JSC Bank of Georgia
Separate Financial Statements

31 December 2023
Together with Independent Auditor's Report

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Independent auditor's report

To the Shareholders and the Supervisory Board of JSC Bank of Georgia

Opinion

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

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at 31 December 2023 and its separate financial performance and its separate 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 separate financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

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Key audit matter	How our audit addressed it
Allowance for expected credit loss and application of IFRS 9 'Financial instruments'	
The ECL provision is calculated using a combination of a collective provisioning model and specific loan provisions based on discounted cash flow analyses and regression-based forward-looking estimates. The allowance for expected credit loss is highly judgemental and changes in assumptions could have a material impact on reported profits. Both collective and specific provisioning depend on a number of assumptions and judgements including: ▸ allocation of loans to stage 1, 2, 3 or Purchased and Originated Credit-Impaired ('POCI') using criteria set in accordance with IFRS 9 'Financial Instruments'; ▸ accounting interpretations and modelling assumptions used to build and run the models for calculating the expected credit loss ('ECL'); ▸ inputs and assumptions used to estimate the impact of multiple economic scenarios, including weightings applied; ▸ estimation of probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'), including the valuation of collateral; and ▸ measurement of individually assessed provisions, including expected future cash flows and the valuation of collateral. There are also risks related to: ▸ the accuracy and completeness of underlying loan data used in the ECL model; and ▸ the accuracy and adequacy of financial statement disclosures.	▸ We obtained an understanding, performed walkthroughs and evaluated the design and operating effectiveness of key controls across the processes relevant to the ECL. This includes controls over data accuracy and completeness, credit monitoring, allocation of borrowers into their respective impairment stages, individual provisioning and production of journal entries and disclosures. ▸ Using our IFRS 9 specialists, we assessed and challenged the Bank's IFRS 9 provisioning methodology to determine whether the accounting standard had been complied with consistently and any changes made to the methodology were appropriate. ▸ Using our modelling specialists, we tested the assumptions, inputs and formulae used in the ECL model to confirm that the model was consistent with the stated methodology. This included assessing the appropriateness of the model design and formulae used, and recalculating the PD, LGD and EAD, on a sample basis. ▸ We engaged specialists to perform a detailed review and testing of the changes made in the models. We performed a recalculation of the ECL on a sample basis, including procedures over staging and underlying risk parameters. ▸ We assessed the appropriateness of the macroeconomic scenarios used by management and tested whether they had been properly applied in the ECL calculations. ▸ We tested the completeness and accuracy of key data inputs used in the ECL model by reconciling loans and advances between the underlying source systems and the ECL model.

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Key audit matter	How our audit addressed it
As a consequence of the judgement involved in establishing the allowance, there is a greater risk of misstatement in ECL charges, either by fraud or error, including through the potential override of controls by management. The level of risk remains consistent with the prior year. Information on the impairment of loans to customers is included in Note 9, *Loans to Customers and finance lease receivables* and Note 28, *Risk Management*, to the separate financial statements.	► We challenged the criteria used to allocate assets to stage 1, 2, 3 or POCI in accordance with IFRS 9, to determine SICR and staging. For a sample of loans, we independently assessed whether they had been allocated to the appropriate stage, considering potential indicators of significant increase in credit risk or default and challenged management as to the rationale for movements between stages. ► We performed procedures to address the existence and valuation of collateral for loans where expected cash flows from the realization of collateral were impacting the estimation of loan losses. Involving our valuation specialists, we assessed the reasonableness of valuation methodology of collateral. ► We evaluated the adequacy and appropriateness of disclosures related to ECL for compliance with the requirements of IFRS.
Valuation of investment properties	
The Bank applies the fair value model for its investment property. The Bank engaged a professional valuer to determine the fair value for a selection of its investment properties. Real estate valuations are inherently uncertain and subject to an estimation process. Furthermore, the Bank's real estate properties are located primarily in Georgia, where the secondary market is relatively illiquid, which increases the judgement involved in determining these valuations. The significance and subjectivity of these valuations make them a key audit matter. Information on the valuation of investment properties is included to Note 3, Summary *of Significant Accounting Policies*, Note 11, *Investment Properties*, Note 29, *Fair Value Measurements*, to the separate financial statements.	We engaged our Real Estate specialists to evaluate a sample of the Bank's real estate valuations. The specialists' assessment included evaluation of the competence and objectivity of the external valuers engaged by the Bank, analysis of the methods and assumptions used and testing of the data provided by the valuers. In respect of properties, which were not subject to individual valuation by the external valuer, we assessed management's assumptions regarding changes in the prices of such properties for the reporting period. We corroborated these by reviewing the market overview reports prepared by external valuers, and by reference to our understanding of the Bank's real estate portfolio and observable market information. We reviewed the presentation and disclosure of investment properties in the financial statements are in accordance with relevant accounting standards.

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Other information included in Bank's 2023 Management Report

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

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

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

Responsibilities of management and Audit Committee for the separate financial statements

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

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

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Ruslan Khoroshvili.



Ruslan Khoroshvili (SARAS-A-615243)

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

26 April 2024

Tbilisi, Georgia

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Thousands of Georgian Lari)

	Notes	2023	2022	2021
Assets				
Cash and cash equivalents	6	2,655,221	2,864,375	1,274,067
Amounts due from credit institutions	7	1,733,898	2,396,568	1,892,402
Investment securities	8	4,810,404	4,283,389	2,494,167
Loans to customers and finance lease receivables	9	19,517,058	16,260,377	15,264,047
Accounts receivable and other loans		2,518	1,867	21,503
Prepayments		24,188	40,630	51,126
Foredosed Assets*	12	267,870	114,731	2,488
Right-of-use assets	10	119,348	98,678	73,441
Investment properties	11	115,866	163,230	218,793
Property and equipment	10	389,513	348,062	327,243
Goodwill	13	33,453	33,453	33,453
Intangible assets	10	133,224	120,110	115,838
Investments in subsidiaries	14	146,452	148,079	151,311
Other assets*	16	282,888	238,094	211,060
Assets held for sale		25,742	29,567	46,324
Total assets		**30,257,643**	**27,141,210**	**22,177,263**
Liabilities				
Client deposits and notes	17	19,731,078	17,257,363	13,573,131
Amounts owed to credit institutions	18	5,102,780	5,081,776	3,760,484
Debt securities issued	19	414,549	601,581	1,373,095
Lease liability	10	124,345	99,459	81,776
Accruals and deferred income		118,534	96,071	71,861
Income tax liabilities	15	194,924	99,534	107,988
Other liabilities	16	147,887	149,254	171,258
Total liabilities		**25,834,097**	**23,385,038**	**19,139,593**
Equity	21			
Share capital		27,994	27,994	27,994
Additional paid-in capital		150,787	189,338	180,233
Treasury shares		(11)	(10)	(10)
Other reserves		34,892	23,983	1,272
Retained earnings		4,209,884	3,514,867	2,828,181
Total equity attributable to shareholders of the Group		**4,423,546**	**3,756,172**	**3,037,670**
Non-controlling interests		-	-	-
Total equity		**4,423,546**	**3,756,172**	**3,037,670**
Total liabilities and equity		**30,257,643**	**27,141,210**	**22,177,263**

Signed and authorised for release on behalf of the Management Board and the Supervisory Board:

Archil Gachechiladze — Chief Executive Officer

Sulkhan Gvalia — Chief Financial Officer

Mel Carvill — Supervisory Board Chairman

26 April 2024

* *To improve the quality and understandability of its Separate statement of financial position, the Bank has revisited the presentation of foreclosed assets, inventories and other assets. Further details are disclosed in Note 3.*

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Thousands of Georgian Lari)

	Notes	*2023*	*2022*	*2021*
Assets				
Cash and cash equivalents	6	2,655,221	2,864,375	1,274,067
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Liabilities				
Client deposits and notes	17	19,731,078	17,257,363	13,573,131
Amounts owed to credit institutions	18	5,102,780	5,081,776	3,760,484
Debt securities issued	19	414,549	601,581	1,373,095
Lease liability	10	124,345	99,459	81,776
Accruals and deferred income		118,534	96,071	71,861
Income tax liabilities	15	194,924	99,534	107,988
Other liabilities	16	147,887	149,254	171,258
Total liabilities		25,834,097	23,385,038	19,139,593
Equity	21			
Share capital		27,994	27,994	27,994
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Non-controlling interests		-	-	-
Total equity		4,423,546	3,756,172	3,037,670
Total liabilities and equity		30,257,643	27,141,210	22,177,263

Signed and authorised for release on behalf of the Management Board and the Supervisory Board:

Archil Gachechiladze	Chief Executive Officer
Sulkhan Gvalia	Chief Financial Officer
Mel Carvill	Supervisory Board Chairman

26 April 2024

* *To improve the quality and understandability of its Separate statement of financial position, the Bank has revisited the presentation of foreclosed assets, inventories and other assets. Further details are disclosed in Note 3.*

SEPARATE INCOME STATEMENT

For the year ended 31 December 2023

(Thousands of Georgian Lari)

	Notes	2023	2022	2021
Interest income calculated using EIR method		2,648,202	2,156,992	1,717,134
Other interest income		4,028	3,263	881
Interest income		2,652,230	2,160,255	1,718,015
Interest expense		(1,100,293)	(1,012,264)	(814,307)
Deposit insurance fees		(19,174)	(16,643)	(13,012)
Net interest income	22	1,532,763	1,131,348	890,696
Fee and commission income		622,905	510,815	364,199
Fee and commission expense		(289,662)	(261,040)	(181,609)
Net fee and commission income	23	333,243	249,775	182,590
Net foreign currency gain		329,572	399,217	96,857
Net gains / (losses) on extinguishment of debt		343	(8,158)	(1,789)
Net other gains / (losses)	26	111,670	31,386	56,933
Operating income		2,307,591	1,803,568	1,225,287
Salaries and other employee benefits	24	(344,451)	(300,403)	(230,257)
Administrative expenses	24	(164,049)	(127,950)	(107,407)
Depreciation, amortisation and impairment	10	(101,167)	(89,253)	(78,008)
Other operating expenses		(2,798)	(2,880)	(3,176)
Operating expenses		(612,465)	(520,486)	(418,848)
Profit from associates		984	819	(3,781)
Operating income before cost of risk		1,696,110	1,283,901	802,658
Expected credit loss on loans to customers	25	(125,558)	(112,368)	(3,914)
Expected credit loss on finance lease receivables	25	840	(2,900)	(1,174)
Other expected credit (loss) / recovery	25	(2,352)	(6,849)	8,990
Impairment charge on other assets and provisions		(15,578)	(16,994)	(6,628)
Cost of risk		(142,648)	(139,111)	(2,726)
Net operating income before non-recurring items		1,553,462	1,144,790	799,932
Net non-recurring items		-	-	(78)
Profit before income tax expense		1,553,462	1,144,790	799,854
Income tax expense	15	(250,490)	(182,923)	(71,420)
Profit for the year		1,302,972	961,867	728,434
Basic and diluted earnings per share	21	46.5621	34.3722	26.0305

The accompanying Notes on pages 6 to 101 are an integral part of these financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Thousands of Georgian Lari)

	Notes	2023	2022	2021
Profit for the year		1,302,972	961,867	728,434
Other comprehensive income (loss)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent years:				
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	8	21,476	28,058	(31,839)
– Realised (gain) loss on financial assets measured at FVOCI		(14,372)	(7,352)	(30,153)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement		2,030	3,374	(827)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent years		9,134	24,080	(62,819)
Other comprehensive loss not to be reclassified to profit or loss in subsequent years:				
– Revaluation of property and equipment reclassified to investment property		-	-	2,359
– Net loss on investments in equity instruments designated at FVOCI		1,775	(1,369)	884
Net other comprehensive loss not to be reclassified to profit or loss in subsequent years		1,775	(1,369)	3,243
Other comprehensive income (loss) for the year, net of tax		10,909	22,711	(59,576)
Total comprehensive income for the year		1,313,881	984,578	668,858
Total comprehensive income attributable to:				
– shareholders of the Group		1,313,881	984,578	668,858
– non-controlling interests		-	-	-
		1,313,881	984,578	668,858

The accompanying Notes on pages 6 to 101 are an integral part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total equity*
31 December 2020	27,994	216,227	(10)	60,848	2,170,137	2,475,196
Profit for the year	-	-	-	-	728,434	728,434
Other comprehensive income for the year	-	-	-	(59,576)	-	(59,576)
Total comprehensive income for the year	-	-	-	(59,576)	728,434	668,858
Increase in equity arising from share-based payments	-	44,336	-	-	-	44,336
Dividends to shareholders of the Bank (Note 21)	-	-	-	-	(70,390)	(70,390)
Contributions under share-based payment plan (Note 27)	-	(80,330)	-	-	-	(80,330)
31 December 2021	27,994	180,233	(10)	1,272	2,828,181	3,037,670
Profit for the year	-	-	-	-	961,867	961,867
Other comprehensive income for the year	-	-	-	22,711	-	22,711
Total comprehensive income for the year	-	-	-	22,711	961,867	984,578
Increase in equity arising from share-based payments	-	80,996	-	-	-	80,996
Dividends to shareholders of the Bank (Note 21)	-	-	-	-	(275,181)	(275,181)
Contributions under share-based payment plan (Note 27)	-	(71,891)	-	-	-	(71,891)
31 December 2022	27,994	189,338	(10)	23,983	3,514,867	3,756,172
Profit for the year	-	-	-	-	1,302,972	1,302,972
Other comprehensive income for the year	-	-	-	10,909	-	10,909
Total comprehensive income for the year	-	-	-	10,909	1,302,972	1,313,881
Increase in equity arising from share-based payments	-	70,970	-	-	-	70,970
Purchase of treasury shares	-	-	(1)	-	-	(1)
Dividends to shareholders of the Bank (Note 21)	-	-	-	-	(607,955)	(607,955)
Contributions under share-based payment plan (Note 27)	-	(109,521)	-	-	-	(109,521)
31 December 2023	27,994	150,787	(11)	34,892	4,209,884	4,423,546

The accompanying Notes on pages 6 to 101 are an integral part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Thousands of Georgian Lari)

	Notes	2023	2022	2021
Cash flows from operating activities				
Interest received		2,608,506	2,202,737	1,719,146
Interest paid		(1,032,235)	(972,521)	(828,573)
Fees and commissions received		528,595	473,932	353,626
Fees and commissions paid		(252,154)	(261,040)	(181,609)
Net realised gain from foreign currencies		309,893	392,271	121,315
Recoveries of loans to customers previously written off	9	41,442	81,478	80,274
Cash received from (paid for) derivatives		-	(58)	61
Other income received		12,328	12,067	5,952
Salaries and other employee benefits paid		(273,481)	(219,407)	(185,921)
General and administrative and operating expenses paid		(163,150)	(131,355)	(111,907)
Cash flows from operating activities before changes in operating assets and liabilities		1,779,744	1,578,104	972,364
Net (increase) decrease in operating assets				
Amounts due from credit institutions		603,165	(899,667)	(14,846)
Loans to customers and finance lease receivables		(3,542,928)	(2,603,102)	(2,751,914)
Prepayments and other assets*		13,704	(47,206)	(30,686)
Foredosed Assets*		158,524	(10,972)	(5,000)
Net increase (decrease) in operating liabilities				
Amounts due to credit institutions		14,918	1,392,177	1,007,357
Debt securities issued		(41,516)	(3,592)	27,095
Client deposits and notes		2,415,138	4,970,297	549,848
Other liabilities		(16,873)	57,872	33,962
Net cash flows from (used in) operating activities before income tax		1,383,876	4,433,911	(211,820)
Income tax paid		(155,100)	(191,377)	(1,770)
Net cash flows from (used in) operating activities		1,228,776	4,242,534	(213,590)
Cash flows (used in) from investing activities				
Net (purchases) sales of investment securities		(476,258)	(1,844,530)	(102,928)
Proceeds from sale of investment properties and assets held for sale		47,903	89,039	119,153
Proceeds from sale of property and equipment and intangible assets		199	4,453	(23)
Purchase of property and equipment and intangible assets		(130,045)	(102,015)	(79,411)
Dividends received		696	-	401
Net cash flows used in investing activities		(557,505)	(1,853,053)	(62,808)
Cash flows used in financing activities				
Repurchase of debt securities issued	19	(20,980)	(617,194)	(28,825)
Repayment of the principal portion of the debt securities issued	19	(192,222)	-	-
Proceeds from Tier 2 notes issued	19	78,921		
Proceeds from Additional Tier 1 debt securities issued	18	-	148,120	-
Cash payments for the principal portion of the lease liability	10	(26,572)	(19,858)	(25,068)
Dividends paid		(606,779)	(274,548)	(70,222)
Contributions under share-based payment plan (Note 27)		(109,521)	(71,891)	(80,330)
Purchase of treasury shares		(1)	-	-
Net cash used in financing activities		(877,154)	(835,371)	(204,445)
Effect of exchange rates changes on cash and cash equivalents		(3,234)	36,305	(73,377)
Effect of expected credit losses on cash and cash equivalents		(37)	(107)	51
Net (decrease) increase in cash and cash equivalents		(209,154)	1,590,308	(554,169)
Cash and cash equivalents, beginning of the year	6	2,864,375	1,274,067	1,828,236
Cash and cash equivalents, end of the year	6	2,655,221	2,864,375	1,274,067

* *To improve the quality and understandability of its Separate statement of cash flows, the Bank has revisited the presentation of foreclosed assets, inventories and other assets. Further details are disclosed in Note 3.*

The accompanying Notes on pages 6 to 101 are an integral part of these financial statements.

1. Principal activities

JSC Bank of Georgia (the "Bank") was established on 21 October 1994 as a joint stock company ("JSC") under the laws of Georgia. The Bank operates under a general banking licence issued by the National Bank of Georgia ("NBG"; the Central Bank of Georgia) on 15 December 1994.

Primary business activities include providing banking services to corporate and individual customers. The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally, and exchanges currencies. Its main office is in Tbilisi, Georgia. At 31 December 2023, the Bank has 189 operating outlets in all major cities of Georgia (31 December 2022: 211, 31 December 2021: 211). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia. The Bank's identification number is 204378869.

As at 31 December 2023 Bank of Georgia Group PLC ("BOGG") represented the ultimate parent company of the Bank.

In 2023 the ultimate parent of the Bank undertook internal reorganization process intended to optimise its subsidiaries holding structure. As a result, 99.56% shareholding of the Bank was consolidated under JSC BGEO. There was no change in the Bank's ultimate parent as a result of the reorganization.

As at 31 December 2023, 31 December 2022 and 31 December 2021, JSC BGEO was the principal shareholder of the Bank:

Shareholder	*31 December 2023*	*31 December 2022*	*31 December 2021*
JSC BGEO Group	99.56%	79.78%	79.78%
Bank of Georgia Group PLC	0.00%	19.78%	19.78%
Others*	0.44%	0.44%	0.44%
Total	100.00%	100.00%	100.00%

* *Shares listed on the Georgian Stock Exchange.*

2. Basis of preparation

General

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2023 reporting. These separate financial statements have been prepared in accordance with the requirements of the Order No. 6 of the Service for Accounting, Reporting and Auditing Supervision ("SARAS"), dated 4 May 2021.

On 28 April 2023, the Bank has prepared separate financial statements, for the year ended 31 December 2023, in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2021 reporting. These separate financial statements are available on the Bank's official website (www.bankofgeorgia.ge).

The Bank is required to maintain records and prepare financial statements for regulatory purposes in Georgian Lari. These financial statements are prepared under the historical cost convention except for:

- the measurement at fair value of financial assets and investment securities, derivative financial assets and liabilities and investment properties;
- the measurement of inventories at lower of cost and net realisable value; and
- the measurement of non-current assets classified as held for sale at lower of cost and fair value less costs to sell.

The financial statements are presented in thousands of Georgian Lari ("GEL"), except per-share amounts and unless otherwise indicated.

2. Basis of preparation (continued)

Going concern

In adopting the going concern basis for preparing the separate financial statements, the Management Board has considered the Bank's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance. The Management Board has performed a robust assessment of the Bank's financial forecasts across a range of scenarios over a 12 months period from the reporting date, by carrying out stress testing, incorporating extreme downside scenario and reverse stress testing, which involved examining the level of disruption that may cause the Bank to fail. Based on this, the Management Board confirms that they have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the 12 months from the date the financial statements are authorised for issue. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

Subsidiaries, associates and corporate shares with shareholdings above 10%

The separate financial statements as at 31 December 2023, 31 December 2022 and 31 December 2021 include the following subsidiaries, associates and corporate shares with shareholdings above 10%:

	Proportion of voting rights and ordinary share capital held			*Investments*								
Subsidiaries	*31 December 2023*	*31 December 2022*	*31 December 2021*	*31 December 2023*	*31 December 2022*	*31 December 2021*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
Bank of Georgia Representative Office UK Limited	100.00%	100.00%	100.00%	-	-	-	United Kingdom	42 Brook Street, London, W1K 5DB	Information Sharing and Market Research	17/8/2010	–	Limited Liability Company
Tree of Life Foundation NPO (formerly known as Bank of Georgia Future Foundation, NPO)	100.00%	100.00%	100.00%	-	-	-	Georgia	3 Pushkin Street, Tbilisi 0105	Charitable activities	25/8/2008	–	Non-profit Organization
Bank of Georgia Representative Office Hungary (a)	100.00%	100.00%	100.00%	7,314	6,886	6,886	Hungary	1054 Budapest, Szabadság tér 7; Bank Center	Representative Office	18/6/2012	–	Representative Office
Representative Office of JSC Bank of Georgia in Turkey	100.00%	100.00%	100.00%	-	-	-	Turkey	Süleyman Seba Caddesi No:48 A Blok Daire 82 Akaretler Beşiktaş 34357 Istanbul	Representative Office	25/12/2013	–	Representative Office
Georgia Financial Investments, LLC	100.00%	100.00%	100.00%	3,577	3,577	3,577	Israel	7 Menahem Begin, Ramat Gan 52681, Israel	Information Sharing and Market Research	9/2/2009	–	Limited Liability Company
Teaching University of Georgian Bank, LLC	(b)	(b)	(b)	-	-	-	Georgia	#29 Mitskevichi Street, Tbilisi, 0194	Education	15/10/2013	–	Limited Liability Company
Benderlock Investments Limited	100.00%	100.00%	100.00%	58,745	58,745	58,745	Cyprus	Arch. Makariou III 58, IRIS TOWER, 8th floor, Flat/Office 702 P.C. 1075, Nicosia	Investments	12/5/2009	13/10/2009	Limited Liability Company
Þ JSC Belarusky Narodny Bank (b) *	99.98%	99.98%	99.98%	102,828	102,998	110,218	Belarus	Nezavisimosty Ave. 87A, Minsk, 220012	Banking	16/4/1992	3/6/2008	Joint Stock Company
Þ BNB Leasing, LLC	99.90%	99.90%	99.90%	11	11	11	Belarus	Nezavisimosty Ave. 87A, room 3, Minsk, 220012	Leasing	30/3/2006	3/6/2008	Limited Liability Company
Georgian Leasing Company, LLC	100.00%	100.00%	100.00%	17,555	19,182	22,414	Georgia	3-5 Kazbegi Str.,Tbilisi	Leasing	29/10/2001	31/12/2004	Limited Liability Company
Þ Prime Leasing	100.00%	100.00%	100.00%	2	2	2	Georgia	Didube-Chughureti district, №114, Ak. Tsereteli Ave., Tbilisi	Leasing	27/1/2012	21/1/2015	Limited Liability Company

	Proportion of voting rights and ordinary share capital held			*Investments*								
Associates	*31 December 2023*	*31 December 2022*	*31 December 2021*	*31 December 2023*	*31 December 2022*	*31 December 2021*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
JSC Credit info (c)	21.08%	21.08%	21.08%	9,538	73,640	8,918	Georgia	2 Tarkhnishvili St., Tbilisi, Georgia	Financial intermediation	14/2/2005	14/2/2005	Joint Stock Company

	Proportion of voting rights and ordinary share capital held			*Investments*								
Investment securities, corporate shares	*31 December 2023*	*31 December 2022*	*31 December 2021*	*31 December 2023*	*31 December 2022*	*31 December 2021*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
JSC United Clearing Center	16.67%	16.67%	16.67%	108	108	108	Georgia	5/1 Sulkhan-Saba St., Tbilisi, Georgia	Electronic payment services	22/07/2008	15/09/2008	Joint Stock Company

(a) The investment has been fully impaired in the separate financial statements as at 31 December 2023 and 31 December 2022.

(b) The presented amount is the total of investments made directly by JSC Bank of Georgia and Benderlock Investments Limited, at GEL 66,575 and GEL 36,253, respectively.

(c) JSC Credit info initial investment amounted to GEL 95, which has been increased to GEL 424 as a result of investment re-measurement to fair value, when an equity investment became an associate. The share of the investment's profits or losses has also been recognised in the income statement.

3. Summary of significant accounting policies

Mergers with subsidiaries and goodwill

The investment in the subsidiary is initially measured at cost. Giving up the shares for the underlying assets is essentially a change in perspective of the parent of its investment, from a 'direct equity interest' to 'the reported results and net assets.' Hence, at the date of legal merger the values recognised in the combined financial statements become the cost of these assets for the parent. The acquired assets (including investments in subsidiaries, associates, or joint ventures held by the merged subsidiary) and assumed liabilities are recognised at the carrying amounts in the combined financial statements as of the date of the legal merger. This includes any associated goodwill, intangible assets, or other adjustments arising from measurement at fair value upon acquisition that were recognised when the subsidiary was originally acquired, less the subsequent related amortisation, depreciation, impairment losses, as applicable.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Bank are assigned to those units or Group of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment as defined in IFRS 8 "Operating Segments".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses cannot be reversed in future periods.

Investments in subsidiaries

Investments in subsidiaries, including those acquired through common control transactions, are measured at acquisition cost less impairment losses, if any.

Investments in associates

Associates are entities in which the Bank generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Bank's share of net assets of the associate. The Bank's share of its associates' profits or losses is recognised in the separate income statement, and its share of movements in reserves is recognised in other comprehensive income. However, when the Bank's share of losses in an associate equal or exceeds its interest in the associate, the Bank does not recognise further losses, unless the Bank is obliged to make further payments to, or on behalf of, the associate.

3. Summary of significant accounting policies (continued)

Fair value measurement

The Bank measures financial instruments, such as trading and investment securities, derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 29.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Classification and measurement for financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- fair value through profit or loss (FVPL);
- fair value through other comprehensive income (FVOCI) with recycling to profit or loss upon disposal for debt instruments;
- FVOCI without recycling to profit or loss for equity instruments; and
- amortised cost.

Classification and measurement for financial assets and liabilities (continued)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL if they are held for trading.

Embedded derivatives are not separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.

All derivative instruments are measured at FVPL.

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Bank determines that the fair value at initial recognition differs from the transaction price, then:

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Bank recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Bank recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent measurement of financial instruments

Financial instruments measured at amortised cost

The Bank measures due from credit institutions, loans to customers and other financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on the following observable factors:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- How financial assets held within particular business model are evaluated and reported to key management personnel.

The expected frequency, value and timing of sales are also important aspects of the assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

There are three business models available under IFRS 9:

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

Solely Payments of Principal and Interest (SPPI)

If a financial asset is held in either to a 'hold to collect', or a 'hold to collect and sell' business model, then the Bank assesses whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition to determine the classification. The SPPI test is performed on an individual instrument basis.

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

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

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

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

Subsequent measurement of financial instruments (continued)

- *Debt instruments at FVOCI*

The Bank measures debt investment securities at FVOCI when both of the following categories are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows, selling financial assets and holding such financial instruments for liquidity management purposes.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt investment securities are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

- *Equity instruments at FVOCI – option*

Upon initial recognition, the Bank may elect to classify irrevocably its equity instruments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument by instrument basis.

The Bank does not recycle gains and losses on these equity instruments to profit or loss nor does it make impairment assessment for these instruments. Dividends received are recognised in profit or loss.

- *Financial assets at FVTPL*

Groups of financial assets for which the business model is other than 'hold to collect' and 'hold to collect and sell' are measured at FVTPL.

- *Derivatives recorded at fair value through profit or loss*

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, Forwards and other similar instruments. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Net changes in the fair value of derivatives are included in Net other gains/(losses), excluding gain/loss on foreign exchange derivatives which are presented in net foreign currency gain. From the beginning of 2019, the Bank enters into certain cross-currency swap agreements to match its funding costs in certain currencies with the income generated from lending activities in these currencies. As a result, the Bank economically hedges the interest rate risk, however no hedge accounting under IFRS 9 is applied. Net changes in the fair value of such derivative financial instruments, which are presented in net foreign currency gain, excludes unwinding of the locked-in interest differential which is presented as part of interest expense to reflect risk management objective of the Bank.

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

- *Financial guarantees, letters of credit and other financial commitments*

The Bank enters into the financial guarantee contacts whereby it's required to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantees, letter of credits and other financial commitments are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised, less cumulative amortisation recognised in the separate income statement and an expected credit loss ('ECL') provision.

- *Non-financial guarantees*

The Bank enters into non-financial guarantee contracts whereby it's required to compensate to the holder in case another party fails to meet its contractual obligations. Non-financial guarantees are initially recognised in the financial statements at fair value, being the premium received, amortized on a straight-line basis over the life of the contract. Subsequent to initial recognition the Bank's liability under non-financial guarantee is measured at the amount that represents the best estimate of the expenditure required to settle the present obligation. The estimate takes into account the probability of another party defaulting on its obligations as well as available collateral under the guarantee contracts and is recognised in the separate income statement as part of other expected credit loss and provision for performance guarantees.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from central banks, excluding obligatory reserves with central banks, and amounts due from credit institutions that mature within 90 days of the date of origination, and are free from contractual encumbrances and readily convertible to known amounts of cash. The Bank also holds cash in nominal ownership on behalf of its clients. The Bank does not control this cash nor does it has the potential to produce economic benefits to the Bank, therefore asset recognition criteria is not met in such case. Respectively, the Bank does not recognise these amounts in its separate statement of financial position.

Borrowings

The Bank classifies issued financial instruments or their components as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions and amounts due to customers (including promissory notes issued). The Bank initially recognises these liabilities at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost, using the effective interest (EIR) method. Gains and losses are recognised in the separate income statement when the borrowings are derecognised as well as through the amortisation process.

