECL that can be attributed to default events occurring within the next 12 months from the reporting date. In case of Stage 2 instruments, the ECL represents lifetime ECL, i.e. credit losses that can be attributed to possible default events during the whole lifetime of a financial instrument. Generally, lifetime is set equal to the remaining contractual maturity of the financial instrument. In case of Stage 3 instruments, default event has already occurred and the lifetime ECL is estimated based on the expected recoveries.

27. FINANCIAL RISK MANAGEMENT CONTINUED

The Company utilizes two approaches for ECL measurement – individual assessment and collective assessment. Individual assessment is used for individually significant leases with lease amount of at least GEL 3.5 million. Additionally, the Company may arbitrarily designate selected exposures to individual measurement of ECL based on the Company's credit risk management or underwriting departments' decision.

The Company uses the discounted cash flow (DCF) method to determine recovery amount under individual assessment. In order to ensure the accurate estimation of recoverable amount the Company utilizes scenario analysis approach. Scenarios are defined considering the specifics and future outlook of individual borrower, sector the borrower operates in or changes in values of collateral. The Company forecasts recoverable amount for each scenario and estimates respective losses. Ultimate ECL is calculated as the weighted average of losses expected in each scenario, weighted by the probability of scenario occurring.

Significant increase in credit risk ("SICR"): For each financial instrument and on each reporting date, the Leasing Company evaluates whether there has been a significant increase of credit risk since initial recognition (SICR feature). The Company monitors three factors when assessing increase in credit risk: days past due, restructuring and probation period for defaulted lessees.

The table below summarizes the details of the approach followed by the Company.

SICR indicator	Entrance conditions	Exit conditions
1. DPD 30 threshold	The number of days past due exceeded the limit of 30 days (irrespective of the overdue amount). In case of Corporate/SME borrowers, if the entrance condition is met at least one contract, all of the borrower's contracts are classified to Stage 2.	The number of days past due (on any contract of the client) does not exceed 30 anymore (irrespective of the overdue amount).
2. Restructuring	The contract was restructured but the restructuring is not distressed, i.e. the exposure is not defaulted ("GOOD" restructuring)	6 consecutive months of no more than 30 days past due since restructuring date
3. Default Exit period (passed probation for default)	3 consecutive months have passed of no more than 30 days overdue after the date of DPD 90 or 6 consecutive months of no more than 30 days overdue after the date of "BAD" restructuring	3 consecutive months of no more than 60 days past due since Default Exit entrance date

27. FINANCIAL RISK MANAGEMENT CONTINUED

Default criteria

The table below summarizes the details of the approach followed by the Company.

Default criteria	Entrance conditions	Exit conditions
1. 90 DPD	Exposure past due by more than 90 days	3 consecutive months of not more than 30 days past due after last reporting date of 90 DPD
2. Distressed restructuring	Exposure classified as distressed or "BAD" restructuring	6 consecutive months of no more than 30 days past due since restructuring date
3. UTP	Individually significant exposure, is considered to be default if financial healthiness of the company deteriorated identified by analysis of company data and/or financials used for ECL calculations	6 consecutive months of no more than 30 days past due since considered as default due to UTP

Exposure at default (EAD). The EAD represents estimation of exposure to credit risk at the time of default occurring during the life of financial instrument. The EAD parameter used for the purpose of the ECL calculation is time-dependent, i.e. the Company allows for various values of the parameter to be applied to subsequent time periods during the lifetime of an exposure. Such structure of the EAD is applied to all Stage 1 and Stage 2 financial instruments. In case of Stage 3 financial instruments, the EAD vector is one-element with current EAD as the only value.

Probability of default (PD). Probability of default parameter describes the likelihood of a default of a facility over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its contractual debt obligations. The PD parameter is time-dependent (i.e. has a specific term structure) and is applied to all non-defaulted contracts.

The model is based on the estimation of short-term and long-term PD estimates. The former is estimated on the yearly default rate observed for a period that is considered representative of short-term default propensity. The lessee's risk group differentiates the parameter. The latter is representative of the long-term default propensity of leasing company clients regardless of their risk group assignment.

