

JSC Microbank Crystal

Rating report

Summary and Outlook

JSC Microbank Crystal's issuer rating of B+ reflects the following assessments:

Business model assessment: Focused (Low). Crystal operates as a licensed microbank in Georgia since February 2025, after been established as an independent microfinance organisation in 2007. Its business model is focused on microcredit, mainly micro businesses, agricultural and SME loans. Its business diversification is still limited, since before been granted the microbank license, Crystal was not allowed to capture customers deposits, reducing the scope of operation as a full provider of banking services. The size of the bank is limited compared with large commercial banks at national level, but relative to its microcredit niche segment the bank is the largest player with total assets of GEL 580m (app. EUR 200m) as of YE 24. Geographic diversification is well executed across the country, supported by the nature of its microcredit strategy, with operations in almost all regions and a balanced distribution of exposures in rural vs urban areas.

Operating environment assessment: Constraining (High). Crystal's operating environment is focused exclusively on its home country, Georgia¹.

Long-term sustainability assessment (ESG factor): Developing. Crystal plays a relevant role as the largest microbank in the country, with a clear focus on social impact providing access to microcredit, supporting entrepreneurial and agricultural sectors facilitating financial access. Digital capabilities are a relevant factor supporting growth and should drive efficiency gains in the medium-term. Governance risks are limited as we consider the oversight from the two largest international and institutional shareholders to add a relevant layer of institutionalisation. This improves the risk management oversight and supports the implementation of good practices.

Earnings and risk exposures assessment: Supportive. Crystal has demonstrated a supportive and improving profitability track record in the last five years. Return on RWAs has reached an historic high of 4.3% and RoE of 27% in 2024, supported by a growing base of net interest income as the main source of revenues, linked to the strong growth of the loan portfolio.

Asset quality is adequate, considering that around 70% of the loan portfolio is unsecured, reflecting the microfinance nature of the business. The loan portfolio is granular and does not evidence relevant concentrations. The Stage 3 ratio is 2.7% as of June 2025, with a NPL ratio (local GAAP) at 8.33% (includes past due >30 days and restructured), which we consider adequate notwithstanding the structurally higher risk profile of microfinance.

Financial viability assessment: Adequate. With a CET 1 ratio at 15.4% as of June 2025 and a buffer to requirement of 500bps, Scope expects Crystal to maintain an adequate capital position as the balance sheet grows, moving closer to the management buffer of 200bps above CET 1 requirement. Crystal's funding structure includes more than 15 counterparties, that represent the main source of funding, considering the historic limitation on customers deposits. The funding profile is well distributed across counterparties and currency that allows also for cost optimisation.

Liquidity is strong, as it responds to the need of ample available resources to support the portfolio growth, with an LCR² at 1224% as of June 2025. The expectation of an increasing base of customers deposits should allow for a diversification of the funding sources and also a reduction in funding costs, moving away from the concentration from financial institutions, which it is still to be proven under the execution of the microbank license

Issuer

B+

Outlook

Stable

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[Scope assigns a first-time issuer rating of B+/Stable to JSC Microbank Crystal, August 2025](#)

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¹ For more details on the operating environment for Georgia, see our report: [European bank operating environment in 2025](#), May 2025.

² LCR calculated according to National Bank of Georgia methodology.

The Stable Outlook reflects Scope's view that the risks to the current rating are balanced.

The upside scenarios for the ratings and Outlook:

- An improvement of the operating environment assessment for Georgian banks and microbanks, could drive a review of the initial mapping for the issuer rating.
- A material improvement in efficiency and digital capabilities materialised with an evident strengthening of the business model, while maintaining strong governance and risk management practices, could lead to a positive review of the long-term sustainability assessment.
- A sustained strengthening of capital metrics supported by a more conservative capital management and well diversified funding structure, could lead to a positive review of the assessment on financial viability management.

The downside scenarios for the ratings and Outlook:

- A significant deterioration in the operating environment for Georgian banks and microbanks, which could result from prolonged political uncertainty and tensions, could lead to a negative review of the operating environment assessment.
- Pressure on profitability due to a lower ability to generate sustained revenue, higher funding costs and/or higher impairments, could lead to a negative review of the earnings capacity and risk exposures assessment.