Issued Additional Tier 1 instruments with perpetual maturity and discretionary interest payments are classified as financial liabilities when the instruments are not convertible into equity and the Bank does not have unconditional right to avoid delivering cash upon a predetermined trigger event that is beyond the control of both the issuer and the holder of the instrument. Such instruments are measured at amortised cost with respective interest presented as part of interest expense in the separate income statement.

If the Bank purchases its own debt, it is removed from the Statement of Financial Position and the difference between the carrying amount of the liability and the consideration paid is recognised in the separate income statement.

Subordinated debt

Subordinated debt represents long-term funds attracted by the Bank on the international financial markets or domestic market. The holders of subordinated debt would be subordinate to all other creditors to receive repayment of debt in case of the Bank's liquidation. Subordinated debt is carried at amortised cost.

3. Summary of significant accounting policies (continued)

Leases

The Bank as a lessee

The Bank's main leasing activities include the leases of service centres and ATM spaces. A non-cancellable lease period is up to ten years. Lease payments are fixed in most cases. The contacts don't generally carry extension or termination options for the lease term and do not impose any covenants.

- *Recognition of right-of-use asset and lease liability*

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date at an initial amount of the lease liability adjusted for lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term.

The lease liability is initially measured at the present value of the future lease payments excluding payments for VAT, discounted using the Bank's incremental borrowing rate (IBR). The lease liability is subsequently measured at amortised cost using the IBR.

- *Recognition exemptions*

The Bank applies the recognition exemptions on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Bank recognises the lease payments associated with these leases as an occupancy and rent expense on a straight-line basis over the lease term and presents them as part of General and administrative expenses.

- *Modifications of lease contracts*

If the lease contract is modified by either changing the scope of the lease, or the consideration for a lease that was not part of the original terms and conditions of the lease, the Bank determines whether the modification results in:

- a separate lease; or
- a change in the accounting for the existing lease.

For the lease modifications that are not accounted as separate leases, the Bank re-measures the lease liability either by recognising gain or loss relating to the partial or full termination of the lease or through adjusting respective right-of-use asset.

The Bank as a lessor

At the inception of the lease, the Bank classifies each of its leases as either an operating lease or a finance lease.

- *Finance lease*

The Bank classifies leases that transfer substantially all the risks and benefits incidental to ownership of the lease item to the lesseeas finance leases. All other leases are classified as operating leases. The Bank recognises finance lease receivables in the Separate Statement of Financial Position at a value equal to the net investment in the lease, starting from the date of commencement of the lease term. In calculating the present value of the minimum lease payments, the Bank uses the interest rate implicit in the lease as a discount factor. Initial direct costs are included in the initial measurement of the finance lease receivables. Lease payments received are apportioned between the finance income and the reduction of the outstanding lease receivable. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

- *Operating lease*

The Bank presents assets subject to operating leases in the separate statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the separate income statement on a straight-line basis over the lease term as net other income.

3. Summary of significant accounting policies (continued)

Impairment of financial assets

Overview of the ECL principles

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial assets'.

The allowance is based on the ECL associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset (lifetime ECL). If the financial asset meets the definition of purchased or originated credit-impaired (POCI), the allowance is based on the change in the lifetime ECL.

The Bank applies the simplified approach for trade, lease and other receivables and contract assets and records lifetime expected losses on them.

In order to calculate ECL, the Bank first evaluates whether objective evidence of impairment exists for loans that are individually significant. It then collectively assesses loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment available under the individual assessment.

Staged approach to the determination of ECL's

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

- Stage 1: The Bank recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition. For those financial assets with a remaining maturity of less than 12 months, a probability of default (PD) is used that corresponds to the remaining maturity.
- Stage 2: The Bank recognises a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those financial instruments which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the financial instrument. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared with 12 months in Stage 1. Financial Instruments in stage 2 are not yet deemed to be credit-impaired.
- Stage 3: If the financial instrument is credit-impaired, it is then moved to Stage 3. The Bank recognises a loss allowance at an amount equal to lifetime expected credit losses, reflecting a PD of 100% for those financial instruments that are credit-impaired.

Overview of the ECL principles (continued)

Unless purchased or originated credit-impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

Purchased or originated credit-impaired (POCI) assets are financial instruments that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR (CAEIR). CAEIR takes into account all contractual terms of the financial asset and expected credit losses. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses where ECLs are calculated based on lifetime expected credit loss. Once the financial asset is recognised as POCI, it retains this status until derecognised.

Key judgements and estimates used in ECL calculation are disclosed in Note 4.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Derecognition of financial assets

The Bank derecognises a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) where:

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

Derecognition and modification of financial assets

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financial assets. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms, based on qualitative and quantitative criteria. The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, except for cases when renegotiation of contractual terms happens due to financial difficulties of the borrower. Once the financial asset is derecognised, the difference is recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

The Bank applies derecognition of the financial asset if any of the following criteria are met:

- change in currency of the loan;
- change in interest rate type;
- introduction of an equity feature;
- change in counterparty;

If the terms are not substantially different, or the renegotiation is due to the financial difficulties of the borrower, such renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in interest income. The new gross carrying amount is calculated by discounting the modified cash flows at the original EIR.

Forbearance and modified loans

The Bank sometimes makes concessions or modifications to the original terms of the loans as a response to the borrower's financial difficulties, rather than taking possession or otherwise enforcing collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. Once the asset has been identified as forborne, the assets are classified in Stage 3. The decision as to how long the asset remains in the forborne category is determined on a case-by-case basis for commercial and SME loans, when a minimum six consecutive payments are required for the rest of the loans to exit from the forbearance category and transfer to Stage 2. Once the loan is transferred to Stage 2, the Bank continues to reassess whether there has been a significant increase in credit risk, however, such assets remain in Stage 2 for a minimum 12-month probation period before being transferred to Stage 1.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Derecognition of financial liabilities

The Bank derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the separate income statement.

Foreclosed Assets

All repossessed land and buildings were previously classified as Investment Properties at initial recognition given these assets were managed with a view of capital appreciation or earning a rental income. Commencing from 2022, the Bank updated its property management strategy and decided to move majority of the realizations of such properties at a quicker pace. Respectively, all repossessed collaterals, including land and buildings, are now classified either as Investment Properties or Foreclosed Assets depending the Bank's intention in respect of recovery of these assets.

Foreclosed assets are valued at the lower of cost and net realisable value.

Majority of the Bank's foreclosed assets consists of the real estate assets repossessed during recovery of defaulted loans. Such assets are specific and not ordinarily interchangeable, respectively the Bank applies specific identification of their individual costs. Realisation gain/loss from above assets are included under Net other gains/(losses) in the Bank's separate income statement.

Non-current assets held for sale

The Bank classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Assets and liabilities classified as held for sale are presented separately from other assets and liabilities in the statement of financial position.

Taxation

The Bank calculates the current income tax expense in accordance with the regulations in force in the respective territories in Georgia.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

The Bank recognises a deferred tax asset only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

3. Summary of significant accounting policies (continued)

Taxation (continued)

Uncertain tax positions

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

Investment properties

The Bank recognises investment property is initially at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Bank's investment property is determined on the basis of various sources including reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Gains and losses resulting from changes in the fair value of investment property as well as earned rental income are recorded in the income statement within net other income.

Property and equipment

The Bank records property and equipment at cost less accumulated depreciation and any accumulated impairment in value.

Depreciation of an asset commences from the date the asset is ready and available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Office buildings and service centres	Up to 100
Furniture and fixtures	3-20
Computers and equipment	5-10
Motor vehides	2-7

The assets' residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Assets under construction are stated at cost and are not depreciated until the time they are available for use and reclassified to their respective group of property and equipment.

Leasehold improvements are depreciated over the shorter life of the related leased asset and the expected lease term.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalisation.

Intangible assets

The Bank's intangible assets include computer software and licences.

Intangible assets acquired separately are initially measured at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. The economic lives of intangible assets are assessed to be finite and amortised over four to 15 years on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets.

3. Summary of significant accounting policies (continued)

Provisions

The Bank recognises a provisions when it 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 amount of obligation can be made.

Share-based payment transactions

Employees (including senior executives) of the Bank receive share-based remuneration, whereby they render services and receive equity instruments of the Bank ("equity-settled transactions") as consideration for the services provided.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The awards of shares in monetary terms are measured by reference to the monetary value (as awarded) adjusted for the time value of money where necessary.

The cost of equity-settled transactions is recognised together with the corresponding increase in equity as part of additional paid-in capital, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ("the vesting date"). The Separate Income Statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the Bank recognises the minimum expense as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of the modification.

Where a new equity-settled award is designated as a replacement of a cancelled equity-settled award, the replacement of equity instruments are accounted for as a modification.

Where the Bank cancels an equity-settled award, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as the replacement award on the date that it is granted, the cancelled and the new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity.

Additional paid-in capital

Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury shares

When the Bank purchases it's own shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at par value, with adjustment of premiums against additional paid-in capital.

Dividends

The Bank recognises dividends as liabilities and deducts them from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorised for issue. All expenses associated with dividend distribution are added to dividend amount and recorded directly through equity.

3. Summary of significant accounting policies (continued)

Contingencies

Contingent liabilities are not recognised in the separate statement of financial position but are disclosed, unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the separate statement of financial position but disclosed when an inflow of economic benefits is probable.

Income and expense recognition

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

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest-bearing securities, interest income or expense is recorded at the EIR.

For financial instruments in Stage 1 and Stage 2, the Bank calculates interest income by applying the effective interest rate (EIR) to the gross carrying amount. Interest income for financial assets in Stage 3 is calculated by applying the EIR to the amortised cost (i.e. the gross carrying amount less credit loss allowance). For financial instruments classified as POCI only, interest income is calculated by applying a credit adjusted EIR to the amortised cost of these POCI assets. The Bank presents interest revenue calculated using the EIR method separately in the income statement.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income is recognised when the Bank satisfies a performance obligation. Fee income can be divided into the following categories:

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

The Bank recognises fees income for the provision of services over a period of time over that period. These fees include commission incomes and asset management, custody, package services on bundled products and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn-down and other credit-related fees are deferred (together with any incremental costs), and recognised as an adjustment to the EIR on the loan.

Customer loyalty programme

Customer loyalty programme points accumulated in the business are treated as deferred revenue and recognised in revenues gradually as they are earned. The Bank recognises gross revenue earned from customer loyalty programmes when the performance obligation is satisfied, i.e. when the customer redeems the points or the points expire.

Performance obligations satisfied at a point in time

Fees and commissions earned from providing transaction-type services such as settlement, brokerage, cash and currency conversion operations are recognised when the service has been completed, provided such fees and commissions are not subject to refund or another contingency beyond the control of the Bank. Fees from currency conversion operations represent additional commission (other than currency dealing revenue recognised in net foreign currency gain) charged on currency conversion service provided to customers on cards used abroad.

Dividend income

Dividend revenue is recognised when the Bank's right to receive the payment is established.

Non-recurring items

The Bank separately classifies and discloses those income and expenses that are non-recurring by nature. The Bank defines non-recurring income or expense as an income or expense triggered by, or originated from, an economic, business or financial event that is not inherent to the regular and ordinary business course of the Bank and is caused by uncertain or unpredictable external factors that cannot be reasonably expected to occur in the future, and thus should not be taken into account when making projections of future results.

3. Summary of significant accounting policies (continued)

Functional, reporting currencies and foreign currency translation

The separate financial statements are presented in Georgian Lari, which is the Bank's presentation currency. The Bank's functional currency is Georgian Lari.

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date.

Gains and losses resulting from the translation of foreign currency transactions are recognised in the separate income statement as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in the income statement.

Differences between the contractual exchange rate of a certain transaction and the NBG exchange rate on the date of the transaction are included in gains less losses from foreign currencies (dealing). The official NBG exchange rates at 31 December 2023, 31 December 2022 and 31 December 2021 were:

	Lari to GBP	*Lari to USD*	*Lari to EUR*	*Lari to BYN*
31 December 2023	3.423	2.689	2.975	0.816
31 December 2022	3.258	2.702	2.884	1.073
31 December 2021	4.174	3.098	3.504	1.210

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Bank are translated into Georgian Lari at the rate of exchange ruling at the reporting date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations, and translated at the rate at the reporting date.

Adoption of new or revised standards and interpretations

Amendments effective from 1 January 2023

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17, Insurance Contracts, which sets out the accounting requirements for contractual rights and obligations that arise from insurance contracts issued and reinsurance contracts held. The Bank evaluated whether its contracts contain insurance risk, focusing on performance guarantees and concluded that there are no material contracts in scope of IFRS 17 considering practical expedients available.

The amendment had no material impact on the Bank's separate financial statements

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021 the Board issued Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendment had no material impact on the Bank's separate financial statements.

3. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendment had no material impact on the Bank's separate financial statements.

Definition of Accounting Estimates - Amendments to IAS 8, In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendment had no material impact on the Bank's separate financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The amendments had no impact on the Bank's separate financial statements.

Interest Rate Benchmark Reform

The UK's Financial Conduct Authority ('FCA') announced on 5 March 2021 that publication of main Libor currency interest rate benchmark settings including EUR LIBOR would cease at the end of 2021, while the publication of the most widely used US dollar Libor settings would be extended until 30 June 2023. As a result, the Bank initiated the transition programme for those contracts that reference Ibors to alternative rate products. As at 31 December 2023, the transitioning to alternative benchmark rates for all material contracts was substantially completed.

The below table provides a summary of financial contracts disaggregated by significant interest rate benchmark at the reporting date that are yet to transition to an alternative benchmark rate:

	Currency	*Balance at 31 December 2023*	*Balance at 31 December 2022*
Financial assets			
Loans to customers and finance lease receivables	USD	70	631,180
Financial liabilities			
Amounts owed to credit institutions	USD	373,769	515,129
Debt securities issued	USD	267,113	267,702

Reclassifications

To improve the quality and understandability of its separate statement of financial position and separate statement of cash flows, the Bank has revisited the presentation of foreclosed assets, inventories and other assets. The Bank considered it more appropriate to present foreclosed assets separately from other assets and present inventories within other assets. Comparative amounts were reclassified in line with the updated presentation.

3. Summary of significant accounting policies (continued)

Reclassifications (continued)

The following reclassifications were made to year ended 31 December 2022 and 31 December 2021 separate statement of financial position and separate statement of cash flows to conform to the year ended 31 December 2023 presentation requirements:

Separate Statement of Financial Position for the year ended 31 December 2022	*As previously reported*	*Reclassification*	*As reclassified*
Foredosed Assets	-	114,731	114,731
Inventories	11,041	(11,041)	-
Other assets	341,784	(103,690)	238,094

Separate statement of cash flows for the year ended 31 December 2022	*As previously reported*	*Reclassification*	*As reclassified*
Net (increase) decrease in operating assets			
Prepayments and other assets	(58,178)	10,972	(47,206)
Foredosed assets	-	(10,972)	(10,972)

Separate Statement of Financial Position for the year ended 31 December 2021	*As previously reported*	*Reclassification*	*As reclassified*
Foredosed Assets	-	2,488	2,488
Inventory	6,092	(6,092)	-
Other assets	207,456	3,604	211,060

Separate statement of cash flows for the year ended 31 December 2021	*As previously reported*	*Reclassification*	*As reclassified*
Net (increase) decrease in operating assets			
Prepayments and other assets	(35,686)	5,000	(30,686)
Foredosed assets	-	(5,000)	(5,000)

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's separate financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IAS 1 Presentation of Financial Statements

In January 2020 and July 2020, the IASB issued amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current". They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The amendments also clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments will be effective for annual periods beginning on or after January 1, 2024 with early adoption permitted.

The Bank is assessing the potential effect of the amendment on its separate financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The Bank is assessing the potential effect of the amendment on its separate financial statements.

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Bank's financial statements.

Lack of Exchangeability - Amendments to IAS 21

IASB has published "Lack of Exchangeability'' (Amendments to IAS 21) that contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are applicable for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

The amendments are not expected to have a material impact on the Bank's financial statements.

Non-current Liabilities with Covenants - Amendments to IAS 1
On October 31, 2022, the IASB published Non-current Liabilities with Covenants (Amendments to IAS 1) to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after January 1, 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted.

The amendments are not expected to have a material impact on the Bank's financial statements.

4. Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, the Board of Directors and management use their judgement and make estimates in determining the amounts recognised in the separate financial statements. The most significant judgements and estimates are as follows:

Estimates involved in measurement of investment properties, assets held for sale and foreclosed assets

Fair values of investment properties, assets held for sale and foreclosed assets is determined by independent, professionally qualified appraisers. Fair value is determined using a combination of the internal capitalisation method (also known as discounted future cash flow method) and the sales comparison method.

The Bank performs valuation of its investment properties, assets held for sale and foreclosed assets with a sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value and respective measurement principles at the end of the reporting period.

The last valuation was performed in 2022. Results of this valuation are presented in Note 11, while valuation inputs and techniques are presented in Note 29. The Bank's properties are spread across the different parts of the country. While the secondary market in Georgia provides adequate market information for fair value measurements for small and medium sized properties, valuation of large properties involves application of various observable and unobservable inputs to determine adjustments to the available comparable sale prices. These estimates and assumptions are based on the best available information, however, actual results could be different.

Allowance for financial assets

IFRS 9 requires management to make a number of judgements, assumptions and estimates based on management's knowledge and historical experience that affect the allowance for ECL. A summary of the key judgements made by management is set out below.

4. Significant accounting judgements and estimates (continued)

Definition of default, credit-impaired and cure (Note 28)

The Bank's definition of default is based on quantitative and qualitative criteria. The definition may differ across products. The definition is consistent with the definition used for internal credit risk management purposes and it corresponds with internal financial instrument risk classification rules. A counterparty is classified as defaulted at the latest when payments of interest, principal or fees are overdue for more than 90 days or when bankruptcy, fraud, insolvency proceedings of enforced liquidation have commenced, or there is other evidence that the payment obligations will not be fully met. The determination of whether a financial instrument is credit-impaired focuses on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees.

An instrument is classified as credit-impaired if the counterparty is defaulted and/or the instrument is POCI.

Once the financial asset is classified as credit-impaired (except for POCIs) it remains as such unless all past due amounts have been rectified or there is general evidence of credit recovery. A minimum period of six consecutive months' payment is applied as exit criteria to financial assets restructured due to credit risk other than corporate loan portfolio and debt instruments measured at FVOCI, where exit criteria are determined as exit from bankruptcy or insolvency status, disappearance of liquidity problems or existence of other general evidence of credit recovery assessed on individual basis. For other credit-impaired financial instruments, exit criteria is determined as repayment of the entire overdue amount other than through refinancing or foreclosure.

Once a credit-impaired financial asset meets default exit criteria, it remains in Stage 2 at least for the next 12 consecutive months. In case no default status is assigned during the 12 consecutive months, it is transferred to Stage 1 if its credit risk is not significantly higher than at origination date.

SICR is not a defined term per IFRS 9, and is determined by management, based on their experience and judgement. In assessing whether the credit risk has significantly increased, the Bank has identified a series of qualitative and quantitative criteria based on undertaking the holistic analysis of various factors including those which are specific to a particular financial instrument or to a borrower as well as those applicable to particular sub-portfolios. These criteria are:

- A significant increase in credit risk, expressed in the relative and/or absolute increase in the risk of default since initial recognition. SICR is determined based on comparison between credit risk ratings (internal or external) as of the origination date and credit risk ratings as of the reporting date for each financial asset individually. Thresholds are determined separately for corporate, retail and SME and other financial instrument portfolios, depending on initial grade assigned at origination. The threshold applied depends on the original credit quality of the borrowers. Higher threshold is set for those instruments with a low PD at origination.

Below table summarises SICR thresholds (the actual thresholds are applied on a more granular level):

Loan Portfolio Type	Rating type	Initial rating	SICR threshold (notches)
Commercial loans	Internal	2-4+	5-12
Commercial loans	Internal	5-7+	1-5
Micro and SME loans	External	A-C	5-8
Mortgage loans	External	A-C	6-8
Consumer loans	External	A-C	4-10
Gold – pawn loans	External	A-C	6-10
Micro and SME loans, Mortgage, Consumer, Gold – pawn loans	External	D-E	1-5

- Existence of forecast of adverse changes in commercial, financial or economic conditions that adversely affect the creditworthiness of the borrower.
- Modification of the contractual terms due to financial problems of the borrower other than default
- The days past due on individual contract level breached the threshold of 30 days.
- Other qualitative indicators, such as external market indicators of credit risk or general economic conditions, which indicate that the level of risk has been increased significantly since origination.

The above noted SICR indicators are identified at financial instrument level in order to track changes in credit risk since initial recognition date.

4. Significant accounting judgements and estimates (continued)

Retail and Micro portfolio:

Transfer to stage 2 or 3 was made based on analysis of payment-to-income (PTI) ratios or other financial information as available, overdue days, grace period granted and other relevant parameters. If the borrower has made at least three consecutive payments subsequent to the grace period, the loan was not transferred to stage 3 and remained within the same stage unless other stage transfer rules were applicable.

Further, for the borrowers for which the credit risk was considered as significantly increased, Probability of Default (PD) of 100% were assigned in the downside scenario and the ECL was calculated as a weighted average of the scenario results.

Commercial and SME portfolio:

The Bank applied individual approach to identify if SICR occurred since loan origination. The loan was transferred to stage 2 only when observable evidence of financial difficulties of the borrower indicated that the level of risk has increased significantly since loan origination

Measurement of ECL

ECL reflects an unbiased, probability-weighted estimate based on a combination of the following principal factors: probability of default (PD), loss given default (LGD), and exposure at default (EAD), which are further explained below:

PD estimation: The Bank estimates PD based on a combination of rating model calibration results and a migration matrices approach which is further adjusted for macroeconomic expectations for a minimum three years onwards for all portfolios, to represent the forward-looking estimators of the PD parameters. The migration matrix is built in a way to reflect the weighted average yearly migration over the historical data period. The risk groups are determined in a way to ensure intra-group homogeneity and differentiation of expected PD levels. For loan portfolios other than corporate loans, PD is further adjusted considering time since financial instrument origination. The models incorporate both qualitative and quantitative information and, where practical, build on information from top rating agencies, Credit Bureau or internal credit rating systems. Since Stage 3 financial instruments are defaulted, the probability of default in this case is equal to 100%.

Measurement of expected credit losses (continued)

EAD: The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial asset. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals discounted at the EIR. To calculate EAD for a Stage 1 financial instrument, the Bank assesses the possible default events within 12 months for the calculation of the 12 months ECL. For Stage 2, Stage 3 and POCI financial instruments, the exposure at default is considered for events over the lifetime of the instruments. The Bank determines EAD differently for products with the repayment schedules and those without repayment schedules. For financial instruments with repayment schedules, the Bank estimates forward-looking EAD using the contractual cash flow approach with further corrections for expected prepayments and overdue days. For products without the repayment schedules such as credit cards, credit lines and financial guarantees, the Bank estimates the forward-looking EAD using the limit utilisation approach. Under the above approach EAD is calculated using the expected utilization rate based on historical data of actual draw-down amounts.

LGD: LGD is defined as the likely loss in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. The determination of the LGD takes into account expected future cash flows from collateral and other credit enhancements, or expected payouts from bankruptcy proceedings for unsecured claims and where applicable time to realisation of collateral and the seniority of claims. The Bank segments its financial instruments into homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, wider range of collateral types). Based on this information, the Bank estimates the recovery rate (other than through collateral), cure rate and probability of re-default. Recovery through collateral is further considered in LGD calculations individually for each financial instrument.

Assets considered in the ECL calculations

IFRS 9 requires cash flows expected from collateral and other credit enhancements to be reflected in the ECL calculation. The treatment and reflection of collateral for IFRS 9 purposes is in line with general risk management principles, policies and processes of the Bank. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at inception and reassessed on an annual basis for all material exposures.

4. Significant accounting judgements and estimates (continued)

Management Overlays and improvements to the ECL methodology

In prior periods the Bank applied number of management overlays to the existing ECL methodology due to the unprecedented nature of the COVID-19 pandemic and the uncertainties associated with it. Such overlays related to staging of COVID-19 restructured loans as well as cure and recovery rates. Given a reasonable time has passed for the statistics to properly reflect effects of COVID-19, the Bank decided to remove respective management overlays which positively affected overall ECL of the Bank. In addition, management re-estimated collateral realisation period for LGD calculations resulting in increase of ECL. This together with removal of management overlays and other minor improvements to the methodology resulted in decrease of ECL by GEL 21.4 million for the Bank in 2022.

Forward-looking information

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

To incorporate forward-looking information into the Bank's allowance for credit losses, the Bank uses the macroeconomic forecasts provided by the National Bank of Georgia (NBG). Macroeconomic variables covered by these forecasts and which the Bank incorporated in its ECL assessment model include GDP growth, foreign exchange rate and inflation rate. These forward-looking macroeconomic variables are generally updated on a semi-annual basis.

The determination of the probability-weighted ECL requires evaluating a range of diverse and relevant future economic conditions. To accommodate this requirement, the Bank uses three different economic scenarios in the ECL calculation: an upside (weight 0.25), a base case (weight 0.50) and a downside (weight 0.25) scenario relevant for each respective portfolio. A weight is calculated for each scenario by using a probabilistic economic model that considers recent information as well as historical data provided by National Bank of Georgia.

The Bank considers these forecasts to represent its best estimate of the possible outcomes, based on reliable available information.

Forward-looking variable assumptions

The most significant period end assumptions used for ECL estimate as at 31 December 2023 per geographical segments are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

Georgia

Key drivers	ECL scenario	Assigned weight	As at 31 December 2023			Assigned weight	As at 31 December 2022			Assigned weight	As at 31 December 2021		
			2024	2025	2026		2023	2024	2025		2022	2023	2024
GDP growth in %													
	Upside	25%	6.50%	5.50%	5.00%	25%	6.00%	5.00%	5.00%	25%	6.00%	5.00%	4.50%
	Base case	50%	5.00%	4.50%	5.00%	50%	4.00%	5.50%	5.00%	50%	5.00%	4.00%	4.50%
	Downside	25%	3.00%	4.00%	5.00%	25%	2.00%	4.00%	5.00%	25%	2.00%	4.00%	5.00%
GEL/USD exchange rate													
	Upside	25%	3.00%	2.00%	0.00%	25%	2.00%	0.00%	0.00%	25%	4.00%	2.00%	2.00%
	Base case	50%	0.00%	0.00%	0.00%	50%	0.00%	0.00%	0.00%	50%	0.00%	0.00%	0.00%
	Downside	25%	-15.00%	0.00%	5.00%	25%	-15.00%	5.00%	5.00%	25%	-10.00%	2.00%	3.00%
CPI inflation rate in %													
	Upside	25%	3.25%	3.00%	3.00%	25%	5.00%	3.00%	3.00%	25%	5.50%	3.00%	3.00%
	Base case	50%	3.60%	3.10%	3.00%	50%	5.30%	3.10%	3.00%	50%	7.00%	2.50%	3.00%
	Downside	25%	5.00%	4.00%	3.00%	25%	9.00%	6.00%	3.00%	25%	8.00%	4.00%	3.00%

All other parameters held constant, increase in GDP growth and decrease in foreign exchange rate and inflation would result in decrease in ECL, with opposite changes resulting in ECL increase. GDP growth input has the most significant impact on ECL, followed by foreign exchange rate and inflation. Retail portfolio ECL is less affected by foreign exchange rate inputs due to larger share of GEL-denominated exposures. However, retail portfolio ECL is affected by inflation, which does not have a significant impact on corporate ECL.

The table below shows the sensitivity of the recognised ECL amounts to the forward-looking assumptions used in the model. For these purposes, 100% weight is assigned to each macroeconomic scenario separately and respective ECL is recalculated.

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Sensitivity of ECL to forward looking assumptions

	As at 31 December 2023				
	Reported ECL	*Reported ECL*	*ECL coverage by scenarios*		
Key drivers		*coverage*	*Upside*	*Base case*	*Downside*
Commercial loans	84,800	1.29%	1.28%	1.30%	1.34%
Residential mortgage loans	22,686	0.50%	0.50%	0.50%	0.51%
Micro and SME loans	67,005	1.67%	1.66%	1.67%	1.69%
Consumer loans	129,781	2.84%	2.80%	2.83%	2.89%
Gold – pawn loans	1,389	0.92%	0.92%	0.92%	0.93%

	As at 31 December 2022				
	Reported ECL	*Reported ECL*	*ECL coverage by scenarios*		
Key drivers		*coverage*	*Upside*	*Base case*	*Downside*
Commercial loans	74,734	1.51%	1.49%	1.51%	1.55%
Residential mortgage loans	30,018	0.72%	0.71%	0.72%	0.74%
Micro and SME loans	57,188	1.52%	1.50%	1.52%	1.55%
Consumer loans	134,632	3.84%	3.78%	3.82%	3.92%
Gold – pawn loans	5,440	3.31%	3.30%	3.30%	3.31%

	As at 31 December 2021				
	Reported ECL	*Reported ECL*	*ECL coverage by scenarios*		
Key drivers		*coverage*	*Upside*	*Base case*	*Downside*
Commercial loans	143,749	2.84%	2.83%	2.84%	2.86%
Residential mortgage loans	33,024	0.83%	0.81%	0.82%	0.86%
Micro and SME loans	66,351	1.85%	1.79%	1.81%	1.98%
Consumer loans	135,133	4.75%	4.66%	4.73%	4.88%
Gold – pawn loans	2,074	1.25%	1.25%	1.25%	1.26%

Aggregation of financial instruments for collective assessment

For the purpose of a collective evaluation of impairment, financial instruments are grouped within homogeneous pools as follows: corporate loan portfolio is grouped on the basis of loan repayment source type; and retail loan portfolio is grouped on the basis of credit risk characteristics such as an asset type, collateralisation level, repayment source type and other relevant factors. As for SME and Micro loan portfolios, financial instruments are grouped based on asset type, overdue buckets, collateralisation level and other relevant factors.

Determination of expected life for revolving facilities

For revolving products, the expected life of financial instruments is determined either with reference to the next renewal date or with reference to the behavioural expected life of the financial instrument estimated based on the empirical observation of the lifetime.

