THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. THIS DOCUMENT IS A CIRCULAR FOR THE PURPOSES OF LISTING RULE 13. IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN PERSONAL FINANCIAL ADVICE IMMEDIATELY FROM YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA"), IF YOU ARE RESIDENT IN THE UNITED KINGDOM, OR, IF NOT, FROM ANOTHER APPROPRIATELY AUTHORISED INDEPENDENT FINANCIAL ADVISER.

If you have sold or otherwise transferred all of your Bank of Georgia Group PLC Shares, please send this document together with the accompanying Form of Proxy and the accompanying documents (other than documents or forms personalised to you) at once to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, these documents must not be forwarded, distributed or transmitted in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction. If you have sold or otherwise transferred only part of your holding of Bank of Georgia Group PLC Shares, please retain this document and the accompanying Form of Proxy and contact immediately the bank, stockbroker or other agent through whom the sale or transfer was effected.

This document is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security.

This document (including any documents incorporated into it by reference) should be read as a whole and in conjunction with the accompanying Form of Proxy.

The distribution of this document and/or the accompanying documents (in whole or in part) in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

BANK OF GEORGIA
GROUP PLC

Bank of Georgia Group PLC

(*registered in England and Wales under the Companies Act 2006 with registered number 10917019*)

Proposed acquisition of *Ameriabank CJSC*

Circular to Shareholders

and

Notice of General Meeting

Your attention is drawn to the letter from the Chairman of Bank of Georgia Group PLC ("**BOGG**" or the "**Company**" and together with its portfolio companies and portfolio undertakings from time to time, the **"Group"**). in Part I (*Letter from the Chairman of Bank of Georgia Group PLC*) of this document, which contains the unanimous recommendation of the BOGG Board that you vote in favour of the Resolution to be proposed at the BOGG General Meeting. You should read the whole of this document and, in particular, the risk factors in Part II (*Risk Factors*).

Notice of the BOGG General Meeting, which will be held at the offices of Baker & McKenzie LLP, 280 Bishopsgate, London, EC2M 4RB at 11:00 a.m. on 14 March 2024, is set out in Part VIII (*Notice of General Meeting*) of this document.

The action to be taken by BOGG Shareholders in relation to the BOGG General Meeting is set out on page 5 of this document. BOGG Shareholders will find enclosed with this document a Form of Proxy for use in connection with the BOGG General Meeting. Whether or not you intend to be present at the meeting in person, please complete and sign the enclosed Form of Proxy (or appoint a proxy electronically, as referred to below) in accordance with the instructions printed on it and return it to BOGG's registrars, Computershare Investor Services PLC ("Computershare"), The Pavilions,

Bridgwater Road, Bristol BS99 6ZY, as soon as possible and, in any event, so as to be received by 11:00 a.m. on 12 March 2024. Unless the Form of Proxy is returned by the time mentioned in the instructions printed on it, it will be invalid. The completion and return of a Form of Proxy will not prevent any BOGG Shareholder from attending and voting in person at the BOGG General Meeting, or any adjournment thereof, if you so wish and are so entitled.

As an alternative to completing and returning the Forms of Proxy, BOGG Shareholders may submit their Forms of Proxy electronically at www.investorcentre.co.uk/eproxy. For security purposes, BOGG Shareholders will need the Control Number, PIN and shareholder reference number which are given on their respective Forms of Proxy. Electronic proxies must be received no later than 11:00 a.m. on 12 March 2024.

If you have any questions about this document, the BOGG General Meeting or on the completion and return of the Form of Proxy, please contact the Computershare Investor Centre Shareholder Helpline between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays) on 0370 873 5866 from within the UK or on +44 (0) 370 873 5866 (from outside the UK, international rates apply). Please note that calls may be monitored or recorded and the Investor Centre Shareholder Helpline cannot provide financial, legal or tax advice or advice on the merits of the Acquisition.

Certain terms used in this document are defined in Part VII (*Definitions*).

Cavendish Capital Markets Ltd ("**Cavendish**") which is authorised and regulated by the FCA in the United Kingdom is acting exclusively as sponsor for the Company and no one else in connection with the Acquisition and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing any advice in connection with the Acquisition and will not regard any other person (whether or not a recipient of this Circular) as its client in relation to the Acquisition, the contents of this Circular or any other matter or arrangement referred to in this Circular.

J.P. Morgan Securities plc ("**J.P. Morgan**") which is authorised in the United Kingdom by the Prudential Regulation Authority (the "**PRA**") and regulated by the PRA and the Financial Conduct Authority, is acting as financial adviser exclusively for the Company and no one else in connection with the Acquisition and will not regard any other person as its client in relation to the Acquisition and will not be responsible to anyone other than the Company for providing the protections afforded to clients of J.P. Morgan or its affiliates, nor for providing advice in relation to the Acquisition or any other matter or arrangement referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Cavendish and J.P. Morgan by the FSMA or the regulatory regime established thereunder, neither Cavendish or J.P. Morgan nor any of their respective affiliates accept any responsibility or liability whatsoever and make no representations or warranties, express or implied, in relation to the contents of this Circular, including its accuracy, completeness or verification or for any other statement made or purported to be made by the Company, or on the Company's behalf in connection with the Group, the Enlarged Group or the Acquisition and nothing contained in this Circular is, or shall be, replied upon as a promise or representation in this respect, whether or not as to the past or the future in connection with the Company or the Acquisition. Cavendish and J.P. Morgan and their respective affiliates accordingly disclaim to the fullest extent permitted by applicable law all and any duty, liability or responsibility whatsoever (whether direct or indirect and whether arsing in tort, contract, under statute or otherwise (save as referred to above)) which they might otherwise be found to have in respect of this Circular or any such statement or otherwise.

YOU SHOULD READ THE WHOLE OF THIS CIRCULAR AND ALL DOCUMENTS INCORPORATED INTO IT BY REFERENCE IN THEIR ENTIRETY. IN PARTICULAR, YOU SHOULD TAKE ACCOUNT OF PART II *(RISK FACTORS)* OF THIS CIRCULAR FOR A DISCUSSION OF THE RISKS THAT MIGHT AFFECT THE VALUE OF YOUR SHAREHOLDING IN THE COMPANY.

THE CONTENTS OF THIS CIRCULAR OR ANY SUBSEQUENT COMMUNICATION FROM THE COMPANY, CAVENDISH, J.P. MORGAN OR ANY OF THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN SOLICITOR, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

The date of publication of this document is 19 February 2024.

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TO VOTE ON THE ACQUISITION

This page should be read in conjunction with the section entitled ACTION TO BE TAKEN, set out on page 5 of this document, and the rest of the document, in particular, the notice of the BOGG General Meeting on pages 143-146.

Whether or not you plan to attend the meeting, you should appoint a proxy to exercise your rights to attend, speak and vote at the BOGG General Meeting by sending a Form of Proxy by post, appointing a proxy online, or appointing a proxy through CREST.

If you require assistance, please telephone Computershare on 0370 873 5866 from within the UK or on +44 (0) 370 873 5866 from outside the UK between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at applicable international rates. Calls will be recorded and monitored for security and training purposes.

Please note that, for legal reasons, Computershare cannot provide advice on the merits of the Acquisition or give any legal, tax or financial advice.

Copies of any information incorporated into this document by reference to another source sent to persons in electronic form or by means of being published on BOGG's website and all future documents, announcements and information required to be sent to persons in relation to the Acquisition may be requested to be received by such persons in hard copy form by writing to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, or by calling Computershare at the numbers provided above. A hard copy of any such documents will not be sent unless so requested.

The completion and return of the Form of Proxy will not prevent you from attending and voting at the BOGG General Meeting, or any adjournments thereof, in person should you wish to do so and should you be so entitled.

ACTION TO BE TAKEN

For the reasons set out in this document, the BOGG Board unanimously recommends that BOGG Shareholders vote in favour of the Resolution relating to the Acquisition to be proposed at the BOGG General Meeting, as the BOGG Directors intend to do in respect of their own holdings of BOGG Shares, and that you take the action described below.

The BOGG General Meeting will be held at the offices of Baker & McKenzie LLP, 280 Bishopsgate, London, EC2M 4RB at 11:00 a.m. on 14 March 2024. The Acquisition requires approval of BOGG Shareholders at the BOGG General Meeting.

1. The Documents

Please check that you have received the following with this document:

- a Form of Proxy for use in respect of the BOGG General Meeting; and
- a reply-paid envelope for use in the UK only for the return of the Form of Proxy.

If you have not received all of these documents, please contact the Investor Centre Shareholder Helpline on the number indicated below.

2. Voting at the BOGG General Meeting

The Acquisition will require approval at a meeting of BOGG Shareholders to be held at the offices of Baker & McKenzie LLP, 280 Bishopsgate, London, EC2M 4RB at 11:00 a.m. on 14 March 2024. The Acquisition constitutes a "Class 1 Transaction" for BOGG under the Listing Rules and will require the passing by BOGG Shareholders of the Resolution to be proposed at the BOGG General Meeting.

BOGG Shareholders entitled to attend and vote at the BOGG General Meeting are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the BOGG General Meeting. A proxy need not be a BOGG Shareholder.

(a) *Sending Forms of Proxy by Post*

Please complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it by post to BOGG's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, so as to be received as soon as possible and in any event not later than 11:00 a.m. (London time) on 12 March 2024, or, if the BOGG General Meeting is adjourned, the Form of Proxy should be received not later than 48 hours (excluding non-working days) before the time fixed for the adjourned BOGG General Meeting.

The Form of Proxy must be returned by the time mentioned above, or it will be invalid.

BOGG Shareholders are entitled to appoint a proxy in respect of some or all of their BOGG Shares and may also appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such holder. BOGG Shareholders who wish to appoint more than one proxy in respect of their holding of BOGG Shares may obtain additional Forms of Proxy by contacting BOGG's Registrars, Computershare on +44 (0)370 873 5866 or may photocopy the Form of Proxy provided with this document indicating on each copy the name of the proxy appointed and the number of BOGG Shares in respect of which that proxy is appointed. All Forms of Proxy should be returned together in the same envelope.

Completion and return of a Form of Proxy, or the appointment of a proxy electronically using CREST (or any other procedure described below), will not prevent you from attending, speaking and voting in person at the BOGG General Meeting, or any adjournment thereof, if you wish and are entitled to do so.

The Form of Proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be received by post or (during normal business hours only) by hand at the offices of BOGG's Registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom no later than 11:00 a.m. (London time) on 12 March 2024, being 48 hours before the time appointed for the holding of the General Meeting excluding non-working days.

(b) ***Online Appointment of Proxies***

BOGG Shareholders entitled to attend and vote at the BOGG General Meeting may appoint a proxy electronically by logging on to the following website: www.investorcentre.co.uk/eproxy and using the Control Number, unique PIN and Shareholder Reference Number (SRN) printed on the Form of Proxy. For an electronic proxy appointment to be valid, the appointment must be received by BOGG's registrar, Computershare no later than 11:00 a.m. (London time) on 12 March 2024 (or, in the case of adjournment(s), not later than 48 hours (excluding non-working days) before the time fixed for the adjourned meeting).

(c) ***Electronic Appointment of Proxies through CREST***

If you hold BOGG Shares in uncertificated form through CREST and wish to appoint a proxy or proxies for the meeting (or any adjourned meeting) by using the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual, available at www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed any voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a ***CREST Proxy Instruction***) must be properly authenticated in accordance with the specifications of Euroclear and must contain the information required for such instructions as described in the CREST Manual. The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy), must, in order to be valid, be transmitted so as to be received by BOGG's registrar, Computershare not later than 11:00 a.m. London time on 12 March 2024 (or, in the case of adjournment(s), not later than 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed any voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

BOGG may treat as invalid a CREST Proxy Instruction in the circumstances set out in the CREST Regulations.

(d) ***Proxymity Voting***

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by BOGG and approved by BOGG's registrar. For further information regarding Proxymity, please go to https://www.proxymity.io/. Your proxy must, in order to be considered valid, be lodged not later than 11.00 a.m. London time on 12 March 2024 (or, in the event of any adjournment of the General Meeting, not less than 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully if you intend to use Proxymity as you will be bound by them and they will govern the electronic appointment of your proxy.

3. Investor Centre Shareholder Helpline

If you have any questions about this document or the BOGG General Meeting, or are in any doubt as to how to complete the Form of Proxy, please contact BOGG's registrars, Computershare, on 0370 873 5866 from within the UK or on +44 (0) 370 873 5866 (from outside the UK, international rates apply) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at applicable international rates. Calls may be recorded and monitored for security and training purposes. Please note that, for legal reasons, the helpline cannot provide advice on the merits of the Acquisition or give any legal, tax or financial advice.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All times shown are London times unless otherwise stated. All dates and times are based on the current expectations of BOGG and are subject to change, which will depend, among other things, on the date on which the Conditions to the Acquisition are satisfied or, where applicable, waived. If any of the dates and/or times in this expected timetable change materially, the revised dates and/or times will be notified to BOGG Shareholders by announcement through the Regulatory Information Service of the London Stock Exchange.

Event	**Time and Date**
Publication and posting of this document, the Notice of General Meeting and the Form of Proxy	19 February 2024
Latest time and date for receipt of Form of Proxy, CREST Proxy Instructions and electronic registration of proxy appointment	11:00 a.m. on 12 March 2024
Record Time for entitlement to vote at the BOGG General Meeting	6:00 p.m. on 12 March 2024(1)
General Meeting	11:00 a.m. **on 14 March 2024**
Expected date of Completion of the Acquisition (subject to BOGG Shareholder approval)	On the third Business Day after the BOGG General Meeting(2)

Notes:

(1) If the General Meeting is adjourned, the Record Time for the adjourned General Meeting will be 6:00 p.m. (UK time) on the date which is not later than 48 hours, excluding non-working days, before the date set for the adjourned General Meeting

(2) Subject to the satisfaction or (if capable of waiver) waiver of the Conditions

COMPANY DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors:	Mel Carvill	Non-Executive Chairman
	Archil Gachechiladze	Executive Director and CEO
	Hanna Loikkanen	Senior Independent Non-Executive Director
	Alasdair Breach	Independent Non-Executive Director
	Tamaz Georgadze	Independent Non-Executive Director
	Jonathan Muir	Independent Non-Executive Director
	Cecil Quillen	Independent Non-Executive Director
	Véronique McCarroll	Independent Non-Executive Director
	Mariam Megvinetukhutsesi	Independent Non-Executive Director
Group Company Secretary:	Computershare Company Secretarial Services Limited	
Registered Office:	42 Brook Street, London, United Kingdom, W1K 5DB	
Sponsor to the Company:	Cavendish Capital Markets Ltd 1 Bartholomew Close, London, England, EC1A 7BL	
Financial Adviser to the Company:	J.P. Morgan Securities plc 25 Bank Street, Canary Wharf, London E14 5JP	
Legal Adviser to the Company as to English law:	Baker & McKenzie LLP 280 Bishopsgate, London, EC2M 4RB	
Legal Adviser to the Sponsor:	Travers Smith LLP 10 Snow Hill, London, EC1A 2AL	
Reporting Accountant to the Company:	Ernst & Young LLP 1 More London Place, London, SE1 2AF	
Auditor to the Company:	Ernst & Young LLP 1 More London Place, London, SE1 2AF	
Company Registrar:	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE	

IMPORTANT INFORMATION

1. Forward-looking Statements

This document (including information incorporated by reference in this document), oral statements made regarding the Acquisition, and other information published in connection with the Acquisition contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this document may include statements regarding the financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies or synergies, budgets, capital and other expenditures, competitive positions, growth opportunities, plans and objectives of management and other matters relating to BOGG, Ameriabank and, following Completion of the Acquisition, the Enlarged Group. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved.

Although BOGG believes that the expectations reflected in such forward-looking statements are reasonable, BOGG can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction of the Conditions, as well as additional factors, such as fluctuations in the capital markets; fluctuations in interest and exchange rates; increased regulation or regulatory scrutiny; the occurrence of unforeseen disasters or catastrophes; political or economic instability in principal markets; adverse outcomes in litigation; and general, local and global economic, political, business and market conditions. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors.

Neither BOGG nor any of its associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statement in this document will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the UK Disclosure Guidance and Transparency Rules and the UK Prospectus Regulation Rules of the FCA), BOGG is not under any obligation, and BOGG expressly disclaims any intention or obligation, to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

2. Currencies

Unless otherwise indicated, all references in this document to "sterling", "GBP", "£", "pence" or "p" are to the lawful currency of the United Kingdom; references to "EUR", "Euro" or "€" are to the official currency of the Eurozone; references to "Georgian Lari" or "GEL" are to the official currency of Georgia and references to "US Dollars", "USD" or "US$" are to the lawful currency of the US; references to "Armenian Dram" or "AMD" or "֏" are to the lawful currency of the Republic of Armenia.

3. Market and Industry Information

Unless the source is otherwise stated, the market, economic and industry data in this document constitute the BOGG Directors' estimates, using underlying data from independent third parties. BOGG obtained market data and certain industry forecasts used in this document from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications.

BOGG confirms that all third-party data contained in this document has been accurately reproduced and, so far as BOGG is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. While the BOGG Directors believe the third-party information included herein to be reliable, neither BOGG nor BOGG's advisers have independently verified such third-party information. Where third-party information has been used in this document, the source of such information has been identified.

4. Rounding

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

5. Presentation of Financial Information

5.1 Sources and Presentation of BOGG Financial Information

Unless otherwise indicated, the financial information relating to the Group:

- as at and for the years ended 31 December 2022, 2021 and 2020 included in this document has been extracted without material adjustment from the audited consolidated financial statements of the Group for the years ended 31 December 2022, 2021 and 2020 which have been prepared in accordance with UK adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006;
- as at 30 June 2023 and for the six months ended 30 June 2023 included in this document has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023, which have been prepared in accordance with UK adopted International Accounting Standard 34 and consistently with the accounting policies adopted by the Group in preparing its consolidated financial statements as at and for the year ended 31 December 2022;
- as at 30 September 2023 included in this document has been extracted without material adjustment from the management accounts of the Group for the nine months ended 30 September 2023, which have been prepared consistently with the accounting policies adopted by the Group in preparing its consolidated financial statements as at and for the year ended 31 December 2022.

5.2 Sources and Presentation of Ameriabank Financial Information

Unless otherwise indicated, financial information relating to Ameriabank:

- as at and for the years ended 31 December 2022, 2021 and 2020 included in this document has been extracted without material adjustment from the historical financial information of Ameriabank CJSC set out in Section A of Part IV (*Historical Financial information of Ameriabank CJSC*) of this document. The historical financial information of Ameriabank as at and for the years ended 31 December 2022, 2021 and 2020 has been prepared in accordance with UK adopted International Accounting Standards and in a manner consistent with the accounting policies adopted by BOGG in preparing the financial information relating to the Group as at and for the year ended 31 December 2022;
- as at 30 September 2023 included in this document has been extracted without material adjustment from the management accounts of Ameriabank for the nine months ended 30 September 2023 (and for the avoidance of doubt without any reclassifications having been made to align with the accounting policies adopted by BOGG in preparing the financial information relating to the Group as at and for the year ended 31 December 2022);
- as at and for the year ended 31 December 2023 included in this document has been extracted without material adjustment from the management accounts of Ameriabank for the year ended 31 December 2023 (and for the avoidance of doubt without any reclassifications having been made to align with the accounting policies adopted by BOGG in preparing the financial information relating to the Group as at and for the year ended 31 December 2022).

5.3 Unaudited Pro Forma Financial Information

In this document, any reference to "*pro forma*" financial information is to information which has been extracted without material adjustment from the unaudited *pro forma* financial information contained in Part V (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*) of this document.

The unaudited *pro forma* statement of net assets contained in this document has been prepared for illustrative purposes only and because of its nature, addresses a hypothetical situation and, therefore, does not represent the financial position of the Enlarged Group. Further, results of operations may differ materially from those presented in the unaudited *pro forma* information due to various factors. The unaudited *pro forma* financial information has been prepared in a manner consistent with the accounting policies adopted by BOGG in preparing the financial information relating to the Group as at and for the year ended 31 December 2022 and, on the basis set out in this Circular and in accordance with the requirements of Annex 20, sections one and two of the UK version of the Commission Delegated Regulation (EU) 2019/980.