Leasing company defines the risk groups based on days past due status of the lessee.) The model assumes that the PD for the next 12 month period after the reporting date is equal to the short-term PD estimate and depends on the risk group assignment. Long-term PD estimate is used for yearly periods starting from the 4th year after the reporting date, while linear interpolation of PDs is assumed in-between.

For Long-term PD estimation purposes, the Leasing Company applies default rates. Default rates are calculated as volume of defaulted exposures within the period divided by the total performing exposures at the beginning of the period.

Loss given default (LGD). The LGD parameter represents the share of exposure that would be irretrievably lost if a borrower defaults. For Stage 1 and Stage 2 financial instruments, the LGD is estimated for each period in the instrument's lifetime and reflects the share of the expected EAD for that period that will not be recovered over the remaining lifetime of the instrument after the default date. For Stage 3 financial instruments, the LGD represents the share of the EAD as of reporting date that will not be recovered over the remaining life of that instrument. LGD is calculated based on historical losses incurred on defaulted leases by main business directions of the company. For each LGD portfolio the Group defines the recovery horizon, since the default date after which no material recoveries are assumed. Recovery horizon is defined by data analytics and expert judgment.

Forward-looking information. The measurement of unbiased, probability weighted ECL requires inclusion of forward looking information obtainable without undue cost or effort. For forward looking information purposes the Company defines three macro scenarios. The scenarios are defined as baseline (most likely), upside (better than most likely), and downside (worse than most likely) 50%, 25%, and 25% respectively. To derive the baseline macro-economic scenario, the Company takes into account forecasts from various external sources – the National Bank of Georgia, Ministry of Finance, International Monetary Fund ("IMF"), TBC Capital, as well as other

27. FINANCIAL RISK MANAGEMENT CONTINUED

International Financial Institutions ("IFI"'s) – in order to ensure the consensus market expectations. Upside and downside scenarios are defined based on the framework developed by the Bank's macroeconomic unit. The Company calculates expected impairment losses for each scenario. In order to come up with the final expected credit loss figure, probability weighted average approach is applied, where probabilities of each scenario are used as weights. FLI adjustment is applied to PD for the three-year period, given the uncertainty involved in the macroeconomic forecasts for the longer time horizon.

Provisioning of other financial assets. The most material balance of financial assets subject to provisioning the Company has, after lease portfolio, is outstanding terminated leases. Before year ended 31 December 2024, expected losses on these exposures were calculated using individual LGDs – based on latest appraisal value of corresponding lease assets. Although, after the expected recovery horizon, LGD would increase to 100%. Starting from YE 2024, we made some changes to this approach and hence methodology, namely: we started to treat terminated leases the same way as stage 3 exposures in active portfolio and now use statistical LGD (calculated specifically on terminated leases) to determine ECL. When lease asset is repossessed, ECL is recalculated using asset appraisal. If lease asset is not repossessed, LGD gradually increases to reach 100% after the expected recovery horizon is past since termination date.

Risk associated with underlying assets. To manage the risk associated with lease assets, the Company uses buy-back option with certain vendors. If a lease with such feature defaults, the vendor makes payment of a predetermined amount depending on time since lease commencement. Another tool used by the company is linked to periodic monitoring of lease assets by our asset monitoring division. If asset is damaged more than it should have been under normal working conditions, the issue is reported to lease managers and the credit risk department. The case-by-case decision is made and lessee may be required to make early repayment to compensate for a larger than normal decrease in asset value.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in currency and interest rate, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a monthly basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Climate risk. The Company's management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on financial statements, but Management continues to monitor developments in this area.

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

The Management Board controls currency risk by management of the open currency position on the estimated basis of Georgian Lari devaluation and other macroeconomic indicators, which gives the Company an opportunity to minimize losses from significant currency rates fluctuations toward the national currency.