Write-offs

The Bank writes off financial assets when there is no reasonable expectation of recovery. The need for write-off of corporate loans is assessed individually, for mortgages and other loans secured by real estate, the number of overdue days after which the balances are considered to be irrecoverable and are to be written off comprised 1,460 days, while other non-secured portfolio is written-off after 150 days overdue. If the amount to be written off is greater than the accumulated loan loss allowance, the difference is first treated as an ECL expense. Any subsequent recoveries are credited to ECL expense.

Backtesting of ECL calculation model

In order to monitor the quality and reliability of the Bank's ECL calculation model, the Bank performs backtesting and benchmarking procedures, whereby model outcomes are compared with actual results, based on internal experience as well as externally observed results. For PD, the Bank uses statistical modelling to derive a predicted distribution of the number of defaults. The observed number of defaults is then compared with this distribution, allowing the Bank to derive a statistical level of confidence in the model. For LGD, the backtesting compares observed losses with predicted LGDs. If any statistically significant deviations or shortcomings in parameterizations are observed, the relevant models are redefined and recalibrated. Any changes in the model as a result of backtesting procedures are accounted as changes in accounting estimates with prospective application.

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Impact of climate-related risks on accounting judgements and estimates

Climate, and the impact of climate on the Bank's balance sheet is considered as an area of accounting estimate and judgment through the uncertainty of future events and the impact of that uncertainty on the Bank's assets and liabilities. While the effects of climate change are a source of uncertainty, as at 31 December 2023 management does not consider climate to have quantitatively material impact on its financial statements. The Bank has assessed the impact of climate risk on its financial statements as disclosed below.

The estimated areas of impact, limited to a qualitative assessment, were expected credit loss and the impact on lending portfolios including physical risk on the mortgage lending portfolio and forward looking cash flows that impact the recoverability of certain assets. Transition risk is managed through reviews of clients by the Bank's Risk function which includes ongoing process of identifying clients susceptible to climate transition risks.

The Bank Climate Risk team have performed a top-down qualitative assessment of the impact of climate risk on the IFRS 9 ECL provision. This assessment has mostly been focused across corporate and mortgage portfolios. The portfolios identified as most susceptible to climate risks were identified as mining and quarrying, heavy metals and construction, concentration of which is not significant for overall Bank's loan exposure. The assessment of the portfolios is undertaken by considering the maturity profile of the exposures which is relatively shorter term compared to long term climate impact. The above assessment did not result in any material effect on the Bank's separate financial statements.

While some indicators that are more influenced by climate change (e.g., energy prices) are factored into the current PD models where they have demonstrated statistical relevance, the Bank currently does not use a specific climate risk related scenario in addition to the existing economic scenarios applied to derive the weighted-average ECL. The reason for this is lack of sufficient historical data and limitations in the risk assessments. Where climate factors have impacted the economy in the recent past or present, these impacts are implicitly embedded in the Bank's IFRS9 ECL models through the projected macroeconomic indicators (e.g. inflation rates) and individual analysis of corporate loan related cash flows.

It should also be noted, that the Bank is currently working on a corporate plan in respect of its response to climate risks, with the commitment to transition away or limit certain high carbon sector financing while introducing more green finance products.

Based on the best information available at the time these separate annual financial statements were prepared, the Bank sees no additional climate change risk having a substantial impact on its equity, financial situation and results in 2024. However, as the matter is constantly changing, the Bank is working on developing methodologies to better measure potential loan loss in line with the new management needs, best practice and regulators' requirements.

5. Segment information

The Bank disaggregated revenue from contracts with customers by products and services for each of the segments, as the Bank believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

For management purposes, the Bank is organised into the following operating segments based on products and services as follows:

RB - Retail Banking - principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfers and settlement services, and handling of customers' deposits for both individuals and legal entities. The Retail Banking business targets the mass retail, mass affluent and high-net-worth client segments.

CB - Corporate Banking - Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and handles saving and term deposits for corporate and institutional customers.

IB - Investment Banking - principally provides private banking services to high net worth clients.

SME - SME Banking - principally provides SME loans, micro loans, consumer and mortgage loans, funds transfers and settlement services, and handling of customers' deposits for legal entities. The SME Banking business targets small and medium-sized enterprises and micro businesses.

5. Segment information (continued)

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured in the same manner as profit or loss in the separate income statement.

Transactions between operating segments are on an arm's length basis in a similar manner to transactions with third parties.

The Bank's operations are primarily concentrated in Georgia.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's operating income in 2023, 2022 or 2021.

In the first quarter of 2023 the SME Banking segment was split from Retail Banking and the majority of the Micro portfolio, where customers had business-related needs, was transferred to SME Banking. The remaining Micro portfolio has been transferred to Mass Retail. The SME segment has grown significantly over the past few years. In addition, the value proposition for business clients has been different from the value proposition for retail customers, leading to our decision to change the segmentation. The comparative figures have been restated accordingly to reflect this change. 2021 amounts have not been restated due to the unavailability of necessary data and impracticability of restatement.

The following table presents the income statement and certain asset and liability information regarding the Bank's operating segments as at and for the year ended 31 December 2023:

	Corporate Banking	*Retail Banking*	*Investment Banking*	*SME*	*Total*
Net interest income	487,977	711,009	77,764	256,013	1,532,763
Net fee and commission income	48,551	239,682	4,436	40,574	333,243
Net foreign currency gain	93,624	183,922	13,669	38,357	329,572
Net gains / (losses) on extinguishment of debt	107	98	86	52	343
Net other gains / (losses)	90,499	14,087	153	6,931	111,670
Operating income	720,758	1,148,798	96,108	341,927	2,307,591
Operating expenses	(104,392)	(392,761)	(17,297)	(98,015)	(612,465)
Profit from associates	-	919	-	65	984
Operating income before cost of risk	616,366	756,956	78,811	243,977	1,696,110
Cost of risk	(26,492)	(83,505)	(335)	(32,316)	(142,648)
Net operating income before non-recurring items	589,874	673,451	78,476	211,661	1,553,462
Net non-recurring expense/loss	-	-	-	-	-
Profit before income tax	589,874	673,451	78,476	211,661	1,553,462
Income tax expense	(95,277)	(108,478)	(12,641)	(34,094)	(250,490)
Profit for the year	494,597	564,973	65,835	177,567	1,302,972
Assets and liabilities					
Total assets	10,204,465	13,955,448	127,117	5,970,613	30,257,643
Total liabilities	8,235,965	12,363,560	97,178	5,137,394	25,834,097
Other segment information					
Property and equipment	2,122	74,279	1,690	8,446	86,537
Intangible assets	2,195	32,344	406	5,950	40,895
Capital expenditure	4,317	106,623	2,096	14,396	127,432
Depreciation, amortisation and impairment	(4,647)	(82,928)	(1,386)	(12,206)	(101,167)

5. Segment information (continued)

The following table presents the income statement and certain asset and liability information regarding the Bank's operating segments as at and for the year ended 31 December 2022:

	Corporate Banking	*Retail Banking*	*Investment Banking*	*SME*	*Total*
Net interest income	365,417	526,876	37,053	202,002	1,131,348
Net fee and commission income	43,271	167,819	3,895	34,790	249,775
Net foreign currency gain	121,435	206,191	28,414	43,177	399,217
Net gains / (losses) on extinguishment of debt	(5,563)	(1,382)	(505)	(708)	(8,158)
Net other gains / (losses)	13,358	15,938	(1,145)	3,235	31,386
Operating income	537,918	915,442	67,712	282,496	1,803,568
Operating expenses	(91,232)	(320,332)	(15,847)	(93,075)	(520,486)
Profit from associates	-	765	-	54	819
Operating income before cost of risk	446,686	595,875	51,865	189,475	1,283,901
Cost of risk	34,406	(164,755)	(156)	(8,606)	(139,111)
Net operating income before non-recurring items	481,092	431,120	51,709	180,869	1,144,790
Net non-recurring expense/loss	-	-	-	-	-
Profit before income tax	481,092	431,120	51,709	180,869	1,144,790
Income tax expense	(77,171)	(68,694)	(8,239)	(28,819)	(182,923)
Profit for the year	403,921	362,426	43,470	152,050	961,867
Assets and liabilities					
Total assets	8,575,101	13,067,291	61,929	5,436,889	27,141,210
Total liabilities	7,023,472	11,633,299	36,673	4,691,594	23,385,038
Other segment information					
Property and equipment	1,860	58,707	1,498	6,167	68,232
Intangible assets	1,728	21,627	256	5,567	29,178
Capital expenditure	3,588	80,334	1,754	11,734	97,410
Depreciation, amortisation and impairment	(4,051)	(70,797)	(1,232)	(13,173)	(89,253)

5. Segment information (continued)

The following table presents the income statement and certain asset and liability information regarding the Bank's operating segments as at and for the year ended 31 December 2021:

	Corporate Banking	*Retail Banking*	*Investment Banking*	*Total*
Net interest income	309,035	565,210	16,451	890,696
Net fee and commission income	40,966	139,973	1,651	182,590
Net foreign currency gain	38,973	54,497	3,387	96,857
Net gains/(losses) on extinguishment of debt	(1,330)	(373)	(86)	(1,789)
Net other gains/(losses)	33,025	22,930	978	56,933
Operating income	420,669	782,237	22,381	1,225,287
Operating expenses	(66,703)	(339,548)	(12,597)	(418,848)
Profit from associates	-	(3,781)	-	(3,781)
Operating income before cost of risk	353,966	438,908	9,784	802,658
Cost of risk	68,635	(71,166)	(195)	(2,726)
Net operating income before non-recurring items	422,601	367,742	9,589	799,932
Net non-recurring expense/loss	(78)	-	-	(78)
Profit before income tax	422,523	367,742	9,589	799,854
Income tax expense	(37,728)	(32,836)	(856)	(71,420)
Profit for the year	384,795	334,906	8,733	728,434
Assets and liabilities				
Total assets	7,384,821	14,725,809	66,633	22,177,263
Total liabilities	6,081,775	13,011,387	46,431	19,139,593
Other segment information				
Property and equipment	2,864	43,343	1,160	47,367
Intangible assets	2,344	29,163	276	31,783
Capital expenditure	5,208	72,506	1,436	79,150
Depreciation, amortisation and impairment	(7,430)	(69,472)	(1,106)	(78,008)

6. Cash and cash equivalents

	2023	*2022*	*2021*
Cash on hand	870,808	896,180	738,958
Current accounts with central banks, exduding obligatory reserves	583,404	543,348	43,892
Current accounts with credit institutions	516,844	694,035	262,555
Time deposits with credit institutions with maturities of up to 90 days	684,332	730,942	228,685
Cash and cash equivalents, gross	2,655,388	2,864,505	1,274,090
Less – Allowance for expected credit loss	(167)	(130)	(23)
Cash and cash equivalents, net	2,655,221	2,864,375	1,274,067

As at 31 December 2023, GEL 939,413 (2022: GEL 1,403,702, 2021: GEL 409,875) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Bank in performing international settlements. The Bank earned up to 10.35% interest per annum on these deposits (2022: up to 11.10%, 2021: up to 0.07%). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

7. Amounts due from credit institutions

	2023	*2022*	*2021*
Obligatory reserves with central banks	1,734,090	2,342,723	1,892,514
Restricted cash	134	54,175	155
Amounts due from credit institutions, gross	1,734,224	2,396,898	1,892,669
Less – Allowance for expected credit loss	(326)	(330)	(267)
Amounts due from credit institutions, net	1,733,898	2,396,568	1,892,402

Obligatory reserves with central banks represent amounts deposited with the NBG. Credit institutions are required to maintain cash deposits (obligatory reserve) with the NBG, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw these deposits is restricted by regulation. The Bank earned up to 0.00% interest on obligatory reserves with NBG for the year ended 31 December 2023 (2022: 0.00%, 2021: 0.00%).

8. Investment securities

	2023	*2022*	*2021*
Investment securities measured at FVOCI - debt instruments	4,295,458	3,900,000	2,488,817
Investment securities designated as at FVOCI - equity investments	7,051	4,852	5,350
Investment securities at FV	4,302,509	3,904,852	2,494,167

	2023	*2022*	*2021*
Investment securities measured at amortised cost	508,137	381,735	-
Less: allowance for expected credit losses	(242)	(3,198)	-
Investment securities measured at amortized cost, net	507,895	378,537	-

	2023	*2022*	*2021*
Ministry of Finance of Georgia treasury bonds	1,891,684	1,470,473	1,312,001
Ministry of Finance of Georgia treasury bills	155,955	176,483	82,196
Foreign treasury bills	1,621,219	1,062,095	-
Foreign treasury bonds	-	32,517	15,992
Certificates of deposit of central banks	10,855	17,675	39,410
Other debt instruments	615,745	1,140,757	1,039,218
Investment securities measured at FVOCI - debt instruments	4,295,458	3,900,000	2,488,817

8. Investment securities (continued)

	2023	*2022*	*2021*
Ministry of Finance of Georgia treasury bonds	-	119,918	-
Other debt instruments	508,137	261,817	-
Investment securities measured at amortised cost - debt instruments, gross	508,137	381,735	-
Less: allowance for expected credit losses	(242)	(3,198)	-
Investment securities measured at amortised cost - debt instruments, net	507,895	378,537	-

Pledged treasury bonds	*2023*	*2022*	*2021*
For short-term loans from the NBG	1,375,687	709,597	490,592
For repo-operations with commercial banks	-	380,065	-
For deposits of Ministry of Finance of Georgia	Nil	97,109	220,480
For cash kept by the NBG at the Group's premises under cash custodian services	Nil	-	14,720
Total	1,375,687	1,186,771	725,792

Pledged treasury bills	*2023*	*2022*	*2021*
For cash kept by the NBG at the Group's premises under cash custodian services	-	24,180	-
Total	-	24,180	-

Pledged corporate bonds	*2023*	*2022*	*2021*
For short-term loans from the NBG	127,685	121,592	-
For deposits of Ministry of Finance of Georgia	-	205,079	109,109
Total	127,685	326,671	109,109

Other debt instruments measured at FVOCI – debt instruments as at 31 December 2023 mainly comprises bonds issued by the European Bank for Reconstruction and Development of GEL 326,916 (2022: GEL 531,351, 2021: GEL 521,394), GEL-denominated bonds issued by the International Finance Corporation of GEL 203,617 (2022: GEL 56,523, 2021: GEL 203,351), GEL-denominated bonds issued by The Netherlands Development Finance Company of GEL Nil (2022: GEL 131,126, 2021: GEL 163,593), GEL-denominated bonds issued by Black Sea Trade and Development Bank of GEL Nil (2022: GEL 200,913, 2021: GEL 65,407), USD-denominated bonds issued by the National Bank Of Uzbekistan of GEL Nil (2022: GEL 12,230, 2021: GEL Nil) and GEL-denominated bonds issued by Asian Development Bank of GEL 30,594 (2022: GEL 107,835, 2021: GEL 61,609).

Foreign treasury bonds bills and bonds measured at FVOCI – debt instruments comprise of US Treasury Notes in amount of GEL 1,621,219 (2022: GEL 1,062,095, 2021: GEL Nil), and Ministry of Finance of the Republic of Lithuania treasury bonds in amount of GEL Nil (2022: GEL Nil, 2021: GEL 15,992) and United Kingdom treasury bonds in the amount of GEL Nil (2022: GEL 32,517, 2021: GEL Nil).

For the period ended 31 December 2023 net gains on derecognition of investment securities comprised GEL 18,562 (2022: GEL 7,352, 2021: GEL 30,153) which is included in net other income.

As at 31 December 2023, allowance for ECL on investment securities measured at FVOCI comprised GEL 4,248 (2022: GEL 2,229, 2021: GEL 2,326).

9. Loans to customers and finance lease receivables

	2023	*2022*	*2021*
Commercial loans	6,548,288	4,964,766	5,055,370
Consumer loans	4,569,622	3,504,019	2,842,592
Residential mortgage loans	4,536,421	4,158,801	3,978,301
Micro and SME loans	4,002,333	3,757,297	3,591,514
Gold – pawn loans	150,228	164,554	165,417
Loans to customers at amortised cost, gross	19,806,892	16,549,437	15,633,194
Less – Allowance for expected credit loss	(305,661)	(302,012)	(380,331)
Loans to customers at amortised cost, net	19,501,231	16,247,425	15,252,863
Finance lease receivables, gross	19,680	17,048	12,380
Less – Allowance for expected credit loss	(3,853)	(4,096)	(1,196)
Finance lease receivables, net	15,827	12,952	11,184
Total loans to customers and finance lease receivables	19,517,058	16,260,377	15,264,047

As at 31 December 2023, loans to customers carried at GEL 954,695 (2022: GEL 1,092,475, 2021: GEL 1,125,955) were pledged for short-term loans from the NBG.

Expected credit loss

Movements of the gross loans and respective allowance for expected credit loss / impairment of loans to customers by class are provided in the table below, within which the new financial asset originated or purchased and the assets repaid during the year include the effects from revolving loans and increase of exposure to clients, where existing loans have been repaid with new contracts issued during the year. All new financial assets are originated either in Stage 1 or POCI category. Utilisation of additional tranches on existing financial assets are reflected in Stage 2 or Stage 3 if the credit risk of the borrower has deteriorated since initiation. Foreign exchange movement relates to foreign currency denominated loans issued by the Bank. Net other changes in gross loan balances includes the effects of changes in accrued interest. Net other measurement of ECL includes the effect of changes in ECL due to post-model adjustments, changes in PDs and other inputs, as well as the effect from ECL attributable to changes in accrued interest.

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	4,184,010	599,330	165,476	15,950	4,964,766
New financial asset originated or purchased	6,043,706	62,180	8	15,820	6,121,714
Transfer to Stage 1	207,148	(207,148)	-	-	-
Transfer to Stage 2	(379,669)	383,203	(3,534)	-	-
Transfer to Stage 3	(1,173)	(27,404)	28,577	-	-
Assets derecognised due to pass-through arrangement	(165,947)	(418)	(164)	-	(166,529)
Assets repaid	(4,093,979)	(311,857)	(89,608)	(10,324)	(4,505,768)
Resegmentation	75,589	2,963	-	-	78,552
Impact of modifications	2	1,011	(90)	9	932
Foreign exchange movement	58,562	1,166	(813)	83	58,998
Net other changes	15,304	(467)	(11,801)	664	3,700
Write-offs	-	-	(11,252)	-	(11,252)
Recoveries of amounts previously written off	-	-	4,147	957	5,104
Unwind of discount	-	-	(2,345)	416	(1,929)
Balance at 31 December 2023	5,943,553	502,559	78,601	23,575	6,548,288
Individually assessed	-	-	70,038	21,497	91,535
Collectively assessed	5,943,553	502,559	8,563	2,078	6,456,753
Balance at 31 December 2023	5,943,553	502,559	78,601	23,575	6,548,288

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	12,930	18,802	38,434	4,568	74,734
New financial asset originated or purchased	24,952	697	1	-	25,650
Transfer to Stage 1	2,578	(2,578)	-	-	-
Transfer to Stage 2	(4,233)	5,210	(977)	-	-
Transfer to Stage 3	(682)	(308)	990	-	-
Impact on ECL of exposures transferred between stages during the year	(684)	738	11,664	-	11,718
Assets derecognised due to pass-through arrangement	(529)	(9)	-	-	(538)
Assets repaid	(18,672)	(11,167)	(23,116)	(1,325)	(54,280)
Resegmentation	923	169	-	-	1,092
Impact of modifications	-	52	(116)	3	(61)
Foreign exchange movement	923	169	-	-	1,092
Net other measurement of ECL	(6,594)	20,120	15,622	4,322	33,470
Income statement (releases) / charges	(2,018)	13,093	4,068	3,000	18,143
Write-offs	-	-	(11,252)	-	(11,252)
Recoveries of amounts previously written off	-	-	4,147	957	5,104
Unwind of discount	-	-	(2,345)	416	(1,929)
Balance at 31 December 2023	10,912	31,895	33,052	8,941	84,800
Individually assessed	-	-	28,732	8,936	37,668
Collectively assessed	10,912	31,895	4,320	5	47,132
Balance at 31 December 2023	10,912	31,895	33,052	8,941	84,800

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	3,892,739	168,939	69,048	28,075	4,158,801
New financial asset originated or purchased	1,527,164	32	-	14,796	1,541,992
Transfer to Stage 1	267,655	(267,655)	-	-	-
Transfer to Stage 2	(319,144)	350,560	(31,416)	-	-
Transfer to Stage 3	(17,348)	(33,122)	50,470	-	-
Assets repaid	(1,075,112)	(45,050)	(37,585)	(11,487)	(1,169,234)
Impact of modifications	530	137	(83)	(185)	399
Foreign exchange movement	11,210	(150)	(263)	165	10,962
Net other changes	(7,715)	(216)	1,540	451	(5,940)
Write-offs	-	-	(2,534)	(263)	(2,797)
Recoveries of amounts previously written off	-	-	1,385	543	1,928
Unwind of discount	-	-	216	94	310
Balance at 31 December 2023	4,279,979	173,475	50,778	32,189	4,536,421
Individually assessed	-	-	-	2,092	2,092
Collectively assessed	4,279,979	173,475	50,778	30,097	4,534,329
Balance at 31 December 2023	4,279,979	173,475	50,778	32,189	4,536,421

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	8,853	2,591	14,067	4,507	30,018
New financial asset originated or purchased	8,396	-	-	-	8,396
Transfer to Stage 1	4,405	(4,405)	-	-	-
Transfer to Stage 2	(2,766)	9,955	(7,189)	-	-
Transfer to Stage 3	(3,612)	(1,148)	4,760	-	-
Impact on ECL of exposures transferred between stages during the year	(1,124)	(5,848)	5,013	-	(1,959)
Assets repaid	(1,514)	(745)	(8,681)	(3,395)	(14,335)
Impact of modifications	19	5	1,049	43	1,116
Foreign exchange movement	(1)	(3)	(46)	28	(22)
Net other measurement of ECL	(8,690)	1,626	3,777	3,318	31
Income statement (releases)/ charges	(4,887)	(563)	(1,317)	(6)	(6,773)
Write-offs	-	-	(2,534)	(263)	(2,797)
Recoveries of amounts previously written off	-	-	1,385	543	1,928
Unwind of discount	-	-	216	94	310
Balance at 31 December 2023	3,966	2,028	11,817	4,875	22,686
Individually assessed	-	-	-	271	271
Collectively assessed	3,966	2,028	11,817	4,604	22,415
Balance at 31 December 2023	3,966	2,028	11,817	4,875	22,686

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	3,426,310	193,438	134,705	2,844	3,757,297
New financial asset originated or purchased	2,665,128	606	1,502	1,685	2,668,921
Transfer to Stage 1	145,239	(145,239)	-	-	-
Transfer to Stage 2	(301,014)	325,072	(24,058)	-	-
Transfer to Stage 3	(18,897)	(112,491)	131,388	-	-
Assets repaid	(2,230,202)	(75,897)	(61,014)	(1,572)	(2,368,685)
Resegmentation	(75,095)	(2,931)	(182)	-	(78,208)
Impact of modifications	271	634	(2,971)	(7)	(2,073)
Foreign exchange movement	20,568	805	1,365	7	22,745
Net other changes	20,515	622	5,651	130	26,918
Write-offs	-	-	(33,627)	(70)	(33,697)
Recoveries of amounts previously written off	-	-	7,168	124	7,292
Unwind of discount	-	-	1,767	56	1,823
Balance at 31 December 2023	3,652,823	184,619	161,694	3,197	4,002,333
Individually assessed	-	-	22,400	-	22,400
Collectively assessed	3,652,823	184,619	139,294	3,197	3,979,933
Balance at 31 December 2023	3,652,823	184,619	161,694	3,197	4,002,333

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	19,366	4,566	32,597	659	57,188
New financial asset originated or purchased	14,425	-	128	-	14,553
Transfer to Stage 1	4,156	(4,156)	-	-	-
Transfer to Stage 2	(4,600)	10,296	(5,696)	-	-
Transfer to Stage 3	(2,168)	(5,982)	8,150	-	-
Impact on ECL of exposures transferred between stages during the year	(366)	(5,003)	29,821	-	24,452
Assets repaid	(6,949)	(1,810)	(16,716)	(524)	(25,999)
Resegmentation	(914)	(167)	2	-	(1,079)
Impact of modifications	4	20	(1,242)	(7)	(1,225)
Foreign exchange movement	(9)	23	629	(1)	642
Net other measurement of ECL	(12,167)	7,284	27,342	596	23,055
Income statement (releases)/ charges	(8,588)	505	42,418	64	34,399
Write-offs	-	-	(33,627)	(70)	(33,697)
Recoveries of amounts previously written off	-	-	7,168	124	7,292
Unwind of discount	-	-	1,767	56	1,823
Balance at 31 December 2023	10,778	5,071	50,323	833	67,005
Individually assessed	-	-	10,601	-	10,601
Collectively assessed	10,778	5,071	39,722	833	56,404
Balance at 31 December 2023	10,778	5,071	50,323	833	67,005

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	3,147,047	213,146	120,830	22,996	3,504,019
New financial asset originated or purchased	4,453,032	5,818	833	17,964	4,477,647
Transfer to Stage 1	288,469	(288,458)	(11)	-	-
Transfer to Stage 2	(471,492)	522,174	(50,682)	-	-
Transfer to Stage 3	(71,323)	(110,383)	181,706	-	-
Assets repaid	(3,151,997)	(107,659)	(69,072)	(12,030)	(3,340,758)
Resegmentation	(494)	(32)	517	-	(9)
Impact of modifications	699	(11)	(12,180)	(600)	(12,092)
Foreign exchange movement	5,109	65	524	88	5,786
Net other changes	(1,399)	(1,401)	21,523	595	19,318
Write-offs	-	-	(113,735)	(2,408)	(116,143)
Recoveries of amounts previously written off	-	-	25,755	1,376	27,131
Unwind of discount	-	-	4,193	530	4,723
Balance at 31 December 2023	4,197,651	233,259	110,201	28,511	4,569,622
Individually assessed	-	-	1,196	-	1,196
Collectively assessed	4,197,651	233,259	109,005	28,511	4,568,426
Balance at 31 December 2023	4,197,651	233,259	110,201	28,511	4,569,622

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	40,280	19,188	67,577	7,587	134,632
New financial asset originated or purchased	127,061	702	380	-	128,143
Transfer to Stage 1	18,912	(18,908)	(4)	-	-
Transfer to Stage 2	(23,733)	54,063	(30,330)	-	-
Transfer to Stage 3	(49,133)	(21,208)	70,341	-	-
Impact on ECL of exposures transferred between stages during the year	(1,955)	(25,345)	26,321	-	(979)
Assets repaid	(41,676)	(8,371)	(41,551)	(4,886)	(96,484)
Resegmentation	(9)	(2)	(2)	-	(13)
Impact of modifications	13	(7)	(5,235)	(122)	(5,351)
Foreign exchange movement	13	4	34	(4)	47
Net other measurement of ECL	(28,817)	17,710	59,501	5,681	54,075
Income statement (releases)/ charges	676	(1,362)	79,455	669	79,438
Write-offs	-	-	(113,735)	(2,408)	(116,143)
Recoveries of amounts previously written off	-	-	25,755	1,376	27,131
Unwind of discount	-	-	4,193	530	4,723
Balance at 31 December 2023	40,956	17,826	63,245	7,754	129,781
Individually assessed	-	-	419	-	419
Collectively assessed	40,956	17,826	62,826	7,754	129,362
Balance at 31 December 2023	40,956	17,826	63,245	7,754	129,781

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	147,525	8,613	8,416	-	164,554
New financial asset originated or purchased	103,553	-	401	-	103,954
Transfer to Stage 1	11,660	(11,660)	-	-	-
Transfer to Stage 2	(16,775)	18,268	(1,493)	-	-
Transfer to Stage 3	(2,147)	(2,800)	4,947	-	-
Assets repaid	(106,379)	(3,676)	(2,124)	-	(112,179)
Resegmentation	-	-	(335)	-	(335)
Foreign exchange movement	(2)	(1)	(48)	-	(51)
Net other changes	(19)	(48)	(746)	-	(813)
Write-offs	-	-	(5,438)	-	(5,438)
Recoveries of amounts previously written off	-	-	(13)	-	(13)
Unwind of discount	-	-	549	-	549
Balance at 31 December 2023	137,416	8,696	4,116	-	150,228
Collectively assessed	137,416	8,696	4,116	-	150,228
Balance at 31 December 2023	137,416	8,696	4,116	-	150,228

Gold – pawn loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	69	32	5,339	-	5,440
Transfer to Stage 1	32	(32)	-	-	-
Transfer to Stage 2	(19)	184	(165)	-	-
Transfer to Stage 3	(2)	(8)	10	-	-
Impact on ECL of exposures transferred between stages during the year	-	(1)	-	-	(1)
Assets repaid	(24)	(8)	1,007	-	975
Net other measurement of ECL	(13)	(143)	33	-	(123)
Income statement (releases) / charges	(26)	(8)	885	-	851
Write-offs	-	-	(5,438)	-	(5,438)
Recoveries of amounts previously written off	-	-	(13)	-	(13)
Unwind of discount	-	-	549	-	549
Balance at 31 December 2023	43	24	1,322	-	1,389
Collectively assessed	43	24	1,322	-	1,389
Balance at 31 December 2023	43	24	1,322	-	1,389

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	4,466,640	367,408	203,308	18,014	5,055,370
New financial asset originated or purchased	4,421,078	34,779	693	6,969	4,463,519
Transfer to Stage 1	194,968	(194,968)	-	-	-
Transfer to Stage 2	(755,735)	784,693	(28,958)	-	-
Transfer to Stage 3	(268)	(96,681)	96,949	-	-
Assets derecognised due to pass-through arrangement	(23,721)	(20)	(83)	-	(23,824)
Assets repaid	(3,773,662)	(211,506)	(81,383)	(9,763)	(4,076,314)
Resegmentation	128,167	(19)	(1)	-	128,147
Impact of modifications	(26)	1,641	110	2	1,727
Foreign exchange movement	(512,089)	(86,861)	(21,980)	(1,843)	(622,773)
Net other changes	38,658	864	5,802	(653)	44,671
Write-offs	-	-	(48,755)	-	(48,755)
Recoveries of amounts previously written off	-	-	42,332	2,865	45,197
Unwind of discount	-	-	(2,558)	359	(2,199)
Balance at 31 December 2022	4,184,010	599,330	165,476	15,950	4,964,766
Individually assessed	-	-	148,375	13,603	161,978
Collectively assessed	4,184,010	599,330	17,101	2,347	4,802,788
Balance at 31 December 2022	4,184,010	599,330	165,476	15,950	4,964,766