Table 1: Rating drivers

Rating drivers		Assessment					
STEP 1	Operating environment	Very constraining	Constraining		Moderately supportive	Supportive	Very supportive
	Low/High	Low			High		
	Business model	Narrow	Focused		Consistent	Resilient	Very resilient
	Low/High	Low			High		
	Initial mapping	b					
	Long-term sustainability	Lagging	Constrained		Developing	Advanced	Best in class
	Adjusted anchor	b					
STEP 2	Earnings capacity & risk exposures	Very constraining	Constraining		Neutral	Supportive	Very supportive
	Financial viability management	At risk	Stretched	Limited	Adequate	Comfortable	Ample
	Additional factors	Significant downside factor	Material downside factor		Neutral	Material upside factor	Significant upside factor
	Standalone rating	b+					
STEP 3	External support	Not applicable					
Issuer rating		B+					

Table 2: Credit ratings

		Credit rating	Outlook
Issuer	JSC Microbank Crystal		
	Issuer rating	B+	Stable
	Short-term debt rating	S-4	Stable

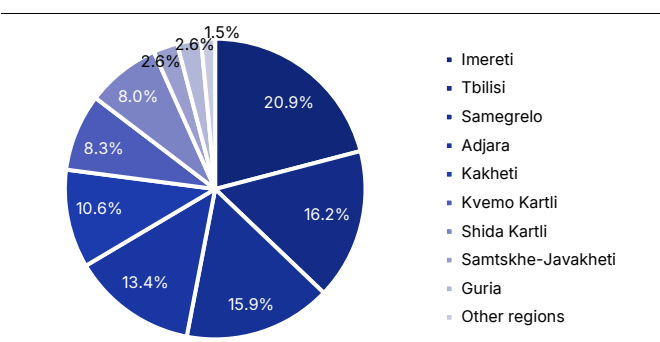
1. Business model

Crystal has operated as a licensed microbank in Georgia since February 2025, after been established as an independent microfinance organisation in 2007. Its business model focuses on microcredit for micro businesses, agriculture and SMEs, which represent around 60% of the loan portfolio as of June 2025. Its business diversification is limited since prior to being granted the microbank license, the bank was not permitted to capture customers deposits, which reduced its scope of operation compared to traditional commercial banks.

'Focused – low' business model assessment

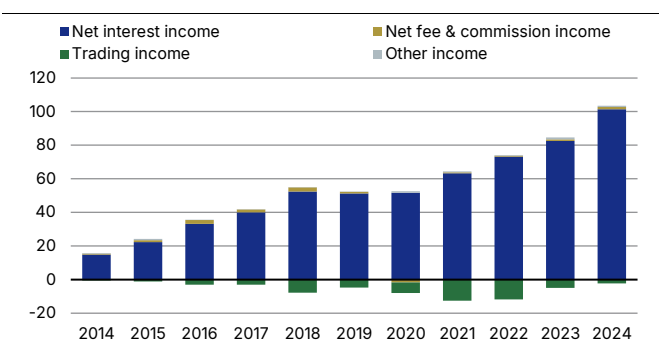
While the bank is relatively small compared to large commercial banks at the national level, it is the largest player in the microcredit niche segment with total assets of GEL 580 m (approximately EUR 200 m) as of the end of 2024. While the bank operates exclusively in its home country of Georgia, it has executed geographic diversification well across the country. This is supported by the nature of its microcredit strategy, with operations in almost all regions and a distribution of exposures in rural vs. urban areas of 46% and 54% of the loan portfolio, respectively, as of June 2025.