6. Alternative Performance Measures and Key Performance Indicators (KPIs)

This document contains certain alternative performance measures and key performance indicators that are not defined or recognised under IFRS for the Company and Ameriabank separately, including the following:

For the Group:

- **Return on average total equity (RoAE)**, defined as profit for the period attributable to shareholders of the Group divided by average total equity attributable to shareholders of the Group (calculated as the sum of total equity attributable to shareholders of the Group for each month, beginning from the previous year-end and extending throughout the respective period, divided by the respective number of months);
- **Cost to income ratio**, which is calculated by dividing operating expenses by operating income;
- **Non-performing loans**, defined as the principal and/or interest payments on loans overdue for more than 90 days; plus, determined as such on individual basis based on other available information regarding financial difficulties of the borrower;

For Ameriabank:

- **Return on average total equity (RoAE)**, defined as profit for the year derived from Section A of Part IV (*Historical Financial information of Ameriabank CJSC*) of this document, divided by average total equity (calculated as the sum of total equity derived from Section A of Part IV (*Historical Financial information of Ameriabank CJSC*) at the start and at the end of the relevant year, divided by two);
- **Stage 3 ratio**, which is defined as the ratio of loans to customers and finance lease receivables classified as Stage 3 for IFRS 9 purposes derived from Section A of Part IV (*Historical Financial information of Ameriabank CJSC*) of this document, divided by total gross loans to customers and finance lease receivables derived from Section A of Part IV (*Historical Financial information of Ameriabank CJSC*);
- **Cost to income ratio**, which is calculated by dividing operating expenses by operating income derived from Section A of Part IV (*Historical Financial information of Ameriabank CJSC*) of this document.

These alternative performance measures and key performance indicators are included because the BOGG Directors believe that they are used widely by certain investors, securities analysts and other interested parties as supplemental measures of operating performance and liquidity. The Group uses such measures to measure operating performance and liquidity, in presentations to the Board and as a basis for strategic planning and forecasting as well as monitoring certain aspects of its operating cash flows. These are not measures of operating performance derived in accordance with IFRS and should not be considered in isolation or as a substitute for analysis of the Group historical financial results based on IFRS.

7. Other Defined Ratios

The following regulatory terms are used in this document:

For the Group:

- **Tier 1** capital adequacy ratio (CAR), **Tier 2** capital adequacy ratio (CAR), and Total Capital ratio, which are calculated in accordance with the National Bank of Georgia's (**NBG**'s) Basel III Framework as applicable to JSC BOG;
- **Liquidity coverage ratio (LCR)**, defined by the NBG in accordance with NBG's Basel III Framework, as high-quality liquid assets divided by net cash outflows over the following 30 days as applicable to JSC BOG;
- **Net stable funding ratio (NSFR)**, defined by the NBG in accordance with NBG's Basel III Framework, as applicable to JSC BOG;

For Ameriabank:

- **Tier 1 capital adequacy ratio (CAR)** and **Tier 2 capital adequacy ratio (CAR)**, which are calculated in accordance with the Central Bank of Armenia (**CBA**'s) Basel III Framework;
- **Liquidity coverage ratio (LCR)**, defined by the CBA as high-quality liquid assets divided by net cash outflows over the following 30 days;
- **Net stable funding ratio (NSFR)**, defined by the CBA in accordance with CBA's Basel III Framework, as Total Available Stable Funding (ASF) divided by Total Required Stable Funding (RSF).

The following term is also used in this document, for the Group:

- **Cost of credit risk ratio**, which is calculated by dividing expected credit loss on loans to customers and finance lease receivables for the period by average gross loans to customers and finance lease receivables (calculated as the sum of gross loans to customers and finance lease receivables of the Group for each month, beginning from the previous year-end and extending throughout the respective period, divided by the respective number of months).

8. No Profit Forecasts or Estimates

No statement in this document, or incorporated by reference into this document, is intended to be or is to be construed as a profit forecast or estimate for any period and no other statement in this document should be interpreted to mean that earnings or earnings per share for BOGG for the current or future financial years, or those of the Enlarged Group, would necessarily match or exceed the historical published earnings or earnings per share for BOGG.

9. Publication on Website and Availability of Hard Copies

A copy of this document and all information incorporated into this document by reference to another source will be available for inspection on BOGG's website at: https://bankofgeorgiagroup.com/. For the avoidance of doubt, the contents of the websites referred to in this document, other than those parts incorporated by reference at Paragraph 14 (*Information incorporated by reference)* of Part VI *(Additional Information*) of this document, are not incorporated into and do not form part of this document.

If you have received this document in electronic form, you may request a hard copy of this document and/or any information incorporated into this document by reference to another source by contacting BOGG's registrars, Computershare, at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, or, between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding English and Welsh public holidays), on 0370 873 5866 from within the UK or on +44 (0) 370 873 5866 if calling from outside the UK (calls from outside the UK will be charged at the applicable international rate), with your full name and the full address to which the hard copy may be sent (calls may be recorded and monitored for training and security purposes). You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.

10. Defined Terms

Defined terms, including all capitalised terms, are defined and explained in Part VII (*Definitions*) of this document.

11. Time of Day

Unless otherwise indicated, all references in this document to time of day are references to London time.

12. Enforceability of Judgments

BOGG is a public limited company incorporated under the laws of England and Wales. Since BOGG is located in a country other than the United States, and some or all of its officers and directors may be residents of countries other than the United States, it may not be possible for investors to effect service of process within the United States upon BOGG or such persons or to enforce outside the United States judgments obtained against BOGG or such persons in the United States courts, including, without limitation, judgments based upon the civil liability provisions of the United States federal securities laws or the laws of any state or territory within the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom. Investors may also have difficulties enforcing, in original actions brought in courts in jurisdictions outside the United States, liabilities under U.S. securities laws.

Part I

Letter from the Chairman of Bank of Georgia Group PLC

Directors:	*Registered Office:*
Mel Carvill	*42 Brook Street,*
Archil Gachechiladze	*London,*
Hanna Loikkanen	*W1K 5DB*
Alasdair Breach	
Tamaz Georgadze	
Jonathan Muir	
Cecil Quillen	
Véronique McCarroll	
Mariam Megvinetukhutsesi	

19 February 2024

To all BOGG Shareholders, and, for information only, to participants in the BOGG Share Plans and persons with information rights

Dear Shareholder,

Proposed Acquisition of Ameriabank CJSC

On 19 February 2024 , Bank of Georgia Group PLC ("**BOGG**", or the "**Company**") announced that it and its subsidiary JSC Bank of Georgia ("**JSC BOG**") had conditionally agreed to acquire 100% of the total issued share capital of Ameriabank CJSC ("**Ameriabank**"), a leading bank in Armenia offering corporate, investment and retail banking services, from each of (i) IMAST Group (CY) Limited; (ii) European Bank for Reconstruction and Development; (iii) Asian Development Bank; (iv) Afeyan Foundation for Armenia Inc.; and (v) ESPS Holding Limited, (together, the "**Sellers**"), for a cash purchase price of USD 303,588,374, plus interest. The Acquisition has been structured such that the sale and purchase of the first 90% of the shares of Ameriabank to the Company and JSC BOG will complete following satisfaction of the Conditions (as described further below), with the sale and purchase of the remaining 10% of the shares of Ameriabank to the Company only, being the subject of the Shareholders' (Put and Call Option) Agreement (as described further below).

I am writing on behalf of the BOGG Directors to give you further details of the Acquisition, including the background to and reasons for it, to explain why the BOGG Directors consider it to be in the best interests of BOGG and the BOGG Shareholders as a whole and to seek your approval of the Acquisition. Specific details regarding the principal terms of the Acquisition, are set out in Part III (*Principal Terms and Conditions of the Acquisition*).

Owing to its size, the Acquisition constitutes a class 1 transaction for the purposes of the Listing Rules and therefore requires the approval of BOGG Shareholders. Accordingly, a General Meeting is to be held at the offices of Baker & McKenzie LLP, 280 Bishopsgate, London, EC2M 4RB at 11:00 a.m. on 14 March 2024. The notice convening the General Meeting is set out in Part VIII (*Notice of General Meeting*) of this document.

BOGG Shareholders should read the whole of this document and not just rely on the summarised information set out in this letter. BOGG Shareholders will find definitions for capitalised terms used in this letter and the rest of the document in Part VII (*Definitions*) of this document.

1. Background to and Reasons for the Acquisition

The Board believes there is a compelling rationale for the Acquisition. The Board believes that Ameriabank is a good strategic fit to the Group and that the Acquisition is attractive as it is expected to provide significant commercial and financial benefits to the Group as outlined below:

The Armenian economy and banking sector have certain attractive characteristics similar to those in the Group's current principal operating country, Georgia, and the Board considers this as an attractive market for expansion that fits very well with BOGG's current footprint

- ***High-growth economy with similar size and growth to Georgia:*** Armenia is a neighbouring country to Georgia of a similar size having a population of 3.0 million and nominal GDP of USD 20 billion as of 2022 according to the IMF compared to the 3.7 million population and USD 25 billion nominal

GDP of Georgia in the same time period. According to the World Bank, the Armenian economic environment enjoys sound macroeconomic policies, including active inflation targeting, adherence to a fiscal rule, and sound financial sector oversight. The IMF also notes that the flexible exchange rate has served Armenia well in absorbing external shocks, while building reserve buffers. The foregoing has contributed to the Armenian economy demonstrating attractive growth rates, with real GDP having grown at c.5% on average per annum since 2018, which is in line with the real GDP growth rates reported by Georgia during the same period as per IMF. Similar to Georgia, Armenia is expected to continue delivering strong economic growth with expected real GDP growth rates of c.5% per annum over the next few years, according to the IMF World Economic Outlook October 2023.

- ***Supportive environment for further growth due to low banking sector penetration:*** The overall Armenian economy is generally less leveraged when compared with the Georgian economy, with loans to households at 23.7% of GDP and loans to legal entities at 23.4% of GDP as at 31 December 2022, according to the estimates based on the Armenian Central Bank and Statistical Committee data (compared with 33.3% and 28.2%, respectively, in Georgia, according to the National Bank of Georgia and the National Statistics Office of Georgia), creating a supportive environment for further banking sector growth in coming years as the economic and banking sector growth would potentially converge to the levels of Georgia.
- ***Financially prudent banking sector with low market share concentration levels offering scope for further consolidation:*** The Armenian banking sector demonstrates broadly strong indicators of financial soundness, including capital adequacy and non-performing loan ratios, according to IMF 2022 data. This resembles the Georgian banking sector from a financial soundness perspective, but at the same time the banking sector in Armenia is significantly more fragmented with 18 commercial banks operating in the country. The top three Armenian banks (including Ameriabank) held a market share of 43.1% of total assets as at 31 December 2022. This presents further consolidation opportunities for the Group in addition to the organic growth of the market.

Ameriabank is one of the leading universal banks in Armenia and has an attractive franchise with significant upside potential from leveraging BOGG's customer focus and digital capabilities

- ***Market leading position in corporate segment and increasing market share in retail segment boosted by improving digital offerings:*** Ameriabank is a highly attractive franchise displaying many complementary characteristics to the Group. It has a leading #1 market position in Armenia based on the loan portfolio size (19.6% market share) and #2 market position based on the deposit portfolio[1] size (17.3% market share) as at 31 December 2023. The strength of its deposit franchise is demonstrated by the continuous growth of its customer deposits, with a CAGR of 19.6% during 2020-2022 (calculated based on the financial information on Ameriabank provided in Part IV (*Historical Financial information of Ameriabank CJSC*) of this document). Ameriabank also has a particularly strong foothold in the corporate segment, being a market leader with a #1 market position (22.5% market share) in loans to legal entities as at 31 December 2023. Further, Ameriabank has been very successful in growing its retail franchise in recent years supported by continued developments in its digitalisation, which allowed it to grow its market share in loans to individuals from 9.8% in 2018 to 15.6% as at 31 December 2023.
- ***Well-managed bank with prudent risk policies and strong profitability track record:*** Ameriabank has a strong financial profile, with capital and liquidity ratios above their minimum regulatory requirements. Its LCR and NSFR ratios are also significantly above their minimum regulatory requirements. Ameriabank has also adopted adequate credit risk management policies with suitable coverage ratios.
- ***Significant additional growth potential of Ameriabank within BOGG by using the Group's experience and know-how in retail products, digitalisation and payment business:*** The Board believes that Ameriabank has significant growth potential and further scope to improve commercial performance, particularly in retail. This is expected to be achieved by combining Ameriabank's existing franchise strengths with the Group's expertise, stemming from BOGG's proven track record and leading digital products and payments capabilities. Although Ameriabank is a leading player in its own market, it had fewer than 420,000 individual customers as at 31 December 2023 (out of a population of approximately 3.0 million). The Board believes that there is a significant scope for growth in this area, and that the Group's existing assets and infrastructure will enable it to realise these potential growth benefits, as the Group has already proven in Georgia. Ameriabank is also one

[1] Includes debt securities issued

of the leading payments acquirers in Armenia, with further potential upside on the back of the Group's strong expertise in this area, as well as supported by favourable market fundamentals, as the Armenian economy is predicted to become increasingly cashless over the next few years.

The side-by-side comparison of the number of customers and the levels of digitalisation of BOGG and Ameriabank based on management data as at and for the nine months ended 30 September 2023 is presented below:

	BOGG[1]	**Ameriabank CJSC**
Number of customers, individuals, *thousands* (Sep-23)	1,739[2]	392
Number of customers as % of population[3], (Sep-23)	47%	15%
Digital MAU as % of total customers, individuals (Sep-23)	73%[2]	34%
Share of digital banking[4] transactions in total transactions, (for the 9 months ended September 2023).	63%	48%

Notes:

(1) Includes the Georgian banking subsidiary only

(2) Monthly active clients are stated

(3) Based on population data provided by the IMF as of December 2022: 2.96 million in Armenia and 3.67 million in Georgia

(4) Including transactions via mobile / internet banking

- ***Well-regarded and experienced management team to stay on after the Acquisition:*** Ameriabank has been run by a professional and experienced management team. It has also operated with well-established corporate governance practices and a well-defined focus on ESG principles. The management team, including the Chairman of the Ameriabank Board, has agreed to remain in the business and run Ameriabank for at least 18 months following the closing of the Acquisition.

The Acquisition offers multiple strategic benefits to BOGG allowing it to diversify its revenue streams, unlock further growth potential and increase scale. The Acquisition also has strong financial rationale that fulfils strict internal financial criteria set by BOGG and is expected to result in significant value creation for Shareholders

- ***Following years of dynamic growth, the Group has achieved leading market shares in Georgia and an expansion geographically unlocks further growth potential beyond the local Georgian market:*** By focusing on its strategic priorities, BOGG has already achieved significant customer franchise growth and strong results and currently operates with c.40% market share in Georgia. While Georgia continues to offer an attractive growth profile with further benefits and potential revenue streams to be unlocked with increasing digitalisation and economic development, BOGG operates in a market where its market leadership is already well-established, and the Board believes that the Acquisition will offer the opportunity for the Enlarged Group to grow further with Ameriabank's market share opportunities still not fully realised and where BOGG's experience could help it boost its market position going forward.

- ***Acquisition would significantly increase the scale of the Group and diversify its business:*** The Acquisition would facilitate a significant increase in the scale of the Group and, as a result, Ameriabank would represent a meaningful part of the Enlarged Group after the transaction completes. The following table sets forth certain financial information for BOGG and Ameriabank side by side as at and for the nine months ended 30 September 2023:

	As at and for the nine months ended 30 September 2023	
	BOGG	**Ameriabank CJSC**
	GEL million	
Net loans	19,011	6,085
Assets	30,850	8,973
Deposits	21,744	6,012
Net Income	1,067	230

Notes:

Financial information for BOGG is taken from the 9 months ended September 2023 IFRS results as reported by BOGG and the financial information for Ameriabank is taken from the 9 months ended September 2023 IFRS results as reported by Ameriabank

The NBG's official exchange rate of AMD 1000:GEL 6.7049/6.7446 (avg/eop) for the nine months ended 30 September 2023 was used for conversion

- ***Acquisition expected to have an immediate accretive impact on BOGG's EPS and to boost RoAE:*** In addition to the standalone financial strengths of Ameriabank, the Board and Management expect the Acquisition to have an immediately positive impact on BOGG's financial profile and outlook.
- ***Ameriabank has been a profitable franchise throughout the cycle:*** Ameriabank represents a profitable franchise that has reported positive net income throughout the cycle (including during COVID-19 and in the aftermath of the Russian invasion of Ukraine), has delivered double-digit RoAE in four out of five prior years and reported RoAE of 29.6% in 2022.
- ***Cash transaction using surplus capital of the Group at an attractive valuation; maximising shareholder return while preserving the strong capital ratios of JSC BOG:*** At an Acquisition price of 0.65x net asset value with reference to net asset value as at 31 October 2023, implying a 2.6x P/E[2] based on Ameriabank's reported preliminary results for the full year 2023, the Board believes that the Acquisition has been agreed at an attractive price given the immediate earnings enhancement and potential opportunities afforded by the Acquisition. The transaction is being financed by existing cash, deploying surplus capital, while allowing JSC BOG to maintain capital ratios comfortably above the minimum requirements. No equity issuance is required and thus there is no dilution for existing Shareholders.[3]

In summary, the Board believes that the Acquisition has a strong strategic and financial rationale that meets its strict internal financial criteria.

Armenia is a neighbouring country to Georgia of a similar size and with similar culture, making it an attractive market for the Group to expand into. The Board believes that by acquiring one of the leading banks in the Armenian market, the Group will add another strong revenue-generating platform with the expectation of increased earnings potential for the Group in the short, medium and long term.

The Acquisition allows BOGG to diversify its profile by obtaining a franchise with a critical mass and strong brand awareness (Ameriabank is the top-of-mind bank in Armenia[4]), operating in a market that is attractive given its relevant size, macroeconomic situation and lower banking penetration levels compared to other developing countries. Ameriabank would also further complement BOGG's existing profile as BOGG's market leading position in Georgia would be supported by a leading financial institution in Armenia with #1 market position, based on loan portfolio size. BOGG's strong profitability profile would further benefit from Ameriabank's attractive financial track-record and outlook with expected EPS accretion and a boost in RoAE of BOGG in 2024 following the Acquisition. Additionally, BOGG sees significant opportunity for growth and enhanced profitability of Ameriabank with potential to develop its retail and SME franchises, further digitalisation and improved operational efficiency which could be achieved by leveraging the extensive experience and know-how of BOGG.

On this basis, and having invested significant time and resources to undertake a lengthy and thorough diligence process (including financial, operational and IT due diligence) the management of the Group together with the BOGG Board unanimously believes that the Acquisition is in the best interests of BOGG and therefore the BOGG Board recommends that BOGG Shareholders vote in favour of the Resolution.

2. Financial Effects of the Acquisition

The Company expects that the Acquisition will generate significant value for Shareholders, through enhanced growth prospects, as detailed above.

On a *pro forma* basis, if the Acquisition had taken place on 30 June 2023, the Enlarged Group would have had net assets of GEL 4,884.2 million (USD 1,865.8 million[5]). Part V (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*) of this document contains unaudited *pro forma* statement of net assets for the Enlarged Group, which has been prepared on a basis consistent with the accounting policies of the Company.

The impact of the Acquisition on the capital ratios of the Group's current largest banking operation, JSC BOG, has been estimated as 1.0-1.1%. JSC BOG's capital ratios are expected to remain comfortably above the minimum regulatory requirements of the National Bank of Georgia following the Acquisition.