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	10,644	5,171	125,008	2,926	143,749
New financial asset originated or purchased	18,021	166	230	2,997	21,414
Transfer to Stage 1	2,250	(2,250)	-	-	-
Transfer to Stage 2	(5,259)	11,395	(6,136)	-	-
Transfer to Stage 3	(121)	(1,452)	1,573	-	-
Impact on ECL of exposures transferred between stages during the year	(679)	(5,239)	27,301	-	21,383
Assets derecognised due to pass-through arrangement	(62)	-	(34)	-	(96)
Assets repaid	(6,932)	(3,275)	(59,106)	(3,151)	(72,464)
Resegmentation	4,655	-	-	-	4,655
Impact of modifications	-	122	1	2	125
Foreign exchange movement	(937)	(1,698)	(11,245)	(883)	(14,763)
Net other measurement of ECL	(8,650)	15,862	(30,177)	(547)	(23,512)
Income statement (releases) / charges	2,286	13,631	(77,593)	(1,582)	(63,258)
Write-offs	-	-	(48,755)	-	(48,755)
Recoveries of amounts previously written off	-	-	42,332	2,865	45,197
Unwind of discount	-	-	(2,558)	359	(2,199)
Balance at 31 December 2022	12,930	18,802	38,434	4,568	74,734
Individually assessed	-	-	31,927	4,496	36,423
Collectively assessed	12,930	18,802	6,507	72	38,311
Balance at 31 December 2022	12,930	18,802	38,434	4,568	74,734

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	3,586,561	259,030	104,505	28,205	3,978,301
New financial asset originated or purchased	1,466,794	14	-	13,524	1,480,332
Transfer to Stage 1	402,023	(402,023)	-	-	-
Transfer to Stage 2	(374,521)	442,156	(67,635)	-	-
Transfer to Stage 3	(44,545)	(49,625)	94,170	-	-
Assets repaid	(897,206)	(57,860)	(49,035)	(10,849)	(1,014,950)
Resegmentation	(603)	-	-	-	(603)
Impact of modifications	179	37	(2,949)	(169)	(2,902)
Foreign exchange movement	(254,899)	(20,553)	(10,022)	(2,527)	(288,001)
Net other changes	8,956	(2,237)	341	155	7,215
Write-offs	-	-	(4,445)	(730)	(5,175)
Recoveries of amounts previously written off	-	-	3,937	357	4,294
Unwind of discount	-	-	181	109	290
Balance at 31 December 2022	3,892,739	168,939	69,048	28,075	4,158,801
Individually assessed	-	-	2,331	-	2,331
Collectively assessed	3,892,739	168,939	66,717	28,075	4,156,470
Balance at 31 December 2022	3,892,739	168,939	69,048	28,075	4,158,801

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	9,689	3,803	17,039	2,493	33,024
New financial asset originated or purchased	14,451	-	-	2,403	16,854
Transfer to Stage 1	5,604	(5,604)	-	-	-
Transfer to Stage 2	(3,235)	15,976	(12,741)	-	-
Transfer to Stage 3	(7,463)	(1,472)	8,935	-	-
Impact on ECL of exposures transferred between stages during the year	(1,739)	(10,935)	6,695	-	(5,979)
Assets repaid	(1,724)	(961)	(11,215)	(2,103)	(16,003)
Impact of modifications	4	1	937	64	1,006
Foreign exchange movement	(243)	(122)	(1,652)	(498)	(2,515)
Net other measurement of ECL	(6,491)	1,905	6,396	2,412	4,222
Income statement (releases) / charges	(836)	(1,212)	(2,645)	2,278	(2,415)
Write-offs	-	-	(4,445)	(730)	(5,175)
Recoveries of amounts previously written off	-	-	3,937	357	4,294
Unwind of discount	-	-	181	109	290
Balance at 31 December 2022	8,853	2,591	14,067	4,507	30,018
Individually assessed	-	-	558	-	558
Collectively assessed	8,853	2,591	13,509	4,507	29,460
Balance at 31 December 2022	8,853	2,591	14,067	4,507	30,018

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	3,159,095	283,061	142,723	6,635	3,591,514
New financial asset originated or purchased	2,910,972	7,854	1,859	2,435	2,923,120
Transfer to Stage 1	336,544	(336,544)	-	-	-
Transfer to Stage 2	(433,131)	492,489	(59,358)	-	-
Transfer to Stage 3	(44,035)	(103,509)	147,544	-	-
Assets repaid	(2,118,070)	(119,689)	(63,737)	(5,917)	(2,307,413)
Resegmentation	(158,298)	(2,039)	(1,532)	-	(161,869)
Impact of modifications	94	162	(2,585)	(36)	(2,365)
Foreign exchange movement	(277,702)	(28,101)	(16,840)	(350)	(322,993)
Net other changes	50,841	(246)	6,938	38	57,571
Write-offs	-	-	(30,139)	(98)	(30,237)
Recoveries of amounts previously written off	-	-	9,079	79	9,158
Unwind of discount	-	-	753	58	811
Balance at 31 December 2022	3,426,310	193,438	134,705	2,844	3,757,297
Individually assessed	-	-	27,636	-	27,636
Collectively assessed	3,426,310	193,438	107,069	2,844	3,729,661
Balance at 31 December 2022	3,426,310	193,438	134,705	2,844	3,757,297

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	26,784	5,777	33,666	124	66,351
New financial asset originated or purchased	34,018	81	97	281	34,477
Transfer to Stage 1	7,915	(7,915)	-	-	-
Transfer to Stage 2	(7,754)	19,396	(11,642)	-	-
Transfer to Stage 3	(5,169)	(6,987)	12,156	-	-
Impact on ECL of exposures transferred between stages during the year	(958)	(10,050)	27,463	-	16,455
Assets repaid	(13,357)	(2,165)	(19,216)	(496)	(35,234)
Resegmentation	(5,186)	(156)	(456)	-	(5,798)
Impact of modifications	6	(24)	(1,152)	16	(1,154)
Foreign exchange movement	(896)	(112)	(2,816)	(67)	(3,891)
Net other measurement of ECL	(16,037)	6,721	14,804	762	6,250
Income statement (releases) / charges	(7,418)	(1,211)	19,238	496	11,105
Write-offs	-	-	(30,139)	(98)	(30,237)
Recoveries of amounts previously written off	-	-	9,079	79	9,158
Unwind of discount	-	-	753	58	811
Balance at 31 December 2022	19,366	4,566	32,597	659	57,188
Individually assessed	-	-	5,832	-	5,832
Collectively assessed	19,366	4,566	26,765	659	51,356
Balance at 31 December 2022	19,366	4,566	32,597	659	57,188

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	2,498,881	214,351	106,161	23,199	2,842,592
New financial asset originated or purchased	3,312,502	7,566	969	15,493	3,336,530
Transfer to Stage 1	343,487	(343,426)	(61)	-	-
Transfer to Stage 2	(532,843)	606,380	(73,537)	-	-
Transfer to Stage 3	(121,144)	(167,446)	288,590	-	-
Assets repaid	(2,331,007)	(102,034)	(64,022)	(12,241)	(2,509,304)
Resegmentation	30,506	2,058	1,578	-	34,142
Impact of modifications	1,152	(84)	(24,515)	(1,236)	(24,683)
Foreign exchange movement	(86,830)	(4,100)	(1,319)	(610)	(92,859)
Net other changes	32,343	(119)	31,663	1,021	64,908
Write-offs	-	-	(170,905)	(4,431)	(175,336)
Recoveries of amounts previously written off	-	-	21,975	879	22,854
Unwind of discount	-	-	4,253	922	5,175
Balance at 31 December 2022	3,147,047	213,146	120,830	22,996	3,504,019
Individually assessed	-	-	1,488	-	1,488
Collectively assessed	3,147,047	213,146	119,342	22,996	3,502,531
Balance at 31 December 2022	3,147,047	213,146	120,830	22,996	3,504,019

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	56,844	19,332	58,146	811	135,133
New financial asset originated or purchased	131,879	1,199	478	4,325	137,881
Transfer to Stage 1	26,645	(26,643)	(2)	-	-
Transfer to Stage 2	(36,360)	71,957	(35,597)	-	-
Transfer to Stage 3	(61,434)	(37,717)	99,151	-	-
Impact on ECL of exposures transferred between stages during the year	(3,640)	(29,508)	48,515	-	15,367
Assets repaid	(41,420)	(8,856)	(37,851)	(3,763)	(91,890)
Resegmentation	531	156	456	-	1,143
Impact of modifications	121	(12)	(10,792)	122	(10,561)
Foreign exchange movement	(50)	(60)	(763)	(63)	(936)
Net other measurement of ECL	(32,836)	29,340	90,513	8,785	95,802
Income statement (releases) / charges	(16,564)	(144)	154,108	9,406	146,806
Write-offs	-	-	(170,905)	(4,431)	(175,336)
Recoveries of amounts previously written off	-	-	21,975	879	22,854
Unwind of discount	-	-	4,253	922	5,175
Balance at 31 December 2022	40,280	19,188	67,577	7,587	134,632
Individually assessed	-	-	675	-	675
Collectively assessed	40,280	19,188	66,902	7,587	133,957
Balance at 31 December 2022	40,280	19,188	67,577	7,587	134,632

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	152,787	10,116	2,514	-	165,417
New financial asset originated or purchased	122,438	1	54	-	122,493
Transfer to Stage 1	17,460	(17,460)	-	-	-
Transfer to Stage 2	(24,040)	25,642	(1,602)	-	-
Transfer to Stage 3	(7,251)	(2,757)	10,008	-	-
Assets repaid	(112,603)	(6,938)	(4,054)	-	(123,595)
Resegmentation	228	-	(45)	-	183
Foreign exchange movement	(33)	(4)	4	-	(33)
Net other changes	(1,461)	13	2,196	-	748
Write-offs	-	-	(635)	-	(635)
Recoveries of amounts previously written off	-	-	(25)	-	(25)
Unwind of discount	-	-	1	-	1
Balance at 31 December 2022	147,525	8,613	8,416	-	164,554
Individually assessed	-	-	4,337	-	4,337
Collectively assessed	147,525	8,613	4,079	-	160,217
Balance at 31 December 2022	147,525	8,613	8,416	-	164,554

Gold – pawn loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	1,822	11	241	-	2,074
Transfer to Stage 1	27	(27)	-	-	-
Transfer to Stage 2	(16)	149	(133)	-	-
Transfer to Stage 3	(2,502)	(6)	2,508	-	-
Assets repaid	(18)	(6)	(30)	-	(54)
Net other measurement of ECL	756	(89)	3,412	-	4,079
Income statement (releases) / charges	(1,753)	21	5,757	-	4,025
Write-offs	-	-	(635)	-	(635)
Recoveries of amounts previously written off	-	-	(25)	-	(25)
Unwind of discount	-	-	1	-	1
Balance at 31 December 2022	69	32	5,339	-	5,440
Individually assessed	-	-	4,337	-	4,337
Collectively assessed	69	32	1,002	-	1,103
Balance at 31 December 2022	69	32	5,339	-	5,440

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	3,987,104	379,475	209,877	8,376	4,584,832
New financial asset originated or purchased	4,176,652	27,538	3,202	10,032	4,217,424
Transfer to Stage 1	227,725	(225,837)	(1,888)	-	-
Transfer to Stage 2	(368,553)	386,042	(17,489)	-	-
Transfer to Stage 3	(10,148)	(48,802)	58,950	-	-
Assets derecognised due to pass-through arrangement	(28,338)	(2,048)	(124)	-	(30,510)
Assets repaid	(3,314,385)	(156,721)	(94,662)	(144)	(3,565,912)
Resegmentation	109,367	35,325	2,164	-	146,856
Impact of modifications	255	276	152	(22)	661
Foreign exchange movement	(328,323)	(26,883)	(9,438)	(380)	(365,024)
Net other changes	15,284	(957)	2,699	79	17,105
Write-offs	-	-	(2,454)	-	(2,454)
Recoveries of amounts previously written off	-	-	46,698	69	46,767
Unwind of discount	-	-	5,621	4	5,625
Balance at 31 December 2021	4,466,640	367,408	203,308	18,014	5,055,370
Individually assessed	-	-	179,814	9,566	189,380
Collectively assessed	4,466,640	367,408	23,494	8,448	4,865,990
Balance at 31 December 2021	4,466,640	367,408	203,308	18,014	5,055,370

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	25,251	8,069	121,988	7	155,315
New financial asset originated or purchased	18,446	282	312	3,481	22,521
Transfer to Stage 1	2,180	(2,178)	(2)	-	-
Transfer to Stage 2	(2,834)	11,046	(8,212)	-	-
Transfer to Stage 3	(1,769)	(374)	2,143	-	-
Impact on ECL of exposures transferred between stages during the year	(779)	(7,368)	10,153	-	2,006
Assets derecognised due to pass-through arrangement	(138)	(74)	(70)	-	(282)
Assets repaid	(7,472)	(3,398)	(65,498)	(80)	(76,448)
Resegmentation	192	298	-	-	490
Impact of modifications	1	1	12	(14)	-
Foreign exchange movement	(583)	(197)	(5,560)	10	(6,330)
Net other measurement of ECL	(21,851)	(936)	19,877	(551)	(3,461)
Income statement (releases) / charges	(14,607)	(2,898)	(46,845)	2,846	(61,504)
Write-offs	-	-	(2,454)	-	(2,454)
Recoveries of amounts previously written off	-	-	46,698	69	46,767
Unwind of discount	-	-	5,621	4	5,625
Balance at 31 December 2021	10,644	5,171	125,008	2,926	143,749
Individually assessed	-	-	116,671	2,837	119,508
Collectively assessed	10,644	5,171	8,337	89	24,241
Balance at 31 December 2021	10,644	5,171	125,008	2,926	143,749

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	3,237,683	313,914	168,233	25,849	3,745,679
New financial asset originated or purchased	1,548,505	238	103	13,615	1,562,461
Transfer to Stage 1	428,357	(407,359)	(20,998)	-	-
Transfer to Stage 2	(343,684)	587,107	(243,423)	-	-
Transfer to Stage 3	(158,330)	(129,603)	287,933	-	-
Assets repaid	(970,242)	(94,049)	(73,137)	(9,287)	(1,146,715)
Resegmentation	5,514	970	-	-	6,484
Impact of modifications	988	670	143	(283)	1,518
Foreign exchange movement	(155,793)	(11,366)	(9,238)	(1,648)	(178,045)
Net other changes	(6,437)	(1,492)	(599)	300	(8,228)
Write-offs	-	-	(5,750)	(561)	(6,311)
Recoveries of amounts previously written off	-	-	993	205	1,198
Unwind of discount	-	-	245	17	262
Currency translation differences	-	-	-	(2)	(2)
Balance at 31 December 2021	3,586,561	259,030	104,505	28,205	3,978,301
Individually assessed	-	-	268	-	268
Collectively assessed	3,586,561	259,030	104,237	28,205	3,978,033
Balance at 31 December 2021	3,586,561	259,030	104,505	28,205	3,978,301

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	8,606	11,404	25,231	3,311	48,552
New financial asset originated or purchased	29,064	3	4	887	29,958
Transfer to Stage 1	15,744	(12,956)	(2,788)	-	-
Transfer to Stage 2	(5,679)	46,602	(40,923)	-	-
Transfer to Stage 3	(18,908)	(5,710)	24,618	-	-
Impact on ECL of exposures transferred between stages during the year	(5,556)	(37,911)	22,308	-	(21,159)
Assets repaid	(2,588)	(2,674)	(12,789)	(1,763)	(19,814)
Resegmentation	21	1	-	-	22
Impact of modifications	-	-	438	(198)	240
Foreign exchange movement	(470)	101	(1,732)	(409)	(2,510)
Net other measurement of ECL	(10,545)	4,943	7,184	1,004	2,586
Income statement (releases) / charges	1,083	(7,601)	(3,680)	(479)	(10,677)
Write-offs	-	-	(5,750)	(561)	(6,311)
Recoveries of amounts previously written off	-	-	993	205	1,198
Unwind of discount	-	-	245	17	262
Balance at 31 December 2021	9,689	3,803	17,039	2,493	33,024
Individually assessed	-	-	7	-	7
Collectively assessed	9,689	3,803	17,032	2,493	33,017
Balance at 31 December 2021	9,689	3,803	17,039	2,493	33,024

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	2,530,678	429,473	165,049	3,471	3,128,671
New financial asset originated or purchased	3,236,874	12,901	1,105	7,599	3,258,479
Transfer to Stage 1	382,620	(375,961)	(6,659)	-	-
Transfer to Stage 2	(565,219)	668,824	(103,605)	-	-
Transfer to Stage 3	(107,726)	(108,441)	216,167	-	-
Assets repaid	(1,941,589)	(275,120)	(92,357)	(4,718)	(2,313,784)
Resegmentation	(247,911)	(40,492)	(2,790)	(5)	(291,198)
Impact of modifications	202	181	(4,344)	(11)	(3,972)
Foreign exchange movement	(172,922)	(26,554)	(9,349)	(271)	(209,096)
Net other changes	44,088	(1,750)	6,181	73	48,592
Write-offs	-	-	(39,512)	(214)	(39,726)
Recoveries of amounts previously written off	-	-	12,212	686	12,898
Unwind of discount	-	-	625	23	648
Currency translation differences	-	-	-	2	2
Balance at 31 December 2021	3,159,095	283,061	142,723	6,635	3,591,514
Individually assessed	-	-	14,690	-	14,690
Collectively assessed	3,159,095	283,061	128,033	6,635	3,576,824
Balance at 31 December 2021	3,159,095	283,061	142,723	6,635	3,591,514

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	24,639	19,544	49,583	64	93,830
New financial asset originated or purchased	57,341	253	45	81	57,720
Transfer to Stage 1	19,953	(18,442)	(1,511)	-	-
Transfer to Stage 2	(14,127)	34,487	(20,360)	-	-
Transfer to Stage 3	(13,858)	(6,789)	20,647	-	-
Impact on ECL of exposures transferred between stages during the year	(4,042)	(18,309)	26,774	-	4,423
Assets repaid	(15,917)	(7,047)	(25,802)	(968)	(49,734)
Resegmentation	(1,280)	(476)	(182)	-	(1,938)
Impact of modifications	(1)	(7)	(2,140)	1	(2,147)
Foreign exchange movement	(935)	(128)	(2,520)	(79)	(3,662)
Net other measurement of ECL	(24,989)	2,691	15,807	530	(5,961)
Income statement (releases) / charges	2,145	(13,767)	10,758	(435)	(1,299)
Write-offs	-	-	(39,512)	(214)	(39,726)
Recoveries of amounts previously written off	-	-	12,212	686	12,898
Unwind of discount	-	-	625	23	648
Balance at 31 December 2021	26,784	5,777	33,666	124	66,351
Individually assessed	-	-	4,695	-	4,695
Collectively assessed	26,784	5,777	28,971	124	61,656
Balance at 31 December 2021	26,784	5,777	33,666	124	66,351

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	1,743,361	193,767	99,615	8,515	2,045,258
New financial asset originated or purchased	2,734,807	6,999	1,718	19,540	2,763,064
Transfer to Stage 1	269,978	(253,414)	(16,564)	-	-
Transfer to Stage 2	(366,560)	488,626	(122,066)	-	-
Transfer to Stage 3	(133,858)	(123,225)	257,083	-	-
Assets repaid	(1,820,217)	(100,163)	(64,661)	(4,297)	(1,989,338)
Resegmentation	110,449	3,487	706	5	114,647
Impact of modifications	246	82	(9,482)	(46)	(9,200)
Foreign exchange movement	(51,792)	(1,590)	(688)	(223)	(54,293)
Net other changes	12,467	(218)	13,564	(373)	25,440
Write-offs	-	-	(72,732)	(415)	(73,147)
Recoveries of amounts previously written off	-	-	19,260	148	19,408
Unwind of discount	-	-	408	345	753
Balance at 31 December 2021	2,498,881	214,351	106,161	23,199	2,842,592
Collectively assessed	2,498,881	214,351	106,161	23,199	2,842,592
Balance at 31 December 2021	2,498,881	214,351	106,161	23,199	2,842,592

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	40,049	25,434	46,298	1,030	112,811
New financial asset originated or purchased	153,467	1,570	546	251	155,834
Transfer to Stage 1	33,872	(26,177)	(7,695)	-	-
Transfer to Stage 2	(26,668)	75,110	(48,442)	-	-
Transfer to Stage 3	(57,606)	(20,110)	77,716	-	-
Impact on ECL of exposures transferred between stages during the year	(12,182)	(40,390)	53,653	-	1,081
Assets repaid	(47,239)	(11,218)	(35,780)	(1,449)	(95,686)
Resegmentation	548	83	182	-	813
Impact of modifications	(2)	(1)	(5,036)	5	(5,034)
Foreign exchange movement	(153)	(37)	(643)	(29)	(862)
Net other measurement of ECL	(27,242)	15,068	30,399	925	19,150
Income statement (releases) / charges	16,795	(6,102)	64,900	(297)	75,296
Write-offs	-	-	(72,732)	(415)	(73,147)
Recoveries of amounts previously written off	-	-	19,260	148	19,408
Unwind of discount	-	-	408	345	753
Currency translation differences	-	-	12	-	12
Balance at 31 December 2021	56,844	19,332	58,146	811	135,133
Collectively assessed	56,844	19,332	58,146	811	135,133
Balance at 31 December 2021	56,844	19,332	58,146	811	135,133

9. Loans to customers and finance lease receivables (continued)

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	97,775	3,879	1,730	-	103,384
New financial asset originated or purchased	170,198	1,117	219	-	171,534
Transfer to Stage 1	10,556	(10,148)	(408)	-	-
Transfer to Stage 2	(21,129)	23,266	(2,137)	-	-
Transfer to Stage 3	(3,856)	(2,531)	6,387	-	-
Assets repaid	(123,964)	(6,222)	(3,071)	-	(133,257)
Resegmentation	22,581	710	(80)	-	23,211
Foreign exchange movement	(18)	(6)	(3)	-	(27)
Net other changes	644	51	128	-	823
Write-offs	-	-	(253)	-	(253)
Recoveries of amounts previously written off	-	-	3	-	3
Unwind of discount	-	-	(1)	-	(1)
Balance at 31 December 2021	152,787	10,116	2,514	-	165,417
Collectively assessed	152,787	10,116	2,514	-	165,417
Balance at 31 December 2021	152,787	10,116	2,514	-	165,417

Gold – pawn loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	39	16	172	-	227
New financial asset originated or purchased	497	138	-	-	635
Transfer to Stage 1	34	(10)	(24)	-	-
Transfer to Stage 2	-	85	(85)	-	-
Transfer to Stage 3	(2)	(4)	6	-	-
Impact on ECL of exposures transferred between stages during the year	(24)	-	-	-	(24)
Assets repaid	(177)	(27)	(24)	-	(228)
Resegmentation	519	94	-	-	613
Net other measurement of ECL	936	(281)	447	-	1,102
Income statement (releases) / charges	1,783	(5)	320	-	2,098
Write-offs	-	-	(253)	-	(253)
Recoveries of amounts previously written off	-	-	3	-	3
Unwind of discount	-	-	(1)	-	(1)
Balance at 31 December 2021	1,822	11	241	-	2,074
Collectively assessed	1,822	11	241	-	2,074
Balance at 31 December 2021	1,822	11	241	-	2,074

The contractual amounts outstanding on loans to customers that have been written off during the reporting period but are still subject to enforcement activity was GEL 135,381 (2022: GEL 180,527, 2021: GEL 92,566).

9. Loans to customers and finance lease receivables (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, equipment and machinery, corporate shares, inventory, trade receivables, third-party corporate guarantees and personal guarantees of shareholders.
- For retail lending, mortgages over residential properties, cars, gold and jewellery, third-party corporate guarantees and personal guarantees of shareholders.

Management requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for expected credit loss/impairment of loans.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion or to hold them for capital appreciation or earning rentals, as appropriate in each case. In general, the Bank does not occupy repossessed properties for business use.

Without taking into account the discounted value of collateral, the ECL for credit-impaired loans would be as follows:

2023	*ECL for credit-impaired loans*	*ECL without taking into account the discounted value of collateral*
Commercial loans	41,993	97,250
Residential mortgage loans	16,692	56,682
Micro and SME loans	51,156	145,697
Consumer loans	70,999	104,559
Gold – pawn loans	1,322	3,290
Total	182,162	407,478

2022	*ECL for credit-impaired loans*	*ECL without taking into account the discounted value of collateral*
Commercial loans	43,002	178,197
Residential mortgage loans	18,574	66,948
Micro and SME loans	33,256	119,590
Consumer loans	75,164	102,762
Gold – pawn loans	5,339	6,947
Total	175,335	474,444

2021	*ECL for credit-impaired loans*	*ECL without taking into account the discounted value of collateral*
Commercial loans	127,934	210,708
Residential mortgage loans	19,532	93,804
Micro and SME loans	33,790	132,151
Consumer loans	58,957	86,726
Gold – pawn loans	241	1,805
Total	240,454	525,194

Concentration of loans to customers

As at 31 December 2023, the concentration of loans granted by the Bank to the ten largest third-party borrowers comprised GEL 1,507,812 accounting for 8% of the gross loan portfolio of the Bank (2022: GEL 1,017,629 and 6% respectively, 2021: GEL 1,187,521 and 8% respectively). An allowance of GEL 13,524 (2022: GEL 8,209, 2021: GEL 1,424) was established against these loans.

As at 31 December 2023, the concentration of loans granted by the Bank to the ten largest third-party Group of borrowers (borrower and its related parties) comprised GEL 2,414,054 accounting for 12% of the gross loan portfolio of the Bank (2022: GEL 1,736,614 and 10% respectively, 2021: GEL 1,976,154 and 13% respectively). An allowance of GEL 3,599 (2022: GEL 17,392, 2021: GEL 6,128) was established against these loans.

9. Loans to customers and finance lease receivables (continued)

Concentration of loans to customers (continued)

As at 31 December 2023, 31 December 2022 and 31 December 2021, loans were principally issued within Georgia, and their distribution by industry sector was as follows:

	2023	*2022*	*2021*
Individuals	11,294,283	9,878,940	9,001,784
Real estate	1,508,493	922,516	908,845
Manufacturing	1,398,953	973,720	1,123,104
Trade	1,265,327	982,183	1,018,861
Hospitality	958,675	826,300	942,388
Electricity, gas and water supply	664,927	458,392	378,769
Construction	373,675	506,460	372,796
Financial intermediation	332,796	270,875	219,835
Service	273,440	284,236	280,441
Transport & communication	252,842	174,540	213,759
Mining and quarrying	160,143	148,489	183,249
Other	1,323,338	1,122,786	989,363
Loans to customers, gross	19,806,892	16,549,437	15,633,194
Less – Allowance for expected credit loss	(305,661)	(302,012)	(380,331)
Loans to customers, net	19,501,231	16,247,425	15,252,863

Loans have been extended to the following types of customers:

	2023	*2022*	*2021*
Individuals	11,294,283	9,878,940	9,001,784
Private companies	8,510,042	6,666,803	6,618,938
State-owned entities	2,567	3,694	12,472
Loans to customers, gross	19,806,892	16,549,437	15,633,194
Less – Allowance for expected credit loss	(305,661)	(302,012)	(380,331)
Loans to customers, net	19,501,231	16,247,425	15,252,863

Finance lease receivables

	2023	*2022*	*2021*
Minimum lease payments receivable	25,114	21,373	16,624
Less – Unearned finance lease income	(5,434)	(4,325)	(4,244)
	19,680	17,048	12,380
Less – Allowance for expected credit loss / impairment loss	(3,853)	(4,096)	(1,196)
Finance lease receivables, net	15,827	12,952	11,184

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The difference between the minimum lease payments to be received in the future and the finance lease receivables represents unearned finance income.

As at 31 December 2023, the concentration of investment in the five largest lease receivables comprised GEL 3,693 or 19% of total finance lease receivables (2022: GEL 4,999 or 29%, 2021: GEL 4,084 or 33%) and finance income received from them for the year ended 31 December 2023 comprised GEL 682 or 24% of total finance income from lease (2022: GEL 678 or 21%, 2021: GEL 220 or 25%).