27. FINANCIAL RISK MANAGEMENT CONTINUED

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

In thousands of Georgian Lari	GEL	USD	EUR	Other	TOTAL
Cash and cash equivalents	28,434	16,789	21,640	5	**66,868**
Finance lease receivables	151,682	151,119	133,763	-	**436,564**
Advances towards leasing contracts	3,349	111,563	4,284	-	**119,196**
Other financial assets	984	19,417	8,601	-	**29,002**
Total financial assets	**184,449**	**298,888**	**168,288**	**5**	**651,630**
Loans from banks and financial institutions	77,407	111,308	167,573	-	**356,288**
Debt Securities in issue	114,656	-	-	-	**114,656**
Advances received from customers	3,303	47,037	2,261	-	**52,601**
Subordinated loans	-	49,676	-	-	**49,676**
Derivative financial Instruments	(76,963)	78,374	(966)	-	**445**
Other financial liabilities	839	3,613	464	-	**4,916**
Total financial liabilities	**119,242**	**290,008**	**169,332**	**-**	**578,582**
Net balance sheet position	**65,207**	**8,880**	**(1,044)**	**5**	**73,048**

27. FINANCIAL RISK MANAGEMENT CONTINUED

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

In thousands of Georgian Lari	GEL	USD	EUR	Other	TOTAL
Financial Assets					
Cash and cash equivalents	36,932	10,806	9,584	4	**57,326**
Due From Banks	-	10,000	-	-	**10,000**
Finance lease receivables	94,852	217,075	56,360	-	**368,287**
Derivative financial Instruments	75,919	(45,182)	(30,646)	-	**91**
Advances towards leasing contracts	4,149	19,898	3,144	-	**27,191**
Other financial assets	13,702	9,550	6,372	-	**29,624**
Total financial assets	**225,554**	**222,147**	**44,814**	**4**	**492,519**
Financial Liabilities					
Loans from banks and financial institutions	51,428	83,896	120,574	-	**255,898**
Debt Securities in issue	103,127	-	-	-	**103,127**
Advances received from customers	3,196	16,703	3,551	-	**23,450**
Subordinated loans	-	42,184	-	-	**42,184**
Other financial liabilities	1,877	6,597	1,103	-	**9,577**
Total financial liabilities	**159,628**	**149,380**	**125,228**	**-**	**434,236**
Net balance sheet position	**65,926**	**72,767**	**(80,414)**	**4**	**58,283**

To manage currency risk management sets limits and on monthly basis reviews short and long currency position within those limits.

Currency sensitivity analysis. The following table details the Company's sensitivity to a 10% (2023: 10%) increase and decrease in the USD/EUR against the GEL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates.

	31 December 2024		31 December 2023	
In thousands of Georgian Lari	**Impact on profit or loss before tax**	**Impact on equity**	**Impact on profit or loss before tax**	**Impact on equity**
US Dollar strengthening by 10%	888	888	5,287	5,287
EUR Dollar strengthening by 10%	(104)	(104)	(8,356)	(8,356)
US Dollar weakening by 10%	(888)	(888)	(5,287)	(5,287)
Euros weakening by 10%	104	104	8,356	8,356

27. FINANCIAL RISK MANAGEMENT CONTINUED

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Margins between finance income earned and interest expenses paid may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The table below presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts as at 31 December 2024, categorised by the earlier of contractual interest re-pricing or maturity dates.

In thousands of Georgian Lari	Up to 1 month	1 month to 3 months	3 months to 1 year	More than 1 year	TOTAL
Financial Assets					
Cash and cash equivalents	66,868	-	-	-	**66,868**
Finance lease receivables	31,300	21,808	95,934	287,522	**436,564**
Advances towards leasing contracts	25,239	11,226	34,041	48,690	**119,196**
Other financial assets	26,538	1,514	335	615	**29,002**
Total financial assets	**149,945**	**34,548**	**130,310**	**336,827**	**651,630**
Financial Liabilities					
Loans from banks and financial institutions	2,420	11,291	97,938	244,639	**356,288**
Debt securities in issue	288	-	-	114,368	**114,656**
Advances received from customers	21,257	2,005	20,605	8,734	**52,601**
Subordinated loans	752	-	-	48,924	**49,676**
Derivative Financial Instruments	445	-	-	-	**445**
Other financial liabilities	2,800	104	485	1,527	**4,916**
Total financial liabilities	**27,962**	**13,400**	**119,028**	**418,192**	**578,582**
Net interest rate sensitivity gap	**121,983**	**21,148**	**11,282**	**(81,365)**	**73,048**

27. FINANCIAL RISK MANAGEMENT CONTINUED

The table below presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts as at 31 December 2023, categorised by the earlier of contractual interest re-pricing or maturity dates.