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2 Price-to-earnings ratio, calculated on the basis of Ameriabank's net income 2023 of $117mm based on unaudited financial statements of Ameriabank for FY'2023 and using the CBA's official average exchange rate of USD 1:AMD 392.54 for the year ended 31 December 2023

3 The sole instance of possible dilution is pursuant to the terms and conditions of the Shareholders' (Put and Call Option) Agreement as further described in Part III (*Principal Terms and Conditions of the Acquisition Agreement*) of this document, as the Company has the discretion to pay the Put Price or Call Price, as applicable, either in cash or via the issuance of new BOGG ordinary shares

4 Based on 4Q23 research conducted by "Invia" CJSC

5 Calculated using the NBG's official exchange rate of USD 1:GEL 2.6177 for 30 June 2023

Following the Acquisition, and subject to the Enlarged Group's trading and prospects being satisfactory, it is intended that the BOGG Dividends and Capital Distribution Policy will remain unchanged with a target pay-out ratio in the range of 30-50% of annual profits.

As mentioned above, the Acquisition is expected to have an immediate accretive impact on BOGG's EPS, and to boost RoAE.

Shareholders should read the whole of this document and not rely solely on the financial information summarised in this section.

3. Structure and Key Features of the Acquisition

The Acquisition shall be implemented pursuant to the terms of the Acquisition Agreement and the Shareholders' (Put and Call Option) Agreement.

Under the terms of the Acquisition Agreement dated 18 February 2024 and entered into between the Company, JSC BOG, and the Sellers and the Shareholders' (Put and Call Option) Agreement entered into between the Company, JSC BOG and EBRD on the same date (and becoming effective on and from Completion), the Sellers have conditionally agreed to sell 100% of the shares of Ameriabank, to JSC BOG (a subsidiary of the Company), and to the Company.

It is intended that the Company will acquire a 70% shareholding in Ameriabank, and that JSC BOG will acquire a 30% shareholding. To achieve the parties' aims:

3.1 the Sellers have agreed to sell and the Company and JSC BOG have agreed to purchase 105,419 shares in Ameriabank equal to 90% of Ameriabank's total issued share capital, with the Company acquiring 60% of Ameriabank's total issued share capital (70,279 shares) and JSC BOG acquiring 30% of Ameriabank's total issued share capital (35,140 shares), on the terms set out in the Acquisition Agreement (the "**Initial Acquisition**"); and

3.2 following Completion of the Initial Acquisition, EBRD will retain 11,713 shares in Ameriabank, equal to 10% of Ameriabank's total issued share capital (the "**Option Shares**"), which Option Shares will be subject to the terms of the Shareholders' (Put and Call Option) Agreement, which will provide (i) EBRD with the right to put the Option Shares to the Company; and (ii) the Company with the right to call the Option Shares from EBRD, with the call option exercisable by the Company at any time until the third anniversary of Completion, and the put option exercisable on and from the third anniversary of Completion, for a period of 180 days from the third anniversary of Completion. Upon exercise of the put or call option, the Company will acquire the Option Shares.

The base consideration for the Acquisition will be USD 303,588,374 which is 0.65 times the net asset value of Ameriabank as at 31 October 2023, with interest to apply from 1 February 2024 as further described below. The net asset value of Ameriabank as recorded in the Ameriabank Management Accounts for 31 October 2023 has been reviewed and confirmed by, Ameriabank's auditors, KPMG Armenia LLC. The consideration in respect of the Initial Acquisition will be satisfied in cash, with 92.4% (USD 252,471,424, plus interest) of the price for the shares the subject of the Initial Acquisition payable at Completion and 7.6% (USD 20,758,631, plus interest) payable on the date falling 6 months from the date of Completion, with the deferred portion of the consideration being subject to deductions for any warranty claim brought by the Company and JSC BOG in connection with a breach of certain warranties contained in the Acquisition Agreement. The consideration in respect of the acquisition of the Option Shares (which will also attract interest as further described below) will be payable on the exercise of the put or call option, as applicable, under the Shareholders' (Put and Call Option) Agreement.

Completion of the Acquisition is subject to customary Conditions, including the approval of each of the CBA and NBG, and the passing by Shareholders of the Resolution.

The cash requirements for the Acquisition will be funded from utilising existing cash on balance sheet.

For further details regarding the structure of the Acquisition as a whole, including regarding the Shareholders' (Put and Call Option) Agreement, see Part III (*Principal Terms and Conditions of the Acquisition*).

It is a matter of public record that Ruben Vardanyan, the ultimate beneficial owner of IMAST Group (CY) Limited, which is the Seller of the largest minority stake in Ameriabank, is the subject of Ukrainian sanctions. The Company took external legal advice from multiple law firms to ensure that such Ukrainian sanctions would not prohibit the Acquisition from proceeding. This was unanimously confirmed on the basis that there is no Ukrainian nexus to the proposed Acquisition. It is also noted that a thorough analysis was undertaken to ensure that the proposed Acquisition would not be in breach of any other sanctions regimes which are relevant and/or applicable to the Acquisition and that neither Mr. Vardanyan, nor any of the Sellers, are currently in any way subject to UK, US, EU, UN, Georgian, Armenian or any other sanctions regimes that would prevent the Acquisition from proceeding. Relevant contractual protections included in the Acquisition Agreement which relate to any relevant change in the sanctions position of a Seller, including a condition precedent to Completion, are described in detail in Part III (*Principal Terms and Conditions of the Acquisition*).

4. Information on Ameriabank

History of Ameriabank

Ameriabank was established on 24 July 1992 under the laws of the Republic of Armenia under the name of Armenian Import-Export Bank CJSC, or Armimpexbank CJSC, and was registered with the CBA on 8 September 1992. In May 2008, Armimpexbank CJSC was renamed to "Ameriabank CJSC".

In April 1995, a foreign investor, Computeron Industrials Establishments, purchased the majority of shares of Ameriabank. In August 2007, the main shareholding of Ameriabank (96%) was obtained by TDA Holdings Limited (which was renamed to Ameria Group (CY) Limited in November 2011 (currently IMAST Group (CY) Limited). Between 2007 and 2013, the major shareholder IMAST Group (CY) Limited increased its equity ownership to 100%.

Initially primarily operating as a corporate and investment bank, Ameriabank experienced significant growth during 2007-2009, when the Armenian economy was in recession due to the financial crisis. In June 2010, the CBA approved and registered a merger between Ameriabank and Cascade Bank CJSC, whereby Ameriabank was the successor entity and Cascade Bank CJSC ceased to exist. Thereafter, Ameriabank evolved to become a universal bank, expanding the scope of services offered to its clients, and developing its retail banking business.

Ameriabank's longstanding relationships with international financial institutions matured into a new phase in December 2015 with the European Bank for Reconstruction and Development (EBRD) investing USD 30 million for an equity stake in Ameriabank. In 2018, the Asian Development Bank (ADB) also made an equity investment equivalent of up to USD 30 million – the first equity investment by ADB in Armenia. As of the date of this document, the statutory fund of Ameriabank is AMD 54,466,380,000 (USD 138,390,579[6]) consisting of 117,132 ordinary nominal shares with a par value of AMD 465,000 (USD 1,181[7]) each.

Current Operations

Ameriabank is a leading financial institution in the Armenian market and a major contributor to the Armenian economy. Being a dynamically developing universal bank, Ameriabank provides a variety of products and services through its omni-channel distribution platform. Ameriabank has adopted a customer-focused approach to ensure service quality and modern banking experience in an evolving digital environment.

The principal activities of Ameriabank are deposit taking and customer account maintenance, lending, issuing guarantees, cash and settlement operations, payments, operations with securities, and foreign exchange.

The activities of Ameriabank are regulated by the CBA. The majority of Ameriabank's assets and liabilities are located in Armenia. As at 31 December 2023, Ameriabank had 1,812 employees and 26 branches, from which it conducts business throughout Armenia.

Ameriabank has two wholly-owned subsidiaries, "Invia" CJSC and "Dinno" CJSC, which were incorporated on 21 April 2023 and 28 April 2023, respectively. "Dinno" CJSC is a fintech company, whose main activity is the development and marketing of digital products and technology solutions. "Invia" CJSC is a research and development company, whose main activity is conducting research and analysis (including macro, sectoral, and market studies), strategic and business planning, other consulting services mainly in the spheres of human resources management, digitisation and technology implementation, and also providing legal, financial, accounting and tax consultancy.

The registered address of the head office of Ameriabank is 2 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia.

6 Calculated using the CBA's official exchange rate of USD 1:AMD 393.57 for 31 December 2022

7 See footnote 6

As at 31 December 2022 Ameriabank's total assets stood at GEL 8,577 million (USD 3,174 million[8]).

Management

The Board of Directors is represented by experienced professionals with diverse local and international backgrounds:

Name, last name	Position	The year of first being elected to the Board
Andrew Mkrtchyan	Chairman of the Board of Directors	2007
Robert von Rekowsky	Independent Non-executive Director	2012
Lindsay Forbes	Non-executive Director	2018
Philip Lynch	Independent Non-executive Director	2018
Richard Ogdon	Independent Non-executive Director	2020
Tigran Davtyan	Independent Non-executive Director	2020
Kakhaber Kiknavelidze	Independent Non-executive Director	2020

Ameriabank also has a strong Executive Management Board led by the following key individuals:

- Artak Hanesyan (Chief Executive Officer) has been the CEO of Ameriabank since October 2007 and has extensive experience as a C-suite executive in the banking sector of Armenia, with around 30 years of experience in banking;
- Hovhannes Toroyan (Chief Financial Officer) has been with Ameriabank since 2010, and has been a member of the management board since 2022, with more than 15 years of experience in the banking sector of Armenia;
- Gagik Sahakyan (Corporate and Investment Banking Director) has been with Ameriabank since 2008, and has been a member of the management board since 2012, with more than 25 years of experience in commercial banking and business advisory;
- Arman Barseghyan (Retail Banking Director) joined Ameriabank as Retail Banking Director in 2012, and has more than 20 years of experience in retail banking, of which around 15 years at HSBC Bank Armenia;
- Gohar Khachatryan (Chief Accountant) has more than 30 years of experience in the banking sector of Armenia, of which 10 years at the Central Bank of Armenia and more than 20 years as the Chief Accountant of Ameriabank;
- Andranik Barseghyan (Risk Management Director) joined Ameriabank and became a member of the management board in 2009, has around 25 years of experience in financial institutions' risk management and automation technologies; and
- Armine Ghazaryan (Chief People and Services Officer) has around 20 years of experience in the banking sector of Armenia, of which around 15 years in human resources management (HRM), served as Ameriabank's HRM unit since 2008, prior to becoming Chief People and Services Officer in 2019.

These individuals, including the Chairman of the Ameriabank Board, Andrew Mkrtchyan, will continue to lead Ameriabank for at least 18 months following the Acquisition, which will operate as a standalone subsidiary within the Group and will maintain its own corporate identity. BOGG intends to enter into certain retention arrangements with these individuals and Andrew Mkrtchyan.

8 Calculated using the NBG's official exchange rate of USD 1:GEL 2.7020 for 31 December 2022

Summary of financial information on Ameriabank

The table below shows Ameriabank's financial performance in GEL for each of the past three years and, unless otherwise indicated, has been prepared in accordance with UK adopted International Accounting Standards and consistently with the accounting policies adopted by BOGG in preparing its consolidated financial statements for the year ended 31 December 2022:

	Year ended 31 December		
	2022	**2021**	**2020**
	(Thousands of Georgian Lari)		
Net interest income	331,171	253,409	217,231
Operating income before cost of risk	386,284	186,469	193,717
Cost of risk	(17,905)	(33,831)	(122,582)
Profit before income tax expense	368,379	152,638	71,135
Income tax expense	(71,164)	(28,490)	(13,880)
Profit for the year	297,215	124,148	57,255

Further detailed financial information on Ameriabank is provided in Part IV (*Historical Financial information of Ameriabank CJSC*) of this document.

Recent Performance

Ameriabank has demonstrated strong asset growth and improved efficiency and profitability ratios, driven by the ongoing implementation of its digital strategy and a focus on diversifying its business.

Ameriabank has delivered robust growth of its loan book in recent years despite the pandemic and geopolitical uncertainties, while at the same time maintaining a strong capital position and healthy asset quality. Since 2021, Ameriabank has experienced strong profitability growth on the back of the post-pandemic recovery and strong economic growth in Armenia.

Ameriabank's performance in the financial year ended 31 December 2022 benefited from a positive macroeconomic environment in Armenia as well as increased demand for banking sevices. In 2022, Ameriabank delivered growth, exceeding market-average growth, when compared against major performance indicators. Ameriabank's profit for the year increased by 139.4% year-on-year, totalling GEL 297.2 million (USD 101.9 million[9]). As a result, Ameriabank's return on average equity (RoAE) reached 29.6%, up 13.3 ppts year-on-year. While the profit was boosted by significant net non-interest income generation due to high income from FX transactions and commissions, the net interest income also registered strong growth, increasing by 30.7% year-on-year. Ameriabank's asset quality remained healthy, with Stage 3 loans ratio improving by 0.8 ppts and standing at 2.4% as at 31 December 2022. Ameriabank's profitability, coupled with proper capital management, resulted in strong capital positions, with regulatory Tier 1 and Total capital adequacy ratios (CAR) standing at 15.2% and 17.4% as at 31 December 2022, comfortably above the required minimum thresholds (including all relevant regulatory buffers) of 11.5% and 14.5%, respectively.

2022 was a year of significant progress in Ameriabank's core banking business, with loans to customers and finance lease receivables reaching GEL 5,039.4 million (USD 1,865.1 million[10]) as at 31 December 2022, up 16.2% year-on-year, reinforcing its leading market position. Ameriabank's total client deposits and notes amounted to GEL 5,375.8 million (USD 1,989.6 million[11]) as at 31 December 2022, up 38.9% year-on-year.

Shareholders should read the whole of this document and not rely solely on the financial information in this section. Further financial information on Ameriabank is contained in Part IV (*Historical Financial information of Ameriabank CJSC*) of this document.

5. Information on BOGG

Bank of Georgia Group PLC (the "Company" or the "Group"/ "BOGG" when referring to group companies as a whole) is listed on the Premium Segment of the Main Market of the London Stock Exchange (LSE ticker – BGEO) and is currently a constituent of the FTSE-250 index. Currently, the main operating subsidiary of the Group is JSC Bank of Georgia ("Bank of Georgia" or "JSC BOG", or the "Bank"), a digital banking leader in Georgia, operating with a universal banking model and serving more than

9 Calculated using the NBG's official average exchange rate of USD 1:GEL 2.9162 for the year ended 31 December 2022

10 Calculated using the NBG's official exchange rate of USD 1:GEL 2.7020 for 31 December 2022

11 See footnote 10

1.7 million monthly active retail customers and more than 91 thousand monthly active business clients across the whole country. JSC BOG has one of the largest services distribution networks in Georgia, with 191 operating branches, 1,022 ATMs and 3,164 JSC BOG self-service terminals as at 30 September 2023. BOGG's business mainly consists of the following business segments: 1) Retail Banking (RB) operations in Georgia, comprising sub-segments that serve mass retail (Mass Retail), and mass affluent and high-net-worth clients (Premium Banking); 2) SME Banking (SME) operations in Georgia, serving small and medium-sized businesses; 3) Corporate and Investment Banking (CIB) operations in Georgia, serving corporate and institutional customers and providing capital markets and brokerage services through JSC Galt & Taggart.

JSC BOG has c.40% market shares in loans and deposits and has the leading retail deposit franchise in Georgia. JSC BOG has been repeatedly named the most trusted and top of mind bank among the local communities. In line with the Group's strategic priorities, Bank of Georgia has been developing digital products and services and building a retail financial superapp to ensure relevance in customers' daily lives, deepen engagement and deliver an excellent customer experience. JSC BOG's focus on customer-centricity and digital-first approach has resulted in significant growth of digital monthly active users (digital MAU), with retail digital MAU reaching 1.3 million in September 2023, up 25.6% y-o-y. The share of digital MAU in total monthly active retail clients also increased to above 72%.

Another strategic priority of BOGG is the growth of its payments business. JSC BOG has been the leader in the payments acquiring business in Georgia – 55.2% of all payments in Georgia went through Bank of Georgia's acquiring network in September 2023, up 6.3 ppts y-o-y and up from c.40% during 2019-2020.

BOGG focuses on customer relationships – supporting its clients at every step of their journeys, creating products and services that fulfil their needs and delivering positive experiences across different touchpoints. Bank of Georgia's Net Promoter Score (NPS), measured by a third-party, has been at a high level of around 60 over the past few quarters, a major improvement from the mid-thirties four to five years ago.

BOGG has been committed to creating shared opportunities for its stakeholders and building long-term value – underpinned by the highest standards of corporate governance and a strong risk management and internal controls framework and guided by its purpose of helping people achieve more of their potential.

BOGG has consistently delivered strong customer franchise growth and superior performance and profitability, with return on equity above 25% over the past five years, excluding the COVID-19 effect in 2020. BOGG aims to continue to deliver 20%+ RoAE and c.10% growth of the loan book in the medium-term.

6. Dividends and Capital Distribution Policy

BOGG may by ordinary resolution declare full year dividends provided that no such dividend shall exceed the amount recommended by the BOGG Board and the BOGG Board may declare interim dividends. As BOGG is a holding company, the Group relies primarily on dividends and other statutorily (if any) and contractually permissible payments from its subsidiaries to generate the funds necessary to meet its obligations and pay dividends to its shareholders.

BOGG's capital distribution policy incorporates a progressive ordinary cash dividend, supplemented by additional share repurchases as and when appropriate. It is the BOGG Board's overall capital distribution policy to target a pay-out ratio in the range of 30-50% of annual profits. The BOGG Board expect to ensure healthy capital ratios, above minimum regulatory requirements, and take into consideration expected future capital requirements, including the full loading of Basel III requirements on minimum capital ratios, ongoing regulatory capital developments and the growth opportunities available to BOGG.

Dividends will be paid on a semi-annual basis, with the interim dividend expected to be paid in cash and represent, under normal circumstances, around 40% of the total dividend for the year.

In May 2023 the BOGG shareholders approved a final dividend of GEL 5.80 per BOGG Share in respect of the financial year ended 31 December 2022. The final dividend was paid on 14 July 2023. Further, due to BOGG's strong capital generation and profitability during the first half of 2023, the BOGG Board declared an interim dividend of GEL 3.06 per BOGG Share in respect of the period ended 30 June 2023. The interim dividend was paid to BOGG Shareholders on 27 October 2023. In addition to an interim cash dividend, in August 2023 the BOGG Board approved a further GEL 62 million share buyback and cancellation programme, which is, as at the date of this document, partially completed, and which the Board believes will be fully completed in the first half of 2024. This share buyback and cancellation programme was announced after the Company had completed its previous GEL 260.7 million buyback and cancellation programme in June 2023, having repurchased and cancelled 3,254,705 ordinary shares, representing 6.6% of the Company's issued share capital.

Following the Acquisition, and subject to the Enlarged Group's trading and prospects being satisfactory, it is intended that the BOGG Dividends and Capital Distribution Policy will remain unchanged.

7. Current Trading, Trends and Future Prospects of the Enlarged Group

The beginning of 2022 was marked by the Russia-Ukraine war and geopolitical tensions, which followed Covid-19 pandemic-related economic dislocation in 2021. These, amongst other causes, resulted in a sharp increase in food and energy prices and an acceleration of inflation. As a result, Central banks around the world proactively increased interest rates to fight inflation, bringing an end to the long-lasting low interest rate environment. Whilst geopolitical tensions continued in 2023 (with significant conflicts in Ukraine and Nagorno-Karabakh, in particular), prices of food and consumer goods rose less quickly, meaning that inflation began to fall towards the end of 2023, and as a result, interest rates began to plateau.