Future minimum lease payments to be received after 31 December 2023, 31 December 2022 and 31 December 2021 are as follows:

	2023	*2022*	*2021*
Within 1 year	6,035	6,198	7,044
From 1 to 2 years	235	-	52
From 2 to 3 years	222	289	-
From 3 to 4 years	364	240	98
From 4 to 5 years	812	308	338
More than 5 years	17,446	14,338	9,092
Minimum lease payment receivables	25,114	21,373	16,624

9. Loans to customers and finance lease receivables (continued)

Finance lease receivables (continued)

Movements of the gross finance lease receivables and respective allowance for expected credit loss/impairment of finance lease receivables are as follows:

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	1,839	-	-	15,209	17,048
New financial asset originated or purchased	-	-	-	10,525	10,525
Assets repaid	-	-	-	(6,389)	(6,389)
Foreign exchange movement	(8)	-	-	(804)	(812)
Net other changes	(1,230)	-	-	(59)	(1,289)
Write-offs	-	-	-	313	313
Unwind of discount	-	-	-	284	284
Balance at 31 December 2023	601	-	-	19,079	19,680
Collectively assessed	601	-	-	19,079	19,680
Balance at 31 December 2023	601	-	-	19,079	19,680

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	15	-	-	4,081	4,096
Assets repaid	-	-	-	(2,394)	(2,394)
Net other measurement of ECL	(11)	-	-	1,565	1,554
Income statement (releases)/charges	(11)	-	-	(829)	(840)
Write-offs	-	-	-	313	313
Unwind of discount	-	-	-	284	284
Balance at 31 December 2023	4	-	-	3,849	3,853
Collectively assessed	4	-	-	3,849	3,853
Balance at 31 December 2023	4	-	-	3,849	3,853

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	2,799	-	-	9,581	12,380
New financial asset originated or purchased	-	-	-	12,081	12,081
Assets repaid	(1,279)	-	-	(6,537)	(7,816)
Foreign exchange movement	(1)	-	-	-	(1)
Net other changes	320	-	-	84	404
Balance at 31 December 2022	1,839	-	-	15,209	17,048
Collectively assessed	1,839	-	-	15,209	17,048
Balance at 31 December 2022	1,839	-	-	15,209	17,048

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	-	-	-	1,196	1,196
Assets repaid	(6)	-	-	(1,856)	(1,862)
Net other measurement of ECL	21	-	-	4,741	4,762
Income statement (releases)/charges	15	-	-	2,885	2,900
Balance at 31 December 2022	15	-	-	4,081	4,096
Collectively assessed	15	-	-	4,081	4,096
Balance at 31 December 2022	15	-	-	4,081	4,096

9. Loans to customers and finance lease receivables (continued)

Finance lease receivables (continued)

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	3,919	-	-	-	3,919
New financial asset originated or purchased	3,034	-	-	3,107	6,141
Assets repaid	(4,616)	-	-	(122)	(4,738)
Foreign exchange movement	(47)	-	-	(249)	(296)
Net other changes	509	-	-	6,832	7,341
Unwind of discount	-	-	-	13	13
Balance at 31 December 2021	2,799	-	-	9,581	12,380
Collectively assessed	2,799	-	-	9,581	12,380
Balance at 31 December 2021	2,799	-	-	9,581	12,380

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	21	-	-	-	21
Assets repaid	(8)	-	-	-	(8)
Net other measurement of ECL	(13)	-	-	1,195	1,182
Income statement (releases) / charges	(21)	-	-	1,195	1,174
Unwind of discount	-	-	-	13	13
Currency translation differences	-	-	-	(12)	(12)
Balance at 31 December 2021	-	-	-	1,196	1,196
Collectively assessed	-	-	-	1,196	1,196
Balance at 31 December 2021	-	-	-	1,196	1,196

The Bank writes off the finance lease receivable balance when it takes possession of the underlying asset. The difference between the gross and ECL balances at the time of write-off represents the value of the repossessed asset.

10. Right-of-use assets, lease liabilities, property and equipment and intangible assets

	2023	*2022*	*2021*
Right-of-use assets	119,348	98,678	73,441
Lease liability	124,345	99,459	81,776

Administrative expenses include occupancy and rent expenses on lease contracts where the recognition exemptions have been applied:

	2023	*2022*	*2021*
Short-term leases	(3,204)	(3,541)	(2,777)
Leases of low-value assets	(1,664)	(1,383)	(1,549)
	(4,868)	(4,924)	(4,326)

Movement in liabilities arising from financing activities

	Movement in liabilities arising from financing activities
Carrying amount at 01 January 2021	89,812
Cash payments for the principal portion of the lease liability	(25,068)
Change in accrued interest	117
Additions	37,606
Other movements*	(20,691)
Carrying amount at 31 December 2021	81,776
Cash payments for the principal portion of the lease liability	(19,858)
Change in accrued interest	753
Additions	56,703
Other movements*	(19,915)
Carrying amount at 31 December 2022	99,459
Cash payments for the principal portion of the lease liability	(26,572)
Change in accrued interest	(1,375)
Additions	52,298
Other movements*	535
Carrying amount at 31 December 2023	124,345

* *Other movement mainly includes translation effect of foreign currency contracts and cancelled lease contracts.*

10. Right-of-use assets, lease liabilities, property and equipment and intangible assets (continued)

The movements in right-of-use assets were as follows:

	Office buildings & service centres	*Total*
Cost		
31 December 2022	158,834	158,834
Additions	52,563	52,563
Disposals	(12,086)	(12,086)
31 December 2023	199,311	199,311
Accumulated depreciation		
31 December 2022	60,156	60,156
Depreciation charge	27,554	27,554
Disposals	(7,747)	(7,747)
31 December 2023	79,963	79,963
Net book value		
31 December 2022	98,678	98,678
31 December 2023	119,348	119,348

	Office buildings & service centres	*Total*
Cost		
31 December 2021	119,335	119,335
Additions	57,518	57,518
Disposals	(18,019)	(18,019)
31 December 2022	158,834	158,834
Accumulated depreciation		
31 December 2021	45,894	45,894
Depreciation charge	22,438	22,438
Disposals	(8,176)	(8,176)
31 December 2022	60,156	60,156
Net book value		
31 December 2021	73,441	73,441
31 December 2022	98,678	98,678

	Office buildings & service centres	*Total*
Cost		
31 December 2020	110,159	110,159
Additions	38,068	38,068
Disposals	(28,892)	(28,892)
31 December 2021	119,335	119,335
Accumulated depreciation		
31 December 2020	32,396	32,396
Depreciation charge	18,985	18,985
Disposals	(5,487)	(5,487)
31 December 2021	45,894	45,894
Net book value		
31 December 2020	77,763	77,763
31 December 2021	73,441	73,441

10. Right-of-use assets, lease liabilities, property and equipment and intangible assets (continued)

The movements in property and equipment were as follows:

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improvements*	*Assets under construction*	*Total*
Cost							
31 December 2022	212,331	188,556	211,586	5,424	25,624	1,349	644,870
Additions	20,316	24,443	22,630	2,552	-	16,596	86,537
Transfers	2,557	-	-	-	8,507	(11,064)	-
Transfers to investment properties	(641)	-	-	-	-	-	(641)
Transfers to assets held for sale	585	-	-	-	-	-	585
Transfers from foredosed Assets	3,516	-	-	-	-	-	3,516
Transfers (to) from other assets	934	(1,421)	(7,714)	(207)	(29)	(243)	(8,680)
Disposals	-	(30)	-	(43)	-	-	(73)
Write-offs	-	-	(2)	(284)	(2,161)	(318)	(2,765)
31 December 2023	239,598	211,548	226,500	7,442	31,941	6,320	723,349
Accumulated impairment							
31 December 2022	1,359	-	-	-	-	-	1,359
31 December 2023	1,359	-	-	-	-	-	1,359
Accumulated depreciation							
31 December 2022	25,221	118,342	137,350	3,309	11,227	-	295,449
Depreciation charge	4,845	11,368	25,069	820	4,230	-	46,332
Transfers to investment properties	(225)	(1)	-	-	-	-	(226)
Transfers to assets held for sale	(22)	-	-	-	-	-	(22)
Transfers to other assets	-	(996)	(5,526)	(203)	-	-	(6,725)
Disposals	-	-	-	-	-	-	-
Write-offs	-	(354)	(745)	(85)	(1,147)	-	(2,331)
31 December 2023	29,819	128,359	156,148	3,841	14,310	-	332,477
Net book value							
31 December 2022	185,751	70,214	74,236	2,115	14,397	1,349	348,062
31 December 2023	208,420	83,189	70,352	3,601	17,631	6,320	389,513

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improvements*	*Assets under construction*	*Total*
Cost							
31 December 2021	192,852	184,523	187,554	4,473	25,870	1,014	596,286
Additions	120	10,299	28,621	1,457	-	27,735	68,232
Transfers	23,365	-	-	-	3,804	(27,169)	-
Transfers to investment properties	(966)	-	-	-	-	-	(966)
Transfers to other assets	-	(1,571)	(2,135)	(265)	-	(231)	(4,202)
Disposals	(3,011)	-	-	-	-	-	(3,011)
Write-offs	(29)	(4,695)	(2,454)	(241)	(4,050)	-	(11,469)
31 December 2022	212,331	188,556	211,586	5,424	25,624	1,349	644,870
Accumulated impairment							
31 December 2021	1,359	-	-	-	-	-	1,359
31 December 2022	1,359	-	-	-	-	-	1,359
Accumulated depreciation							
31 December 2021	22,263	110,430	120,666	3,106	11,219	-	267,684
Depreciation charge	3,908	13,461	21,580	572	4,035	-	43,556
Transfers to investment properties	(155)	-	-	-	-	-	(155)
Transfers to other assets	-	(916)	(2,479)	(230)	-	-	(3,625)
Disposals	(795)	(91)	-	-	-	-	(886)
Write-offs	-	(4,542)	(2,417)	(139)	(4,027)	-	(11,125)
31 December 2022	25,221	118,342	137,350	3,309	11,227	-	295,449
Net book value							
31 December 2021	169,230	74,093	66,888	1,367	14,651	1,014	327,243
31 December 2022	185,751	70,214	74,236	2,115	14,397	1,349	348,062

10. Right-of-use assets, lease liabilities, property and equipment and intangible assets (continued)

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improvements*	*Assets under construction*	*Total*
Cost							
31 December 2020	191,167	173,846	169,917	4,677	30,795	3,122	573,524
Additions	1,985	11,718	26,284	398	-	6,982	47,367
Transfers	6,416	-	-	-	2,491	(8,907)	-
Revaluation	2,359	-	-	-	-	-	2,359
Transfers to investment properties	(11,320)	-	-	-	-	-	(11,320)
Transfers to assets held for sale	2,245	-	-	-	-	-	2,245
Transfers to other assets	-	(998)	(8,647)	-	-	(183)	(9,828)
Write-offs	-	(43)	-	(602)	(7,416)	-	(8,061)
31 December 2021	192,852	184,523	187,554	4,473	25,870	1,014	596,286
Accumulated impairment							
31 December 2020	1,359	-	-	-	-	-	1,359
31 December 2021	1,359	-	-	-	-	-	1,359
Accumulated depreciation							
31 December 2020	19,526	99,260	105,361	3,122	14,627	-	241,896
Depreciation charge	3,855	12,420	17,944	569	4,008	-	38,796
Transfers to investment properties	(1,118)	-	-	(1)	-	-	(1,119)
Transfers to other assets	-	(1,225)	(2,639)	-	-	-	(3,864)
Write-offs	-	(25)	-	(584)	(7,416)	-	(8,025)
31 December 2021	22,263	110,430	120,666	3,106	11,219	-	267,684
Net book value							
31 December 2020	170,282	74,586	64,556	1,555	16,168	3,122	330,269
31 December 2021	169,230	74,093	66,888	1,367	14,651	1,014	327,243

The movements in intangible assets were as follows:

	Software and licence	*Other*	*Total*
Cost			
31 December 2022	199,676	25,581	225,257
Additions	40,895	-	40,895
Disposals	(7,166)	-	(7,166)
31 December 2023	233,405	25,581	258,986
Accumulated impairment			
31 December 2022	-	-	-
Impairment charge	2,201	-	2,201
31 December 2023	2,201	-	2,201
Accumulated amortisation			
31 December 2022	99,538	5,609	105,147
Amortisation charge	25,065	15	25,080
Disposals	(6,666)	-	(6,666)
31 December 2023	117,937	5,624	123,561
Net book value			
31 December 2022	100,138	19,972	120,110
31 December 2023	113,267	19,957	133,224

	Software and licence	*Other*	*Total*
Cost			
31 December 2021	176,470	25,581	202,051
Additions	29,178	-	29,178
Disposals	(5,972)	-	(5,972)
31 December 2022	199,676	25,581	225,257
Accumulated amortisation			
31 December 2021	80,624	5,589	86,213
Amortisation charge	23,239	20	23,259
Disposals	(4,325)	-	(4,325)
31 December 2022	99,538	5,609	105,147
Net book value			
31 December 2021	95,846	19,992	115,838
31 December 2022	100,138	19,972	120,110

10. Right-of-use assets, lease liabilities, property and equipment and intangible assets (continued)

	Software and licence	*Other*	*Total*
Cost			
31 December 2020	144,986	25,581	170,567
Additions	31,783	-	31,783
Disposals	(299)	-	(299)
31 December 2021	176,470	25,581	202,051
Accumulated amortisation			
31 December 2020	60,805	5,480	66,285
Amortisation charge	20,118	109	20,227
Disposals	(299)	-	(299)
31 December 2021	80,624	5,589	86,213
Net book value			
31 December 2020	84,181	20,101	104,282
31 December 2021	95,846	19,992	115,838

11. Investment properties

	2023	*2022*	*2021*
At 1 January	163,230	218,793	219,005
Additions	464	4,110	81,781
Disposals	(37,359)	(51,558)	(64,241)
Net gains (losses) from revaluation of investment	(128)	8,029	437
Transfers to assets held for sale	(10,756)	(16,955)	(28,390)
Transfers from property and equipment	415	811	10,201
At 31 December	115,866	163,230	218,793

Investment properties are stated at fair value. The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As at 31 December 2023, the fair values of the properties are based on valuations performed by accredited independent valuers. Refer to Note 29 for details on fair value measurements of investment properties.

12. Foreclosed Assets

	2023	*2022*	*2021*
At 1 January	114,731	2,488	5,082
Additions	235,966	122,977	1,859
Disposals	(77,197)	(7,335)	(4,261)
Write-down	(2,114)	(3,399)	(192)
Transfers to property and equipment	(3,516)	-	-
At 31 December	267,870	114,731	2,488

13. Goodwill

Movements in goodwill were as follows:

	2023	*2022*	*2021*
Cost			
1 January	33,453	33,453	33,453
At 31 December	33,453	33,453	33,453
Net book value:			
1 January	33,453	33,453	33,453
At 31 December	33,453	33,453	33,453

Impairment test for goodwill

Goodwill acquired through business combinations with indefinite lives have been allocated to two individual cash-generating units, for impairment testing: Corporate Banking and Retail Banking.

The carrying amount of goodwill allocated to each of the cash-generating units ("CGU") is as follows:

	2023	*2022*	*2021*
Retail Banking	23,488	23,488	23,488
Corporate Banking	9,965	9,965	9,965
Total	33,453	33,453	33,453

Key assumptions used in value-in-use calculations

The recoverable amounts of the CGUs have been determined based on a value-in-use calculation, using cash flow projections based on financial budgets approved by senior management covering a one to three-year period. Discount rates were not adjusted for either a constant or a declining growth rate beyond the three-year periods covered in financial budgets. For the purposes of the impairment test, a 3% permanent growth rate has been assumed when assessing the future operating cash flows of the CGU.

The following discount rates were used by the Bank for Corporate Banking and Retail Banking:

	Corporate Banking			*Retail Banking*		
	2023, %	*2022, %*	*2021, %*	*2023, %*	*2022, %*	*2021, %*
Discount rate	5.3%	4.3%	3.9%	6.6%	8.4%	8.1%

Discount rates

Discount rates reflect management's estimate of return required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using pre-tax weighted average cost of capital ("WACC").

For the Retail and Corporate Banking CGUs, the following additional assumptions were made:

- stable, business as usual growth of loans and deposits;
- no material changes in cost / income structure or ratio; and
- stable, business as usual growth of trade finance and other documentary businesses.

Sensitivity to changes in assumptions

Management believes that reasonable possible changes to key assumptions used to determine the recoverable amount for each CGU will not result in an impairment of goodwill. The excess of value-in-use over carrying value is determined by reference to the net book value as at 31 December 2023. Possible change was taken as +/-1% in discount rate and growth rate.

14. Investments in subsidiaries

Cost of shares of the investments (net of impairments and write-downs) in subsidiaries are as follows:

	2023	*2022*	*2021*
Direct investments:			
Georgia Financial Investments, LLC	3,577	3,577	3,577
Benderlock Investments Limited	58,745	58,745	58,745
JSC Belarusky Narodny Bank	66,575	66,575	66,575
Georgian Leasing Company, LLC	17,555	19,182	22,414
Investments in subsidiaries	146,452	148,079	151,311

The Bank assessed impairment indicators for all the subsidiaries. As at 31 December 2023 investment in Georgian Leasing Company LLC was impaired by GEL 1,627 (as at 31 December 2022: 3,232 GEL). No impairment indicators have been identified as at 31 December 2021, except for Bank of Georgia Representative Office in Hungary, which has been fully impaired since 31 December 2019.

The key unaudited combined financial figures of Benderlock Investments Limited and JSC Belarusky Narodny Bank as at 31 December 2023, 31 December 2022 and 31 December 2021 are as follows:

	2023	*2022*	*2021*
Total assets	1,315,576	1,416,989	1,021,879
Total equity	184,131	187,019	175,569
Total comprehensive income	(2,888)	11,450	(312)
Cash paid	125,320	125,320	125,320
Cost of acquisition	125,320	125,320	125,320

The key unaudited consolidated financial figures of Georgian Leasing Company, LLC as at 31 December 2023, 31 December 2022 and 31 December 2021 are as follows:

	2023	*2022*	*2021*
Total assets	20,597	87,404	158,293
Total equity	17,555	19,182	20,082
Total comprehensive income	(1,637)	(938)	(1,843)
Cost of acquisition	17,555	19,182	22,414

15. Taxation

The corporate income tax expense in income statement comprises:

	2023	*2022*	*2021*
Current income tax (expense) / benefit	(318,772)	(126,367)	(108,365)
Deferred income tax (expense) / benefit	68,282	(56,556)	36,945
Income tax expense	(250,490)	(182,923)	(71,420)

The income tax rate applicable to the Bank's income is 20% (2022: 15%, 2021: 15%).

On 12 June 2018, an amendment to the current corporate taxation model applicable to financial institutions, including banks and insurance businesses, became effective. The change implied a zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings starting from 1 January 2023. On 16 December 2022, an amendment to the corporate tax code was passed into law abolishing the expected transition to taxation on distributed earnings from 1 January 2023. According to the amendment, effective from 1 January 2023, existing taxation rules for financial institutions, including banks will be maintained. At the same time, the existing corporate tax rate for banks will be increased from 15% to 20% from 2023 going forward. In addition, with effect from 2023, taxable Interest Income and deductible Expected Credit Losses on Loans to Customers (ECL) will be defined per IFRS, instead of local National Bank of Georgia regulations. Transition differences in ECL will be taxed one-off at 15%. The amended law lacks clarification in treatment of transition differences in interest income. The management considers it reasonable that approach similar to ECL on transition is applicable on interest income and calculates deferred tax respectively.

The change had an immediate impact on deferred tax asset and deferred tax liability balances attributable to previously recognised temporary differences arising from prior periods. As at 31 December 2022, deferred tax assets and liabilities balances were re-measured, in line with the updated legislation. The change resulted in material one-off deferred tax charge as previously the Bank recognised deferred taxes only to the extent they were expected to realise before 1st January 2023.

15. Taxation (continued)

The effective income tax rate differs from the statutory income tax rates. As at 31 December 2023, 31 December 2022 and 31 December 2021, a reconciliation of the income tax expense based on statutory rates with the actual expense is as follows:

	2023	*2022*	*2021*
Profit before income tax expense	1,553,462	1,144,790	799,854
Average tax rate	20%	15%	15%
Theoretical income tax expense at average tax rate	(310,692)	(171,719)	(119,978)
Non-taxable income	60,411	46,284	49,960
Non-deductible expenses	(1,721)	(1,459)	(1,683)
Correction of prior year declarations	(2,342)	(2,846)	(15)
Tax at the domestic rates applicable to profits in each	394	-	-
Effects from changes in tax legislation	110	(53,074)	-
Tax deductible expenses	7,030	-	-
Other	(3,680)	(109)	296
Income tax expense	(250,490)	(182,923)	(71,420)

Applicable taxes in Georgia include corporate income tax (profit tax), individuals' withholding taxes, property tax and value added tax, among others. However, regulations are often unclear or non-existent and few precedents have been established. This creates tax risks in Georgia, substantially more significant than typically found in countries with more developed tax systems. Management believes that the Bank is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

As at 31 December 2023, 31 December 2022 and 31 December 2021, income tax assets and liabilities consist of the following:

	2023	*2022*	*2021*
Current income tax liabilities	183,932	20,260	85,270
Deferred income tax liabilities	10,992	79,274	22,718
Income tax liabilities	194,924	99,534	107,988

Deferred tax assets and liabilities as at 31 December 2023, 31 December 2022 and 31 December 2021, and their movements for the respective years, are as follows:

		Origination and reversal of temporary differences		*Origination and reversal of temporary differences*		*Origination and reversal of temporary differences*	
	2020	*In the income statement*	*2021*	*In the income statement*	*2022*	*In the income statement*	*2023*
Tax effect of deductible temporary differences:							
Cash and cash equivalents	-	-	-	26	26	8	34
Amounts due from credit institutions	-	-	-	66	66	(1)	65
Investment securities	-	-	-	-	-	(210)	(210)
Investment properties	59	-	59	(59)	-	-	-
Allowances for impairment and provisions for other losses	-	-	-	-	-	-	-
Tax losses carried forward	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Lease liability	4,902	(1,829)	3,073	16,819	19,892	4,977	24,869
Accruals and deferred income	7,523	12,539	20,062	18,070	38,132	5,073	43,205
Other assets and liabilities	67	13	80	4,376	4,456	(742)	3,714
Deferred tax assets	12,551	10,723	23,274	39,298	62,572	9,105	71,677
Tax effect of taxable temporary differences:							
Amounts due to credit institutions	2,112	131	2,243	1,685	3,928	(641)	3,287
Debt securities issued	1,624	(932)	692	1,259	1,951	(414)	1,537
Loans to customers and finance lease receivables	50,742	(24,538)	26,204	32,546	58,750	(58,750)	-
Property and equipment	8,859	(3,187)	5,672	37,522	43,194	4,357	47,551
Right-of-use assets	4,464	(2,181)	2,283	17,370	19,653	4,119	23,772
Investment properties	-	965	965	7,822	8,787	(2,265)	6,522
Assets held for sale	1,540	(1,055)	485	(485)	-	-	-
Other assets and liabilities	2,873	4,575	7,448	(1,865)	5,583	(5,583)	-
Deferred tax liabilities	72,214	(26,222)	45,992	95,854	141,846	(59,177)	82,669
Net deferred tax liabilities	(59,663)	36,945	(22,718)	(56,556)	(79,274)	68,282	(10,992)

16. Other assets and other liabilities

Other assets comprise:

	2023	*2022*	*2021*
Receivables from remittance operations	138,833	86,701	34,996
Other receivables	70,508	69,891	18,422
Inventory	13,624	11,041	6,092
Derivatives margin	12,129	21,053	18,586
Derivative financial assets	10,942	31,534	125,679
Investments in associates	9,537	9,249	8,917
Operating tax assets	2,465	1,381	2,230
Assets purchased for finance lease purposes	38	35	25
Other	39,833	24,062	10,479
Other assets, gross	297,909	254,947	225,426
Less – Allowance for impairment of other assets	(15,021)	(16,853)	(14,366)
Other assets, net	282,888	238,094	211,060

Other liabilities comprise:

	2023	*2022*	*2021*
Payables for remittance operations	59,079	24,671	8,457
Creditors	38,789	33,998	30,569
Derivative financial liabilities	25,779	59,020	6,605
Provisions	5,925	4,129	5,188
Dividends payable	3,522	2,346	1,713
Other taxes payable	3,354	4,448	8,402
Derivatives margin	-	348	98,844
Other	11,439	20,294	11,480
Other liabilities	147,887	149,254	171,258

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

	2023		
	Notional amount	*Fair value*	
		Asset	*Liability*
Foreign exchange contracts			
Forwards and swaps – domestic	1,099,787	2,703	3,712
Forwards and swaps – foreign	3,776,221	8,239	22,067
Total derivative assets / liabilities	4,876,008	10,942	25,779

	2022			*2021*		
	Notional amount	*Fair value*		*Notional amount*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Foreign exchange contracts						
Forwards and swaps – domestic	1,392,118	5,688	2,873	1,065,639	931	3,141
Forwards and swaps – foreign	4,476,430	25,846	56,147	5,393,757	122,217	2,079
Interest rate contracts						
Options - foreign (IR)	-	-	-	7,434	2,531	1,385
Total derivative assets / liabilities	5,868,548	31,534	59,020	6,466,830	125,679	6,605

17. Client deposits and notes

The amounts due to customers include the following:

	2023	*2022*	*2021*
Current accounts	11,701,666	10,341,151	6,852,159
Time deposits	8,029,412	6,916,212	6,720,972
Client deposits and notes	19,731,078	17,257,363	13,573,131
Held as security against letters of credit and guarantees (Note 20)	334,092	121,753	117,379

At 31 December 2023, amounts due to customers of GEL 2,042,323 (10%) were due to the ten largest customers (2022: GEL 2,107,058 (12%), 2021: GEL 1,953,107 (14%)).

Amounts due to customers include accounts with the following types of customers:

	2023	*2022*	*2021*
Individuals	12,473,336	10,719,500	8,153,720
Private enterprises	6,763,424	5,846,629	4,797,275
State and state-owned entities	494,318	691,234	622,136
Client deposits and notes	19,731,078	17,257,363	13,573,131

The breakdown of customer accounts by industry sector is as follows:

	2023	*2022*	*2021*
Individuals	12,473,336	10,719,500	8,153,720
Financial intermediation	1,666,624	1,282,979	1,409,110
Trade	1,143,901	945,105	774,477
Construction	1,060,595	739,780	632,199
Service	860,619	748,455	361,913
Transport & communication	531,251	391,787	368,859
Government services	445,880	682,809	613,710
Manufacturing	371,404	628,623	376,210
Real estate	300,419	190,062	189,339
Hospitality	101,398	167,535	70,375
Electricity, gas and water supply	76,384	186,517	112,244
Other	699,267	574,211	510,975
Client deposits and notes	19,731,078	17,257,363	13,573,131

18. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	2023	*2022*	*2021*
Short-term loans from National Bank of Georgia	2,101,653	1,715,257	1,413,333
Borrowings from international credit institutions	1,745,591	1,353,570	1,415,003
Correspondent accounts	451,755	740,946	171,095
Time deposits and inter-bank loans	105,735	734,209	92,287
	4,404,734	4,543,982	3,091,718
Non-convertible subordinated debt	562,520	401,733	668,766
Additional Tier 1	135,526	136,061	-
Amounts due to credit institutions	5,102,780	5,081,776	3,760,484

During the year ended 31 December 2023, the Bank paid up to 9.36% on USD borrowings from international credit institutions (2022: up to 7.52%, 2021: up to 4.18%). During the year ended 31 December 2023, the Bank paid up to 11.82% on USD subordinated debt (2022: up to 10.73%, 2021: up to 7.75%).

18. Amounts owed to credit institutions (continued)

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants") that the Bank maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 31 December 2023, 31 December 2022 and 31 December 2021, the Bank complied with all the Lender Covenants of the significant borrowings from international credit institutions.

On 27 December 2023, the Bank signed a EUR 25 million subordinated facility agreement (Tier-2) with the Green for Growth Fund (GGF), Southeast Europe S.A., SICAV-SIF, and a EUR 20 million subordinated facility agreement (Tier-2) with the European Fund for Southeast Europe S.A., SICAV-SIF (EFSE). The amount was fully utilised as at 31 December 2023.

On 31 August 2023, the Bank signed a USD 100 million loan agreement with Japan International Cooperation Agency as lender with maturity of five years, which was fully utilised as at 31 December 2023.

On 13 September 2023, the Bank signed a loan agreement with Asian Development Bank as lender with maturity of five years in the amount of the GEL equivalent of USD 100 million, which was fully utilised as at 31 December 2023.

On 31 May 2022, the Bank signed a US$ 50 million Additional Tier 1 Capital Perpetual Subordinated Syndicated Facility with the European Bank for Reconstruction and Development and Swedfund International AB as lenders. The amount was fully utilised as at 31 December 2022.

In June 2022, the Bank repaid the outstanding US$ 70 million of its initial US$ 90 million subordinated loan facility from the International Finance Corporation, out of which US$ 42 million qualified as Tier II capital.

Subordinated debt contracts details (more than 10% of total subordinated debt, on a contract basis):

Facility provider	Commencement date	Maturity date	Interest rate	Currency	Original contractual value	Carrying value as at 31 December 2023	Carrying value as at 31 December 2022	Carrying value as at 31 December 2021
FMO - Dutch entrepreneurial development bank	20-Dec-19	20-Dec-29	libor+5.65	USD	127,000	345,364	345,709	390,058
European Bank for Reconstruction and Development	7-Jun-22	10-Jun-27	14.1%	USD	35,000	94,868	95,243	-
GREEN FOR GROWTH FUND, SOUTHEAST EUROPE S.A SICAV	27-Dec-23	15-Dec-33	libor+5.3	EUR	25,000	74,459	-	-
International Finance Corporation	29-Jun-15	15-Jun-25	libor+7.5	USD	70,000	-	-	215,732

19. Debt securities issued

Debt securities issued comprise:

	2023	*2022*	*2021*
Additional Tier 1 capital notes issued	267,113	267,702	306,239
Tier 2 notes issued	83,158	-	-
Eurobonds and notes issued	-	226,857	938,372
Certificates of deposit	64,278	107,022	128,484
Debt securities issued	414,549	601,581	1,373,095

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	Additional Tier 1 capital notes issued	Tier 2 notes issued
Carrying amount at 31 December 2020	1,020,428	323,320	-
Repurchase of debt securities issued	(28,825)	-	-
Repayment of the principal portion of the debt securities issued	-	-	-
Other movements	(53,231)	(17,081)	-
Carrying amount at 31 December 2021	938,372	306,239	-
Repurchase of debt securities issued	(617,194)	-	-
Other movements	(94,321)	(38,537)	-
Carrying amount at 31 December 2022	226,857	267,702	-
Repurchase of debt securities issued	(20,980)	-	-
Repayment of the principal portion of the debt securities issued	(192,222)	-	-
Proceeds from Tier 2 notes issued	-	-	78,921
Other movements	(13,655)	(589)	4,237
Carrying amount at 31 December 2023	-	267,113	83,158

20. Commitments and contingencies

Legal

Sai-invest

As at 31 December 2023, the Bank was engaged in litigation with Sai-Invest LLC ("Sai-Invest") in relation to a deposit pledge in the amount of EUR 7 million for the benefit LTD Sport Invest's loans owing to JSC Bank of Georgia. Sai-Invest LLC has challenged the validity of the deposit pledge in the Georgian courts, and its challenge has been substantially sustained in the Court of Appeal, a determination which the Bank believes to be erroneous and without merit, and which the Bank has appealed to the Supreme Court. The matter is currently under review by the Supreme Court, and the timeline as to when the judgment has to be expected is not available. The Bank's management is of the opinion that the probability of incurring material losses on this claim is low, and, accordingly, no provision has been made in these separate financial statements.