Figure 1: Geographic diversification by region, YE 2024



Note: Based on total loans. Source: Company data, Scope Ratings

Figure 2: Revenues split by type (GEL m)

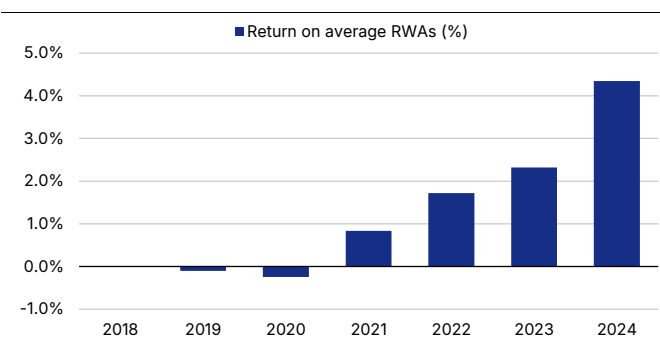


Source: Company data, Scope Ratings

Following the change from a microfinance organisation to a microbank, Crystal has put in place an ambitious plan for strategic growth to maintain its leadership in the Georgian microfinance sector. The plan targets a relevant broadening of the customers' base, as well as the development of additional lending and savings products. The offering of savings products (i.e. customers deposits) is a key strength to support growth, as the diversification of funding sources should allow for a more efficient management of funding costs, and consequently a more competitive pricing strategy, to allow the bank to maintain its leading role in the microfinance sector in the long-term.

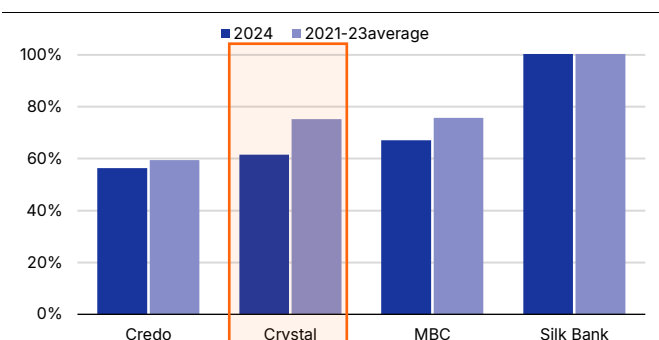
Scope views the transition to a microbank as a strength. However, expanding its offerings to the full set of lending and savings' products will take time, and the successful execution of the strategy in a highly competitive sector is yet to be proven. While this strengthening of the product offering could provide a competitive advantage versus other microfinance institutions, due to the relatively small size of the market compared to traditional banking products, we expect Crystal's business model to remain unchanged in the medium-term.

Figure 3: Profitability, historic



Source: Company data, Scope Ratings

Figure 4: Cost-to-income ratio, peer comparison



Source: Company data, Scope Ratings

2. Long-term sustainability (ESG-D)

Crystal's long-term sustainability assessment is mostly driven by the relevance of its social role to promote microfinance and support financial inclusion in Georgia. However, we do not consider this a strength that provides a differentiating factor on Crystal's business model at this stage, as we expect successful growth and consolidation of its relevance in a broader market segment, after becoming a licensed microbank, to be proven.

'Developing' long-term sustainability assessment

Crystal plays a relevant role as the largest microbank in the country, with a clear strategic focus on social impact providing access to microcredit, supporting entrepreneurial and agricultural sectors as well as facilitating financial access, to improve financial literacy and financial awareness. Initiatives related to social impact and financial inclusion are key part of the bank's strategy, supporting the strength of the franchise compared to other players in the micro banking sector in Georgia. The recent issuance of a certified gender bond for GEL 25m (partnership with the Asian Development Bank) that aimed to empower women-led SMEs, supports strategic path to create social impact.

Social

Digital capabilities are a relevant factor supporting the expansion in the microfinance sector, with focus on optimisation of distribution channels and accessibility for customers, mostly for those in rural areas. This should lead to improvement in cost management and efficiency going forward and supportive for the business model, which at this stage have not translated into relevant efficiency improvements. As a key element of the 2025-2028 business plan, the focus on digital transformation initiatives and alignment of IT projects with business objectives should in our view generate efficiency gains in the medium-term.

Digitalisation

Governance risks are limited as we consider the oversight from the two largest international and institutional shareholders (with a combined 59% shareholding) to add a relevant layer of institutionalisation. We acknowledge the commitment of the management to strengthen its risk management framework following the new legal status as a microbank, with the revision of all core risk policies, including Credit, Market, Operational, Liquidity, Counterparty, Capital Adequacy and Compliance. In our view this improves the risk oversight and supports the implementation and execution of good practices, without raising elements for key man risks, which is a common characteristic of small entities in less mature markets.