BOGG

Year ended 31 December 2022

BOGG's performance in the financial year ended 31 December 2022 was supported by the strong growth, 11.0%, of the Georgian economy in 2022. The Georgian economy demonstrated resilience thanks to a safe and business-friendly environment and its convenient geographical location. Consequently, a considerable number of highly skilled regional migrants and international companies relocated or set up operations in Georgia. Georgia also attracted international cargo forwarders, providing a convenient transport and logistics corridor for international trade flows. Given the growing interest towards the country, external inflows surged, international trade expanded and investment activity started to gain momentum. Increased consumption and investment spending coupled with strong external inflows underpinned Georgia's double-digit real GDP growth during the last two years. On the back of increased export proceeds, surging remittances and a steady recovery in tourism revenues, external balance improved further, supporting a stronger Georgian Lari. The appreciation of the Lari, accompanied by rapid growth in revenues, resulted in a reduced debt burden of the private sector – below 2019 levels. In 2022, unemployment decreased by 3.3 ppts to 17.3% and fiscal parameters improved thanks to strong economic activity. The strong track record of the Georgian economy and solid support of international institutions contributed to rising interest among international investors, with FDI inflows reaching a record high of USD 2.1 billion in 2022. From a banking sector perspective, the systemic banking risk remained relatively low. This was supported by prudent regulation and oversight from the regulator, the NBG, which ensured the resilience of the sector to potential external shocks. As a result of financial stability policy measures implemented by the NBG, the sector continued to lend and support the Georgian economy in 2022 without difficulty.

Supported by a favourable macro backdrop, BOGG produced strong results in 2022, whilst continuing to support its customers and employees. BOGG ended the financial year ended 31 December 2022 with operating income (adjusted for one-off items) of GEL 2.0 billion, up 46.6% year-on-year. This was driven by a strong performance across core revenue lines, with a higher-than-expected increase in net foreign currency gains on the back of customer inflows and increased transactional activity. Operating expenses were well-managed, with cost to income ratio (adjusted for one-off items) improved to 32.0% in 2022 vs 37.2% in 2021. Cost of credit risk ratio was 0.8% in 2022, in line with the Group's normalised level, as loan portfolio quality remained healthy. Strong customer franchise, increased transactional activity and prudently managed loan book led to a GEL 1.4 billion in profit recorded for 2022, up 98.6% year-on-year. Profit adjusted for significant one-off items in 2022 was GEL 1.1 billion, still up by a significant 55.7% y-o-y.

Nine months ended 30 September 2023

In the first nine months of 2023, the Georgian economy has maintained its growth momentum, underpinned by domestic consumption and investment spending. Following consecutive double-digit periods of growth in 2021 and 2022, GDP growth in the first nine months of 2023 remained solid at 7.7%. Inflation decreased sharply to below the NBG's target inflation, and as a result, the NBG started to reduce monetary policy rate, with these reductions anticipated to continue into 2024. Georgian Lari remained broadly unchanged against USD in the first nine months of 2023, after a 12.5% appreciation in 2022.

In the first nine months of 2023, BOGG had strong operating and financial results. BOGG added more than 41,000 active retail customers during the third quarter of 2023, and more than 193,000 over the prior twelve months. The number of active retail clients reached 1.7 million as of September 2023, out of which

1.3 million are digitally active. Customer satisfaction remained at a high level. BOGG further increased acquiring market share to 55.2% in September 2023 vs 48.9% in September 2022.

The Group's core revenue lines remained strong. The strong growth was recorded in the net interest income, and the net fee and commission income, while, as expected, the net foreign currency gains normalised after abnormal FX gains in 2022. Overall, operating income in the first nine months of 2023 amounted to GEL 1.9 billion (adjusted for one-off other income), up 32.2% year-on-year.

In the first nine months of 2023, the cost of credit risk was 0.8% – unchanged compared with the first nine months of 2022. Non-performing loans: gross loans also remained unchanged at 2.4%. Both ratios reflect the Group's high quality loan portfolio.

The Group's profit amounted to GEL 1.0 billion (adjusted for one-off other income), up 29.8% year-on-year, with adjusted RoAE at 31.1%. The Group's reported profit for the first nine months of 2023 amounted to GEL 1.1 billion.

Ameriabank

The effect of the Russia-Ukraine conflict and the overall geopolitical situation on Armenia's economy has been mixed. On the one hand, the disruption of traditional international trade routes and relations due to sanctions imposed on Russia caused a further increase in international prices, which pushed prices higher in Armenia as well: 12-month cumulative inflation reached 8.6% in 2022, which was still the lowest inflation level in the region. On the other hand, the influx of remittances and high-skilled labour into the Armenian market had a significant positive effect on the economy: GDP growth was 12.6% – the highest in the last 15 years, mainly supported by the trade, service, construction and manufacturing sectors. FDI increased by 41.4% year-on-year, while net remittances registered a three-fold growth year-on-year, driven by the inflows of migrants and capital as a result of the Russia-Ukraine war. Though high demand for local currency resulted in AMD appreciation, it was still relatively stable compared with other regional currencies.

The Armenian economy maintained strong growth momentum in 2023, with 2023 year-on-year GDP growth for the first nine months of the 2023 at 9.2%. The main drivers of growth were service and trade-related sectors, with construction and agriculture sectors contributing positively as well. Inflation reduced to 2.8% year-on-year for the first nine months of 2023. Amid deflationary trends, the CBA started to ease the monetary policy, resulting in a more positive sentiment and upward revision of the economic growth prospects.

Against the backdrop of the positive economic situation, both S&P Global Ratings and Fitch upgraded Armenia's sovereign credit ratings from 'B+' to 'BB-', outlook stable, in 2023, citing improved prospects for Armenia's economy, stronger fiscal and external metrics and reduced vulnerability to external shocks.

The financial year ended 31 December 2022 was a year of strong growth and improved efficiency for Ameriabank. Ameriabank exceeded its pre-pandemic profitability levels and posted record high levels of profitability and efficiency, with profit for the year reaching GEL 297.2 million (USD 101.9 million[12]) (up 139.4% year-on-year), RoAE of 29.6% and Cost to income ratio of 39.6%.

Ameriabank has continued its growth trajectory throughout 2023, developing its franchise and delivering strong profitability. As reported in Ameriabank's preliminary full year results for the year ended 31 December 2023, net interest income was GEL 502.9 million (USD 191.4 million)[13], net fee and commission income amounted to GEL 92.3 million (USD 35.1 million)[14], and profit for the year reached GEL 308.7 million (USD 117.5 million)[15]. Total gross loans[16] amounted to GEL 6,653.6 million (USD 2,474.0 million).[17] Total assets stood at GEL 9,377.7 million (USD 3,486.9 million)[18]. Total deposits stood at GEL 6,039.1 million (USD 2,245.5 million)[19]. Shareholders' equity increased to

[12] Calculated using the NBG's official average exchange rate of USD 1:GEL 2.9162 for the year ended 31 December 2022

[13] Calculated using the NBG's official average exchange rate of AMD 1000:GEL 6.7034 for the year ended 31 December 2023; GEL figure was converted to USD using the NBG's official average exchange rate of USD 1:GEL 2.6280 for the year ended 31 December 2023

[14] See footnote 13

[15] See footnote 13

[16] Includes receivables from finance lease, factoring and letters of credit.

[17] Calculated using the NBG's official exchange rate of AMD 1000:GEL 6.6528 for 31 December 2023; GEL figure was converted to USD using the NBG's official exchange rate of USD 1:GEL 2.6894 for 31 December 2023

[18] See footnote 17

[19] See footnote 17

GEL 1,302.5 million (USD 484.3 million)[20] as at 31 December 2023. Return on average equity for the full year 2023 stood at 24.9%.[21]

In 2023 the CBA introduced a number of changes to capital buffer requirements, effectively increasing Tier 1 and Total Capital requirements to 13.3% and 16.0%, respectively. As at 31 December 2023, Ameriabank's Tier 1 and Total capital ratios stood at 14.1% and 16.8%, respectively, fully compliant with the regulatory requirements. Tier 1 and total capital requirements were further increased by 0.5% in January 2024 due to an increase in conservation buffer requirement.

The Enlarged Group

Looking ahead, BOGG will focus on emerging opportunities in Georgia and Armenia – capturing business growth opportunities across the Enlarged Group, realising potential synergies from leveraging BOGG's know-how and experience proven in the domestic market that is adjacent and culturally close to Armenia for future growth of the Enlarged Group. At the same time, BOGG will continue to progress with its strategic priorities.

Following completion of the Acquisition, the Group also intends to change its name, marking a new chapter in its development, with two leading universal banks in attractive high-growth markets.

8. Risk Factors

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolution, please refer to Part II (*Risk Factors*) of this document.

9. General Meeting

You will find set out at the end of this document a Notice of General Meeting convening a General Meeting to be held at the offices of Baker & McKenzie LLP, 280 Bishopsgate, London, EC2M 4RB at 11:00 a.m. on 14 March 2024. At the BOGG General Meeting, the Resolution will be proposed which, if passed, will approve the Acquisition on the terms and subject to the conditions summarised in Part III (*Principal Terms and Conditions of the Acquisition*) of this document and will authorise the BOGG Directors to give effect to the Acquisition. The full text of the Resolution is included in the Notice of General Meeting, which is set out in Part VIII (*Notice of General Meeting*) of this document.

10. Additional Information

Your attention is drawn to the additional information set out in Part VI (*Additional Information*) of this document. You are advised to read the whole of this document and not just rely on the key summarised information in this letter.

11. Recommendation to BOGG Shareholders

The BOGG Board considers that the Acquisition and the passing of the Resolution are in the best interests of the Company and Shareholders as a whole.

Accordingly, the BOGG Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the BOGG General Meeting, and all BOGG Directors have committed to do so in respect of their own legal and beneficial holdings, which amount in aggregate to 441,507 BOGG Shares (representing approximately 1.0% of the Company's existing issued ordinary share capital as at the Latest Practicable Date).

Yours faithfully,

Mel Carvill
Chairman

[20] See footnote 17
[21] Calculated as net income for the period divided by average shareholders' equity for the period as reported by Ameriabank (based on GEL figures)

Part II

Risk Factors

The attention of BOGG Shareholders is drawn to certain risks that could materially affect BOGG, the Acquisition and the Enlarged Group. BOGG Shareholders should carefully consider all of the information in this document and, in particular, the risks described below before deciding to vote in favour of the Resolution. Additionally, some risks may be unknown to BOGG and other risks, currently believed to be immaterial, could turn out to be material. All of these could materially and adversely affect BOGG's and the Enlarged Group's business, financial condition, results of operations and prospects. The market price of the BOGG Shares could decline due to any of these risks and BOGG Shareholders may lose all or part of their investment. This document also contains forward-looking statements that involve risks and uncertainties, including those described under "Forward-Looking Statements" elsewhere in this document. BOGG's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by BOGG described below and elsewhere in this document.

The risks described below are not an exhaustive list or explanation of all risks that investors may face when deciding to vote in favour of the Resolution. To the extent the description in this section relates to government or macroeconomic data, such information has been extracted from official government publications or other third-party sources and has not been independently verified by BOGG.

1. Risks relating to the Acquisition

1.1 <u>Completion of the Acquisition is conditional and the Conditions may fail to be satisfied</u>

Under the terms of the agreement entered into between BOGG, JSC BOG and the Sellers on 18 February 2024 in connection with the Acquisition (the "**Acquisition Agreement**"), the Acquisition is conditional, among other things, upon: (i) BOGG Shareholders passing the Resolution; (ii) no (a) outbreak of war (with war having been declared by a nation state or hostilities having reached a grave and serious level beyond that of localised armed conflict or border disputes) within Armenia and/or Georgia; or (b) material disruption in commercial banking or securities settlement or clearance services in Armenia or Georgia having occurred since the date of the Acquisition Agreement, provided that such event is having a material and adverse impact, and is reasonably likely to continue having a material and adverse impact on the business, operations, and/or assets of Ameriabank from the date of the Acquisition Agreement; (iii) Ameriabank having a capital ratio of at least 16.5% as per the binding capital requirements applicable to Ameriabank under CBA regulations, as evidenced in its most recent submission to the CBA prior to Completion; and (iv) obtaining regulatory approvals necessary under applicable laws to enable BOGG to own and operate Ameriabank's business, comprising the approval of the Central Bank of Armenia, the Armenian Competition Protection Commission and the National Bank of Georgia.

There can be no assurance that these conditions will be satisfied or waived, if applicable, or that Completion of the Acquisition will be achieved. If any of the conditions to Completion of the Acquisition are not met, the Acquisition may be delayed (which would prolong the period of uncertainty for the Group and Ameriabank and may result in additional costs to their businesses) or may not become effective.

The aggregate consequences of any material delay to Completion or failure to complete the Acquisition may have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group, or in the case of a delay only, the Enlarged Group.

1.2 <u>The Group may not be able to fully realise the benefits of the Acquisition</u>

Through the Acquisition, the Group seeks to expand its operations via Ameriabank's network and take advantage of new opportunities, particularly in the Armenian market. However, there can be no assurance that the Acquisition will deliver the planned for benefits or that the Enlarged Group will realise the anticipated return on investment within the expected timeframe. For example, the quality of the Enlarged Group's loan portfolio and the Enlarged Group's business prospects may deteriorate as a result of adverse macroeconomic conditions in either Armenia and/or Georgia. Achieving the advantages of the Acquisition will also depend partly on the efficient management of the activities of BOGG and Ameriabank, two businesses that currently function independently with geographically dispersed operations, and with different customers, business cultures and compensation structures. The planned benefits of the Acquisition may fail to be achieved within the stated time period or at all, because of a number of factors, including failure by the Enlarged Group to effectively implement group-wide policies locally in the new market (including policies related to, governance; risk management; customer satisfaction; personal data and information security; environmental; and social and governance), failure to gain a meaningful share of new market segments, failure to leverage Ameriabank's existing capabilities in line with the expectations of the Group, adverse conditions in the markets in which BOGG and Ameriabank operate, failure to retain existing customers and existing customer relationships and failure of the Enlarged Group to reach new customers. In addition, the costs associated with successfully completing the integration process necessary to achieve these benefits may exceed expectations. Any of the foregoing may have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

1.3 <u>Management distraction as a result of the Acquisition or any challenges in management of Ameriabank could have an adverse effect on the business of the Enlarged Group</u>

The Enlarged Group will be required to devote significant management attention and resources to integrating Ameriabank's business practices and operations. Furthermore, the Enlarged Group will continue to operate businesses across multiple jurisdictions and, although regulatory and operational decision-making will often be undertaken by each of the businesses locally, coordinating its decision-making across all the businesses in the Enlarged Group will present challenges to the Enlarged Group's management team. There is a risk that the challenges associated with managing Ameriabank's business will distract management's attention from managing other parts of the Enlarged Group or that management will have insufficient capacity to meet the demands of the Enlarged Group. As a result, the underlying business may not perform in line with management or shareholder expectations.

1.4 <u>The Group may suffer reputational or financial losses arising from historical issues with respect to Ameriabank, including those that have not been disclosed to the Company and/or relating to sanctions regimes and their applicability to certain beneficial owners of the Sellers</u>

Certain of the Sellers have provided certain customary warranties under the Acquisition Agreement. The Group has relied on these warranties about Ameriabank's business in connection with the Acquisition. If these warranties are not true and correct in all material respects, the Enlarged Group may suffer losses or be unable to perform to meet expectations. If this were to occur, there can be no assurance that the Group would be able to recover damages under the warranties in relation to such breaches or losses in an amount sufficient to fully compensate the Group for its losses or underperformance. Furthermore, Ameriabank may have historical issues of which BOGG is currently unaware which, whether or not covered by the specific warranties given by the Sellers pursuant to the terms of the Acquisition Agreement, may adversely affect the reputation of the Enlarged Group.

In addition, the Company is aware that Mr Ruben Vardanyan, the ultimate beneficial owner of IMAST Group (CY) Limited ("**IMAST**"), one of the Sellers, and his wife Veronika Zonabend are subject to sanctions in Ukraine which have been in place since October 2022. The nature of the relevant sanctions is that they are personal sanctions and the impact of these sanctions is that parties on Ukrainian territory (and foreign parties engaged in cross-border activity with Ukraine) are prohibited by these sanctions from dealings with Ruben Vardanyan and/or Veronika Zonabend. Although the Group has obtained advice that the Acquisition does not breach any relevant sanctions regimes (including the UK, US, EU, Georgian or Armenian sanction regimes) and that the Ukrainian sanctions regime is not applicable to the Acquisition (as there is no Ukrainian nexus), the presence of individuals connected with IMAST who are subject to sanctions in Ukraine may bear certain reputational risks for the Enlarged Group, such as negative attention from the media and/or proxy advisory services, which could in turn lead to the Resolution failing to be passed at the BOGG General Meeting. The Resolution not being passed, could mean that the Company is obliged to pay to the Sellers an amount in cash equal to USD 6,200,000 as a break fee and also that significant advisory and other expenses incurred by the Company in preparation for the proposed Acquisition would have been incurred without the benefits of the Acquisition being realised.

2. Risks relating to the Enlarged Group as a result of the Acquisition and existing material risks relating to the Group which will be impacted by the Acquisition

Competition

2.1 The markets in which the Group and Ameriabank operate, including the retail, SME, corporate and investment banking sectors in particular, as well as the digital banking platform market, are highly competitive and competition could intensify in the future

The Group and Ameriabank have, and the Enlarged Group will have, numerous current and prospective competitors in each of their key markets. Some of their competitors and potential competitors may have, in certain markets, larger customer bases, more established name recognition and greater financial, marketing, technology and personnel resources, or may be able to offer services that are significantly cheaper than the services offered by the Enlarged Group or that are otherwise disruptive to the Enlarged Group's market assumptions. Some of these competitors may be able to respond more quickly to new or evolving opportunities, technologies, product lines, customer requirements and industry standards than the Group, Ameriabank or the Enlarged Group, and may be able to undertake more extensive marketing activities. The Enlarged Group may also face competition in the future from new entrants, or from the introduction of new and more advanced technologies, in its markets, particularly those markets where it enjoys a scale advantage.

Competitors may have a greater ability to offer new services, expand, innovate, hire or provide existing services to more diverse customers, and this may result in competitors gaining market share. Even if new or existing competitors do not significantly erode the Enlarged Group's market share, they may offer their services at lower prices, and the Enlarged Group may be required to reduce its commissions to remain competitive, which could have a material adverse effect on its revenue and profitability.

There can be no assurance that the Enlarged Group will have sufficient resources to continue to make discretionary investment in the development of its services to customers or that it will otherwise be successful in maintaining its current market position. Any of the foregoing factors could materially and adversely affect the Enlarged Group's business, financial condition and results of operations.

Market conditions and global macroeconomic impact on markets

2.2 The Group and Ameriabank operate in market conditions that remain challenging across a number of product areas. The markets in which the Group and Ameriabank operate may be subject to reduced economic activity driven by market uncertainty

Adverse market conditions and economic conditions have in the past adversely affected the revenues of the Group and Ameriabank and may in the future adversely affect the Enlarged Group's business and profitability.

The Group's businesses are affected by national and international economic and geopolitical conditions, currency volatility and investor sentiment generally, among other factors. The Group generates revenue primarily from offering a broad suite of loan and deposit products to Retail, SME and Corporate and Investment Banking customers. The Group's revenue is therefore substantially dependent on domestic spending and domestic consumer confidence as well as the inflow of foreign capital. Similarly, Ameriabank has a leading market position in Armenia based on loan portfolio size (including for mortgage loans).[22]

Market volatility is driven by a number of financial, economic and other factors which are, by their nature, directly affected by national and international economic and political conditions and investor sentiment that are beyond the Group's control. In addition to the factors noted above, changes in interest rates, foreign exchange rates and inflation, economic, political and market developments, adverse market conditions, changes in trading patterns in the relevant financial markets, price levels and price volatility in the securities, currency, commodities and other markets, legislative and regulatory changes, changes in market dynamics or structures as a result of new regulations, a rapid change in the method of broking in one or more products, changes in government and central bank monetary policies, credit availability and other liquidity concerns, natural disasters, and concerns about terrorism, war or other armed hostilities may materially adversely affect the Enlarged Group's revenue and profitability.