Financial commitments and contingencies

As at 31 December 2023, 31 December 2022 and 31 December 2021, the Bank's financial commitments and contingencies comprised the following:

	2023	*2022*	*2021*
Credit-related commitments			
Financial and performance guarantees issued	1,895,611	1,695,922	1,655,639
Letters of credit	77,545	116,309	71,540
Undrawn loan facilities	967,754	810,186	758,984
	2,940,910	2,622,417	2,486,163
Less – Cash held as security against letters of credit and guarantees (Note 17)	(334,092)	(121,753)	(117,379)
Less – Provisions	(5,925)	(4,129)	(5,188)
Operating lease commitments			
Not later than 1 year	1,730	1,787	1,764
Later than 1 year but not later than 5 years	2,277	2,583	2,480
Later than 5 years	-	451	986
	4,007	4,821	5,230
Capital expenditure commitments	6,862	6,732	4,362

* *Out of total guarantees issued as at 31 December 2023 financial and performance guarantees of the Bank comprised GEL 1,151,100 (31 December 2022: GEL 978,662, 31 December 2021: GEL 1,015,412) and GEL 744,511 (31 December 2022: GEL 717,260, 31 December 2021: GEL 640,227), respectively.*

The Bank discloses its undrawn loan facility balances based on the contractual terms and existing practice in regards to disbursement of these amounts. The balances are disclosed as commitments if the Bank has an established practice of disbursing undrawn amounts without any subsequent approval.

21. Equity

Share capital

As at 31 December 2023, 31 December 2022 and 31 December 2021, authorised common capital comprised 43,308,125 common shares. As at 31 December 2023, 31 December 2022 and 31 December 2021, issued share capital comprised 27,993,660 common shares, all of which were fully paid. Each share has a nominal value of one (1) Georgian Lari. Shares issued and outstanding as at 31 December 2023 are described below:

	Number of ordinary shares	*Amount of ordinary shares*
31 December 2020	27,993,660	27,994
31 December 2021	27,993,660	27,994
31 December 2022	27,993,660	27,994
31 December 2023	27,993,660	27,994

21. Equity (continued)

Treasury shares

The number of treasury shares held by the Bank as at 31 December 2023, comprised 11,366 (31 December 2022: 10,173, 31 December 2021: 10,173), with nominal amount of GEL 11 (31 December 2022: GEL 10, 31 December 2021: GEL 10).

Dividends

Shareholders are entitled to dividends in Georgian Lari.

On 23 August 2023, the Board of JSC Bank of Georgia declared an interim dividend for 2023 of Georgian Lari 7.04 per share. Payment of the total GEL 196,956 interim dividends was received by shareholders on 26 September 2023.

On 1 May 2023, the Board of JSC Bank of Georgia declared a final dividend for 2022 of Georgian Lari 14.69 per share. Payment of the total GEL 410,999 final dividends was received by shareholders on 8 May 2023.

On 16 August 2022, the Board of JSC Bank of Georgia declared an interim dividend for 2022 of Georgian Lari 4.65 per share. Payment of the total GEL 129,914 final dividends was received by shareholders on 10 October 2022.

On 20 June 2022, the Board of JSC Bank of Georgia declared a final dividend for 2021 of Georgian Lari 5.18 per share. Payment of the total GEL 145,065 final dividends was received by shareholders on 5 July 2022.

On 17 August 2021, the Board of JSC Bank of Georgia declared an interim dividend for 2021 of Georgian Lari 2.52 per share. Payment of the total GEL 70,390 interim dividends was received by shareholders on 5 November 2021.

Nature and purpose of other reserves

Unrealised gains (losses) on investment securities

This reserve records fair value changes on investment securities.

Unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries

This reserve records unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries.

Earnings per share

	2023	*2022*	*2021*
Basic and diluted earnings per share			
Profit for the year attributable to ordinary shareholders of the Bank	1,302,972	961,867	728,434
Weighted average number of ordinary shares outstanding during the year	27,983,526	27,983,827	27,983,855
Earnings per share	46.5621	34.3722	26.0305

22. Net interest income

	2023	*2022*	*2021*
Interest income calculated using EIR method	2,648,202	2,156,992	1,717,134
From loans to customers	2,250,795	1,846,853	1,520,737
From investment securities	336,466	293,370	192,898
From amounts due from credit institutions	73,775	44,992	14,492
Net gain (loss) on modification of financial assets	(12,834)	(28,223)	(10,993)
Other interest income	4,028	3,263	881
From finance lease receivable	2,893	3,263	871
From other assets	1,135	-	10
Interest income	2,652,230	2,160,255	1,718,015
On dient deposits and notes	(796,321)	(553,787)	(476,146)
On amounts owed to credit institutions	(280,570)	(401,945)	(260,150)
On debt securities issued	(43,757)	(80,575)	(102,338)
Interest element of cross-currency swaps	25,253	28,416	29,053
On lease liability	(4,898)	(4,373)	(4,726)
Interest expense	(1,100,293)	(1,012,264)	(814,307)
Deposit insurance fees	(19,174)	(16,643)	(13,012)
Net interest income	1,532,763	1,131,348	890,696

23. Net fee and commission income

	2023	*2022*	*2021*
Settlements operations	498,483	410,342	290,634
Currency conversion operations	49,363	34,545	15,783
Guarantees and letters of credit	44,771	34,488	33,138
Cash operations	21,530	27,246	17,870
Brokerage service fees	616	49	460
Other	8,142	4,145	6,314
Fee and commission income	622,905	510,815	364,199
Settlements operations	(257,878)	(232,907)	(167,636)
Cash operations	(13,905)	(16,254)	(5,527)
Currency conversion operations	(8,577)	(5,064)	(1,598)
Brokerage service fees	(1,600)	(1,152)	(1,208)
Guarantees and letters of credit	(229)	(116)	(112)
Other	(7,473)	(5,547)	(5,528)
Fee and commission expense	(289,662)	(261,040)	(181,609)
Net fee and commission income	333,243	249,775	182,590

Revenue from customers

In 2023, the Bank recognised GEL 543,254 revenue from contracts with customers in the income statement, including fee and commission as well as net other income (2022: GEL 444,830, 2021: GEL 323,772).

Contract assets and liabilities

As at 31 December 2023, the Bank has recognised GEL 59,423 revenue-related contract liabilities (2022: GEL 48,361, 2021: GEL 38,294). Accounts receivable are recognised when the right to consideration becomes unconditional. Deferred revenue is recognised as revenue as we perform under the contract.

The Bank does not adjust the promised amount of consideration for the effects of a significant financing component if the Bank expects, at contract inception, that the period between when the Bank transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

In 2023, the Bank recognised GEL 47,832 revenue (2022: GEL 36,710, 2021: GEL 8,266) mainly from Georgia that relates to carried-forward contract liabilities and was previously included in the deferred income.

23. Net fee and commission income (continued)

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date:

	In 1 year	In 2 years	In 3 years	In 3 to 5 years	In 5 to 10 years	Total
As at 31 December 2023	54,994	2,425	1,324	593	87	59,423
As at 31 December 2022	45,709	2,465	126	43	18	48,361
As at 31 December 2021	36,708	1,119	388	76	3	38,294

24. Salaries and other employee benefits, and general and administrative expenses

Salaries and other employee benefits

	2023	*2022*	*2021*
Salaries and bonuses	(339,016)	(296,164)	(226,643)
Pension costs	(5,435)	(4,239)	(3,614)
Salaries and other employee benefits	(344,451)	(300,403)	(230,257)

In 2023, salaries and bonuses include GEL 70,970 of the Equity Compensation Plan costs (2022: GEL 80,996, 2021: GEL 44,336), associated with the existing share-based compensation scheme approved in the Bank (Note 27).

The average number of staff employed by the Bank for the years ended 31 December 2023, 31 December 2022 and 31 December 2021, comprised:

Average number of employees for the year:	*2023*	*2022*	*2021*
Permanent employment:			
Top management	14	13	11
Middle management	95	57	52
Other employees	6,853	6,209	5,889
	6,962	6,279	5,952
Temporary employment:			
Other employees	19	45	59
	19	45	59
Total	6,981	6,324	6,011

General and administrative expenses

	2023	*2022*	*2021*
Repairs and maintenance	(46,725)	(39,454)	(33,612)
Marketing and advertising	(42,669)	(30,778)	(24,269)
Legal and other professional services	(17,273)	(9,750)	(8,455)
Operating taxes	(11,320)	(9,714)	(10,504)
Office supplies	(8,612)	(7,284)	(5,613)
Travel expenses	(6,545)	(4,807)	(3,552)
Personnel training and recruitment	(6,394)	(3,991)	(1,848)
Corporate hospitality and entertainment	(6,269)	(5,068)	(1,853)
Communication	(5,352)	(5,317)	(4,690)
Occupancy and rent	(4,868)	(4,924)	(4,326)
Security	(4,060)	(2,949)	(3,174)
Insurance	(2,999)	(3,492)	(3,389)
Other	(963)	(422)	(2,122)
General and administrative expenses	(164,049)	(127,950)	(107,407)

Increase in expenses related to legal and other professional services was partly attributable to the transaction costs incurred in relation to the acquisition of Ameriabank as well as the consulting projects in IT and several other business areas (totalling GEL 4.5 million).

24. Salaries and other employee benefits, and general and administrative expenses (continued)

Auditor remuneration

Auditor remuneration comprises:

	2023	*2022*	*2021*
Fees for the audit of the Bank's annual financial statements	771	634	592
Expenditures for other assurance services	308	223	235
Total fees	1,079	857	827

The figures shown in the above table relate to fees paid to EY LLC ("EY") and its associates. In 2023, fees paid by Bank to other auditors not associated with EY in respect of assurance or other services were GEL 584 (2022: GEL 538, 2021: GEL Nil).

25. Cost of risk

The table below shows ECL charges on financial instruments for the year recorded in the income statement:

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	(37)	-	-	-	-	(37)
Amounts due from credit institutions	11	-	-	-	-	11
Investment securities measured at amortised cost - debt instruments	2,957	-	-	-	-	2,957
Investment securities measured at FVOCI - debt instruments	(2,030)	-	-	-	-	(2,030)
Loans to customers at amortised cost	14,843	(11,665)	4,110	(129,119)	(3,727)	(125,558)
Finance lease receivables	11	-	-	-	829	840
Other financial assets	-	-	(3,854)	-	-	(3,854)
Financial guarantees	280	(2)	24	5	-	307
Letter of credit to customers	15	-	-	-	-	15
Other financial commitments	254	25	-	-	-	279
For the year ended 31 December 2023	16,304	(11,642)	280	(129,114)	(2,898)	(127,070)

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	(107)	-	-	-	-	(107)
Amounts due from credit institutions	(63)	-	-	-	-	(63)
Investment securities measured at amortised cost - debt instruments	(3,198)	-	-	-	-	(3,198)
Investment securities measured at FVOCI - debt instruments	109	-	-	-	-	109
Loans to customers at amortised cost	24,285	(11,085)	61,945	(176,915)	(10,598)	(112,368)
Finance lease receivables	(15)	-	-	-	(2,885)	(2,900)
Other financial assets	(4,204)	-	-	-	-	(4,204)
Financial guarantees	(437)	6	24	2	-	(405)
Letter of credit to customers	(33)	-	65	-	-	32
Other financial commitments	701	286	-	-	-	987
For the year ended 31 December 2022	17,038	(10,793)	62,034	(176,913)	(13,483)	(122,117)

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	51	-	-	-	-	51
Amounts due from credit institutions	109	-	-	-	-	109
Investment securities measured at FVOCI - debt instruments	966	-	-	-	-	966
Loans to customers at amortised cost	(7,199)	30,373	5,838	(31,291)	(1,635)	(3,914)
Finance lease receivables	21	-	-	-	(1,195)	(1,174)
Other financial assets	(2,621)	-	-	-	-	(2,621)
Financial guarantees	6,601	53	3,722	(7)	-	10,369
Letter of credit to customers	1,543	-	328	-	-	1,871
Other financial commitments	(1,296)	(459)	-	-	-	(1,755)
For the year ended 31 December 2021	(1,825)	29,967	9,888	(31,298)	(2,830)	3,902

In addition, in 2023 ECL charge includes GEL 500 (2022: GEL 16,105) cost incurred by the Bank through synthetic agreement to accelerate the recovery process related to one of its defaulted borrowers. Such cost is not reflected in the ECL movement, but recorded directly through separate income statement.

25. Cost of risk (continued)

Impairment charge on other assets and provisions comprise:

	2023	*2022*	*2021*
Impairment (charge) / reversal on assets held for sale	(4,550)	(4,296)	(3,726)
Litigation provision reversal / (charge)	(2,388)	(653)	(1,183)
Other impairment charge	(8,640)	(12,045)	(1,719)
Impairment charge on other assets and provisions	(15,578)	(16,994)	(6,628)

26. Net other gains / (losses)

	2023	*2022*	*2021*
Net real estate gains / (losses)	91,421	16,831	25,231
Net gains / (losses) on derecognition of financial assets measured at fair value through other comprehensive income	18,562	7,352	30,153
Net gains / (losses) on financial assets at fair value through profit or loss	-	(1,204)	760
Net gains / (losses) from revaluation of investment property	(128)	8,029	437
Net other gains / (losses)	1,815	378	352
Net other gains / (losses)	111,670	31,386	56,933

During 2021-2023, the Bank repossessed significant movable and immovable assets from its defaulted Group of borrowers via the public auction as a result of bankruptcy proceedings of the borrower at a deep discount. The properties were classified as Foreclosed Assets and measured at lower of cost and net realizable value. The Bank managed to realize large properties at current market price in 2023 and recorded respective real estate gain in amount of GEL 81,327 in its separate financial statements.

27. Share-based payments

Executives' Equity Compensation Plan ("EECP") and Employees' Equity Compensation Plan ("EECP")

In 2015, the Bank set up Executive Equity Compensation Trustee - Sanne Fiduciary Services Limited (the "Trustee") which acts as the trustee of the Bank's Executives' Equity Compensation Plan ("EECP"). The Bank makes contributions to the Trustee in respect of the awards granted within EECP. JSC BGEO Bank has the legal obligation to settle the awards. In granting the awards, the Bank acts as the agent of the parent and the ultimate parent.

In 2019, the Bank set up Employee Equity Compensation Trustee - Sanne Fiduciary Services Limited (the "Trustee") which acts as the trustee of the Bank's Employees' Equity Compensation Plan ("EECP").

In 2022, the Bank contributed GEL 71,891 (2021: GEL 80,330, 2020: GEL 21,057) as intra-Bank recharge under share-based compensation schemes described above.

Share-based payment transactions fixed in monetary terms

In 2022, the Bank introduced the new remuneration policy for the Management Board and Key Material Risk Taker (MRT) employees. Under the new policy, part of the fixed component of the remuneration is fixed in monetary terms at the date of the contract and shall be paid by award of the number of shares equivalent to the fixed monetary value as at the date of the award. Such awards vest immediately following the award year and are subject to up to four-year holding period. For the CEO, annual remuneration paid in shares are fixed every three years, whereas for other members of the Management Board and MRTs the remuneration is set on annual basis. As for the variable share remuneration, it is awarded annually in the form of nil-cost options over the shares of BOGG PLC and is also fixed in monetary terms at the date of the contract. Such awards are subject to vesting and holding periods.

The awards of shares in monetary terms are accounted as equity-settled transactions and are measured by reference to the monetary value (as awarded) adjusted for the time value of money where necessary. The cost of equity-settled transactions is recognised together with the corresponding increase in equity as part of additional paid-in capital, over the period in which the service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award (the 'vesting date').

27. Share-based payments (continued)

Executives' Equity Compensation Plan ("EECP") and Employees' Equity Compensation Plan ("EECP") (continued)

In February 2023, BOGG's Remuneration Committee resolved to award 241,500 ordinary shares of Bank of Georgia Group PLC to the members of the Management Board and 74,520 ordinary shares of Bank of Georgia Group PLC to the Group's 18 executives. Shares awarded to the Management Board are subject to five-year vesting and two-year holding periods, while those awarded to the other 18 executives are subject to three-year vesting periods with continuous employment being the only vesting condition for both awards. The Bank considers 9 February, 10 May and 20 October 2023 as the grant date. The Bank estimates that the fair value of the shares awarded on 9 February, 10 May and 20 October 2023 was Georgian Lari 87.65, 99.04 and 106.31 per share.

In January 2022, BOGG's Remuneration Committee resolved to award 350,017 ordinary shares of Bank of Georgia Group PLC to the members of the Management Board and 54,851 ordinary shares of Bank of Georgia Group PLC to the Bank's 13 executives. Shares awarded to the Management Board are subject to two-year vesting and two-year holding periods, while those awarded to the other 13 executives are subject to three-year vesting periods with continuous employment being the only vesting condition for both awards. The Bank considers 31 January 2022 as the grant date. The Bank estimates that the fair value of the shares awarded on 31 January 2022 was Georgian Lari 59.98 per share.

In March 2021, BOGG's Remuneration Committee resolved to award 20,100 ordinary shares of Bank of Georgia Group PLC to the members of the Management Board and 176,218 ordinary shares of Bank of Georgia Group PLC to the Bank's 46 executives. Shares awarded to the Management Board and other 46 executives are subject to three-year vesting with continuous employment being the only vesting condition for both awards. The Bank considers 11 March 2021as the grant date. The Bank estimates that the fair value of the shares awarded on 11 March 2021 was Georgian Lari 50.12 per share.

In 2023, Management Board members signed fixed contingent share-based compensation agreements, with fixed contract value of GEL 16,248. The Bank considers 1 January 2023 as the grant dates for the awards. The Bank estimated the value of the shares were Georgian Lari 82.91 per share respectively, based on the five working day average share price before the 25 December 2022, respectively. The awards will be subject to one-year vesting and three-year holding periods.

In 2023, the Bank's other executive members signed fixed contingent share-based compensation agreements, with fixed contract value of GEL 4,149. The Bank considers 1 January 2023, 1 April 2023, 27 April 2023, 1 May 2023 and 1 June 2023 as the grant dates for the awards. The Bank estimated the value of the shares were Georgian Lari 82.91, 78.44, 76.77, 76.61 and 79.99 per share respectively, based on the five working day average share price before the 25 December 2022, respectively. The awards will be subject to one-year vesting and three-year holding periods.

In 2022, Management Board members signed fixed contingent share-based compensation agreements, with fixed contract value of GEL 46,168. The Bank considers 1 January 2022 and 30 June 2022 as the grant dates for the awards. The Bank estimated the value of the shares were Georgian Lari 64.10 and 60.77 per share respectively, based on the five working day average share price before the 25 December 2021, respectively. The awards will be subject to one-year vesting and three-year holding periods.

In 2022, the Bank's other executive members signed fixed contingent share-based compensation agreements, with fixed contract value of GEL 4,493. The Bank considers 1 January 2022 and 1 July 2022 as the grant dates for the awards. The Bank estimated the value of the shares were Georgian Lari 64.10 and 60.76 per share respectively, based on the five working day average share price before the 25 December 2021, respectively. The awards will be subject to one-year vesting and three-year holding periods.

In 2021, key executive member signed fixed contingent share-based compensation agreements with the total of 10,000 ordinary shares of BOGG. The award will be subject to a three-year vesting period. The Bank considers 1 March 2021 as the grant dates for the awards. The Bank estimates that the fair value of the shares on 1 March 2021 were Georgian Lari 45.89.

In 2021, key executive members signed fixed contingent share-based compensation agreements, with fixed contract value of GEL 2,065. The Bank considers 1 May 2021 and 1 October 2021 as the grant dates for the awards. The Bank estimated the value of the shares were Georgian Lari 51.57 and 66.12, respectively, based on five working day average share price before the grant dates of 1 May 2021 and 1 October 2021, respectively. The award will be subject to a one-year vesting and three-year holding periods.

The Bank grants share compensation to its non-executive employees. In January 2022, March 2021 and January 2020, the Supervisory Board of the Bank resolved to award 189,382, 169,605 and 231,914 ordinary shares, respectively, to its certain non-executive employees. All these awards are subject to three-year vesting, with continuous employment being the only vesting condition for all awards. The Bank considers 31 January 2022, 11 March 2021 and 31 January 2020 as the grant dates of these awards, respectively. The Bank estimates that the fair values of the shares awarded on 31 January 2022, 11 March 2021 and 31 January 2020 were Georgian Lari 59.98, 50.12 and 56.98 per share, respectively.

27. Share-based payments (continued)

Summary

Fair value of the shares granted at the measurement date is determined based on available market quotations.

The weighted average fair value of share-based awards at the grant date comprised Georgian Lari 88.47 per share in year ended 31 December 2023 (31 December 2022: Georgian Lari 62.28 per share, 31 December 2021: Georgian Lari 50.70).

The Bank's total share-based payment expenses for the year ended 31 December 2023 comprised GEL 70,970 (31 December 2022: GEL 80,996, 31 December 2021: GEL 44,334) and are included in "salaries and other employee benefits", as "salaries and bonuses". Below is the summary of the share-based payments-related data:

	2023	*2022*	*2021*
Total number of equity instruments awarded	694,826	1,382,444	415,681
– Among them, to Management Board	*437,461*	*1,071,053*	*30,100*
Weighted average value at grant date, per share (GEL in full amount)	88.47	62.28	50.70
Value at grant date, total (GEL)	61,469	86,105	21,074
Total expense recognised during the year (GEL)	(70,970)	(80,996)	(44,334)

28. Risk management

Introduction

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

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

Risk Management structure

The Bank's risk management framework and risk appetite framework policies are based on the three lines of defence model and reflect the requirements of the Corporate Governance Code adopted by the NBG. The three lines of defence model enhances the understanding of risk management and control by clarifying roles and responsibilities within the Bank's different risk management bodies and business units in order to increase the effective management of risk and control.

Committees operating under the Supervisory Board:

Audit and Corporate Governance Committee

The Audit Committee assists the Supervisory Board in relation to the oversight of the Bank's financial and reporting processes. It monitors the integrity of the financial statements and is responsible for governance around both the Internal Audit function and external auditor, reporting back to the Supervisory Board. It reviews the effectiveness of the policies, procedures and systems in place related to, among other operational risks, compliance, IT and Internal Security (including cyber-security), and works closely with the Risk Committee in connection with assessing the effectiveness of the risk management and internal control framework.

Risk Committee

The Risk Committee assists the Supervisory Board in relation to the oversight of risk. It reviews the Bank's risk appetite in line with strategy, identifies and monitors risk exposure and the risk management infrastructure, oversees the implementation of strategy to address risk, and in conjunction with the Audit Committee, assesses the strength and effectiveness of the risk management and internal control framework.

28. Risk management (continued)

Introduction (continued)

Special Committee

The Special Committee assists the Supervisory Board in relation to the oversight of post-demerger processes, including review and approval of certain transactions between the Bank and Georgia Capital Group PLC (former investment arm of BGEO Group PLC) Bank companies.

Other risk management bodies:

Management Board

The Management Board has overall responsibility for the Bank's asset, liability and Risk Management activities, policies and procedures. In order to effectively implement the Risk Management system, the Management Board delegates individual Risk Management functions to each of the various decision-making and execution bodies within the Bank.

Bank Asset and Liability Management Committee

The Bank's Asset and Liability Management Committee ("ALCO") is the core Risk Management body that establishes policies and guidelines with respect to capital adequacy, market risks and respective limits, funding liquidity risk and respective limits, interest rate and prepayment risks and respective limits, money market general terms and credit exposure limits, that designs and implements respective Risk Management and stress testing models in practice and regularly monitors compliance with the pre-set risk limits.

Internal Audit

The Internal Audit department is responsible for the audit of the Bank's Risk Management, internal control and corporate governance processes, with the aim of reducing the levels of operational and other risks, auditing the Bank's internal control systems and detecting any infringements or errors on the part of the Bank's departments and divisions. It examines both the adequacy and the Bank's compliance with those procedures. The Bank's Internal Audit department discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects the expected loss likely to arise in both normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on different forecasting models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank runs three different basic scenarios, of which one is base case (forecast under normal business conditions) and the other two are troubled and distressed scenarios, which are worse and worst case scenarios, respectively, that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, and the head of each business division. The reports include aggregate credit exposures and their limits, exceptions to those limits, liquidity ratios and liquidity limits, market risk ratios and their limits, and changes to the risk profile. Senior management assesses the appropriateness of the expected credit loss on a monthly basis. The Management Board receives a comprehensive credit risk report and ALCO report. These reports are designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, relevant and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall Risk Management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. While these are intended for hedging, they do not qualify for hedge accounting.

28. Risk management (continued)

Introduction (continued)

The Bank actively uses collateral to reduce its credit risks (see below for more detail).

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or these counterparties represent related parties to each other, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations also involve combined, aggregate exposures of large and significant credits compared with the total outstanding balance of the respective financial instrument. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on, maintaining a diversified portfolio of financial assets. Identified concentrations of credit risks or liquidity / repayment risks are controlled and managed accordingly.

Credit risk

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

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision.

The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action. The maximum credit exposure is limited to the carrying value of respective instruments and notional amounts of guarantees and commitments provided.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of the financial position.

Credit-related commitment risks

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

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank through internal and external credit ratings used in ECL calculations.

For corporate loan portfolios, the Bank runs an internal rating model in which its customers are rated from 1 to 7 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to each borrower, utilising supplemental external information that could affect the borrower's behaviour. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. Attributable risk ratings are assessed and updated regularly.

For Retail, Micro and SME loans, the Bank uses external ratings provided by Credit Bureau.

The Bank's treasury, trading and inter-bank relationships and counterparties comprise financial services institutions, banks and broker-dealers. For these, where external ratings provided by rating agencies are available, the Bank Credit Risk department uses such external ratings. For those where external ratings are not available internal ratings are assigned.

28. Risk management (continued)

Credit risk (continued)

The table below shows internal and external grades used in ECL calculating.

		External Rating Grades	
		Credit Bureau	Standard & Poor's
Internal Rating Description*	Internal Rating Grades		
High grade			
	Aaa	1	A	AAA
	Aa1	2+	B	AA+
	Aa2	2	C1	AA
	Aa3	2-	C2	AA-
	A1	3+	C3	A+
	A2	3		A
	A3	3-		A-
	Baa1	4+		BBB+
	Baa2	4		BBB
	Baa3	4-		BBB-
Standard grade				
	Ba1	5+	D1	BB+
	Ba2	5	D2	BB
	Ba3	5-	D3	BB-
	B1	6+		B+
	B2	6		B
Low grade				
	B3	6-	E1	B-
	Caa1	7+	E2	CCC+
	Caa2	7	E3	CCC
	Caa3	7-		CCC-
	Ca			CC
				C

* *Grades are not supposed to be corresponded to each other across the rating categories above.*

28. Risk management (continued)

Credit risk (continued)

The table below shows the credit quality by class of asset in the statement of financial position, presented in gross amounts, based on the Bank's credit rating system.

A defaulted financial asset that is past due more than 90 days is assessed as a non-performing loan or as determined on individual basis based on other available information regarding financial difficulties of the borrower.