Governance

In terms of environmental risk, the focus is to growth a green loan portfolio up to GEL 30m, via energy efficiency loans and energy transition to raise awareness and improve accessibility to customers to green financing solutions. In addition, the bank targets the implementation of carbon and climate awareness initiatives.

Environment

Figure 5: Long-term sustainability overview table ³

	Industry level			Issuer level						
	Materiality			Exposure			Management			
	Low	Medium	High	Low	Neutral	High	Weak	Needs attention	Adequate	Strong
E Factor		◊			◊				◊	
S Factor	◊					◊			◊	
G Factor			◊			◊			◊	
D Factor			◊		◊				◊	

Source: Scope Ratings

³ The overview table illustrates how each factor informs our overall assessment. Materiality refers to our assessment of the credit relevance of each factor for the banking industry. Exposure refers to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. Management refers to how we view the bank's navigation through transitions.

3. Earnings capacity and risk exposures

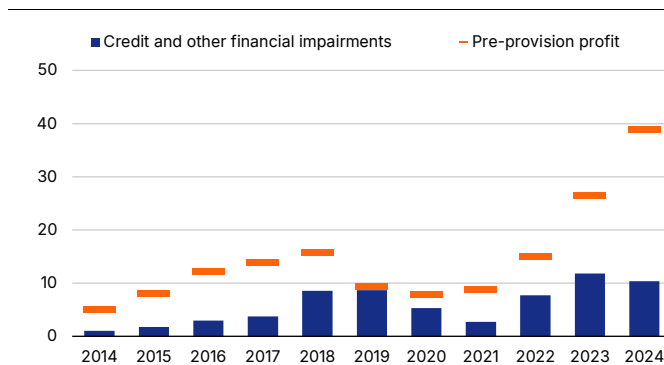
Crystal has demonstrated a supportive and improving profitability track record in the last five years. Following the regulatory changes in 2018 that defined a cap to the interest rates charges in microfinance, the bank changed its strategy and successfully implemented more conservative underwriting standards and cost management practices to support recurrent and stable earnings.

'Supportive earnings capacity and risks exposures' assessment

Return on RWAs has reached an historic high of 4.3% and RoE of 27% in 2024, supported by a growing base of net interest income as the main source of revenues, linked to the strong growth of the loan portfolio. While the strong profitability is linked to the higher net interest margins of the sector, we expect the revenue base to continue growing in the medium-term, as the execution of the strategic plan delivers on the prospects of strong loan growth for the next 3 years.

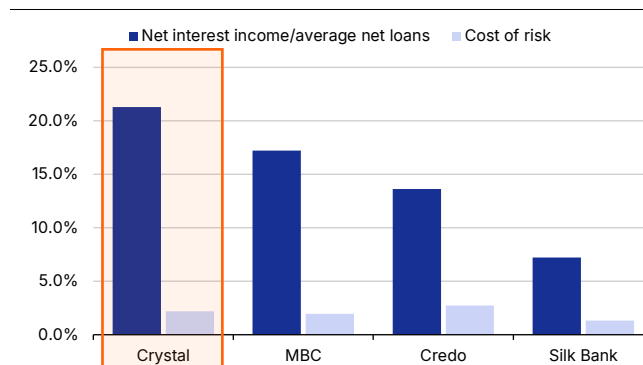
Improvement of cost efficiency is also a focus for the new strategic plan, supported in digitalisation initiatives to reduce the historically heavier component of operational costs related to customers acquisition, origination and portfolio management. Cost-to-income ratio has decreased steadily from 80.7% in 2019 to 61.7% as of YE 2024 because of the increase in revenues but also following cost control initiatives. However, management expectations are more ambitious and target cost efficiency levels closer to 55% by 2028.