[22] 21% market share as at 31 December 2023

Following Completion, the Group will begin operating in a jurisdiction and market which it has not previously had exposure to and may not be aware of certain intricate conditions which will apply to the Enlarged Group. In particular, the following factors could mean that the Enlarged Group may not be able to fully realise the potential business growth represented by the acquisition of Ameriabank:

(i) currency fluctuations have historically affected the Group, and may continue to affect, the Enlarged Group, particularly given the high level of loans denominated in US Dollars and Euros across the Enlarged Group's loan portfolio;

(ii) the Group has historically operated in an evolving regulatory environment and was subject to regulatory oversight of the NBG, however the regulatory environment risk will change for the Enlarged Group due to the introduction of a second major regulator, being the CBA;

(iii) collateral values supporting the Group's loan portfolio may decline and downturns in the residential and commercial real estate markets or a general deterioration in economic conditions in the industries in which the Enlarged Group's customers operate may result in illiquidity and a decline in the value of the collateral securing loans, including a decline to levels below the outstanding principal balance of those loans. In addition, declining or unstable prices of collateral in Georgia and/or Armenia may make it difficult for the Enlarged Group to accurately value the collateral that it holds. If the fair value of the collateral that the Enlarged Group holds declines significantly in the future, it could be required to record additional provisions and could experience lower than expected recovery levels on collateralised loans more than 90 days past due;

(iv) significant changes or volatility in the Enlarged Group's net interest margin ("**NIM**") could have an adverse effect on the Enlarged Group's performance, since the Group derives the majority of its profit from net interest income. Thus, the Group is affected by fluctuations in its NIM, which, in turn, is affected by key factors such as interest rates, competition for loans and deposits, customer demand and cost of funding. These key factors are and will continue to be influenced by other factors beyond the Group's control, such as Georgian, Armenian and global macroeconomic conditions, the resources of competitors and consumer confidence. In particular, interest rates and cost of funding are highly sensitive to many factors beyond the Enlarged Group's control, including monetary policies, domestic and international economic and political conditions and the reserve policies of the NBG and CBA;

(v) losses relating to credit risk may arise if the risk management policies, procedures and assessment methods implemented by the Group and Ameriabank separately (and thus, the Enlarged Group going forward) to mitigate credit risk and to protect against loan losses prove less effective than expected. Both Ameriabank and the Group have historically employed and will continue to employ qualitative tools and metrics for managing risk that are based on observed historical market behaviour. These tools and metrics may fail to predict future risk exposures, especially in periods of increased volatility or falling valuations, or in periods in which there is a rapid expansion of the loan portfolio. In addition, even though both the Group and Ameriabank require regular financial disclosure from their corporate customers or counterparties, customer and counterparty financial statements may not always present a complete and accurate picture of each customer's or counterparty's financial condition. Some of the Group's and Ameriabank's corporate customers or counterparties may not have extensive or externally-verified credit histories, and their accounts may not be audited by a reputable external auditor. Therefore, notwithstanding the Group's and Ameriabank's credit risk evaluation procedures, the Enlarged Group may be unable to evaluate effectively the current financial condition of each prospective corporate borrower or counterparty and to evaluate effectively the ability of such corporate borrower or counterparty to repay its loans when due. Similarly, the creditworthiness of some retail customers or counterparties is difficult to assess and predict, as some retail borrowers or counterparties have limited credit history. Accordingly, the risk management systems employed by the Enlarged Group may prove insufficient in measuring and managing risks, which could, in turn, have a material adverse effect on the Enlarged Group's business, financial condition and results of operations;

(vi) losses related to credit risk from the project financing loans (including but not limited to financings issued under certain government subsidy programmes) may arise if key success factors with respect to the Enlarged Group's project financing portfolio fail to materialise. Both Armenia and Georgia are developing economies where states have introduced different types of sector-specific or general subsidy/guarantee programmes to support the development of particular sectors of the economy designated as strategic for each state respectively. Such subsidy programmes mainly target the sectors which are underdeveloped, i.e. the historical data on the success of comparable financed projects may not always be available and/or reliable. Success factors for such projects may depend on external uncertainties and thus be vulnerable towards climate change, epidemics and/or pandemics, global and local market conditions, third party expertise, the available markets and transport routes, supporting infrastructure, availability of technical expertise, etc. For example, the Group has SME/micro business financings under the Georgian Government-led subsidy programmes for the development/construction and hotel sectors, which are heavily reliant on fluctuations in demand for real estate and tourism, and which were impacted by the Covid-19 pandemic. Additionally, Ameriabank has sizeable exposures in its corporate portfolio to the real estate development/construction sector and further in the agricultural sector, mainly under the Armenian Government subsidy programme of intensive orchards, which is aimed at developing the high-tech intensive agricultural sector throughout Armenia. The Armenian state provides the financing of the full interest on such agro-loans for up to the period when the intensive orchards become profit-generating, in exchange for the borrowers developing climate risk resilient (through irrigation and anti-hail systems), high-technology intensive orchards. Financial institutions participating in such programmes bear the burden of monitoring due utilisation of the proceeds of the loans (since the government retains the right to reclaim the financed interest in case of misuse of funds). The success of the intensive orchards projects depends on variable and uncertain external factors including, but not limited to, maintenance and management of the orchards; the climate and the fertility of the land; adequate water supply; the availability of the markets for ultimate offtake of the produce; and the ultimate yields of the orchards being within the expected ranges. As this sector in the Armenian economy is still new, Ameriabank does not have extensive experience of working with intensive orchards. As the subsidy programme has materially expanded, the scale of intensive orchards, the yields, prices, supply chains and relevant infrastructure may need to be adapted, and following Completion, the Enlarged Group may realise additional credit risk-related losses in the event that any of the above mentioned or other related risk factors related to the dependencies of such project financings materialise; and

(vii) both the Group and Ameriabank separately are (and thus the Enlarged Group going forward will be) exposed to liquidity risk, which arises when there is a mismatch between the maturities of assets and liabilities, as well as funding risk. Liquidity risk is inherent in banking operations and may be heightened by a number of factors, including an over-reliance on, or an inability to access, a particular source of funding, changes in credit ratings or market-wide phenomena, such as financial market instability. Credit markets worldwide have in recent years experienced, and may continue to experience, a reduction in liquidity and long-term funding availability. The availability of credit in emerging markets, in particular, is significantly influenced by the level of investor confidence and, as such, any factors that affect investor confidence (for example, a downgrade in credit ratings or state interventions or debt restructurings in a relevant industry), could affect the price or availability of funding for Group companies and for Ameriabank (and thus for the Enlarged Group) operating in any of these markets. The Group's liquidity may be affected by unfavourable financial market conditions. If assets held by the Group in order to provide liquidity become illiquid or their value drops substantially, the Group may be required, or may choose, to rely on other sources of funding to finance its operations and future growth. Only a limited amount of funding, however, is available on the Georgian inter-bank market, and recourse to other funding sources may pose additional risks, including the possibility that such funding sources may be more expensive and less flexible. In addition, the Group's ability to access such external funding sources depends on the level of credit lines available to it, and this, in turn, is dependent on the Group's financial and credit condition, as well as general market liquidity. Client deposits are one of the most important sources of funding for the Group. In terms of current and short-term liquidity, the Enlarged Group may be exposed to the risk of unexpected, rapid withdrawals of deposits by its customers in large volumes. Circumstances in which customers are more likely to withdraw deposits in large volumes rapidly include, among others, a severe economic downturn, a loss in consumer confidence, an erosion of trust in financial institutions or a period of social, economic or political instability. If a substantial portion of customers rapidly or unexpectedly withdraw their demand or term deposits or do not roll over their term deposits upon maturity, this could have a material adverse effect on the Group's business, financial condition and results of operations.

2.3 Following Completion, the Enlarged Group, and in particular Ameriabank, will have greater exposure to global economic, financial, political, social and governmental policies, developments and conditions given its close proximity to ongoing geopolitical conflict

The Group's and, following Completion, the Enlarged Group's business and financial performance could be materially adversely affected by a deterioration in macroeconomic and geopolitical conditions, in the UK, Georgia, Armenia or in other jurisdictions, which could result in an adverse impact on global economic, financial, political, social or governmental conditions to which the Group and, following Completion, the Enlarged Group is subject. For example, in September 2023, Azerbaijan launched a large-scale military offensive against the self-declared breakaway state of Artsakh in the disputed region of Nagorno-Karabakh, which resulted in many Nagorno-Karabakh Armenians fleeing the region to neighbouring countries, primarily Armenia. Further, the conflict between Russia and Ukraine has resulted in a significant expansion in sanctions imposed by the United States, the UK and the EU, in particular, against Russia, the Russian financial sector and certain Russian individuals. In 2022, Russia emerged as Georgia's second-largest trading partner by imports and its third-largest trading partner by exports, and as Armenia's largest trading partner in terms of imports and exports. Further, Armenia and Georgia in particular, lie within close geographical proximity of Russia.

Further sanctions (the scope and extent of which are currently unclear) may be imposed in the event of a further escalations of hostilities in Ukraine. Such conditions may include higher inflation, high fluctuation in the interest rate environment, declining access to credit, lower or stagnating wages, increasing unemployment, weakness in housing and real estate markets, changes in government regulatory, fiscal or tax policies, including changes in applicable tax rates and the modification of existing, or adoption of new, tax legislation, with or without retrospective effect, sanctions regimes, removal of subsidies, reduced public spending, initiatives to address climate change or credit crises affecting disposable incomes, increases in fuel prices, weakness in energy markets or a loss of consumer confidence. Such conditions may have an adverse impact on the financial performance of the Group and, following Completion, the Enlarged Group.

Staff retention and recruitment

2.4 The Enlarged Group's future success depends to a significant degree upon the continued contributions of key personnel, and the Group's ability to recruit, train, retain and motivate personnel

The Enlarged Group's future success depends upon the expertise and continued services of key personnel, including personnel involved in the management and development of its business, personnel directly generating revenue, and personnel involved in the management of control functions, and upon the continued ability of the Enlarged Group to recruit, train, retain and motivate qualified and highly skilled personnel in all areas of its business. Competition for senior executives and management personnel in the Enlarged Group's industry is intense, and the Enlarged Group may not be able to attract and retain qualified personnel or replace members of senior management or other key personnel.

The Group and Ameriabank compete, and the Enlarged Group will compete, with other financial institutions for experienced customer-facing personnel, and the level of such competition is intense. Such competition may significantly increase front office personnel costs or the Enlarged Group may lose such front office personnel to competitors, potentially resulting in the loss of capability, customer relationships and expertise.

The Enlarged Group's continuing ability to recruit, train, retain and motivate personnel and to ensure that employment contract terms are appropriate and enforceable is essential to the Enlarged Group's performance and ability to effectively execute on its business model and growth strategy. Any factors that degrade the Enlarged Group's ability to recruit, train, retain and motivate its key personnel, including potentially the Acquisition or the management of the Enlarged Group, may adversely affect the Enlarged Group's operational and financial performance. In addition, if the Enlarged Group fails to adequately assess the training needs of its employees and key personnel, including those relating to internal and regulatory compliance, and technology, or fails to deliver appropriate training, the Enlarged Group's reputation and its ability to compete in its industry may be harmed, which could have an adverse effect on the Enlarged Group's business, financial condition and results of operations.

Reliance on information technology

2.5 The failure, loss of or disruption to the Enlarged Group's key software, infrastructure or information systems could limit the Enlarged Group's ability to conduct its operations

Both the Group and Ameriabank have experienced a significant increase in the number of active mobile banking users and transactions, and the number and volume of transactions carried out by individual customers through internet and mobile banking has also continued to grow. Both the Group and Ameriabank's strategy has been highly focused on digitalisation and they have been increasing their investments in IT related resources as part of their respective agile transformation processes.

The Group and Ameriabank are dependent on the capacity, reliability and performance of the computer and communications systems supporting their respective operations, whether owned and operated internally or by third parties, and on the integrity of the data held within and used by such systems. Both the Group and Ameriabank also rely on middle office and back office systems and terminals to record, monitor, manage and settle payments and transactions. As the Group and Ameriabank carry out a high volume of banking transactions on a daily basis, they are exposed to the risk of incurring losses due to failures of internal processes or human error. Although the Board believes that the Group's and Ameriabank's risk management policies and procedures (which are designed to identify and analyse relevant risks to the banking business, prescribe appropriate limits for various risk areas and monitor the level and incidence of such risks on an ongoing basis) are adequate and that each are currently in compliance in all material respects with all applicable laws, standards and recommendations, any failure of the Enlarged Group's risk management system to address the risk of failure of internal processes or human error or failure in the performance by third parties of key outsourced activities (such as card processing and cash transportation), could have a material adverse effect on the Group's business, financial condition and results of operations.

Further, many of these systems are concentrated at the Group's and Ameriabank's data sites and, in the event of loss or failure, would be difficult to replicate. While these systems are mirrored by duplicated recovery systems that are regularly tested, these back-up systems and any switch to them may not be as resilient as expected or may not perform at the same capacity as the primary operating system. Any failures, glitches or outages could impact the Enlarged Group's availability and ability to perform its core services.

The Group and Ameriabank have in the past experienced, and may experience in the future, incidents with its information technology (IT) systems and infrastructure. Although to date cyber security risks have not materially affected the Group's operations, it is expected that such risks will continue to increase in line with the growth in the volume of internet and mobile banking transactions which the Group has been experiencing. This will require the Group to closely monitor such risks. The Group may experience denial-of-service attacks, and other events or conditions from time to time that interrupt the availability, or reduce or adversely affect the speed or functionality, of its mobile and digital platforms. Actual or perceived breaches of the Enlarged Group's security could interrupt its operations, resulting in, among other things, its systems or services being unavailable, improper disclosure of data and other legal and financial consequences. If any of the Enlarged Group's critical processes or systems do not operate properly, are disabled or are subject to unauthorized access, misuse, hacking and the release of confidential information or computer viruses, the Enlarged Group's ability to perform effective banking and related services could be materially impaired and the Enlarged Group may suffer reputational harm or be subject to litigation and regulatory inquiries, proceedings or penalties, which may be material. The performance of the Enlarged Group's IT and communications systems could deteriorate or fail for any number of reasons, including power disruptions, human error, natural disasters fire, sabotage, fraud, military or political conflicts, terrorist attacks, hardware or software malfunctions or defects, computer viruses, intentional acts of vandalism, customer error or misuse, critical dependencies on third party IT platforms, critical dependencies on third party service providers, lack of proper maintenance or monitoring, loss of data, data disruption and similar events. Any such deterioration or failure could result in unanticipated system disruptions, slower response times, impaired user experience and delays in reporting accurate operating and financial information, which could in turn have an adverse effect on the Enlarged Group's business, financial condition and results of operations.

Further, any failure by the Enlarged Group to maintain the confidentiality of information or other data security failures could impact the Enlarged Group's reputation, and result in significant regulatory penalties, litigation and financial losses, which could have an adverse effect on the Enlarged Group's business, financial condition and results of operations.

Legal, regulatory and ESG risks

2.6 Financial services regulation and legislation has undergone and is anticipated to continue to undergo significant changes and developments.

Regulators worldwide continue to adopt an increased level of scrutiny in supervising the financial markets and have been developing a number of new regulations and other reforms designed to strengthen the integrity and stability of the financial system and to improve the operation of the world's retail, SME, corporate and investment banking markets. It is difficult to accurately predict the timing, scope or form of future regulatory initiatives or reforms, although it is widely expected that there will continue to be a substantial amount of regulatory change and a high degree of supervisory oversight of regulated financial institutions. Regulators may from time to time have varying approaches to ensuring market participants meet regulatory outcomes, and the interpretations of regulators may therefore differ from generally accepted market practice. For example, as a result of legislative amendments coming in to force on 1 January 2022, the Group's core entity, JSC BOG, was categorised as one of Georgia's critical information system subjects, meaning that its uninterrupted operation of information systems is essential to the defence and/or economic security of the country, as well as to the maintenance of state authority and/or public life. This categorisation as a result of legislative changes has imposed a considerable number of obligations on JSC BOG, and required minor amendments to its existing procedural documents and established practices.

Future changes in regulations and other reforms may affect the Enlarged Group's business directly, by the introduction of rules and requirements which the Enlarged Group is unable to respond to satisfactorily. As a result, the Group and Ameriabank face, and the Enlarged Group will face, a significant compliance challenge in light of an operating environment with continually evolving rules and regulations. Any inability of the Enlarged Group to adapt or deliver services that are compliant with new regulations could materially adversely affect its competitive position and therefore reduce its business prospects, financial condition, and results of operations. To date, the Group and Ameriabank have been required to incur certain additional costs to comply with the new regulations, and even if successful in adapting its services to new regulations, the costs of making those adaptations or otherwise complying with such regulations have in the past increased, and may in the future increase, significantly the cost base of the Enlarged Group, thereby reducing profitability.

2.7 The Group, Ameriabank and, following Completion, the Enlarged Group may be adversely affected if they fail to comply with climate and environmental statutory regulation or environmental, social or governance ("**ESG**") standards to which they have publicly committed

The business environment in which the Group, Ameriabank and, following Completion, the Enlarged Group operates is continually changing. ESG-related issues may directly or indirectly impact key stakeholders, including customers, investors, employees, rating agencies and regulators, all of whom have expectations in this area. A failure to manage those risks which have ESG implications may adversely impact on the reputation of the Group, the results of its operations, its customers, and its ability to deliver on its long-term strategy and therefore its long-term success.

Climate change is an ESG theme that poses potentially significant long-term risks to the Group and its customers, not only from the physical impacts of climate change, driven by both specific short-term climate-related events such as acute or chronic weather events and longer-term impacts, but also from transition risks associated with the shift to a low carbon economy. Climate change, sustainability and the reduction of emissions is an important issue for the Group and Ameriabank. Among other things, transitional and physical risks could impact the performance and financial position of the Group's and/or Ameriabank's customers and their ability to repay their loans. Further, the Group, Ameriabank and, following Completion, the Enlarged Group will have adopted certain ESG policies and sustainability objectives. In particular, the Group has committed to ensuring that its actions support the achievement of Georgia's climate-related goals, including those specified in its updated Nationally Determined Contribution (NDC).

Failure to keep pace with customer and societal expectations for action to manage and mitigate climate-related risk or failure to keep with the increasing level of interest and reporting requirements from governments, investors, customers and civil society may result in a decline in demand for the Group's, Ameriabank's and, following Completion, the Enlarged Group's services, or could result in penalties or negative attention, which could have an adverse impact on the financial condition and prospects of the Enlarged Group.

2.8 Damage to the Enlarged Group's reputation and other consequences of perceived or actual failures in governance or regulatory compliance, or in operational or financial controls, may materially and adversely impact the Enlarged Group

The Enlarged Group's ability to operate, to attract and retain customers and employees, or to obtain appropriate financing or capital may be adversely affected as a result of its reputation being harmed. As counterparties in wholesale financial markets, the Group's and Ameriabank's customers rely on their integrity and probity. If the Group fails, or appears to fail, to operate with integrity or to deal promptly and effectively with reputational issues, its reputation and in turn its business, financial condition and results of operations may be materially harmed. Such reputational issues include, but are not limited to appropriately dealing with actual or potential conflicts of interest, compliance with law and regulation, effectively managing customer and stakeholder relationships, ensuring effective data security, inadequate risk management, and failure to comply with corporate governance and reporting requirements.

Any failure by the Enlarged Group to address these or any other issues could adversely affect its reputation, which could result in losses of front office personnel and customers, reduce its ability to compete effectively and result in potential litigation and regulatory actions and penalties against the Enlarged Group, all of which could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

2.9 The Enlarged Group may face material liabilities as a result of ongoing or future legal and regulatory cases or may incur significant costs associated with legal action taken to defend its business, employees, rights and assets, including its intellectual property

Many aspects of the Group's and Ameriabank's businesses involve substantial risks of liability. The Enlarged Group may become subject to claims from dissatisfied customers as the result of failures or malfunctions of its IT systems or other banking services provided by the Enlarged Group, and customers may seek recourse for any losses. The Enlarged Group may also be subject to legal and regulatory claims. Accordingly, the Enlarged Group could incur significant legal expenses defending claims, even those without merit. Being involved in any such claim, and in particular any adverse resolution of any lawsuit or claim against the Enlarged Group could result in reputational damage and/or an obligation to pay substantial damages.

For example, the Group is involved in litigation from time to time where the outcome and any potential liability are subject to varying degrees of uncertainty. Any adverse outcomes from current or future cases against the Group may lead to negative press and to adverse public perceptions, which may in turn discourage customers from using the Group's services.