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Total*
High grade	1,097,398	1,097,398
Standard grade	654,810	654,810
Low grade	32,372	32,372
Balance at 31 December 2023	1,784,580	1,784,580

Amounts due from credit institutions	*Stage 1*	*Total*
High grade	1,734,224	1,734,224
Balance at 31 December 2023	1,734,224	1,734,224

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
High grade	2,202,596	2,202,596
Standard grade	2,058,495	2,058,495
Not rated	34,367	34,367
Balance at 31 December 2023	4,295,458	4,295,458

Investment securities measured at amortized cost - debt instruments	*Stage 1*	*Total*
High grade	387,623	387,623
Standard grade	25,101	25,101
Not rated	95,413	95,413
Balance at 31 December 2023	508,137	508,137

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	4,388,581	68,175	-	339	4,457,095
Standard grade	1,389,821	58,796	-	755	1,449,372
Low grade	135,324	372,006	-	-	507,330
Not rated	29,827	3,582	-	-	33,409
Defaulted					
Non-performing	-	-	78,601	22,481	101,082
Balance at 31 December 2023	5,943,553	502,559	78,601	23,575	6,548,288

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	3,346,499	11,608	-	4,209	3,362,316
Standard grade	714,568	45,712	-	3,689	763,969
Low grade	86,008	116,000	-	6,839	208,847
Not rated	132,904	155	-	131	133,190
Defaulted					
Non-performing	-	-	37,603	16,214	53,817
Other	-	-	13,175	1,107	14,282
Balance at 31 December 2023	4,279,979	173,475	50,778	32,189	4,536,421

28. Risk management (continued)

Credit risk (continued)

Micro and SME loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,480,970	29,931	-	316	2,511,217
Standard grade	1,012,833	73,925	-	228	1,086,986
Low grade	75,930	76,380	-	242	152,552
Not rated	83,090	4,383	48	-	87,521
Defaulted					
Non-performing	-	-	160,775	2,364	163,139
Other	-	-	871	47	918
Balance at 31 December 2023	3,652,823	184,619	161,694	3,197	4,002,333

Consumer loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,693,768	7,996	-	2,405	2,704,169
Standard grade	1,179,793	50,968	-	3,069	1,233,830
Low grade	233,382	173,992	-	4,607	411,981
Not rated	90,708	303	90	-	91,101
Defaulted					
Non-performing	-	-	90,648	16,090	106,738
Other	-	-	19,463	2,340	21,803
Balance at 31 December 2023	4,197,651	233,259	110,201	28,511	4,569,622

Gold – pawn loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	65,002	48	-	-	65,050
Standard grade	40,495	733	-	-	41,228
Low grade	17,381	7,915	-	-	25,296
Not rated	14,538	-	273	-	14,811
Defaulted					
Non-performing	-	-	2,566	-	2,566
Other	-	-	1,277	-	1,277
Balance at 31 December 2023	137,416	8,696	4,116	-	150,228

Finance lease receivables	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	-	-	-	4,274	4,274
Standard grade	-	-	-	1,697	1,697
Low grade	-	-	-	2,161	2,161
Not rated	601	-	-	-	601
Defaulted					
Non-performing	-	-	-	10,390	10,390
Other	-	-	-	557	557
Balance at 31 December 2023	601	-	-	19,079	19,680

Accounts receivable	*Stage 1*	*Total*
Not rated	2,518	2,518
Balance at 31 December 2023	2,518	2,518

Other financial assets	*Stage 1*	*Total*
Not rated	209,341	209,341
Balance at 31 December 2023	209,341	209,341

28. Risk management (continued)

Credit risk (continued)

Guarantees issued	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	997,529	-	-	997,529
Standard grade	347,015	257	-	347,272
Low grade	264,715	161,350	-	426,065
Not rated	119,004	-	-	119,004
Defaulted				
Other	-	-	5,741	5,741
Balance at 31 December 2023	1,728,263	161,607	5,741	1,895,611

Letters of credit	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	69,260	-	-	69,260
Standard grade	7,546	-	-	7,546
Low grade	307	-	-	307
Not rated	432	-	-	432
Balance at 31 December 2023	77,545	-	-	77,545

Undrawn loan facilities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	668,644	215	12	668,871
Standard grade	240,974	1,203	-	242,177
Low grade	23,791	6,757	-	30,549
Not rated	24,373	13	-	24,386
Defaulted				
Non-performing	-	-	1,764	1,771
Balance at 31 December 2023	957,782	8,188	1,776	967,754

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Total*
High grade	480,889	480,889
Standard grade	54,111	54,111
Low grade	132	132
Balance at 31 December 2022	535,132	535,132

Amounts due from credit institutions	*Stage 1*	*Total*
High grade	-	-
Balance at 31 December 2022	1,892,669	1,892,669

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
High grade	1,031,369	1,031,369
Standard grade	1,435,747	1,435,747
Low grade	13,804	13,804
Not rated	10,223	10,223
Balance at 31 December 2022	2,491,143	2,491,143

Investment securities measured at amortized cost - debt instruments	*Stage 1*	*Total*
High grade	129,670	129,670
Standard grade	197,658	197,658
Not rated	54,407	54,407
Balance at 31 December 2023	381,735	381,735

28. Risk management (continued)

Credit risk (continued)

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,815,718	11,769	-	-	2,827,487
Standard grade	1,133,827	166,392	-	-	1,300,219
Low grade	369,056	176,236	-	7,131	552,423
Not rated	148,039	13,011	-	-	161,050
Defaulted					
Non-performing	-	-	203,308	10,883	214,191
Balance at 31 December 2022	4,466,640	367,408	203,308	18,014	5,055,370

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,751,165	67,134	-	2,163	2,820,462
Standard grade	616,665	84,564	-	4,284	705,513
Low grade	112,440	106,454	-	5,083	223,977
Not rated	106,291	878	-	-	107,169
Defaulted					
Non-performing	-	-	31,131	3,767	34,898
Other	-	-	73,374	12,908	86,282
Balance at 31 December 2022	3,586,561	259,030	104,505	28,205	3,978,301

Micro and SME loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,733,636	103,160	-	308	1,837,104
Standard grade	932,109	90,631	-	1,588	1,024,328
Low grade	108,045	69,942	-	561	178,548
Not rated	385,305	19,328	11	-	404,644
Defaulted					
Non-performing	-	-	112,079	2,125	114,204
Other	-	-	30,633	2,053	32,686
Balance at 31 December 2022	3,159,095	283,061	142,723	6,635	3,591,514

Consumer loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,415,629	23,339	-	858	1,439,826
Standard grade	758,684	54,826	-	1,640	815,150
Low grade	272,104	135,897	-	2,259	410,260
Not rated	52,464	289	267	-	53,020
Defaulted					
Non-performing	-	-	41,017	1,141	42,158
Other	-	-	64,877	17,301	82,178
Balance at 31 December 2022	2,498,881	214,351	106,161	23,199	2,842,592

Gold – pawn loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	58,481	295	-	-	58,776
Standard grade	41,990	2,606	-	-	44,596
Low grade	19,639	7,215	-	-	26,854
Not rated	32,677	-	-	-	32,677
Defaulted					
Non-performing	-	-	1,003	-	1,003
Other	-	-	1,511	-	1,511
Balance at 31 December 2022	152,787	10,116	2,514	-	165,417

Finance lease receivables	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Not rated	2,799	-	-	-	2,799
Defaulted					
Other	-	-	-	9,581	9,581
Balance at 31 December 2022	2,799	-	-	9,581	12,380

28. Risk management (continued)

Credit risk (continued)

Accounts receivable	*Stage 1*	*Total*
Not rated	1,867	1,867
Balance at 31 December 2022	1,867	1,867

Other financial assets	*Stage 1*	*Total*
Not rated	156,592	156,592
Balance at 31 December 2022	156,592	156,592

Guarantees issued	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	1,049,817	103	-	1,049,920
Standard grade	241,914	4,357	-	246,271
Low grade	223,983	20,097	-	244,080
Not rated	141,901	102	-	142,003
Defaulted				
Other	-	-	13,648	13,648
Balance at 31 December 2022	1,657,615	24,659	13,648	1,695,922

Letters of credit	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	76,091	-	-	76,091
Standard grade	39,671	-	-	39,671
Not rated	547	-	-	547
Balance at 31 December 2022	116,309	-	-	116,309

Undrawn loan facilities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	498,164	306	-	498,470
Standard grade	259,919	6,168	-	266,087
Low grade	7,719	7,829	-	15,548
Not rated	28,514	28	-	28,543
Defaulted				
Non-performing	-	-	1,537	1,538
Balance at 31 December 2022	794,316	14,331	1,537	810,186

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Total*
High grade	480,889	480,889
Standard grade	54,111	54,111
Low grade	132	132
Balance at 31 December 2021	535,132	535,132

Amounts due from credit institutions	*Stage 1*	*Total*
Standard grade	1,892,669	1,892,669
Balance at 31 December 2021	1,892,669	1,892,669

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
High grade	1,031,369	1,031,369
Standard grade	1,435,747	1,435,747
Low grade	13,804	13,804
Not rated	10,223	10,223
Balance at 31 December 2021	2,491,143	2,491,143

28. Risk management (continued)

Credit risk (continued)

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,815,718	11,769	-	-	2,827,487
Standard grade	1,133,827	166,392	-	-	1,300,219
Low grade	369,056	176,236	-	7,131	552,423
Not rated	148,039	13,011	-	-	161,050
Defaulted					
Non-performing	-	-	203,308	10,883	214,191
Balance at 31 December 2021	4,466,640	367,408	203,308	18,014	5,055,370

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,751,165	67,134	-	2,163	2,820,462
Standard grade	616,665	84,564	-	4,284	705,513
Low grade	112,440	106,454	-	5,083	223,977
Not rated	106,291	878	-	-	107,169
Defaulted					
Non-performing	-	-	31,131	3,767	34,898
Other	-	-	73,374	12,908	86,282
Balance at 31 December 2021	3,586,561	259,030	104,505	28,205	3,978,301

Micro and SME loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,733,636	103,160	-	308	1,837,104
Standard grade	932,109	90,631	-	1,588	1,024,328
Low grade	108,045	69,942	-	561	178,548
Not rated	385,305	19,328	11	-	404,644
Defaulted					
Non-performing	-	-	112,079	2,125	114,204
Other	-	-	30,633	2,053	32,686
Balance at 31 December 2021	3,159,095	283,061	142,723	6,635	3,591,514

Consumer loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,415,629	23,339	-	858	1,439,826
Standard grade	758,684	54,826	-	1,640	815,150
Low grade	272,104	135,897	-	2,259	410,260
Not rated	52,464	289	267	-	53,020
Defaulted					
Non-performing	-	-	41,017	1,141	42,158
Other	-	-	64,877	17,301	82,178
Balance at 31 December 2021	2,498,881	214,351	106,161	23,199	2,842,592

Gold – pawn loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	58,481	295	-	-	58,776
Standard grade	41,990	2,606	-	-	44,596
Low grade	19,639	7,215	-	-	26,854
Not rated	32,677	-	-	-	32,677
Defaulted					
Non-performing	-	-	1,003	-	1,003
Other	-	-	1,511	-	1,511
Balance at 31 December 2021	152,787	10,116	2,514	-	165,417

Finance lease receivables	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Not rated	2,799	-	-	-	2,799
Defaulted					
Other	-	-	-	9,581	9,581
Balance at 31 December 2021	2,799	-	-	9,581	12,380

28. Risk management (continued)

Credit risk (continued)

Accounts receivable	*Stage 1*	*Total*
Not rated	21,503	21,503
Balance at 31 December 2021	21,503	21,503

Other financial assets	*Stage 1*	*Total*
Not rated	53,418	53,418
Balance at 31 December 2021	53,418	53,418

Guarantees issued	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	307,607	24,337	-	331,944
Standard grade	91,528	7,799	-	99,327
Low grade	58,376	3,334	-	61,710
Not rated	1,161,923	-	-	1,161,923
Defaulted				
Other	-	-	735	735
Balance at 31 December 2021	1,619,434	35,470	735	1,655,639

Letters of credit	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	67,925	-	-	67,925
Standard grade	1,743	-	-	1,743
Low grade	410	-	-	410
Not rated	1,462	-	-	1,462
Balance at 31 December 2021	71,540	-	-	71,540

Undrawn loan facilities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	581,310	1,415	-	582,725
Standard grade	121,376	3,011	-	124,387
Low grade	12,986	4,561	-	17,547
Not rated	33,620	37	9	33,666
Defaulted				
Non-performing	-	-	5	5
Other	-	-	648	654
Balance at 31 December 2021	749,292	9,024	662	758,984

28. Risk management (continued)

Credit risk (continued)

Types of collateral the Bank accepts include real estate, movable properties as well as financial assets (deposits, shares and guarantees) and other registered liens. Measurement and processing of collateral is governed by generally acceptable standards and collateral-specific instructions. These transactions are structured under legally verified standard agreements where the pledges are secured through public registry where eligible. The following table shows the ratio of the loan portfolio to the market value of collateral held by the Bank in respect of the portfolio. As at 31 December 2023, up to 80.1% of the collateral held has been re-valued within the last two years (2022: 78.6%, 2021: 76.0%). For residential mortgage loans, in cases where the collateral for a loan may not be officially registered until its construction is complete, respective loan is shown as unsecured, even though it is usually secured by the corporate guarantee of the construction company.

As at 31 December 2023

			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	6,548,288	794,114	1,186,851	1,418,615	273,589	341,401	1,376,725	522,334	122,558	512,101
ECL Coverage	1.29%	0.40%	0.56%	0.33%	0.16%	2.83%	1.89%	4.51%	2.27%	1.53%
Residential mortgage loans	4,536,421	103,576	1,093,187	1,988,022	610,565	532,640	173,384	9,626	5,224	20,197
ECL Coverage	0.50%	2.26%	0.00%	0.24%	0.74%	0.78%	3.60%	1.25%	2.28%	2.09%
Micro and SME loans	4,002,333	231,766	867,019	1,108,478	353,689	309,765	975,005	81,340	24,845	50,426
ECL Coverage	1.67%	5.12%	0.01%	0.55%	0.79%	1.08%	3.78%	3.04%	4.07%	4.80%
Consumer loans	4,569,622	2,212,839	803,509	888,441	318,252	254,074	78,582	4,931	3,043	5,951
ECL Coverage	2.84%	5.21%	0.01%	0.38%	0.85%	1.09%	6.17%	5.33%	6.54%	2.25%
Gold – pawn loans	150,228	-	4,362	49,324	93,706	1,083	790	941	-	22
ECL Coverage	0.92%	N/A	0.02%	0.05%	0.24%	16.25%	27.72%	76.09%	N/A	81.82%
Loans to customers at amortised cost, gross	19,806,892	3,342,295	3,954,928	5,452,880	1,649,801	1,438,963	2,604,486	619,172	155,670	588,697

As at 31 December 2022

			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	4,964,766	680,361	977,620	805,601	129,110	225,990	1,183,990	325,786	55,694	580,614
ECL Coverage	1.51%	2.68%	0.58%	1.11%	0.23%	1.32%	2.45%	1.12%	0.80%	0.95%
Residential mortgage loans	4,158,801	115,809	973,880	1,845,068	525,384	440,935	229,463	8,114	2,665	17,483
ECL Coverage	0.72%	2.52%	0.01%	0.39%	1.01%	1.45%	3.08%	4.42%	1.43%	4.06%
Micro and SME loans	3,757,297	401,003	872,045	947,261	274,022	276,563	781,833	70,607	28,606	105,357
ECL Coverage	1.52%	4.51%	0.00%	0.31%	0.91%	1.48%	2.70%	2.66%	1.34%	5.91%
Consumer loans	3,504,019	1,791,295	612,006	651,283	197,728	161,089	81,684	4,926	1,196	2,812
ECL Coverage	3.84%	6.79%	0.03%	0.50%	1.42%	1.67%	4.52%	7.69%	0.92%	1.53%
Gold – pawn loans	164,554	-	8,590	58,481	94,082	2,044	1,338	-	-	19
ECL Coverage	3.31%	N/A	50.52%	0.07%	0.30%	13.65%	35.87%	N/A	N/A	84.21%
Loans to customers at amortised cost, gross	16,549,437	2,988,468	3,444,141	4,307,694	1,220,326	1,106,621	2,278,308	409,433	88,161	706,285

As at 31 December 2021

			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	5,055,370	647,651	442,637	1,318,905	115,959	336,119	1,121,705	497,927	189,518	384,949
ECL Coverage	2.84%	1.48%	1.16%	0.72%	1.29%	1.94%	1.81%	16.72%	1.88%	1.17%
Residential mortgage loans	3,978,301	82,061	708,492	1,540,724	643,589	518,607	439,737	11,085	4,739	29,267
ECL Coverage	0.83%	4.80%	0.02%	0.09%	0.66%	1.20%	3.42%	9.24%	2.15%	3.32%
Micro and SME loans	3,591,514	412,142	709,566	899,653	257,160	317,246	809,562	84,584	30,665	70,936
ECL Coverage	1.85%	5.81%	0.10%	0.25%	0.65%	1.57%	2.88%	3.86%	2.45%	7.77%
Consumer loans	2,842,592	1,556,624	424,893	458,223	156,465	122,280	115,721	3,634	731	4,021
ECL Coverage	4.75%	8.06%	0.07%	0.38%	1.13%	1.62%	2.96%	11.23%	2.60%	3.13%
Gold – pawn loans	165,417	1	4,182	37,427	118,095	4,568	1,128	-	-	16
ECL Coverage	1.25%	N/A	0.02%	4.83%	0.09%	2.47%	2.48%	N/A	N/A	75.00%
Loans to customers at amortised cost, gross	15,633,194	2,698,479	2,289,770	4,254,932	1,291,268	1,298,820	2,487,853	597,230	225,653	489,189

28. Risk management (continued)

Credit risk (continued)

Carrying amount per class of financial assets whose terms have been renegotiated

During the year, the Bank modified the contractual cash flows on certain loans and advances to customers. All such loans had previously been transferred to at least Stage 2, with a loss allowance measured at an amount equal to lifetime expected credit losses.

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL:

Financial assets modified during 2023:	Amortised cost before modification	Net gain (loss) arising from modification
Commercial loans	242,220	930
Residential mortgage loans	23,744	(131)
Micro and SME loans	97,886	(2,344)
Consumer loans	157,320	(12,791)
Loans to customers	521,170	(14,336)
Total loans to customers and finance lease receivables	521,170	(14,336)

Financial assets modified during 2022:	Amortised cost before modification	Net gain (loss) arising from modification
Commercial loans	305,752	1,753
Residential mortgage loans	39,460	(3,081)
Micro and SME loans	104,951	(2,459)
Consumer loans	207,691	(25,835)
Loans to customers	657,854	(29,622)
Total loans to customers and finance lease receivables	657,854	(29,622)

Financial assets modified during 2021:	Amortised cost before modification	Net gain (loss) arising from modification
Commercial loans	127,456	406
Residential mortgage loans	88,881	530
Micro and SME loans	102,964	(4,174)
Consumer loans	133,183	(9,446)
Loans to customers	452,484	(12,684)
Total loans to customers and finance lease receivables	452,484	(12,684)

28. Risk management (continued)

Credit risk (continued)

The gross carrying value of loans that have previously been modified (when they were in Stage 2 or 3) which are now categorised as Stage 1, with loss allowance measured at an amount equal to 12 months expected losses, are shown in the table below:

Financial assets modified since initial recognition, as at 31 December 2023	Gross Carrying Amount	Corresponding ECL
Commercial loans	96,127	(255)
Residential mortgage loans	63,193	(51)
Micro and SME loans	39,912	(98)
Consumer loans	14,217	(49)
Loans to customers	213,449	(453)
Total loans to customers and finance lease receivables	213,449	(453)

Financial assets modified since initial recognition, as at 31 December 2022	Gross Carrying Amount	Corresponding ECL
Commercial loans	10,100	(24)
Residential mortgage loans	72,919	(104)
Micro and SME loans	40,925	(129)
Consumer loans	19,482	(204)
Loans to customers	143,426	(461)
Total loans to customers and finance lease receivables	143,426	(461)

Financial assets modified since initial recognition, as at 31 December 2021	Gross Carrying Amount	Corresponding ECL
Commercial loans	19,521	(121)
Residential mortgage loans	81,892	(231)
Micro and SME loans	35,301	(347)
Consumer loans	25,063	(633)
Loans to customers	161,777	(1,332)
Total loans to customers and finance lease receivables	161,777	(1,332)

28. Risk management (continued)

Credit risk (continued)

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

	2023			
	Georgia	*OECD*	*CIS and other foreign countries*	*Total*
Assets:				
Cash and cash equivalents	1,465,033	939,413	250,775	2,655,221
Amounts due from credit institutions	1,733,898	-	-	1,733,898
Investment securities	2,194,483	2,258,203	357,718	4,810,404
Loans to customers and finance lease receivables	19,517,058	-	-	19,517,058
All other assets	1,389,104	142,643	9,315	1,541,062
	26,299,576	3,340,259	617,808	30,257,643
Liabilities:				
Client deposits and notes	15,085,463	1,183,165	3,462,450	19,731,078
Amounts owed to credit institutions	2,369,367	2,208,023	525,390	5,102,780
Debt securities issued	267,113	147,436	-	414,549
Lease Liability	124,345	-	-	124,345
All other liabilities	380,243	80,937	165	461,345
	18,226,531	3,619,561	3,988,005	25,834,097
Net balance sheet position	8,073,045	(279,302)	(3,370,197)	4,423,546

	2022				2021			
	Georgia	*OECD*	*CIS and other foreign countries*	*Total*	*Georgia*	*OECD*	*CIS and other foreign countries*	*Total*
Assets:								
Cash and cash equivalents	1,399,319	1,403,702	61,354	2,864,375	777,831	409,875	86,361	1,274,067
Amounts due from credit institutions	2,342,393	54,175	-	2,396,568	1,892,402	-	-	1,892,402
Investment securities	1,792,193	2,436,465	54,731	4,283,389	1,462,826	953,739	77,602	2,494,167
Loans to customers and finance lease receivables	16,260,377	-	-	16,260,377	15,264,047	-	-	15,264,047
All other assets	1,210,560	107,682	18,259	1,336,501	1,077,726	171,915	2,939	1,252,580
	23,004,842	4,002,024	134,344	27,141,210	20,474,832	1,535,529	166,902	22,177,263
Liabilities:								
Client deposits and notes	13,035,441	969,758	3,252,164	17,257,363	11,227,587	892,927	1,452,617	13,573,131
Amounts owed to credit institutions	2,603,720	1,920,455	557,601	5,081,776	1,532,540	2,176,888	51,056	3,760,484
Debt securities issued	267,702	333,879	-	601,581	306,238	1,066,857	-	1,373,095
Lease Liability	99,459	-	-	99,459	81,776	-	-	81,776
All other liabilities	264,112	80,722	25	344,859	300,264	50,561	282	351,107
	16,270,434	3,304,814	3,809,790	23,385,038	13,448,405	4,187,233	1,503,955	19,139,593
Net balance sheet position	6,734,408	697,210	(3,675,446)	3,756,172	7,026,427	(2,651,704)	(1,337,053)	3,037,670

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a regular basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains a cash deposit (obligatory reserve) with the NBG, the amount of which depends on the level of customer funds attracted.

The liquidity position is assessed and managed by the Bank primarily on a standalone Bank basis, based on certain liquidity ratios established by the NBG. The banks are required to maintain a liquidity coverage ratio, which is defined as the ratio of high-quality liquid assets to net cash outflow over the next 30 days. The order requires that, absent a stress-period, the value of the ratio be no lower than 100%. The liquidity coverage ratio as at 31 December 2023 was 125.2% (2022: 132.4%, 2021: 124.0%).

The Bank holds a comfortable buffer on top of Net Stable Funding Ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. NSFR as at 31 December 2023 was 130.4%, (2022: 131.9%, 2021: 132.5%), all comfortably above the NBG's minimum regulatory requirements.

The Bank also matches the maturity of financial assets and financial liabilities and regularly monitors negative gaps compared with the Bank's standalone total regulatory capital calculated per NBG regulation.

28. Risk management (continued)

Liquidity risk and funding management (continued)

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations, except for other liabilities, which are presented at carrying amounts due to the short-term nature of these liabilities. Repayments that are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay, and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial liabilities As at 31 December 2023	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	7,794,916	10,481,504	1,941,637	73,188	20,291,245
Amounts owed to credit institutions	2,790,364	534,502	1,738,397	831,957	5,895,220
Debt securities issued	-	40,896	367,121	83,158	491,175
Lease liability	7,804	22,915	82,649	24,724	138,092
Other liabilities	133,750	12,642	1,362	133	147,887
Total undiscounted financial liabilities	10,726,834	11,092,459	4,131,166	1,013,160	26,963,619

Financial liabilities As at 31 December 2022	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	7,414,828	8,234,662	1,945,046	342,288	17,936,824
Amounts owed to credit institutions	3,280,695	506,670	1,253,086	645,873	5,686,324
Debt securities issued	6,645	302,441	408,142	-	717,228
Lease liability	6,475	18,942	66,739	10,420	102,576
Other liabilities	133,338	14,768	1,030	118	149,254
Total undiscounted financial liabilities	10,841,981	9,077,483	3,674,043	998,699	24,592,206

Financial liabilities As at 31 December 2021	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	4,944,882	7,231,618	1,630,960	352,206	14,159,666
Amounts owed to credit institutions	1,764,481	370,532	1,600,571	598,105	4,333,689
Debt securities issued	34,360	160,392	1,430,684	-	1,625,436
Lease liability	5,552	14,872	63,228	10,992	94,644
Other liabilities	167,282	2,351	1,607	18	171,258
Total undiscounted financial liabilities	6,916,557	7,779,765	4,727,050	961,321	20,384,693

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies.

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
31 December 2023	1,330,652	611,791	988,359	20,977	2,951,779
31 December 2022	1,263,984	573,452	771,825	24,709	2,633,970
31 December 2021	993,711	640,788	843,710	17,546	2,495,755

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above. Perpetual Tier 1 capital notes are presented in "Over 5 years" bucket given the fact that the management does not consider them to be covered earlier than that.

28. Risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The Bank classifies exposures to market risk into either trading or non-trading portfolios. Trading and non-trading positions are managed and monitored using sensitivity analysis.

Interest rate risk

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

The sensitivity of the separate income statement is the effect of the assumed changes in interest rates on the net interest income for the year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2023. Changes in basis points are calculated as standard deviations of daily changes in floating rates over the last month multiplied by respective floating rates. During the years ended 31 December 2023, 2022 and 2021, sensitivity analysis did not reveal any significant potential effect on the Bank's equity.

Currency	*Increase in basis points 2023*	*Sensitivity of net interest income 2023*	*Sensitivity of other comprehensive income 2023*
GEL	22	6,541	2,289
EUR	8	707	2
USD	12	813	101

Currency	*Decrease in basis points 2023*	*Sensitivity of net interest income 2023*	*Sensitivity of other comprehensive income 2023*
GEL	22	(6,541)	(2,289)
EUR	8	(707)	(2)
USD	12	(813)	(101)

Currency	*Increase in basis points 2022*	*Sensitivity of net interest income 2022*	*Sensitivity of other comprehensive income 2022*
GEL	14	2,432	1,348
EUR	24	3,732	107
USD	21	1,624	1,022

Currency	*Decrease in basis points 2022*	*Sensitivity of net interest income 2022*	*Sensitivity of other comprehensive income 2022*
GEL	14	(2,432)	(1,348)
EUR	24	(3,732)	(107)
USD	21	(1,624)	(1,022)

Currency	*Increase in basis points 2021*	*Sensitivity of net interest income 2021*	*Sensitivity of other comprehensive income 2021*
GEL	53	6,733	5,516
EUR	2	238	-
USD	5	355	-

Currency	*Decrease in basis points 2021*	*Sensitivity of net interest income 2021*	*Sensitivity of other comprehensive income 2021*
GEL	53	(6,733)	(5,516)
EUR	2	(238)	-
USD	5	(355)	-

28. Risk management (continued)

Market risk (continued)

Currency risk

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

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2023 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian Lari, with all other variables held constant on the income statement. The reasonably possible movement of the currency rate against the Georgian Lari is calculated as a standard deviation of daily changes in exchange rates over the 12 months. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. During the year ended 31 December 2023, year ended 31 December 2022 and year ended 31 December 2021, sensitivity analysis did not reveal any significant potential effect on the Bank's equity.

Currency	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
	2023		*2022*		*2021*	
EUR	8.8%	(851)	13.4%	982	8.6%	80
USD	4.9%	4,322	10.9%	1,954	6.4%	498

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate mortgages when interest rates fall, or other credit facilities, for similar reasons.

The Bank calculates the effect of early repayments by calculating the weighted average rates of early repayments across each loan product individually, applying these historical rates to the outstanding carrying amount of respective products as at the reporting date and multiplying by the weighted average effective annual interest rates for each product. The model does not make a distinction between different reasons for repayment (e.g. relocation, refinancing and renegotiation) and takes into account the effect of any prepayment penalties on the Bank's income.

The estimated effect of prepayment risk on net interest income of the Bank for the years ended 31 December 2023, 31 December 2022 and 31 December 2021, is as follows:

	Effect on net interest income
2023	(71,177)
2022	(51,899)
2021	(52,552)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Cyber risk, AML and compliance risk

Information-security threats have continued to increase over the past few years and the Bank has seen a number of major organisations subject to cyber-attacks. Fortunately, the Bank's operations have not been materially affected and the Bank has not suffered a data breach. Over the past few years, as the Bank's operations have expanded and the focus has been directed towards more digitalisation of banking products and services, there has been seen an increase in electronic crimes, including fraud, although losses have not been significant. Money laundering (ML) and Terrorism financing (FT) risks, which the Bank has measures in place to guard against, continue to evolve globally. The Bank continues to face stringent regulatory and supervisory requirements related to the fight against ML/TF. Failure to comply with these requirements may lead to enforcement action by the regulator, which can result in a pecuniary penalty and negatively impact the Bank's reputation.

28. Risk management (continued)

Operational risk (continued)

The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Operating environment

Most of the Bank's business is concentrated in Georgia. As an emerging market, Georgia does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets (including the risk that the Georgian Lari is not freely convertible outside the country, and undeveloped debt and equity markets). However, over the last few years the Georgian Government has made a number of developments that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation (including new tax code and procedural laws). In the view of the Board, these steps contribute to mitigating the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments, and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

Regional instability

The Georgian economy is well-diversified and there is no significant dependency on a single country. However, it is dependent on economies of the region, in particular Russia, Turkey, Azerbaijan and Armenia, which are key trading partners. There has been ongoing geopolitical tension, political and economic instability and military conflict in the region, which may have an adverse effect on our business and financial position.

The Bank actively monitors regional and local market conditions and risks related to political instability, and the Georgian Government's response thereto. It performs stress and scenario tests in order to assess the impact on its financial position, and develops responsive strategies and action plans. While financial market turbulences and geopolitical tensions affect regional trading partners, Georgia's preferential trading regimes and well-diversified economy in terms of dependency on a single country, support the country to enhance resilience to regional external shocks.

Capital risk

The Bank faces the risk of not meeting the minimum capital adequacy requirements set by the NBG. The Bank, like all regulated financial institutions in Georgia, is required to comply with certain capital adequacy ratios set by the NBG. The failure to maintain the minimum capital adequacy requirements may have a material adverse effect on the Bank and may compromise its strategic targets.

The Bank maintains an actively managed capital base to cover risks inherent to its business. As part of its capital adequacy management framework, the Bank continuously monitors market conditions and review market changes, and performs stress and scenario testing to test its position under adverse economic conditions, market and regulatory developments. Capital position is continuously monitored by the management, as well as the Board, to ensure prudent management and timely actions, when necessary. For further details, please refer to Note 32.

Emerging risks

Information compiled from all the businesses is examined and processed in order to analyse, control and identify emerging risks.

The Bank has identified climate risk as an emerging risk. Climate risk was identified as an emerging risk in 2021 following our first climate materiality assessment. Climate risk is an evolving risk practice and we are examining risk drivers that may be material for certain sectors. Climate-related risk is the risk of financial loss and/or damage to the Bank's reputation as a result of accelerating transition to a lower-carbon economy as well as the materialization of actual physical damage as a result of acute or chronic weather events. Among other things, transitional and physical risks may impact the performance and financial position of our customers and their ability to repay their loans.

28. Risk management (continued)

Emerging risks (continued)

The Bank conducted a qualitative analysis to understand how, under different scenarios, the transition and physical effects of climate change can drive credit, liquidity, capital, market, operational and reputational risk for the Bank over 'short-term' (i.e. one to two years) to 'very long-term' (i.e. over seven years) time horizons. Risks are perceived to be low over the coming years. However, reputational risks can occur if our climate action lacks ambition and credibility. We are conducting a more quantitative approach in 2024 to conduct materiality over multiple reference scenarios in addition to modelling impacts on capital and portfolios. Moreover, the Bank conducted a qualitative analysis of the transition and physical risks for the sectors in which our corporate and MSME clients are active. The results of this analysis showed that although both strong climate policy (transition risks) and untamed climate change (physical risks) can negatively affect borrowers' repayment capacity and value of collateral in the future (from 2030 and beyond), risks over the next years are expected to be low for our commercial portfolio and are not likely to affect current expectations of credit loss. Our current baseline is a climate policy supportive of low carbon transition and low and minimal exposure to physical risks. Indirect costs from loss of competitiveness are minimal in our view. A more ambitious transition drive, supported by policies that would increase the cost of capital, would have an overall negative impact on our current portfolio for carbon intensive sectors. Climate risks are currently managed at the deal level through an enhanced due diligence approach whereby borrowers within certain sectors are viewed as higher risk against our Heatmaps. Those deemed higher risk are offered additional guidance on mitigating options.