Figure 6: Pre-provision income and provisions (GEL m)



Source: Company data, Scope Ratings

Figure 7: Net interest margin and cost of risk, peer comparison

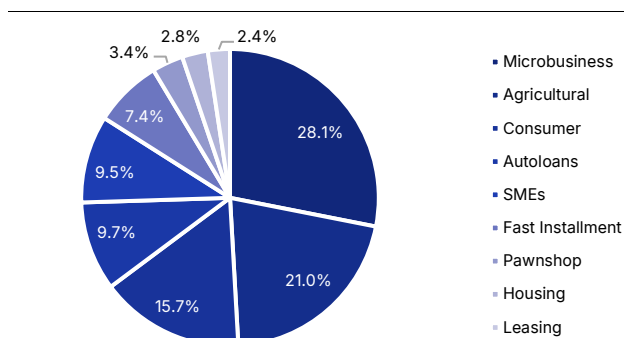


Note: Data as of YE 2024.
Source: SNL, Scope Ratings

Crystal's asset quality is adequate, considering that around 70% of the loan portfolio is unsecured, reflecting the microfinance nature of the business. The loan portfolio is granular and does not evidence relevant concentrations, with an average loan size of GEL 4,300 and average maturity 24 months. The Stage 3 ratio is 2.7% as of June 2025, with a NPL ratio (local GAAP) at 8.33% (includes past due >30 days and restructured), which we consider adequate notwithstanding the structurally higher risk profile of microfinance.

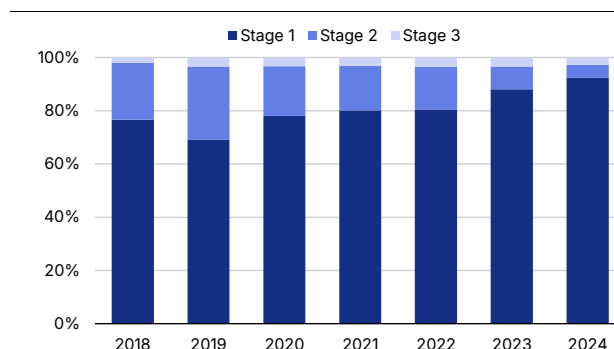
While the change to microbank will allow for faster growth of the loan book, we expect asset quality to remain stable following the recent implementation of risk management and collection policies that improve oversight and control of early deterioration.

Figure 8: Loan portfolio by type



Note: As of YE 2024. Source: Company data, Scope Ratings

Figure 9: Asset quality



Source: Company data, Scope Ratings

4. Financial viability management

Crystal's financial viability management is adequate, notwithstanding the previous regulatory limitation to capture customers deposits. After obtaining the microbank license, the successful execution of the strategy and expectation of an increasing base of customers deposits should allow for a diversification of the funding sources, moving away from the historic concentration from financial institutions.