2.10 The due diligence conducted in connection with the Acquisition may not have revealed all relevant considerations, liabilities or regulatory and conduct issues

The due diligence conducted by the Group on Ameriabank in connection with the Acquisition may not have revealed all relevant considerations, liabilities or regulatory and conduct issues in relation to the Acquisition, including the existence of facts that may otherwise have impacted the decision to proceed with the Acquisition, the determination of the consideration payable for the Acquisition and the formulation of a business strategy for the Enlarged Group following Completion. In addition, information provided during the due diligence process may have been incomplete, inadequate or inaccurate. The Group and, following Completion, the Enlarged Group may also be subject to legacy conduct and other exposures with respect to Ameriabank which were not identified through due diligence. If any of the aforementioned occur, the Group could suffer reputational damage and may be liable for losses suffered by an affected party, each of which could have a material adverse effect on the business, reputation and brand, results of operations, financial condition and/or prospects of the Group and, following Completion, the Enlarged Group.

2.11 The risks of executing the Acquisition could cause the market price of the Ordinary Shares to decline

The market price of the Ordinary Shares may decline as a result of the Acquisition if, amongst other reasons, Completion does not occur, the proposed benefits of the Acquisition are not realised as soon as envisaged (or at all), the effect of the Acquisition is not in line with market expectations, or Shareholders sell their Ordinary Shares following Completion.

Part III

Principal Terms and Conditions of the Acquisition Agreement and the Shareholders' (Put and Call Option) Agreement

1. Overview

Under the terms of the Acquisition Agreement dated 18 February 2024 and entered into between the Company, JSC BOG, and the Sellers and the Shareholders' (Put and Call Option) Agreement entered into between the Company, JSC BOG and EBRD on the same date (and becoming effective on and from Completion), the Sellers have conditionally agreed to sell 100% of the shares of Ameriabank (117,132 ordinary shares), to JSC BOG (a subsidiary of the Company), and to the Company.

It is intended that the Company will acquire a 70% shareholding in Ameriabank, and that JSC BOG will acquire a 30% shareholding. To achieve the parties' aims:

1.1 the Sellers have agreed to sell and the Company and JSC BOG have agreed to purchase 105,419 shares in Ameriabank equal to 90% of Ameriabank's total issued share capital, with the Company acquiring 60% of Ameriabank's total issued share capital (70,279 shares) and JSC BOG acquiring 30% of Ameriabank's total issued share capital (35,140 shares), on the terms set out in the Acquisition Agreement (the "**Initial Acquisition**"); and

1.2 following Completion of the Initial Acquisition, EBRD will retain 11,713 shares in Ameriabank, equal to 10% of Ameriabank's total issued share capital (the "**Option Shares**"), which Option Shares will be subject to the terms of the Shareholders' (Put and Call Option) Agreement, which will provide (i) EBRD with the right to put the Option Shares to the Company; and (ii) the Company with the right to call the Option Shares from EBRD, with the call option exercisable by the Company at any time until the third anniversary of Completion, and the put option exercisable on and from the third anniversary of Completion, for a period of 180 days from the third anniversary of Completion. Upon exercise of the put or call option, the Company will acquire the Option Shares.

2. Acquisition Agreement

2.1 <u>Conditions to Completion</u>

Under the terms of the Acquisition Agreement, Completion is conditional upon:

(a) Approval of the Resolution

The passing of the Resolution at the BOGG General Meeting;

(b) Regulatory Approvals

The NBG, the CPC and the CBA having granted their approval for the Acquisition to proceed;

(c) Ameriabank Financial Condition

Ameriabank having a capital ratio of at least 16.5% as per the binding capital requirements applicable to Ameriabank under CBA regulations, as evidenced in its most recent submission to the CBA prior to Completion;

(d) Material Adverse Change

No (i) outbreak of war (with war having been declared by a nation state or hostilities having reached a grave and serious level beyond that of localised armed conflict or border disputes) within Armenia and/or Georgia; or (ii) material disruption in commercial banking or securities settlement or clearance services in Armenia or Georgia (and/or a general moratorium on commercial banking activities) having occurred since the date of the Acquisition Agreement, provided that such event is having a material and adverse impact, and is reasonably likely to continue having a material and adverse impact on the business, operations, and/or assets of Ameriabank from the date of the Acquisition Agreement; and

(e) Sanctions

No Sanctions having been imposed on any of the Sellers, JSC BOG, the Company or on Ameriabank as a result of which the consummation of the Acquisition by JSC BOG and the Company would be prohibited.

Completion shall occur on the third Business Day after the satisfaction (or, if capable of waiver, waiver) of such conditions, or on such other Business Day as the parties to the Acquisition Agreement may agree in writing.

2.2 Consideration

The total base consideration for the Acquisition will be USD 303,588,374, which is 0.65 times the net asset value of Ameriabank as at 31 October 2023, with interest to apply from 1 February 2024 as further described below. The net asset value of Ameriabank as recorded in the Ameriabank management accounts dated 31 October 2023 (the "**Management Accounts**") has been reviewed by Ameriabank's auditors, KPMG Armenia LLC. Interest will accrue on the consideration amount due with respect to the Initial Acquisition at a rate of 8.0% per annum (calculated on a daily basis) from and including 1 February 2024 to and including the Completion Date.

The consideration in respect of the Initial Acquisition will be satisfied in full by cash, with USD 252,471,424, plus interest, payable at Completion and USD 20,758,631, plus interest, payable on the date falling 6 months from the date of Completion, with the deferred portion of the consideration being subject to deductions for any claim brought by the Company and JSC BOG in connection with a breach of certain warranties contained in the Acquisition Agreement. If the sanctions position changes with respect to any relevant Seller between the date of Completion and the date of the payment of the deferred portion of the consideration, such that the payment of the deferred portion of the consideration would be a breach by the Company and JSC BOG of relevant sanctions binding on them, then the relevant deferred portion of the consideration applicable to such Seller shall not be payable by the Company and/or JSC BOG to that Seller on the date falling 6 months from the date of Completion. In such circumstances, no other Seller shall be entitled to receive the applicable deferred portion of the consideration that would have otherwise been due to the Seller that has become subject to relevant sanctions. The deferred portion of the consideration would then only become payable if the relevant sanctions cease to apply.

The Company will pay c.66.67% of the consideration with respect to the Initial Acquisition (approximately USD 182,153,543, plus interest) and JSC BOG will pay c.33.33% of the consideration with respect to the Initial Acquisition (approximately USD 91,076,512, plus interest), in each case directly to the Sellers.

The consideration payable in respect of the acquisition of the Option Shares will be a price per Option Share in USD equal to the price per share to be paid under the terms of the Acquisition Agreement (therefore a total base amount of USD 30,358,319), plus interest, as further described at paragraph 3.2 below. Upon the exercise of the put or call option, the Company will pay 100% of the consideration with respect to the acquisition of the Option Shares either in cash or in the form of shares issued in the Company, directly to EBRD.

2.3 Pre-Completion Undertakings

(a) The Acquisition Agreement includes customary pre-completion conduct of business undertakings given by the Sellers to procure that Ameriabank is operated in the ordinary course of business, materially consistent with past practice, between the signing of the Acquisition Agreement and Completion.

(b) The Sellers have undertaken that, between the signing of the Acquisition Agreement and Completion, they will not exercise their shareholder rights to support certain restricted actions without BOGG's prior written approval (which shall not be unreasonably withheld or delayed).

(c) The Acquisition Agreement contains customary non-compete and non-solicitation undertakings given by each of IMAST, ESPS and the Foundation. Under these undertakings (subject to certain exclusions and qualifications), for a period of one year from Completion, IMAST, ESPS and the Foundation will not carry on any business which comprises the provision of retail and corporate banking services to retail and corporate clients generally who are located or incorporated within Armenia in the same manner as that conducted by Ameriabank in Armenia as at the date of the Acquisition Agreement. For a one-year period from Completion, IMAST, ESPS and the Foundation will not solicit any person who at Completion is a key employee of Ameriabank (being any of the shareholders of ESPS who is also an employee of Ameriabank and who, as at Completion, is employed in a managerial, supervisory, technical or sales capacity by, or engaged as a consultant to, Ameriabank).

2.4 No Leakage

The Acquisition Agreement contains:

(a) a warranty from the Sellers that in the period from (and excluding) 31 October 2023 (as the NAV Reference Date) up to (and including) the date of the Acquisition Agreement, there has not been any leakage of value from Ameriabank to the Sellers and their connected persons; and

(b) an undertaking from the Sellers that there will be no leakage of value from Ameriabank to the Sellers and their connected persons from the date of the Acquisition Agreement, up to and including Completion,

in each case save for certain limited and customary exceptions, which the parties have categorised as "permitted leakage" in the Acquisition Agreement.

The Company and/or JSC BOG may bring a claim against the Sellers at any time within the 6 month period following Completion if they become aware of any leakage (other than permitted leakage), and if such claim is successful, the Sellers who have actually received (or whose connected persons have received) such leakage are obliged to repay a sum equal to it (on a dollar-for-dollar basis), to either Ameriabank, the Company, JSC BOG or another member of the Group, as the Company and JSC BOG may so direct.

2.5 Break Fee

In the event that (i) the requisite approvals for the Resolution are not obtained at the General Meeting; and/or (ii) the NBG Approval is not obtained by 5.00 p.m. (UK time) on 1 April 2024; and/or (iii) the material adverse change termination right is exercised, or if the conditions to Completion are satisfied but Completion fails to occur due to the default of the Company and/or JSC BOG, then the Company is obliged to pay to the Sellers an amount in cash equal to USD 6,200,000.

2.6 Warranties

The Acquisition Agreement contains warranties (subject to customary limitations) granted by the Sellers that are customary for a transaction of this nature. The fundamental warranties given by each of the Sellers (each Seller in relation to itself only) relate to, *inter alia*:

(a) the capacity, power and authority to enter into and perform its obligations under the Acquisition Agreement and all agreements and documents entered into by or on behalf of the Sellers pursuant to the Acquisition Agreement;

(b) its title and ownership of its share capital of Ameriabank and the right to transfer the full title in its share capital of Ameriabank to the Company and JSC BOG on the terms set out in the Acquisition Agreement; and

(c) that Seller not being subject to any economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the United Nations Security Council, the Commission of the European Union, or any other relevant regulatory body or government in Georgia, Armenia, the United States or the United Kingdom.

The Acquisition Agreement contains commercial warranties, given by each of IMAST, the Foundation and ESPS in relation to, *inter alia*:

(a) material contracts;

(b) the deposits and loans of Ameriabank;

(c) employee and pension matters;

(d) compliance with applicable legislation and laws;

(e) litigation;

(f) tax;

(g) properties; and

(h) intellectual property and IT systems.

In addition, the Acquisition Agreement contains warranties given by the Company and JSC BOG that are customary for this type of transaction and which are the same as those fundamental warranties given by the Sellers.

2.7 Indemnities

In addition to the indemnity in respect of any leakage described at paragraph 2.4 (*No Leakage*), which has been provided by all Sellers, each of IMAST, the Foundation and ESPS has agreed to pay to the Company and JSC BOG an amount equal to any fines or penalties against Ameriabank imposed by (i) any competent authority of the United Kingdom, United States, European Union or Armenia in relation to Sanctions; and/or (ii) any competent authority of Armenia in relation to a breach of anti-money laundering laws, in each case with respect to the three year period prior to Completion).

In addition, to the extent one specific borrower fails to repay a loan given by Ameriabank which is due for repayment in the first quarter of 2024, each of IMAST, the Foundation and ESPS has agreed to pay to the Company and JSC BOG an amount equal to that unpaid loan.

2.8 Limitations on Liability

The Sellers' liability under the Acquisition Agreement is subject to customary limitations agreed between them, the Company and JSC BOG.

2.9 Governing Law and Arbitration

The Acquisition Agreement is governed by the laws of England. The parties have agreed to resolve all disputes arising out of the Acquisition Agreement by arbitration administered by the London Court of International Arbitration in accordance with the UNCITRAL Arbitration Rules The seat of arbitration shall be London, England.

3. Shareholders' (Put and Call Option) Agreement

3.1 Parties and Term

(a) A Shareholders' (Put and Call Option) Agreement will govern the relationship between BOGG, JSC BOG, EBRD and Ameriabank in respect of the operation of Ameriabank during the period from Completion until such time as either the put option or call option is exercised, such that EBRD is no longer a shareholder in Ameriabank.

On and from:

(i) the third anniversary of Completion and for a period of 180 days thereafter (the "**Put Period**"), EBRD shall have the right to put the Option Shares on BOGG by delivering a written notice ("**Put Notice**") to BOGG; and

(ii) Completion, BOGG shall have the right to call the Option Shares from EBRD at any time up to and including the day prior to the start of the Put Period ("**Call Period**") by delivering a call notice ("**Call Notice**") to EBRD.

(b) If neither of the call or put option has been exercised by any of the parties by the end of the Put Period, the parties have agreed that EBRD will be deemed to have delivered a Put Notice on the last day of the Put Period and BOGG will be required to acquire the Option Shares (in accordance with and subject to paragraph 3.3 below).

3.2 Option Price

(a) If BOGG exercises the call option, BOGG shall pay a price per Option Share in USD equal to the price per share to be paid under the terms of the Acquisition Agreement, plus:

(i) the sum of interest at 3.5 per cent. per annum (plus an additional 2 per cent. per annum if the call option is exercised at any time prior to the last day of the Call Period) and the Compounded SOFR Rate (as such term is defined in the Shareholders' (Put and Call Option) Agreement; and

(ii) certain agreed costs (for example, any overdue amounts due from BOGG to EBRD, if applicable, the "**Unwinding Costs**"); minus

(iii) the USD equivalent of any cash dividends paid on or with respect to the Option Shares from Completion plus interest on such amount compounded and calculated in accordance with (i) above ("**Compounded Dividends**"),

subject to and in accordance with the terms of the Shareholders' (Put and Call Option) Agreement (the "**Call Price**").

(b) If EBRD exercises the put option, BOGG shall pay a price per Option Share in USD equal to the price per share to be paid under the terms of the Acquisition Agreement, plus:

(i) the sum of interest at 3.5 per cent. per annum and the Compounded SOFR Rate; and

(ii) any Unwinding Costs (if applicable); minus

(iii) any Compounded Dividends (if applicable),

subject to and in accordance with the terms of the Shareholders' (Put and Call Option) Agreement (the "**Put Price**").

(c) If EBRD exercises the Accelerated Put Option (see paragraph 3.4 below), BOGG shall pay a price per Option Share in USD equal to the price per share to be paid under the terms of the Acquisition Agreement, plus:

(i) the sum of interest at 3.5 per cent. per annum (plus an additional 2 per cent. per annum) and the Compounded SOFR Rate; and

(ii) any Unwinding Costs (if applicable); minus

(iii) any Compounded Dividends (if applicable),

subject to and in accordance with the terms of the Shareholders' (Put and Call Option) Agreement (the "**Accelerated Put Price**").

(d) On this basis, the parties expect that the maximum consideration for the acquisition of the Option Shares, payable under either the Call Price, the Put Price or the Accelerated Put Price will be approximately USD 30,358,319[23], payable on the latest possible Settlement Date (as described at 3.3 below.

3.3 Settlement (Timing and Form of Consideration)

(a) The Put Notice or Call Notice, as applicable, shall specify a Business Day on which the Option Shares shall be paid for by, and transferred to, BOGG, which shall be no less than 30 days, and no more than 60 days after the date on which the relevant Put or Call Notice is delivered by one of the parties (the "**Settlement Date**"). Should EBRD elect to receive BOGG Share Consideration (as defined below) as opposed to cash consideration, the relevant Settlement Date shall be no less than 15 days, and no more than 30 days, after all securities exchange approvals, governmental consents and/or waivers in connection with the issuance of BOGG shares to satisfy the BOGG Share Consideration have been obtained (if applicable).

(b) BOGG shall have the right to elect to settle the Call Price or the Put Price due to EBRD by issuing new ordinary shares in BOGG to EBRD (the "**BOGG Share Consideration**"). For the avoidance of doubt, the parties have agreed that the Accelerated Put Price is payable in cash only and may not be settled in shares.

(c) If BOGG wishes to settle the Call Price or the Put Price in BOGG Share Consideration, it must either (i) specify the same in the Call Notice it delivers to EBRD, or (ii) within five Business Days of receiving a Put Notice from EBRD, respond in writing and make such election. BOGG shall have no right to settle the Exit Call Price or the Exit Put Price using BOGG Share Consideration if the three (3) month median daily trading value of BOGG Shares in USD (calculated using the number of BOGG Shares traded each day on the London Stock Exchange, multiplied by the closing price of that day, and converted from GBP to USD using the daily spot exchange rate published by the Bank of England on the Settlement Date, the "**ADTV**") on the third Business Day prior to the relevant Settlement Date (the "**BOGG Share Consideration Reference Date**") is below one million nine hundred and seventeen thousand six hundred and thirty USD ($1,917,630) (the "**Target ADTV**"), and in such case BOGG shall be required to settle the Call Price or the Put Price in cash.

BOGG and EBRD shall in work in good faith to determine the ADTV, and failing any agreement, shall appoint an independent expert, at Ameriabank's cost, to make such determination (which, if required, may result in a corresponding delay to the Settlement Date).

(d) The number of new ordinary shares to be issued by BOGG to settle the BOGG Share Consideration shall be determined in accordance with the following formula:

[23] Final amount subject to the applicable Compounded SOFR Rate (as such term is defined in the Shareholders' (Put and Call Option) Agreement), to be determined at the relevant time

(i) the Call Price or Put Price (as applicable); *divided by*

(ii) the USD amount which is equal to 80% of the average market price per BOGG Share for the five (5) Business Days preceding the BOGG Share Consideration Reference Date, with that average market price being converted from GBP to USD using the daily spot exchange rate published by the Bank of England on the BOGG Share Consideration Reference Date,

and with any resulting fractions to be rounded up to the nearest whole number.

(e) The shares issued pursuant to the BOGG Share Consideration will, if applicable, be issued either under the Company's existing authority to allot shares which was granted at the annual general meeting held on 19 May 2023, or pursuant to an authority to allot shares sought at a future annual general meeting of the Company, credited as fully paid and will rank *pari passu* in all respects with the BOGG Shares, including the right to receive all dividends, distributions, or any return of capital declared, made or paid after completion of the Settlement Date.

(f) Applications will be made at the appropriate time to the FCA and the London Stock Exchange for the shares issued pursuant to the BOGG Share Consideration to be admitted to the same segment of the Official List as the BOGG Shares are then admitted to (given the impending regulatory changes to the segments) and to trading on the London Stock Exchange's main market for listed securities. The shares issued pursuant to the BOGG Share Consideration will be issued in registered form and will be capable of being held in certificated or uncertificated form.

3.4 Accelerated Put Events

(a) Upon the occurrence of certain events as agreed between the parties, including but not limited to, (i) a court-ordered winding up or liquidation of Ameriabank and/or BOGG; (ii) Ameriabank's capital adequacy ratio falling below 16.5% at any given time or the occurrence of a breach of tier 1 capital requirements or other prudential requirements applicable to JSC BOG; and (iii) any warranty or representation made by BOGG, JSC BOG or Ameriabank in the Acquisition Agreement or certain financing agreements having been or becoming false or misleading (the "**Accelerated Put Event(s)**"), EBRD shall have the right (the "**Accelerated Put Option**"), in its sole discretion, at any time upon the occurrence of an Accelerated Put Event (or from such time as EBRD became aware that the relevant Accelerated Put Event had occurred) and for a period of 90 days thereafter, to deliver to BOGG a Put Notice with respect the Option Shares.

In the event that EBRD exercises the Accelerated Put Option, BOGG shall pay to EBRD the Accelerated Put Price, on the relevant Settlement Date.