In thousands of Georgian Lari	Up to 1 month	1 month to 3 months	3 months to 1 year	More than 1 year	TOTAL
Financial Assets					
Cash and cash equivalents	57,326	-	-	-	**57,326**
Due From Banks	-	-	10,000	-	**10,000**
Derivative financial Instruments	91	-	-	-	**91**
Finance lease receivables	30,867	16,702	73,533	247,185	**368,287**
Advances towards leasing contracts	24,335	1,199	1,657	-	**27,191**
Other financial assets	28,463	133	308	720	**29,624**
Total financial assets	**141,082**	**18,034**	**85,498**	**247,905**	**492,519**
Financial Liabilities					
Loans from banks and financial institutions	30,700	3,179	66,058	155,961	**255,898**
Debt securities in issue	317	-	-	102,810	**103,127**
Advances received from customers	18,766	369	4,315	-	**23,450**
Subordinated loans	718	-	-	41,466	**42,184**
Other financial liabilities	7,349	85	407	1,736	**9,577**
Total financial liabilities	**57,850**	**3,633**	**70,780**	**301,973**	**434,236**
Net interest rate sensitivity gap	**83,232**	**14,401**	**14,718**	**(54,068)**	**58,283**

Liquidity risk. The liquidity risk is the risk that the Company either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due or can access those resources only at a high cost. The risk is managed by the Financial Risk Management and Treasury Departments and is monitored by the Management board, which comprises of CEO, CRO, CFO, CCO.

The principal objectives of the Company's liquidity risk management policy are to: (i) ensure the availability of funds in order to meet claims arising from total liabilities at an economic price; (ii) recognise any structural mismatch existing within statement of financial position and set monitoring ratios to manage funding in line with well-balanced growth; and (iii) monitor liquidity and funding on an on-going basis to ensure that approved business targets are met without compromising the risk profile of the Company.

27. FINANCIAL RISK MANAGEMENT CONTINUED

The maturity analysis of financial liabilities based on remaining undiscounted contractual obligations at 31 December 2024 is as follows:

In thousands of Georgian Lari	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	TOTAL
Financial Liabilities					
Loans from banks and financial institutions	3,853	14,749	116,826	261,994	**397,422**
Debt securities in issue	288	3,161	9,491	117,942	**130,881**
Advances received from customers	21,257	2,005	20,605	8,734	**52,601**
Subordinated loans	1,563	408	3,134	61,191	**66,296**
Derivative Financial Instruments	445	-	-	-	**445**
Other financial liabilities	2,800	104	485	1,527	**4,916**
Total potential future payments for financial liabilities	**30,206**	**20,426**	**150,541**	**451,388**	**652,562**

The maturity analysis of financial liabilities based on remaining undiscounted contractual obligations at 31 December 2023 is as follows:

In thousands of Georgian Lari	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	TOTAL
Financial Liabilities					
Loans from banks and financial institutions	31,271	5,766	78,469	173,179	**288,685**
Debt securities in issue	317	3,270	9,708	120,356	**133,651**
Advances received from customers	18,766	369	4,315	-	**23,450**
Subordinated loans	1,882	-	2,669	54,943	**59,494**
Other financial liabilities	7,349	85	407	1,736	**9,577**
Total potential future payments for financial liabilities	**59,585**	**9,490**	**95,568**	**350,214**	**514,857**

27. FINANCIAL RISK MANAGEMENT CONTINUED

The Company does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Company monitors liquidity gap analysis based on the expected maturities of discounted financial assets and liabilities. The expected liquidity gap as at 31 December 2024 is presented in the following table:

In thousands of Georgian Lari	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	TOTAL
Financial Assets					
Cash and cash equivalents	66,868	-	-	-	**66,868**
Finance lease receivables	31,300	21,808	95,934	287,522	**436,564**
Advances towards leasing contracts	25,239	11,226	34,041	48,690	**119,196**
Other financial assets	26,538	1,514	335	615	**29,002**
Total financial assets	**149,945**	**34,548**	**130,310**	**336,827**	**651,630**
Financial Liabilities					
Loans from banks and financial institutions	2,420	11,291	97,938	244,639	**356,288**
Debt securities in issue	288	-	-	114,368	**114,656**
Advances received from customers	21,257	2,005	20,605	8,734	**52,601**
Subordinated loans	752	-	-	48,924	**49,676**
Derivative Financial Instruments	445	-	-	-	**445**
Other financial liabilities	2,800	104	485	1,527	**4,916**
Total financial liabilities	**27,962**	**13,400**	**119,028**	**418,192**	**578,582**
Cumulative liquidity gap	**121,983**	**21,148**	**11,282**	**(81,365)**	**73,048**

27. FINANCIAL RISK MANAGEMENT CONTINUED

The expected liquidity gap as at 31 December 2023 as reclassified, is presented in the following table:

In thousands of Georgian Lari	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	TOTAL
Financial Assets					
Cash and cash equivalents	57,326	-	-	-	**57,326**
Due From Banks	-	-	10,000	-	**10,000**
Derivative financial Instruments	91	-	-	-	**91**
Finance lease receivables	30,867	16,702	73,533	247,185	**368,287**
Advances towards leasing contracts	24,335	1,199	1,657	-	**27,191**
Other financial assets	28,463	133	308	720	**29,624**
Total financial assets	**141,082**	**18,034**	**85,498**	**247,905**	**492,519**
Financial Liabilities					
Loans from banks and financial institutions	30,700	3,179	66,058	155,961	**255,898**
Debt securities in issue	317	-	-	102,810	**103,127**
Advances received from customers	18,766	369	4,315	-	**23,450**
Subordinated loans	718	-	-	41,466	**42,184**
Other financial liabilities	7,349	85	407	1,736	**9,577**
Total financial liabilities	**57,850**	**3,633**	**70,780**	**301,973**	**434,236**
Cumulative liquidity gap	**83,232**	**14,401**	**14,718**	**(54,068)**	**58,283**

Geographical concentration. The geographic concentration of assets and liabilities are generally stable, as the Company does not operate outside Georgia. The Company has no assets outside Georgia.

Exposure to related party funding. The Company is exposed to the risk of significant concentration of funding from the related parties. The Company is a member of a large banking Group. The risk of going concern is mitigated by the commitment of the owner of the Company to maintain stable funding support to the Company.

28. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company considers its capital to be equity and subordinated loans. The amount of capital that the Company managed as of 31 December 2024 was GEL 146,432 thousand (2023: GEL 120,886 thousand).

29. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company enters into derivative financial instruments, to manage currency and liquidity risks.

Foreign Exchange Forwards and gross settled currency swaps. Foreign exchange derivative financial instruments the Company entered are generally traded in an over-the-counter market with professional counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The table below sets out fair values, at the reporting date, of currencies receivable or payable under foreign exchange forwards contracts, gross settled currency swaps and back-to-back loans the Company entered. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short term by their nature.

	2024		2023	
Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
- ***USD*** payable on settlement (-)	(31,155)	(54,236)	(37,691)	(7,530)
- ***USD*** receivable on settlement (+)	-	7,017	-	-
- ***GEL*** payable on settlement (-)	-	(7,051)	-	(6,026)
- ***GEL*** receivable on settlement (+)	40,409	43,606	38,631	34,428
- ***EUR*** payable on settlement (-)	(8,793)	-	(3,571)	(27,075)
- ***EUR*** receivable on settlement (+)	-	9,758	2,975	5,951
Fair value of foreign exchange forwards and swaps	**461**	**(906)**	**344**	**(253)**
Net fair value of foreign exchange forwards and swaps		**(445)**	**91**	

The losses net of gain from derivative financial instruments for year 2024 amounted to GEL (2,981) thousand. (2023 GEL (1,191) thousand).