'Adequate' financial viability management assessment

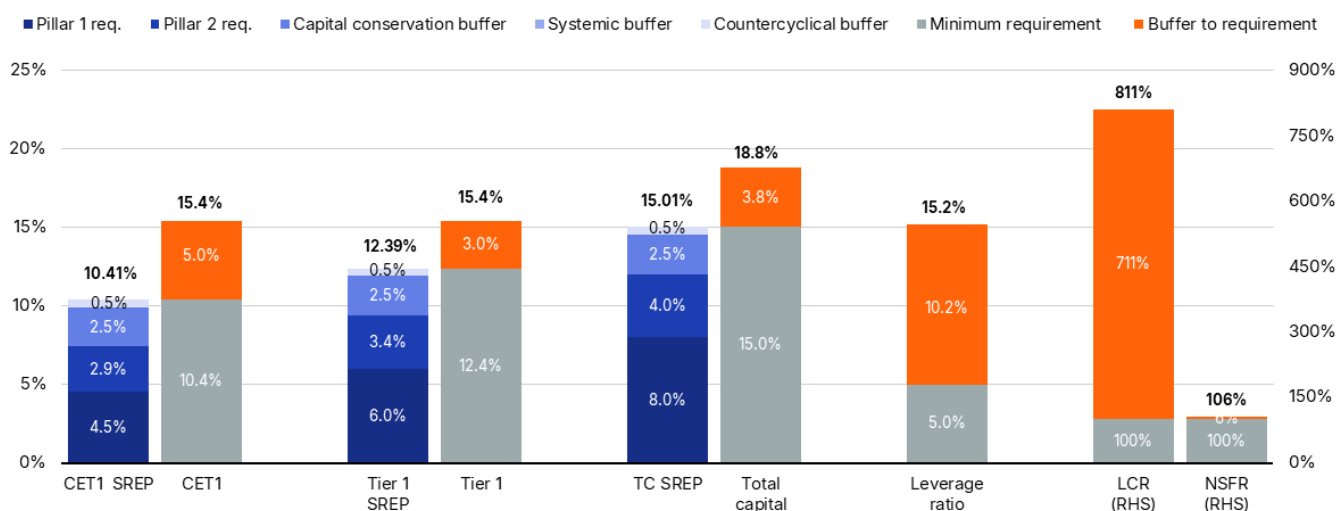
With a CET 1 ratio at 15.4% as of June 2025 and a buffer to requirement of 500bps, Scope expects Crystal to maintain an adequate capital position in the medium-term, moving closer to the management buffer of 200bps above CET 1 requirement as the balance sheet grows. Regulatory requirements under the microbank license framework are aligned with Basel III standards. However, they include also (i) an additional requirement under Pillar 2 referred as 'credit risk adjustment buffer' that results from the transition from local GAAP to IFRS on the calculation on expected credit losses, and (ii) a net buffer based on a general risk assessment program evaluation ('GRAPE') that includes also risk related to the business model and profitability, macroenvironment, group structure and governance.

Crystal's main funding sources are international and national financial institutions. The funding structure currently remains concentrated on financial institutions, which is expected to change as the bank thrives to grow and diversify its funding with customers deposits.

The current funding profile is well distributed across 15 counterparties and maturities and has a currency distribution that allows for cost optimisation, while having in place adequate hedging policies to limit currency risk. Crystal also has issued three bonds' transactions in GEL, the last one done in February 2023 for GEL 25m with a 2-year maturity.

Historically, liquidity has been adequately managed under the regulatory covenant of 18% liquid assets applicable for microfinance organisations. Now, as a microbank, the application of the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) are the main liquidity requirements. Under the new regulatory requirements, Crystal has maintained a strong level of liquidity, as it responds to the need of ample available resources to support the portfolio growth. NSFR remains also above the requirements at 106% as of June 2025.

Figure 10: Overview of distance to requirements as of Q2 2025



Note: Reported LCR under National Bank of Georgia methodology is 1224%, while for comparative purposes in the table above we use the LCR reported under Basel methodology.
Source: Company data, Scope Ratings

Appendix 1. Selected financial information – JSC Microbank Crystal

	2021Y	2022Y	2023Y	2024Y	2025H1
Balance sheet summary (GEL m)					
Assets					
Cash and interbank assets	19,127	27,812	8,253	24,686	38,352
Total securities	103	0	816	4,503	NA
of which, derivatives	103	0	816	4,503	NA
Net loans to customers	353,603	397,593	438,437	514,785	556,995
Other assets	23,346	27,287	28,014	32,275	NA
Total assets	396,179	452,692	475,520	576,249	631,435
Liabilities					
Interbank liabilities and borrowings	307,974	351,044	369,728	440,254	477,410
Derivatives	188	8,032	0	0	NA
Deposits from customers	0	0	0	0	NA
Subordinated debt	15,558	13,576	16,867	23,331	NA
Other liabilities	12,264	13,531	14,679	16,714	NA
Total liabilities	335,984	386,183	401,274	480,299	530,341
Ordinary equity	50,229	56,543	64,280	85,984	NA
Equity hybrids	9,966	9,966	9,966	9,966	NA
Minority interests	0	0	0	0	NA
Total liabilities and equity	396,179	452,692	475,520	576,249	631,435
<i>Core tier 1/ common equity tier 1 capital</i>	NA	NA	NA	NA	96,736
Income statement summary (GEL m)					
Net interest income	63,380	73,248	82,580	101,487	NA
Net fee & commission income	442	556	942	1,358	NA
Net trading income	-12,473	-11,842	-4,846	-2,268	NA
Other income	580	356	1,092	599	NA
Operating income	51,929	62,318	79,768	101,176	NA
Operating expenses	43,053	47,266	53,362	62,300	NA
Pre-provision income	8,876	15,052	26,406	38,876	NA
Credit and other financial impairments	2,693	7,699	11,835	10,368	NA
Other impairments	0	274	124	633	NA
Non-recurring income	0	0	0	0	NA
Non-recurring expense	0	0	0	0	NA
Pre-tax profit	6,183	7,079	14,447	27,875	NA
Income from discontinued operations	0	0	0	0	NA
Income tax expense	3,003	-232	3,717	5,212	NA
Other after-tax items	0	0	0	0	NA
Net profit attributable to minority interests	0	0	0	0	NA
Net profit attributable to parent	3,180	7,311	10,730	22,663	NA