3.5 Board Representation

For so long as EBRD holds Option Shares, EBRD shall, subject to the consent of the CBA, have the right to appoint one person to act as an observer on the Ameriabank board of directors, subject to and in accordance with local law requirements ("**EBRD Observer**"). The EBRD Observer shall be free to share with EBRD all of the information received while observing meetings of the Ameriabank Board of Directors, subject to EBRD complying with its disclosure requirements under the Shareholders' (Put and Call Option) Agreement.

3.6 Operations and Governance

Until such time as BOGG acquires the Option Shares, the Shareholders' (Put and Call Option) Agreement provides that each of BOGG, JSC BOG and EBRD will procure that the business of Ameriabank is operated in the ordinary course, in relation to, among other things, trading activity, maintenance of insurance policies, performance of certain key contracts, maintenance of corporate governance, accounting and internal controls systems, compliance with applicable laws and maintenance of licences.

3.7 Governing Law and Arbitration

The Shareholders' (Put and Call Option) Agreement is governed by the laws of England. The parties have agreed to resolve all disputes arising out of the Shareholders' (Put and Call Option) Agreement under the UNCITRAL Arbitration Rules of the International Centre for Settlement of Investment Disputes (ICSID). There shall be one arbitrator and the appointing authority shall be LCIA (London Court of International Arbitration). The seat of arbitration shall be London, England.

Part IV

Historical Financial information of Ameriabank CJSC

Section A: Historical Financial Information of Ameriabank CJSC as at and for the Years Ended 31 December 2022, 2021 and 2020

This Part IV contains:

- Section A, historical financial information of Ameriabank for the three years ended 31 December 2022;
- Section B, the accountant's report prepared by Ernst & Young LLP on the historical financial information of Ameriabank for the three financial years ended 31 December 2022.

Unless otherwise indicated, the Historical Financial Information relating to Ameriabank in this Part IV has been prepared in accordance with UK adopted International Accounting Standards and using accounting policies consistent with those used to prepare the latest audited consolidated financial statements of the Group.

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December

(Thousands of Georgian Lari)

	Notes	2022	2021	2020
Assets				
Cash and cash equivalents	5	904,501	1,754,800	1,470,185
Amounts due from credit institutions	6	847,817	279,077	334,921
Investment securities	7	1,505,846	348,185	321,422
Investment securities pledged under sale and repurchase agreements	7	30,107	127,840	131,422
Loans to customers and finance lease receivables	8	5,039,427	4,338,646	4,368,210
Prepayments		39,043	42,307	37,821
Inventories		4,431	991	1,217
Right-of-use assets	9	72,343	71,956	66,755
Property and equipment	10	53,598	51,403	53,950
Intangible assets	11	28,776	17,241	13,412
Income tax assets	12	16,924	-	6,450
Other assets	13	33,851	34,754	35,171
Total assets		**8,576,664**	**7,067,200**	**6,840,936**
Liabilities				
Client deposits and notes	15	5,375,764	3,871,500	3,756,620
Amounts owed to credit institutions	16	1,047,576	1,481,058	1,587,723
Debt securities issued	17	631,180	715,978	670,547
Lease liability	9	81,202	78,036	70,443
Accruals and deferred income	14	133,736	40,196	15,566
Income tax liabilities	12	77,434	7,212	16,372
Other liabilities	13	50,993	42,143	35,625
Total liabilities		**7,397,885**	**6,236,123**	**6,152,896**
Equity	19			
Share capital		332,036	331,842	223,148
Share premium		(5,933)	(6,130)	101,871
Other reserves		98,208	48,112	29,916
Retained earnings		754,468	457,253	333,105
Total equity		**1,178,779**	**831,077**	**688,040**
Total liabilities and equity		**8,576,664**	**7,067,200**	**6,840,936**

The accompanying Notes from note 1 to note 30 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

(Thousands of Georgian Lari)

	Notes	*2022*	*2021*	*2020*
Interest income calculated using EIR method		550,734	450,033	412,383
Other interest income		25,459	16,603	9,653
Interest income		**576,193**	**466,636**	**422,036**
Interest expense		(239,423)	(208,845)	(200,794)
Deposit insurance fees		(5,599)	(4,382)	(4,011)
Net interest income	20	**331,171**	**253,409**	**217,231**
Fee and commission income		81,201	47,376	34,565
Fee and commission expense		(36,568)	(23,869)	(17,311)
Net fee and commission income	21	**44,633**	**23,507**	**17,254**
Net foreign currency gain		253,617	44,158	39,020
Net other gains/(losses)		10,620	1,739	26,045
Operating income		**640,041**	**322,813**	**299,550**
Salaries and other employee benefits	23	(190,185)	(85,066)	(58,778)
Administrative expenses	23	(34,815)	(25,158)	(22,222)
Depreciation, amortisation and impairment	9, 10, 11	(25,535)	(21,955)	(19,697)
Other operating expenses		(3,222)	(4,165)	(5,136)
Operating expenses		**(253,757)**	**(136,344)**	**(105,833)**
Operating income before cost of risk		**386,284**	**186,469**	**193,717**
Expected credit loss on loans to customers	24	(12,836)	(34,994)	(119,090)
Expected credit loss on finance lease receivables	24	(1,090)	(1,968)	(1,933)
Other expected credit loss	24	(2,591)	3,667	(2,084)
Impairment charge on other assets and provisions	24	(1,388)	(536)	525
Cost of risk		**(17,905)**	**(33,831)**	**(122,582)**
Profit before income tax expense		**368,379**	**152,638**	**71,135**
Income tax expense	12	(71,164)	(28,490)	(13,880)
Profit for the year		**297,215**	**124,148**	**57,255**
Basic and diluted earnings per share	19	**2.54**	**1.06**	**0.49**

The accompanying Notes from note 1 to note 30 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

(Thousands of Georgian Lari)

	2022	2021	2020
Profit for the year	**297,215**	**124,148**	**57,255**
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent years, net of tax:			
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	(10,414)	(2,747)	(2,805)
– Realised gain on financial assets measured at FVOCI	(20)	558	(1,906)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement	385	(141)	(77)
– Gain from currency translation differences	58,366	20,105	29,963
Income tax impact	1,779	421	861
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent years, net of tax	**50,096**	**18,196**	**26,036**
Total comprehensive income for the year	**347,311**	**142,344**	**83,291**

The accompanying Notes from note 1 to note 30 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

(Thousands of Georgian Lari)

	Share capital	*Share premium*	*Other reserves*	*Retained earnings*	*Total equity*
1 January 2020	**222,896**	**101,516**	**3,880**	**275,850**	**604,142**
Profit for the year	-	-	-	57,255	57,255
Other comprehensive income for the year	-	-	26,036	-	26,036
Total comprehensive income for the year	**-**	**-**	**26,036**	**57,255**	**83,291**
Issue of share capital	252	355	-	-	607
31 December 2020	**223,148**	**101,871**	**29,916**	**333,105**	**688,040**
Profit for the year	-	-	-	124,148	124,148
Other comprehensive income for the year	-	-	18,196	-	18,196
Total comprehensive income for the year	**-**	**-**	**18,196**	**124,148**	**142,344**
Transfer of share capital	108,438	(108,438)	-	-	-
Issue of share capital	256	437	-	-	693
31 December 2021	**331,842**	**(6,130)**	**48,112**	**457,253**	**831,077**
Profit for the year	-	-	-	297,215	297,215
Other comprehensive income for the year	-	-	50,096	-	50,096
Total comprehensive income for the year	**-**	**-**	**50,096**	**297,215**	**347,311**
Issue of share capital	194	197	-	-	391
31 December 2022	**332,036**	**(5,933)**	**98,208**	**754,468**	**1,178,779**

The accompanying Notes from note 1 to note 30 are an integral part of these financial statements.

STATEMENT OF CASH FLOW

For the year ended 31 December

(Thousands of Georgian Lari)

	Notes	2022	2021	2020
Cash flows from operating activities				
Interest received		566,271	461,889	416,599
Interest paid		(229,484)	(205,121)	(191,883)
Fees and commissions received		81,201	47,381	34,565
Fees and commissions paid		(36,568)	(23,869)	(17,311)
Net cash inflow from real estate		1,975	381	1,794
Net realised gain from foreign currencies		280,683	48,900	38,932
Recoveries of loans to customers previously written off	8	29,180	19,139	8,936
Cash received from/(paid for) derivatives		8,566	3,381	2,370
Other income received		509	730	21,812
Salaries and other employee benefits paid		(100,803)	(61,075)	(65,017)
General and administrative and operating expenses paid		(38,672)	(29,441)	(30,416)
Cash flows from operating activities before changes in operating assets and liabilities		**562,858**	**262,295**	**220,381**
Net (increase)/decrease in operating assets				
Amounts due from credit institutions		(545,776)	64,926	(3,829)
Loans to customers and finance lease receivables		(1,034,329)	(232,676)	(493,637)
Prepayments and other assets		(8,190)	(5,318)	(20,549)
Net increase/(decrease) in operating liabilities				
Amounts due to credit institutions		(301,031)	(275)	219,348
Client deposits and notes		1,798,309	243,182	(173,401)
Other liabilities		35,759	20,330	(26,920)
Net cash flows from/(used in) operating activities before income tax		**507,600**	**352,464**	**(278,607)**
Income tax paid		(17,601)	(31,032)	(10,607)
Net cash flows from/(used in) operating activities		**489,999**	**321,432**	**(289,214)**
Cash flows from/(used in) investing activities				
Net (purchases) sales of investment securities		(1,078,209)	(6,321)	(118,250)
Purchase of property and equipment and intangible assets		(27,901)	(16,499)	(12,568)
Net cash flows (used in) from investing activities		**(1,106,110)**	**(22,820)**	**(130,818)**
Cash flows (used in) from financing activities				
Proceeds from issue of share capital		391	693	607
Repayment of the debt securities issued		(243,959)	(638,664)	(96,004)
Proceeds from debt securities issued		214,685	723,655	394,117
Cash payments for the principal portion of the lease liability		(13,730)	(13,370)	(11,794)
Net cash (used in) from financing activities		**(42,613)**	**72,314**	**286,926**
Effect of exchange rates changes on cash and cash equivalents		(191,320)	(86,157)	127,069
Effect of expected credit losses on cash and cash equivalents		(255)	(154)	(34)
Net increase/(decrease) in cash and cash equivalents		**(850,299)**	**284,615**	**(6,071)**
Cash and cash equivalents, beginning of the year	5	**1,754,800**	**1,470,185**	**1,476,256**
Cash and cash equivalents, end of the year	5	**904,501**	**1,754,800**	**1,470,185**

The accompanying Notes from note 1 to note 30 are an integral part of these financial statements.

(Thousands of Georgian Lari)

1. Basis of preparation

General

This historical financial information has been prepared for inclusion in the Circular for the purposes of assisting shareholders in their assessment of the financial position and performance of the Bank. The financial positions are included as at 31 December 2022, 31 December 2021, 31 December 2020 and the financial performance is presented for each of the three years ended 31 December 2022. The historical financial information has been prepared in accordance with UK-adopted International Accounting Standards ("UK-adopted IAS", "IAS" or "IFRS").

The historical financial information is prepared on the historical cost basis except for financial instruments at fair value through profit or loss (FVTPL), investment securities at fair value through other comprehensive income (FVOCI) stated at fair value, foreclosed assets and inventories stated at lower of cost and net realisable value.

This historical financial information does not constitute statutory accounts within the meaning of section 434 (3) of the Companies Act 2006. The basis of preparation describes how the historical financial information has been prepared in accordance with the Listing Rules. The historical financial information has been prepared in accordance with UK-adopted IAS and using the accounting policies consistent with those used to prepare the latest audited consolidated financial statements of the Bank of Georgia Group plc.

The functional currency of the Bank is the Armenian Dram (AMD) as, being the official currency of the Republic of Armenia. The historical financial information has been presented in Georgian Lari (GEL), rounded to the nearest thousand.

GEL (Georgian Lari) is the presentation currency for the purposes of this historical financial information. Balance sheet items other than equity are translated to the presentation currency using exchange rates as at the relevant reporting date, while income statement and other comprehensive income items are translated at average exchange rates for the respective reporting year. As for equity items, due to the impracticability to use exchange rates from the origination of the respective balances, 1 January 2020 exchange rate was used as an opening exchange rate. The translation effect is recognized in other reserves. The official National Bank of Georgia (NBG) exchange rates as at 31 December 2022, 31 December 2021 and 31 December 2020 were:

	GEL to AMD
31 December 2022	0.0069
31 December 2021	0.0064
31 December 2020	0.0063

Going concern

The Directors have, at the time of approving the historical financial information, a reasonable expectation that the Bank has adequate resources to continue in operational existence for the 12-month from the date the historical financial information is authorised for issue. In forming this view, the Directors have considered the Bank's business activities, objectives and strategy, principal risks, and uncertainties in achieving its objectives, and performance for a period of at least 12 months from the date of the approval of the historical financial information. The Directors considered the Bank's profit and capital forecasts and carried out stress test, incorporating extreme downside scenarios, which involved examining the level of disruption that may cause the Bank to fail. These were reviewed against the Bank's current and projected capital adequacy solvency, and liquidity positions.

The Directors consider the preparation of the historical financial information on a going concern basis to be appropriate due to the following key factors:

- The regulatory capital is forecasted to remain above its minimum regulatory requirements with respect to CET1, Tier 1 and total capital ratios (including buffers) both, in basic and in stress test scenarios. In the stress scenario forecast capital on all three ratios is projected to marginally exceed the minimum requirements.
- Liquidity Coverage Ratio (LCR) in the base case forecasts and stress test scenarios indicate that the LCR consistently exceeds the required minimum threshold of 100% throughout the forecast period.

As a result, the Directors have adopted the going concern basis of accounting in preparing the historical financial information. 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.

(Thousands of Georgian Lari)

2. Principal activities

Ameriabank CJSC (the Bank) was established on 8 December 1992 under the laws of the Republic of Armenia

The principal activities of the Bank are deposit taking and customer account maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of Armenia (CBA). The Bank has a general banking license and is a member of the state deposit insurance system in the Republic of Armenia. The majority of the Bank's assets and liabilities are located in Armenia.

The Bank has 24 branches from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 2 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia.

The Bank's operations are primarily located in Armenia. Consequently, the Bank is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of the two-countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation impacted prices for raw materials and services, and analysts also forecast economic implications for the global economy.

The Armenian economy has successfully resisted existing global turbulences and managed to register impressive macroeconomic indicators in 2022, mainly due to tourism, reallocation of number of companies into Armenia and significant increase of remittances. All the mentioned factors have resulted in 12.6% increase in GDP in 2022, which is significantly higher than it was anticipated at the beginning of the year. Per International Monetary Fund's (IMF) performance review, an economic rebound will continue. Government projects 7% growth for 2023. The government's 2021-2026 economic program seeks to advance an export-oriented and investment-driven growth model through a broad-based reform effort.

Standard & Poor's credit rating for Armenia stands at B+ with stable outlook dated 24 November 2022. Fitch credit rating for Armenia stands at B+, and was updated to positive outlook on 10 February 2023.

The financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and financial position of the Bank. The future business environment may differ from management's assessment.

As at 31 December 2022, 2021 and 2020 the Bank's shareholding structure was as follows:

Shareholder	*31 December 2022*	*31 December 2021*	*31 December 2020*
Imast Group (CY)	48.87%	48.90%	48.95%
European Bank of Reconstruction and Development (EBRD)	17.73%	17.74%	17.76%
Asian Development Bank (ADB)	13.92%	13.93%	13.94%
ESPS Holding Limited	11.98%	11.92%	11.83%
Afeyan Foundation for Armenia Inc.	7.50%	7.51%	7.52%
Total	**100.00%**	**100.00%**	**100.00%**

3. Summary of significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in this historical financial information.

Fair value measurement

The Bank measures financial instruments, such as trading and investment securities and derivatives at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 historical financial information 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 historical financial information 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 (FVTPL);
- 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; or
- amortised cost.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL 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 FVTPL.

3. Summary of significant accounting policies (continued)

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 FVTPL, for directly attributable fees and costs.

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.

Financial instruments measured at amortised cost

The Bank measures amounts 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 payments 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).
- 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 form the counterparty.
- Hold to collect and sell: This model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- Other: All those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

3. Summary of significant accounting policies (continued)

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 SPPI on the principal amount outstanding at initial recognition to determine the classification. The SPPI test is performed on an individual instrument basis.

Contractual cash flows that represent SPPI 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.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to revise the interest rate following the change of key rate set by the CBA. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding. Instead, the Bank considers these loans as in essence floating rate loans (Note 3).

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.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends received are recognised in profit or loss. Equity instruments at FVOCI are not subject to impairment assessment.

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.

3. Summary of significant accounting policies (continued)

Derivatives recorded at FVTPL

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 gain / (losses) from financial instruments measured at FVTPL, excluding gain/loss on foreign exchange derivatives which are presented in net foreign currency gain.

Financial guarantees, letter of credits 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 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, amortised 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 income statement as part of other expected credit loss and provision for performance guarantees.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with the CBA, including obligatory reserves denominated in AMD 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. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Borrowings

Issued financial instruments or their components are classified 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). These are initially recognised 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 rate (EIR) method. Gains and losses are recognised in the income statement when the borrowings are derecognised as well as through the amortisation process.

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 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

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank considers the commencement date of the lease the date on which the lessor makes an underlying asset available for use to the Bank.

The Banks main leasing activities include the leases of the leases of service centres. A non-cancellable lease period is up to ten years. Lease payments are fixed in most cases. The contacts do not 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 recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimated dismantling costs, if any. 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 interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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 expense on a straight-line basis over the lease term.

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

Leases that transfer substantially all the risks and benefits incidental to ownership of the lease item to the lessee are classified as finance leases. All other leases are classified as operating leases. The Bank recognises finance lease receivables in the 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 discount factor used is the interest rate implicit in the lease. 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.

3. Summary of significant accounting policies (continued)

Operating lease

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term as net other income. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Impairment of financial assets

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- net investments in finance leases;
- financial guarantee contracts issued; and
- loan commitments issued.

Equity instruments are not subject to impairment under IFRS 9.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for financial instruments (other than net investments in finance leases) on which credit risk has not increased significantly since their initial recognition, for which they are measured as 12-month ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments. Significant increase in credit risk accounting policy is presented in note 4

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

3. Summary of significant accounting policies (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and net investments in finance leases are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised 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.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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 in cases when renegotiation of contractual terms happens due to financial difficulties of the borrower. Once the financial asset is derecognised, the difference between the asset's new and derecognized balance 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 purchased or originated credit-impaired (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 modification is such that the instrument would no longer meet the SPPI criterion.

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.

Derecognition of financial liabilities

A financial liability is derecognised 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 income statement.

Foreclosed assets

Foreclosed assets is valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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.

3. Summary of significant accounting policies (continued)

Taxation

The current income tax expense is calculated in accordance with the regulations in force in the Republic of Armenia.

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, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded 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.

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.

The Group do not currently consider that assumptions or judgements made in assessing tax liabilities have a significant risk of resulting in a material adjustment within the next financial year

Property and equipment

Property and equipment is carried at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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:

Furniture and fixtures	5 to 10 years
Computers and equipment	5 to 10 years
Motor vehicles	7 years
Leasehold improvements	5 to 20 years

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 depreciat4ed until the time they are available for use and reclassified to their respective group of property, plant, and equipment.

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

3. Summary of significant accounting policies (continued)

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 10 years.

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 only when the Bank can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete the asset, and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. Other research and software development costs are recognised as an expense as incurred.

Provisions
Provisions are recognised when the Bank 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Repurchase and reverse repurchase agreements
Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method. If the counterparty has the right to sell or pledge securities subject to the agreement, the Bank reclassifies them on its statement of financial position as Investment Securities pledged under sale and repurchase agreements.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Equity
Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Share premium
Any amount paid in excess of par value of shares issued is recognised as a share premium.

Dividends
Dividends are recognised as liabilities and deducted from equity at the reporting date only if they are declared before or on the reporting date and do not require further approval. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the 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
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation where an outflow of the economic resources is either not expected to occur or cannot be measured reliably.

Contingent liabilities are not recognised in the consolidated 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 consolidated 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 Group 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, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts.

The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as interest income or expense.