30. FAIR VALUE DISCLOSURES

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2024				31 December 2023			
In thousands of Georgian Lari	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at Fair Value								
Financial Assets								
Derivative financial instruments	-	-	-	**-**	-	91	-	**91**
Liabilities Carried at Fair Value								
Financial Liabilities								
Derivative financial instrument	-	445	-	**445**	-	-	-	**-**
Total Assets Recurring Fair Value Measurements	**-**	**445**	**-**	**445**	**-**	**91**	**-**	**91**

The description of the valuation technique and the description of inputs used in the fair value measurement for level 2 measurements:

In thousands of Georgian Lari	**2024**	**2023**	**Valuation technique**	**Inputs used**
Assets at Fair Value				
Financial Assets				
Derivative financial instruments	-	91	Forward pricing using present value calculations	Market interest rates, official exchange rate
Liabilities Carried at Fair Value				
Financial Liabilities				
Derivative financial instrument	445	-	Forward pricing using present value calculations	Market interest rates, official exchange rate
Total Assets Recurring Fair Value Measurements	**445**	**91**		

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2024 (2023: none).

Fair value measurement analysis by level in the fair value hierarchy is disclosed in Note 3.

30. FAIR VALUE DISCLOSURES CONTINUED

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2024				31 December 2023			
In thousands of Georgian Lari	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Financial assets								
Cash and cash equivalents	-	66,868	-	**66,868**	-	57,326	-	**57,326**
Due from banks	-	-	-	**-**	-	10,000	-	**10,000**
Finance lease receivables	-	-	513,843	**436,564**	-	-	347,392	**368,287**
Other financial assets	-	-	29,002	**29,002**	-	-	29,624	**29,624**
Total assets	**-**	**66,868**	**542,845**	**532,434**	**-**	**67,326**	**377,016**	**465,237**
Financial liabilities								
Loans from banks and financial institutions	-	357,158	-	**356,288**	-	257,723	-	**255,898**
Debt securities in issue	-	-	115,000	**114,656**	-	-	103,710	**103,127**
Advances received from customers	-	50,673	-	**50,673**	-	21,484	-	**21,484**
Subordinated loans	-	-	49,273	**49,676**	-	-	41,834	**42,184**
Other financial liabilities	-	4,916	-	**4,916**	-	9,577	-	**9,577**
Total liabilities	**-**	**412,747**	**164,273**	**576,209**	**-**	**288,784**	**145,544**	**432,270**

Cash and cash equivalents are carried at amortised cost, which equals current fair value. Finance lease receivables and other financial assets are stated net of credit loss allowance. Loans from banks and subordinated loans are measured at amortised cost. The estimated fair value of these financial assets represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discount rates used were consistent with the Company's credit risk and also depend on currency and maturity of the instrument.

31. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2024:

In thousands of Georgian Lari	**Amortized cost**
Assets	
Cash and cash equivalents	66,868
Advances towards leasing contracts	119,196
Other financial assets	29,002
TOTAL FINANCIAL ASSETS SUBJECT TO IFRS 9 MEASUREMENT CATEGORIES	**215,066**

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2023:

In thousands of Georgian Lari	**Amortized cost**	**Fair value through profit or loss**	**Total**
Assets			
Cash and cash equivalents	57,326	-	**57,326**
Due from banks	10,000	-	**10,000**
Derivative Financial Instruments	-	91	**91**
Other financial assets	29,624	-	**29,624**
TOTAL FINANCIAL ASSETS SUBJECT TO IFRS 9 MEASUREMENT CATEGORIES	**96,950**	**91**	**97,041**

32. CONTINGENCIES AND COMMITMENTS

Legal proceedings. The management believes that the provision recorded in these financial statements is adequate and the amount need not be disclosed as it will not have a material adverse effect on the financial condition or the results of future operations of the Company.