Our current assessment of climate risk is backward looking and takes into account only weather-related events from immediate proceeding years. In 2024 we are undertaking a forward-looking view whereby climate scenarios will impact the likelihood and intensity of weather-related events on our portfolio. Overall, many of the effects of climate change will be longer term in nature, with an inherent level of uncertainty, and have no effect on accounting judgments and estimates for the current period. As a result, there are no additional notes provided in the financial statements. Potential impacts of climate-related risks will be subject to further analysis in the future.

29. Fair value measurements

Fair value hierarchy

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy, except for cash and short-term deposits for which fair value approximates to their carrying value:

At 31 December 2023	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	115,866	115,866
Land	-	-	*4,845*	*4,845*
Residential properties	-	-	*87,758*	*87,758*
Non-residential properties	-	-	*23,263*	*23,263*
Investment securities	6,944	4,295,457	108	4,302,509
Other assets – derivative financial assets	-	10,942	-	10,942
Assets for which fair values are disclosed				
Cash and cash equivalents	2,655,221	-	-	2,655,221
Amounts due from credit institutions	-	1,733,898	-	1,733,898
Investment securities measured at amortised cost - debt instruments	-	511,819	-	511,819
Loans to customers and finance lease receivables	-	-	18,756,870	18,756,870
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	25,779	-	25,779
Liabilities for which fair values are disclosed				
Client deposits and notes	-	19,749,456	-	19,749,456
Amounts owed to credit institutions	-	3,765,811	1,332,951	5,098,762
Debt securities issued	-	270,524	141,069	411,593
Lease liability	-	-	125,856	125,856

29. Fair value measurements (continued)

Fair value hierarchy (continued)

At 31 December 2022	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	163,230	163,230
Land	-	-	*9,008*	*9,008*
Residential properties	-	-	*112,890*	*112,890*
Non-residential properties	-	-	*41,332*	*41,332*
Investment securities	4,744	3,900,000	108	3,904,852
Other assets – derivative financial assets	-	31,534	-	31,534
Assets for which fair values are disclosed				
Cash and cash equivalents	2,864,375	-	-	2,864,375
Amounts due from credit institutions	-	2,396,568	-	2,396,568
Investment securities measured at amortised cost - debt instruments	-	385,800	-	385,800
Loans to customers and finance lease receivables	-	-	15,642,047	15,642,047
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	59,020	-	59,020
Liabilities for which fair values are disclosed				
Client deposits and notes	-	17,218,337	-	17,218,337
Amounts owed to credit institutions	-	3,958,542	1,099,449	5,057,991
Debt securities issued	-	490,691	107,022	597,713
Lease liability	-	-	102,728	102,728

At 31 December 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	*218,793*	218,793
Land	-	-	*11,762*	*11,762*
Residential properties	-	-	*152,167*	*152,167*
Non-residential properties	-	-	*54,864*	*54,864*
Investment securities	5,242	2,488,817	108	2,494,167
Other assets – derivative financial assets	-	125,679	-	125,679
Assets for which fair values are disclosed				
Cash and cash equivalents	1,274,067	-	-	1,274,067
Amounts due from credit institutions	-	1,892,402	-	1,892,402
Loans to customers and finance lease receivables	-	-	14,931,421	14,931,421
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	6,605	-	6,605
Liabilities for which fair values are disclosed				
Client deposits and notes	-	13,548,458	-	13,548,458
Amounts owed to credit institutions	-	3,388,792	371,692	3,760,484
Debt securities issued	-	1,316,918	128,484	1,445,402
Lease liability	-	-	88,483	88,483

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

29. Fair value measurements (continued)

Fair value hierarchy (continued)

Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps, forward foreign exchange contracts and option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations, as well as standard option pricing models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and implied volatilities.

Trading securities and investment securities

Trading securities and a certain part of investment securities are quoted equity and debt securities. Investment securities valued using a valuation technique or pricing models consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

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

The fair values in the level 2 and level 3 of the fair value hierarchy are estimated using the discounted cash flows valuation technique. Current interest rates for new instruments with similar credit risk, currency and remaining maturity is used as discount rate in the valuation model.

Movements in Level 3 financial instruments measured at fair value

The following tables show a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

	At 31 December 2020	*At 31 December 2021*	*At 31 December 2022*	*At 31 December 2023*
Level 3 financial assets				
Equity investment securities	108	108	108	108

Movements in Level 3 non-financial assets measured at fair value

All investment properties are Level 3. Reconciliations of their opening and closing amounts are provided in Note 11.

Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions

The following table shows the impact on the fair value of Level 3 instruments of using reasonably possible alternative assumptions:

	Carrying amount	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*
	2023		*2022*		*2021*	
Level 3 financial assets						
Equity investment securities	108	+/- 16	108	+/- 16	108	+/- 16

In order to determine reasonably possible alternative assumptions, the Bank's adjusted key unobservable model inputs are as follows:

For equities, the Bank adjusted the price-over-book-value multiple by increasing and decreasing the ratio by 10%, which is considered by the Bank to be within a range of reasonably possible alternatives based on the price-over-book-value multiples used across peers within the same geographic area of the same industry.

29. Fair value measurements (continued)

Fair value hierarchy (continued)

Description of significant unobservable inputs to valuations of non-financial assets

The following tables show descriptions of significant unobservable inputs to Level 3 valuations of investment properties:

	2023	Valuation technique	Significant unobservable inputs	MIN	MAX	Weighted average	Other key information	MIN	MAX	Weighted Average
Investment property	115,866									
Land	4,845									
Development land	4,505	Market approach	Price per square metre	0.012	2.220	1.033	Square metres, land	32	20,000	4,026
Agricultural land	340	Market approach	Price per square metre	0.001	0.709	0.337	Square metres, land	310	140,000	19,296
Residential properties	87,758	Market approach	Price per square metre	0.049	5.466	1.004	Square metres, building	18	3,170	225
Non-residential properties	23,263									
	23,263	Market approach	Price of the property	22.870	3,838.861	1,321.071	Square metres,Land	50	23,884	2,684
							Square metres,Building	32	3,000	984

* *Price, rate and cost of unobservable inputs in this table are presented in Georgian Lari ("GEL"), unless otherwise indicated.*

Financial instruments overview

Set out below is an overview of all financial instruments, other than those for which carrying amount is a reasonable approximation of fair value, held by the Bank as at 31 December 2023, 31 December 2022 and 31 December 2021:

	At 31 December 2023		
	Amortised cost	*Fair value through OCI*	*Fair value through profit or loss*
Financial assets			
Loans to customers and finance lease receivables	19,517,058	-	-
Accounts receivable and other loans	2,518	-	-
Equity instruments	-	7,051	-
Debt instruments	507,895	4,295,458	-
Foreign currency derivative financial instruments	-	-	10,942
Total	24,416,590	4,302,509	10,942
Financial liabilities			
Client deposits and notes	19,731,078	-	-
Amounts owed to credit institutions	5,102,780	-	-
Debt securities issued	414,549	-	-
Lease liability	124,345	-	-
Trade and other payables (in other liabilities)	104,744	-	-
Foreign currency derivative financial instruments	-	-	25,779
Total	25,477,496	-	25,779

	At 31 December 2022			*At 31 December 2021*		
	Amortised cost	*Fair value through OCI*	*Fair value through profit or loss*	*Amortised cost*	*Fair value through OCI*	*Fair value through profit or loss*
Financial assets						
Loans to customers and finance lease receivables	16,260,377	-	-	15,264,047	-	-
Accounts receivable and other loans	1,867	-	-	21,503	-	-
Equity instruments	-	4,852	-	-	5,350	-
Debt instruments	378,537	3,900,000	-	-	2,488,817	-
Interest rate contracts	-	-	-	-	-	2,531
Foreign currency derivative financial instruments	-	-	31,534	-	-	123,148
Total	21,901,724	3,904,852	31,534	18,452,019	2,494,167	125,679
Financial liabilities						
Client deposits and notes	17,257,363	-	-	13,573,131	-	-
Amounts owed to credit institutions	5,081,776	-	-	3,760,484	-	-
Debt securities issued	601,581	-	-	1,373,095	-	-
Lease liability	99,459	-	-	81,776	-	-
Trade and other payables (in other liabilities)	65,463	-	-	49,141	-	-
Interest rate contracts	-	-	-	-	-	1,385
Foreign currency derivative financial instruments	-	-	59,020	-	-	5,220
Total	23,105,642	-	59,020	18,837,627	-	6,605

29. Fair value measurements (continued)

Fair value of financial instruments that are carried in the financial statements not at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities, fair values of other smaller financial assets and financial liabilities, fair values of which are materially close to their carrying values.

	Carrying value 2023	*Fair value 2023*	*Unrecognised gain (loss) 2023*
Financial assets			
Investment securities measured at amortised cost - debt instruments	507,895	511,819	3,924
Loans to customers and finance lease receivables	19,517,058	18,756,870	(760,188)
Financial liabilities			
Client deposits and notes	19,731,078	19,749,456	(18,378)
Amounts owed to credit institutions	5,102,780	5,098,762	4,018
Debt securities issued	414,549	411,593	2,956
Lease liability	124,345	125,856	(1,511)
Total unrecognised change in unrealised fair value			(769,179)

	Carrying value 2022	*Fair value 2022*	*Unrecognised gain (loss) 2022*	*Carrying value 2021*	*Fair value 2021*	*Unrecognised gain (loss) 2021*
Financial assets						
Investment securities measured at amortised cost - debt instruments	378,537	385,800	7,263	-	-	-
Loans to customers and finance lease receivables	16,260,377	15,642,047	(618,330)	15,264,047	14,931,421	(332,626)
Financial liabilities						
Client deposits and notes	17,257,363	17,218,337	39,026	13,573,131	13,548,458	24,673
Amounts owed to credit institutions	5,081,776	5,057,991	23,785	3,760,484	3,760,484	-
Debt securities issued	601,581	597,713	3,868	1,373,095	1,445,402	(72,307)
Lease liability	99,459	102,728	(3,269)	81,776	88,483	(6,707)
Total unrecognised change in unrealised fair value			(547,657)			(386,967)

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity, and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For financial assets and financial liabilities maturing in less than a year, it is assumed that the carrying amounts approximate to their fair value.

30. Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities according to their contractual maturities, except for current accounts and credit card loans as described below. See Note 28 "Risk management" for the Bank's contractual undiscounted repayment obligations.

	At 31 December 2023							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,970,910	684,311	-	-	-	-	-	2,655,221
Amounts due from credit institutions	1,733,898	-	-	-	-	-	-	1,733,898
Investment securities	1,492,267	2,570,652	374,599	227,208	112,115	31,111	2,452	4,810,404
Loans to customers and finance lease	-	2,722,256	1,299,841	2,671,266	5,126,518	2,856,889	4,840,288	19,517,058
Accounts receivable and other loans	1,439	1,079	-	-	-	-	-	2,518
Total	5,198,514	5,978,298	1,674,440	2,898,474	5,238,633	2,888,000	4,842,740	28,719,099
Financial liabilities								
Client deposits and notes	4,810,137	2,961,177	1,461,575	8,873,387	1,057,754	513,700	53,348	19,731,078
Amounts owed to credit institutions	497,140	2,290,228	67,633	413,243	780,221	552,422	501,893	5,102,780
Debt securities issued	-	-	25,135	13,388	290,069	2,799	83,158	414,549
Lease liability	-	7,952	7,735	14,699	48,640	25,517	19,802	124,345
Total	5,307,277	5,259,357	1,562,078	9,314,717	2,176,684	1,094,438	658,201	25,372,752
Net	(108,763)	718,941	112,362	(6,416,243)	3,061,949	1,793,562	4,184,539	3,346,347
Accumulated gap	(108,763)	610,178	722,540	(5,693,703)	(2,631,754)	(838,192)	3,346,347	

	At 31 December 2022							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	2,133,470	730,905	-	-	-	-	-	2,864,375
Amounts due from credit institutions	2,396,568	-	-	-	-	-	-	2,396,568
Investment securities	947,316	2,313,595	535,864	217,956	125,767	140,670	2,221	4,283,389
Loans to customers and finance lease	-	1,975,620	1,199,099	2,046,173	4,408,401	2,325,155	4,305,929	16,260,377
Accounts receivable and other loans	1,735	132	-	-	-	-	-	1,867
Total	5,479,089	5,020,252	1,734,963	2,264,129	4,534,168	2,465,825	4,308,150	25,806,576
Financial liabilities								
Client deposits and notes	4,744,958	2,614,969	1,230,563	6,903,667	1,218,022	278,903	266,281	17,257,363
Amounts owed to credit institutions	781,386	2,502,361	102,820	355,742	634,276	351,397	353,794	5,081,776
Debt securities issued	-	6,615	51,107	241,048	109,683	193,128	-	601,581
Lease liability	-	5,891	6,216	12,315	41,980	23,270	9,787	99,459
Total	5,526,344	5,129,836	1,390,706	7,512,772	2,003,961	846,698	629,862	23,040,179
Net	(47,255)	(109,584)	344,257	(5,248,643)	2,530,207	1,619,127	3,678,288	2,766,397
Accumulated gap	(47,255)	(156,839)	187,418	(5,061,225)	(2,531,018)	(911,891)	2,766,397	

	At 31 December 2021							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,045,395	228,672	-	-	-	-	-	1,274,067
Amounts due from credit institutions	1,892,402	-	-	-	-	-	-	1,892,402
Investment securities	1,157,820	1,276,700	6,843	12,486	10,367	27,305	2,646	2,494,167
Loans to customers and finance lease	35	2,937,632	854,662	1,897,701	3,806,868	2,162,916	3,604,233	15,264,047
Accounts receivable and other loans	21,503	-	-	-	-	-	-	21,503
Total	4,117,155	4,443,004	861,505	1,910,187	3,817,235	2,190,221	3,606,879	20,946,186
Financial liabilities								
Client deposits and notes	2,309,336	2,576,776	1,130,388	6,012,049	830,913	447,869	265,800	13,573,131
Amounts owed to credit institutions	171,095	1,586,489	89,091	260,130	746,187	509,173	398,319	3,760,484
Debt securities issued	-	34,237	16,313	137,969	963,841	220,735	-	1,373,095
Lease liability	-	5,596	5,200	9,270	32,530	21,899	7,281	81,776
Total	2,480,431	4,203,098	1,240,992	6,419,418	2,573,471	1,199,676	671,400	18,788,486
Net	1,636,724	239,906	(379,487)	(4,509,231)	1,243,764	990,545	2,935,479	2,157,700
Accumulated gap	1,636,724	1,876,630	1,497,143	(3,012,088)	(1,768,324)	(777,779)	2,157,700	

The Bank's capability to discharge its liabilities relies on its ability to realise equivalent assets within the same period of time. In the Georgian marketplace, where most of the Bank's business is concentrated, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. To reflect the historical stability of current accounts, the Bank calculates the minimal daily balance of current accounts over the past two years and includes the amount in the "Up to 1 year" category in the table above. The remaining current accounts are included in the "On demand" category. To match the coverage of short-term borrowings from the NBG with the investment securities pledged to secure it, those securities are included in the "On demand" category. Considering credit cards have no contractual maturities, the above allocation per category is done based on the statistical coverage rates observed.

30. Maturity analysis of financial assets and liabilities (continued)

The Bank's principal sources of liquidity are as follows:

- deposits;
- borrowings from international credit institutions;
- inter-bank deposit agreements;
- debt issues;
- proceeds from sale of securities;
- principal repayments on loans;
- interest income; and
- fees and commissions income.

As at 31 December 2023, client deposits and notes amounted to GEL 19,731,078 (2022: GEL 17,257,363, 2021: GEL 13,573,131) and represented 76% (2022: 74%, 2021: 71%) of the Bank's total liabilities. These funds continue to provide a majority of the Bank's funding and represent a diversified and stable source of funds. As at 31 December 2023, amounts owed to credit institutions amounted to GEL 5,102,780 (2022: GEL 5,081,776, 2021: GEL 3,760,484) and represented 20% (2022: 22%, 2021: 20%) of total liabilities. As at 31 December 2023, debt securities issued amounted to GEL 414,549 (2022: GEL 601,581, 2021: GEL 1,373,095) and represented 2% (2022: 3%, 2021: 7%) of total liabilities.

In the Board's opinion, liquidity is sufficient to meet the Bank's present requirements.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled, except for current accounts which are included in up to 1 year time bucket, noting that respective contractual maturity may expand over significantly longer periods:

	At 31 December 2023		
	Less than 1 year	*More than 1 year*	*Total*
Cash and cash equivalents	2,655,221	-	2,655,221
Amounts due from credit institutions	1,733,898	-	1,733,898
Investment securities	4,664,726	145,678	4,810,404
Loans to customers and finance lease	6,693,363	12,823,695	19,517,058
Accounts receivable and other loans	2,518	-	2,518
Prepayments	17,310	6,878	24,188
Foredosed Assets	267,870	-	267,870
Right-of-use assets	-	119,348	119,348
Investment properties	-	115,866	115,866
Property and equipment	-	389,513	389,513
Goodwill	-	33,453	33,453
Intangible assets	-	133,224	133,224
Investments in subsidiaries	-	146,452	146,452
Other assets	5,462	277,426	282,888
Assets held for sale	25,742	-	25,742
Total assets	16,066,110	14,191,533	30,257,643
Client deposits and notes	18,106,276	1,624,802	19,731,078
Amounts owed to credit institutions	3,268,244	1,834,536	5,102,780
Debt securities issued	38,523	376,026	414,549
Lease liability	30,386	93,959	124,345
Accruals and deferred income	79,946	38,588	118,534
Income tax liabilities	183,932	10,992	194,924
Other liabilities	147,887	-	147,887
Total liabilities	21,855,194	3,978,903	25,834,097
Net	(5,789,084)	10,212,630	4,423,546

30. Maturity analysis of financial assets and liabilities (continued)

	At 31 December 2022			*At 31 December 2021*		
	Less than 1 year	*More than 1 year*	*Total*	*Less than 1 year*	*More than 1 year*	*Total*
Cash and cash equivalents	2,864,375	-	2,864,375	1,274,067	-	1,274,067
Amounts due from credit institutions	2,396,568	-	2,396,568	1,892,402	-	1,892,402
Investment securities	4,014,731	268,658	4,283,389	2,453,849	40,318	2,494,167
Loans to customers and finance lease	5,220,892	11,039,485	16,260,377	5,690,030	9,574,017	15,264,047
Accounts receivable and other loans	1,867	-	1,867	21,503	-	21,503
Prepayments	37,038	3,592	40,630	43,200	7,926	51,126
Foredosed Assets	114,731	-	114,731	2,488	-	2,488
Right-of-use assets	-	98,678	98,678	-	73,441	73,441
Investment properties	-	163,230	163,230	-	218,793	218,793
Property and equipment	-	348,062	348,062	-	327,243	327,243
Goodwill	-	33,453	33,453	-	33,453	33,453
Intangible assets	-	120,110	120,110	-	115,838	115,838
Investments in subsidiaries	-	148,079	148,079	-	151,311	151,311
Other assets	112,632	125,462	238,094	200,565	10,495	211,060
Assets held for sale	29,567	-	29,567	46,324	-	46,324
Total assets	14,792,401	12,348,809	27,141,210	11,624,428	10,552,835	22,177,263
Client deposits and notes	15,494,157	1,763,206	17,257,363	12,028,549	1,544,582	13,573,131
Amounts owed to credit institutions	3,742,309	1,339,467	5,081,776	2,106,805	1,653,679	3,760,484
Debt securities issued	298,770	302,811	601,581	188,519	1,184,576	1,373,095
Lease liability	24,422	75,037	99,459	20,066	61,710	81,776
Accruals and deferred income	63,372	32,699	96,071	45,066	26,795	71,861
Income tax liabilities	20,260	79,274	99,534	85,270	22,718	107,988
Other liabilities	148,511	743	149,254	169,979	1,279	171,258
Total liabilities	19,791,801	3,593,237	23,385,038	14,644,254	4,495,339	19,139,593
Net	(4,999,400)	8,755,572	3,756,172	(3,019,826)	6,057,496	3,037,670

31. Related party disclosures

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's-length basis.

The Bank has re-designed its policies and processes for identifying, assessing, and monitoring the related party transactions. The Bank's risk compliance risk management framework, at all levels, is subject to regular review by the Bank's Internal Audit department and external assurance service providers.

31. Related party disclosures (continued)

The volumes of related party transactions, outstanding balances at the year-end, and related expenses and income for the year are as follows:

	At 31 December 2023				
	The parent	*Entities under common control*	*Subsidiaries*	*Associates*	*Key management personnel**
Cash and cash equivalents at 31 December	-	-	43	-	-
Interest income on amounts due from credit institutions	-	-	-	-	-
Loans outstanding at 1 January, gross	-	-	3,230	-	9,822
Loans issued during the year	50,092	-	1,837	-	5,666
Loan repayments during the year	(50,092)	-	(3,223)	-	(4,993)
Other movements**	-	-	(7)	-	(410)
Loans outstanding at 31 December, gross	-	-	1,837	-	10,085
Less: allowance for impairment at 31 December	-	-	26	-	(110)
Loans outstanding at 31 December, net	-	-	1,863	-	9,975
Interest income on loans	33	-	878	-	543
Expected credit loss	-	-	26	-	(49)
Deposits at 1 January	26,766	58,086	17,416	243	12,634
Deposits received during the year	159,023	80,223	745	1,796	9,734
Deposits repaid during the year	-	(2,810)	(15,396)	-	(6,774)
Other movements**	75	5,229	9	-	(1,284)
Deposits at 31 December	185,864	140,728	2,774	2,039	14,310
Interest expense on deposits	(12,437)	(4,623)	(554)	(185)	(828)
Borrowings at 1 January	-	-	81,685	-	-
Borrowings received during the year	-	-	9,918	-	-
Other movements**	-	-	(71,045)	-	-
Borrowings at 31 December	-	-	20,559	-	-
Interest expense on borrowings	-	-	-	-	-
Debt securities at 1 January	-	-	-	-	-
Debt securities repaid during the period	-	-	-	-	-
Debt securities at 31 December	-	-	-	-	-
Interest expense on debt securities issued	-	-	-	-	-
Commitments and guarantees issued	-	-	-	-	39

31. Related party disclosures (continued)

	At 31 December 2022					At 31 December 2021				
	The parent	*Entities under common control*	*Subsidiaries*	*Associates*	*Key management personnel**	*The parent*	*Entities under common control*	*Subsidiaries*	*Associates*	*Key management personnel**
Cash and cash equivalents at 31 December	-	-	50	-	-	-	69,503	219	-	-
Interest income on amounts due from credit institutions	-	-	-	-	-	-	-	-	-	-
Loans outstanding at 1 January, gross	-	-	3,227	-	12,053	-	-	3,230	-	10,649
Loans issued during the year	-	-	-	-	7,090	-	-	-	-	8,944
Loan repayments during the year	-	-	-	-	(7,246)	-	-	-	-	(6,531)
Other movements**	-	-	3	-	(2,075)	-	-	(3)	-	(1,009)
Loans outstanding at 31 December, gross	-	-	3,230	-	9,822	-	-	3,227	-	12,053
Less: allowance for impairment at 31 December	-	-	-	-	(67)	-	-	(9)	-	(27)
Loans outstanding at 31 December, net	-	-	3,230	-	9,755	-	-	3,218	-	12,026
Interest income on loans	-	-	446	-	745	-	-	368	-	644
Expected credit loss	-	-	9	-	(200)	-	-	80	-	-
Deposits at 1 January	29,813	176,696	8,325	202	31,128	7,098	69,354	33,151	166	32,620
Deposits received during the year	-	6,938	13,044	-	9,212	22,715	100,714	1,958	36	21,490
Deposits repaid during the year	(3,049)	(108,180)	(3,950)	-	(15,773)	-	(27,415)	(26,902)	-	(32,337)
Other movements**	2	(17,368)	(3)	41	(11,933)	-	34,043	118	-	9,355
Deposits at 31 December	26,766	58,086	17,416	243	12,634	29,813	176,696	8,325	202	31,128
Interest expense on deposits	(2,436)	(1,270)	(1,722)	-	(959)	(547)	(1,669)	(1,589)	-	(1,368)
Borrowings at 1 January	-	-	674	-	-	-	-	843	-	-
Other movements**	-	-	16	-	-	-	-	(169)	-	-
Borrowings at 31 December	-	-	81,685	-	-	-	-	674	-	-
Debt securities at 1 January	5,038	-	-	-	-	708	-	-	-	-
Debt securities received during the period	-	-	-	-	-	5,038	-	-	-	-
Debt securities repaid during the period	(5,038)	-	-	-	-	-	-	-	-	-
Other movements**	-	-	-	-	-	(708)	-	-	-	-
Debt securities at 31 December	-	-	-	-	-	5,038	-	-	-	-
Interest expense on debt securities issued	(9)	-	-	-	-	(163)	-	-	-	-
Commitments and guarantees issued	-	-	-	-	118	-	-	-	-	21

* *Key management personnel includes members of BOG's Supervisory Board, BOG's Management Board and key executives of the Bank.*

The loans and deposit agreements with the related parties are concluded at arm's length with standard terms considering the product type.

Compensation of key management comprised the following:

	2023	2022	2021
Salaries and other benefits	10,624	9,602	11,197
Share-based payments compensation	50,838	58,110	25,048
Total key management compensation	61,462	67,712	36,245

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based (Note 27). The number of key management personnel at 31 December 2023 was 22 (31 December 2022: 20, 31 December 2021: 20).

As at 31 December 2023 interest rates on loans issued to key management personnel were within 4.5% and 16.8% (331 December 2022: 4.5% and 17.9%, 31 December 2021: 4.0% and 28.8%) for FC and GEL denominated loans, respectively. As at 31 December 2023 interest rates on deposits placed by key management personnel were within 0.0% and 13.5% (31 December 2022: 0.0% and 13.5%, 31 December 2021: 0.0% and 14.2%) for FC and GEL denominated deposits, respectively.

32. Capital adequacy

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

During the year ended 31 December 2023, the Bank complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

IFRS-NBG (Basel III) capital adequacy ratio

In December 2017, the NBG adopted amendments to the regulations relating to capital adequacy requirements, including amendments to the regulation on capital adequacy requirements for commercial banks, and introduced new requirements on the determination of the countercyclical buffer rate, on the identification of systematically important banks, on determining systemic buffer requirements and on additional capital buffer requirements for commercial banks within Pillar 2. The NBG requires the Bank to maintain a minimum total capital adequacy ratio of risk-weighted assets, computed based on the Bank's standalone special-purpose financial statements prepared in accordance with NBG regulations and pronouncements, based on Basel III requirements.

In January 2023, the NBG transitioned to IFRS-based accounting and introduced a new Pillar 2 buffer - Credit Risk Adjustment (CRA) buffer, to account for the difference between the NBG-based and the IFRS-based provision levels (higher in the former case). As at 31 December 2023, 31 December 2022 and 31 December 2021, the Bank's capital adequacy ratio on this basis was as follows:

IFRS-Based NBG (Basel III) capital adequacy ratio

	2023
Tier 1 capital	4,603,352
Tier 2 capital	499,018
Total capital	5,102,370
Risk-weighted assets	23,061,905
Tier 1 capital ratio	20.0%
Total capital ratio	22.1%
Min. requirement for Tier 1 capital ratio	16.7%
Min. requirement for Total capital ratio	19.6%

Capital adequacy ratio under Basel Capital Accord 1988

As at 31 December 2023, 31 December 2022 and 31 December 2021, was as follows:

NBG (Basel III) capital adequacy ratio

	2022	*2021*
Tier 1 capital	3,388,048	2,691,000
Tier 2 capital	618,232	784,800
Total capital	4,006,280	3,475,800
Risk-weighted assets	20,279,424	17,977,949
Tier 1 capital ratio	16.7%	15.0%
Total capital ratio	19.8%	19.3%
Min. requirement for Tier 1 capital ratio	13.8%	13.6%
Min. requirement for Total capital ratio	17.2%	17.7%

33. Events after the reporting period

On 13 February 2024, the Board of JSC Bank of Georgia declared a final dividend for 2023 of Georgian Lari 6.65 per share. Payment of the total GEL 186,000 final dividends was received by shareholders on 1 March 2024.

In March 2024, the Bank acquired 30% of the share capital of Ameriabank CJSC one of the leading banks operating in Armenia with the acquisition being subject to the Central Bank of Armenia approval. The acquisition is financed by cash consideration of USD 82,768 out of which 10% is deferred and is due in 6 months after the completion date. The acquisition will be accounted as an investment in associate using equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Bank's share of the Ameriabank's net assets.

In March 2024, with reference to Share Purchase Agreement ('SPA') dated 18 February 2024, BOGG together with the Bank acquired 90% of the share capital of Ameriabank CJSC one of the leading banks operating in Armenia from selling shareholders IMAST Group (CY) Limited (owning 48.82% shares in Ameriabank CJSC), European Bank for Reconstruction and Development (owning 17.71% shares in Ameriabank CJSC out of which 7.71% shares was acquired and remaining 10% is subject to put/call option), Asian Development Bank (owning 13.92% shares in Ameriabank CJSC), ESPS Holding Limited (owning 12.05% shares in Ameriabank CJSC) and Afeyan Foundation for Armenia Inc. (owning 7.5% shares in Ameriabank CJSC). The acquisition is financed by total cash consideration of USD 273,230 thousand (approximately GEL 734,825 thousand) to be increased by interest accrual at a rate of 8% from and including 1 February 2024 till receipt of all regulatory approvals. Out of total consideration USD 20,758 thousand which equals to approximately GEL 55,827 thousand is deferred and is due in 6 months after the completion date. The remaining 10% of share capital retained by European Bank for Reconstruction and Development is subject to a put/call option. Portion of share capital acquired attributable to the Bank is 30%. In the Bank's separate financial statements the acquisition will be accounted as an investment in associate using equity method whereby the investment will initially be recognised at cost and adjusted thereafter for the post-acquisition change in the Bank's share of the Ameriabank's net assets. All necessary approvals are obtained as at the date of issue of these separate financial statements.

On 9 April 2024 the Bank successfully priced a USD 300 million offering of 9.5% perpetual subordinated callable additional tier 1 notes (the 'Notes'). The Notes are denominated in USD and settled on 16 April 2024. The Notes are being issued in accordance with Reg S/Rule 144A and sold at an issue price of 100%.