Source: SNL, Scope Ratings

Note: Data as of H1 2025 refers to reported financials under the Microbank license. Figures above may differ from reported figures.

Appendix 2. Selected financial information – JSC Microbank Crystal

	2021Y	2022Y	2023Y	2024Y	2025H1
Funding and liquidity					
Net loans/ deposits (%)	NA	NA	NA	NA	NA
Liquidity coverage ratio (%)	NA	NA	NA	NA	1224%
Net stable funding ratio (%)	NA	NA	NA	NA	105.9
Asset mix, quality and growth					
Net loans/ assets (%)	89.25	87.83	92.20	89.33	NA
Problem loans/ gross customer loans (%)	3.22	3.54	3.45	2.77	NA
Loan loss reserves/ problem loans (%)	119.21	96.02	119.56	108.73	NA
Net loan growth (%)	11.15	12.44	10.27	17.41	NA
Problem loans/ tangible equity & reserves (%)	16.95	19.07	17.78	13.74	NA
Asset growth (%)	8.22	14.26	5.04	21.18	NA
Earnings and profitability					
Net interest margin (%)	17.82	18.35	18.92	20.47	19.3
Net interest income/ average RWAs (%)	16.61	17.22	17.85	19.47	NA
Net interest income/ operating income (%)	122.05	117.54	103.53	100.31	NA
Net fees & commissions/ operating income (%)	0.85	0.89	1.18	1.34	NA
Cost/ income ratio (%)	82.91	75.85	66.90	61.58	NA
Operating expenses/ average RWAs (%)	11.28	11.11	11.53	11.95	NA
Pre-impairment operating profit/ average RWAs (%)	2.33	3.54	5.71	7.46	NA
Impairment on financial assets / pre-impairment income (%)	30.34	51.15	44.82	26.67	NA
Loan loss provision/ average gross loans (%)	0.77	1.98	2.72	2.10	NA
Pre-tax profit/ average RWAs (%)	1.62	1.66	3.12	5.35	NA
Return on average assets (%)	0.83	1.72	2.31	4.31	NA
Return on average RWAs (%)	0.83	1.72	2.32	4.35	NA
Return on average equity (%)	5.38	11.54	15.25	26.63	NA
Capital and risk protection					
Common equity tier 1 ratio (% , fully loaded)	NA	NA	NA	NA	15.43
Common equity tier 1 ratio (% , transitional)	NA	NA	NA	NA	NA
Tier 1 capital ratio (% , transitional)	NA	NA	NA	NA	15.43
Total capital ratio (% , transitional)	20.47	17.93	19.37	20.07	18.83
Leverage ratio (%)	NA	NA	NA	NA	15.2
Asset risk intensity (RWAs/ total assets, %)	100.89	99.63	99.79	98.60	NA
Market indicators					
NA					
Price/ book (x)	NA	NA	NA	NA	NA
Price/ tangible book (x)	NA	NA	NA	NA	NA
Dividend payout ratio (%)	NA	NA	NA	NA	NA

Source: SNL, Scope Ratings

Note: Data as of H1 2025 refers to reported financials under the Microbank license. Figures above may differ from reported figures.

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