Tax legislation. Georgian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. Management believes that its interpretation of the relevant legislation is appropriate and the Company's tax positions will be sustained. Accordingly, at 31 December 2024 and 2023 no provision for potential tax liabilities has been recorded.

The TP legislations appear to be technically elaborate and aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) and it provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with some related parties and unrelated parties), if the transaction price is not arm's length.

Management believes that it has implemented internal controls to be in compliance with the TP legislation. Given that the practice of implementation of the Georgian transfer pricing rules has not yet developed, the impact of any challenge of the Company's transfer prices cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Company.

32. CONTINGENCIES AND COMMITMENTS CONTINUED

Compliance with covenants. The Company is subject to certain covenants related primarily to its borrowings from banks and international financial institutions. Non-compliance with such covenants may result in negative consequences for the Company, including growth in the cost of borrowings and the timing of repayment. The Company was in compliance with the covenants as of 31 December 2024 and as of 31 December 2023.

33. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Included in the following information, "Other related entities" refers to other companies under common control and significant shareholders of the Parent company. Key management personnel consist of members of the Company's Management Board.

At 31 December the outstanding balances with related parties were as follows:

	2024			2023		
In thousands of Georgian Lari	**Parent company**	**Entities under common control**	**Other related entities**	**Parent company**	**Entities under common control**	**Other related entities**
Cash and cash equivalents	44,179	-	-	29,116	-	-
Finance lease receivables (effective interest rate: 16%-29%)	5,431	-	948	5,730	-	525
Loans from banks and financial institutions (contractual interest rate: 12.2 %-13.0%)	15,045	-	-	20,079	-	-
Debt securities in issue	24,598	-	-	24,917	-	-
Other financial assets	116	805	-	24	909	-
Prepayments	-	2,683	-	-	2,179	-
Derivative financial Instruments	655	-	-	142	-	-
Other liabilities	43	-	-	-	-	-

33. RELATED PARTY TRANSACTIONS CONTINUED

The income and expense items with related parties for the year ended 31 December 2024 and 2023 were as follows:

	2024			2022		
In thousands of Georgian Lari	Parent company	Entities under common control	Other related entities	Parent company	Entities under common control	Other related entities
Revenue from operating leasing	8	-	-	939	-	-
Finance income	665	-	69	82	-	68
Other income	1,572	617	-	1,542	632	-
Interest expense	4,693	-	-	4,702	-	-
Direct leasing costs	-	5,321	-	-	4,623	-
Bank and other service charge	15	-	-	86	28	-
Loss from derivative financial instruments	1,444	-	-	1,783	-	-
Administrative and other operating expenses	93	586	-	191	805	-
Foreign exchange translation gains less losses / (losses less gains)	(253)	-	-	884	-	-

Key management compensation is presented below:

	2024		2023	
In thousands of Georgian Lari	Expenses	Accrued Liability	Expenses	Accrued Liability
Salaries and short-term bonuses	1,345	646	1,300	667

During the year ended 31 December 2024 and 2023 the remuneration of members of the key management, being the members of the Management Board (2024: 4 persons, 2023: 4 persons), comprised salaries and bonuses.

Key management bonus scheme

In 2024, the Group implemented a revised performance-based bonus scheme for key management personnel, designed to align executive compensation with strategic and operational objectives. The scheme is structured around both general and individual performance indicators, with weightings tailored to the roles of the key management. The general targets comprise metrics such as portfolio growth, net interest margin (NIM), cost of risk (COR), and net income performance, while individual targets include retail portfolio performance, cost of funds (CoF), and non-performing loan (NPL) ratios.

Additional qualitative metrics such as employee engagement and client satisfaction—measured through the Employee Net Promoter Score (ENPS) and Net Promoter Score (NPS), respectively—also form part of the evaluation criteria. Bonus entitlements are determined as a percentage of fixed remuneration, based on achievement against the weighted KPIs.

34. EVENTS AFTER REPORTING PERIOD

In the year 2025, the Company obtained loans totalling GEL 52,659 thousand from both domestic and foreign financial institutions.

ANNUAL REPORT 2024