For financial instruments in Stage 1 and Stage 2, the bank calculates interest income by applying the 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). The bank presents interest revenue calculated using the EIR method separately in the income statement.

Fees 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 are 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
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission incomes and asset management, custody, package services 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.

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.

3. Summary of significant accounting policies (continued)

Functional, reporting currencies and foreign currency translation

The functional currency of the Bank is the Armenian Dram (AMD) as, being the national currency of the Republic of Armenia, it reflects the economic substance of most of underlying events and circumstances relevant to the Bank.

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 the 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 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.

Adoption of new or revised standards and interpretations

The Bank has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective for these financial statements.

Certain amendments and interpretations apply for the first time in 2022, but do not have significant impact on the Bank's historical financial information and accounting policies.

Interest rate benchmark reform

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has exposures to IBORs on its financial instruments that are being reformed as part of these market-wide initiatives.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Financial and Operational department monitors and manages the Bank's transition to alternative rates. The Financial and Operational department together with profit centres evaluates the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The Financial and Operational department reports to the Management Board and collaborates with other business functions as needed. It provides periodic reports to ALCO to support the management of interest rate risk.

For contracts indexed to an IBOR that mature after the expected cessation of the IBOR rate, the Bank has established policies to amend the contractual terms. These amendments include the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate if such amendment is allowed by local legislation.

(Thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

The Bank approved a policy requiring that, with effect from 1 February 2022, all newly originated floating-rate loans are linked to term SOFR rates published by CME for USD loans and EURIBOR for EUR loans.

The Bank monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Bank considers that a contract is not yet transitioned to an alternative benchmark rate (and referred to as an 'unreformed contract') when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR.

As at 31 December 2021, the IBOR reform in respect of currencies to which the Bank has exposure has been largely completed. The table below sets out the IBOR rates that the Bank had exposure to, the new benchmark rates to which these exposures have or are being transitioned, and the status of the transition.

Currency	Benchmark before reform	Benchmark after reform	Status as at 31 December 2021
USD	USD LIBOR	SOFR	Completed
EUR	EUR LIBOR	EURIBOR reformed	Completed

Amendments effective from 1 January 2022

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to clarify what costs an entity considers in assessing whether a contract is onerous. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendment had no material impact on the Bank's historical financial information.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment had no material impact on the Bank's historical financial information.

Amendments to IFRS 3, Business combinations updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendment had no material impact on the Bank's financial statements.

Amendments to IAS 16, 'Property, plant and equipment' prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendment had no material impact on the Bank's historical financial infomration.

Amendments to IFRS 1, 'First-time Adoption of International Financial Reporting Standards' - Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1. The amendment had no material impact on the Bank's historical financial information.

The amendment did not have any material effect of the Bank's historical financial information.

3. Summary of significant accounting policies (continued)

New and amended standards and interpretations effective from 1 January 2023

The following standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, Ameriabank has not early-adopted the amended standards, as listed below, in preparing the Historical Financial Information. Ameriabank intends to adopt these IFRS standards at the date when the IFRS becomes effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard is not expected to have any material impact on the Bank's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The new standard is not expected to have any material impact on the Bank's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 Bank is in the process of assessing the impact of the amendments on the disclosures of its accounting policies. No impact on the measurement, recognition or presentation of any items in the Bank's financial statements is expected.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The new standard is not expected to have any material impact on the Bank's 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 are not expected to have any impact on the Bank's financial statements as the Bank is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year.

3. Summary of significant accounting policies (continued)

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. An entity is required to apply IFRS S1 for annual reporting periods beginning on or after 1 January 2024. In the first annual reporting period in which an entity applies IFRS S1, the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements in IFRS S1 only insofar as they relate to the disclosure of climate-related financial information.

The standard is not yet endorsed by the United Kingdom. The Bank is assessing the impact of the new standard on its financial statements.

IFRS S2 — Climate-related Disclosures

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. An entity is required to apply IFRS S2 for annual reporting periods beginning on or after 1 January 2024.

The standard is not yet endorsed by the United Kingdom. The Bank is assessing the impact of the new standard on its financial statements.

4. Significant accounting judgements and estimates

Allowance for financial assets

From 1 January 2018, the Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument'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.

4. Significant accounting judgements and estimates (continued)

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12m ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay, based on management's judgment. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

PD estimation process

Treasury and interbank relationships

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank analyses publicly available information such as financial information and other external data, e.g., the external ratings.

Loans and advances to customers

Bucketing

In 2022, for PD estimation the Bank developed and implemented its own internal credit rating (ICR) model for individually significant large-scale stage 1 loans, which comprised 55% of total corporate loan portfolio.

The model of choice is logistic regression where it models the probabilities of a binary response variable, the so-called target (indicator for an occurrence of a default event within a 12 months-long period) against several independent variables.

Within the scope of Corporate PD model development three scorecards have been constructed:

- Behavioural - that includes scoring parameters constructed based on the behavioural/transactional data from the Bank's sources;
- Financial – that includes scoring parameters constructed based on the information from Financial statements provided to the Bank;
- Qualitative – that includes scoring parameters based on the qualitative and other quantitative information accumulated or produced within the Bank that reflect the credit risk of the Bank's creditors.

The above mentioned three models are linked together to obtain a final score for every creditor included in the development sample as well as all the new creditors that will be included into the corporate portfolio of the Bank in the upcoming periods.

4. Significant accounting judgements and estimates (continued)

Based on this corporate clients are segregated in following PD based ratings:

Internal Rating Grades	External rating
	Moody's
1	Aaa1
2	Aa1-Aa3
3	A1-A3
4A	Baa1
4B	Baa2
4C	Baa3
5A	Ba1
5B	Ba2
5C	Ba3
6	B1-B3
7	CCC+-CCC-

Besides this, the Bank also segregates the following portfolios.

- corporate loans, which PDs are not calculated based on ICR model;
- mortgages loans;
- consumer loans.

PDs for loans and advances to customers are based on historic information and are calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring between overdue categories from the total number at the beginning of the period. Calculated PDs are further adjusted based on forward looking information.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12m ECL. For Stage 2 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

For Stage 3 and POCI financial assets exposure at default is equal to the gross amount of the loans.

EAD is derived from the historical behaviour of amortised costs of defaulted loans before the date when the default has occurred.

Loss given default

For individually not significant Stage 1, Stage 2 and Stage 3 exposures, the Bank calculated LGD on portfolio level. The Bank uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. All cash flow information is collected after the default date and discounted to the date of default using effective interest rate of each loan. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.). For individually significant Stage 1, Stage 2 and Stage 3 exposures the Bank calculates LDG individually considering expected cash, including cash flows from realisation of collateral.

Significant increase in credit risk

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. The main criterion used by the Bank is the information on overdue days of the loans. The Bank concludes that there is a significant risk in credit risk of the assets, when payments related to that assets are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- overdue days of the borrower in other financial institutions in Armenia;
- difficulties in the financial conditions of the borrower;
- renegotiation of the loan terms resulting from deterioration of the borrower's financial position;
- deterioration of macroeconomic indicators and their possible effect on the borrower's financial performance.

4. Significant accounting judgements and estimates (continued)

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on a broad range of macroeconomic indicators as forward-looking information, such as:

- consumer price index;
- RUR/AMD exchange rate;
- volumes of export;
- volumes of import,
- real GDP growth;
- industrial production growth;
- nominal GDP;
- international reserves;
- net export

The Bank obtains the forecasts of macroeconomic data from third party source (Economic Intelligence Unit). Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios.

The table below shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations.

Key drivers	ECL scenario	Assigned weight	As at 31 December 2022		As at 31 December 2021		As at 31 December 2020	
			2023	2024	2022	2023	2021	2022
CPI index								
	Upside	20%	101.287	100.087	102.098	100.998	101.221	99.221
	Base case	50%	104.300	103.100	105.100	104.000	104.100	102.100
	Downside	30%	107.313	106.113	108.102	107.002	106.979	104.979
RUR/AMD exchange rate								
	Upside	20%	7.609	7.719	9.489	9.529	9.391	9.571
	Base case	50%	5.000	5.110	6.880	6.920	6.800	6.980
	Downside	30%	2.391	2.507	4.271	4.311	4.209	4.389
Export, AMD million								
	Upside	20%	6677.130	7111.130	4157.810	4454.810	3452.560	3880.560
	Base case	50%	6049.000	6483.000	3531.000	3828.000	2911.000	3339.000
	Downside	30%	5420.860	5854.860	2904.190	3201.190	2369.440	2797.440
Import, AMD million								
	Upside	20%	9814.910	9911.910	6595.910	7001.910	5828.090	6530.090
	Base case	50%	9100.000	9197.000	5890.000	6296.000	5165.000	5867.000
	Downside	30%	8385.080	8482.080	5184.090	5590.090	4501.900	5203.900
Real GDP growth								
	Upside	20%	107.787	107.605	108.315	108.115		
	Base case	50%	103.807	103.615	104.200	104.000		
	Downside	30%	99.828	99.632	100.084	99.885		
Industrial production growth								
	Upside	20%	8.223	8.216	10.349	8.249		
	Base case	50%	3.428	3.427	5.500	3.400		
	Downside	30%	-1.366	-1.366	0.651	-1.449		
Nominal GDP AMD billion								
	Upside	20%	10091.000	10987.000				
	Base case	50%	9231.000	10127.000				
	Downside	30%	8371.000	9267.000				
International reserves USDm								
	Upside	20%	4730.000	4447.000				
	Base case	50%	4143.000	3860.000				
	Downside	30%	3556.000	3273.000				
Net Export USDm								
	Upside	20%	-2114.000	-1985.000				
	Base case	50%	-2506.000	-2377.000				
	Downside	30%	-2898.000	-2769.000				

The bank has implemented a policy to conduct testing at the conclusion of each reporting period, aiming to evaluate whether certain parameters continue to impact Probability of Defaults (PDs). Through these assessments, certain indicators may be excluded, while new ones may be added to the list. In 2020, following the assessment testing, it was determined that the parameter "real GDP" and "industrial production growth" were not included.

(Thousands of Georgian Lari)

4. Significant accounting judgements and estimates (continued)

Along with baseline forecasts (with 50% probability of occurrence) listed in the table above, additionally, the Bank uses shocked macroeconomic variables to calculate the ECL under the optimistic (with 20% probability of occurrence) and pessimistic (30% probability of occurrence) scenarios. These rates are weighted to form final ECL rates. The Bank had applied the following weights for the scenarios: 50% probability of occurrence of baseline scenario, 20% probability of occurrence of optimistic and 30% of pessimistic scenarios respectively.

Forward-looking variable assumptions

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.

Sensitivity of ECL to forward looking assumptions:

	As at 31 December 2022				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	50,885	2.63%	2.27%	2.46%	3.06%
Residential mortgage loans	11,491	0.90%	0.79%	0.89%	0.99%
Micro and SME loans	22,324	1.94%	1.55%	1.90%	2.25%
Consumer loans	19,047	3.05%	2.62%	3.01%	3.41%

	As at 31 December 2021				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	48,716	2.52%	2.20%	2.49%	2.79%
Residential mortgage loans	6,515	0.72%	0.59%	0.71%	0.81%
Micro and SME loans	25,648	2.65%	2.04%	2.61%	3.13%
Consumer loans	25,229	4.94%	4.60%	4.91%	5.21%

	As at 31 December 2020				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	60,298	2.54%	2.33%	2.52%	2.72%
Residential mortgage loans	6,892	0.94%	0.66%	0.93%	1.14%
Micro and SME loans	30,165	3.63%	3.15%	3.60%	4.00%
Consumer loans	47,162	9.44%	8.95%	9.40%	9.84%

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in expected credit losses for respective financial assets in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(Thousands of Georgian Lari)

5. Cash and cash equivalents

	2022	2021	2020
Cash on hand	146,251	147,275	130,341
Current accounts with central banks	366,304	1,464,020	1,241,670
Current accounts with credit institutions	266,063	91,275	98,269
Time deposits with credit institutions with maturities of up to 90 days	125,912	52,502	18
Cash and cash equivalents, gross	**904,530**	**1,755,072**	**1,470,298**
Less – Allowance for expected credit loss	(29)	(272)	(113)
Cash and cash equivalents, net	**904,501**	**1,754,800**	**1,470,185**

As 31 December 2022, GEL 280,983 (2021: 76,627, 2020: GEL 71,456) 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 4.41% interest per annum on these deposits (2021: 0.75%, 2020: 0.75%). 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.

The Nostro accounts held with the Central Bank of Armenia are connected to settlement operations and can be easily accessed for withdrawals. The fluctuations in their balance primarily stem from settlement transactions facilitated by the Bank.

6. Amounts due from credit institutions

	2022	2021	2020
Obligatory reserves	472,120	202,510	193,991
Deposits placed at central bank	46,362	21,687	14,504
Time deposits with maturities of more than 90 days	1,369	3,145	14,835
Restricted cash	6,251	3,696	3,905
Receivables from REPO operations	322,809	48,561	108,238
Amounts due from credit and other financial institutions, gross	**848,911**	**279,599**	**335,473**
Less – Allowance for expected credit loss	(1,094)	(522)	(552)
Amounts due from credit and other financial institutions, net	**847,817**	**279,077**	**334,921**

Obligatory reserves with central banks represent amounts deposited with the Central Bank of Armenia (CBA). Credit institutions are required to maintain cash deposits (obligatory reserve) with the CBA, 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 does not earn interest on obligatory reserves with CBA.

Banks are required to maintain cash deposit (obligatory reserve) with the Central Bank of Armenia for attracted funds. For funds attracted in AMD the obligatory reserve is 4% (2021: 4%, 2020: 2%) and is maintained fully in AMD. For funds attracted in foreign currencies, the reserve is 18% of the attracted funds, of which 6% is maintained in AMD and 12% in the respective currency of funds attracted (2021: 10%, 2020: 10% in AMD and 2021: 8%, 2020: 8% in respective currency of funds attracted). The Bank's ability to withdraw deposit maintained in AMD is not restricted by the statutory legislation; however, if the Bank fails to comply with minimum average monthly amount of reserve sanctions may apply.

As at 31 December 2022 receivables from REPO operations were collateralised by government securities with fair value of GEL 337,903 (2021: GEL 54,653, 2020: GEL 118,892)

(Thousands of Georgian Lari)

7. Investment securities

Investment securities

	2022	2021	2020
Investment securities measured at FVOCI - debt instruments	392,479	50,548	49,823
Investment securities designated as at FVOCI - equity investments	537	505	520
Investment securities at FVOCI	**393,016**	**51,053**	**50,343**

	2022	2021	2020
Investment securities measured at amortised cost	1,045,760	245,243	212,109
Less: allowance for expected credit losses	(2,257)	(621)	(354)
Investment securities measured at amortized cost, net	**1,043,503**	**244,622**	**211,755**

	2022	2021	2020
Investment securities measured at FVTPL - debt instruments	68,642	52,510	59,324
Investment securities designated as at FVTPL - equity investments	685	-	-
Investment securities measured at FVTPL	**69,327**	**52,510**	**59,324**

	2022	2021	2020
Government securities of the Republic of Armenia	153,962	40,329	31,158
Government securities and Eurobonds of the Republic of Armenia	73,066	3,972	-
Government securities of foreign countries*	93,644	-	-
Government Eurobonds of foreign countries	7,371	-	-
Corporate bonds	64,436	6,247	18,665
Investment securities measured at FVOCI - debt instruments	**392,479**	**50,548**	**49,823**

** As at 31 December 2022 Government securities of foreign countries of debt securities measured at FVOCI are US Treasury Notes.*

	2022	2021	2020
Government securities of the Republic of Armenia	342,485	234,893	211,152
Government securities and Eurobonds of the Republic of Armenia	254,261	4,125	-
Government securities of foreign countries**	412,753	-	-
Corporate bonds	36,261	6,225	957
Investment securities measured at amortised cost - debt instruments, gross	**1,045,760**	**245,243**	**212,109**
Less: allowance for expected credit losses	(2,257)	(621)	(354)
Investment securities measured at amortised cost - debt instruments, net	**1,043,503**	**244,622**	**211,755**

***As at 31 December 2022 Government securities of foreign countries of debs securities measures at amortised cost comprise of US Treasury Notes in the amount of GEL 389,763 and Ministry of Finance of the France bonds in the amount of GEL 22,990.*

The growth in investment securities in 2022 was a result of increased attracted funds, leading to heightened liquidity, which was then invested in interest-bearing assets.

	2022	2021	2020
Government securities of the Republic of Armenia	27,612	27,624	34,492
Government Eurobonds of the Republic of Armenia	25,214	4,108	-
Corporate bonds	15,816	20,778	24,832
Investment securities measured at FVTPL - debt instruments	**68,642**	**52,510**	**59,324**

(Thousands of Georgian Lari)

7. Investment securities (continued)

Investment securities pledged under sale and repurchase agreements

	2022	2021	2020
Investment securities measured at FVOCI - debt instruments	-	26,406	19,950
Investment securities at FVOCI	**-**	**26,406**	**19,950**

	2022	2021	2020
Investment securities measured at amortised cost	30,128	101,655	111,731
Less: allowance for expected credit losses	(21)	(221)	(259)
Investment securities measured at amortized cost, net	**30,107**	**101,434**	**111,472**

	2022	2021	2020
Government securities of the Republic of Armenia	-	26,406	19,950
Investment securities measured at FVOCI - debt instruments	**-**	**26,406**	**19,950**

	2022	2021	2020
Government securities of the Republic of Armenia	30,128	53,661	111,731
Government securities and Eurobonds of the Republic of Armenia	-	47,994	-
Investment securities measured at amortised cost - debt instruments, gross	**30,128**	**101,655**	**111,731**
Less: allowance for expected credit losses	(21)	(221)	(259)
Investment securities measured at amortised cost - debt instruments, net	**30,107**	**101,434**	**111,472**

For the period ended 31 December 2022 net gains/(losses) on derecognition of investment securities comprised GEL 25 (2021: GEL (681) loss, 2020: GEL 2,325 gain) which is included in net other income.

8. Loans to customers and finance lease receivables

	2022	2021	2020
Commercial loans	1,936,695	1,931,516	2,370,688
Residential mortgage loans	1,274,646	910,117	733,708
Micro and SME loans	1,147,961	966,779	830,582
Consumer loans	624,059	510,799	499,450
Loans to customers at amortised cost, gross	**4,983,361**	**4,319,211**	**4,434,428**
Less – Allowance for expected credit loss	(103,747)	(106,108)	(144,517)
Loans to customers at amortised cost, net	**4,879,614**	**4,213,103**	**4,289,911**
Finance lease receivables, gross	**161,225**	**128,278**	**81,742**
Less – Allowance for expected credit loss	(1,412)	(2,735)	(3,443)
Finance lease receivables, net	**159,813**	**125,543**	**78,299**
Total loans to customers and finance lease receivables	**5,039,427**	**4,338,646**	**4,368,210**

The increase in loans to customers was primarily driven by economic growth, as highlighted in the Principal Activities section, with GDP growth reaching 12.6%.

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. Currency translation differences relate to functional currency difference from the presentation currency, while foreign exchange movement relates to foreign currency denominated loans issued by the Bank. Net other change in gross loan balances includes the effects of changes in accrued interest. Changes in PDs and other inputs, as well as the effect from ECL attributable to changes in accrued interest.

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**1,800,082**	**50,455**	**80,979**	**1,931,516**
New financial asset originated or purchased	2,179,297	-	-	2,179,297
Transfer to Stage 1	36,352	(36,352)	-	-
Transfer to Stage 2	(10,571)	10,571	-	-
Assets repaid	(1,912,889)	(7,747)	(7,249)	(1,927,885)
Write-offs	-	-	(27,448)	(27,448)
Recoveries of amounts previously written off	-	-	6,864	6,864
Unwind of discount	-	-	2,173	2,173
Currency translation differences	112,228	2,332	4,586	119,146
Foreign exchange movement	(340,297)	(7,575)	904	(346,968)
Balance at 31 December 2022	**1,864,202**	**11,684**	**60,809**	**1,936,695**
Individually assessed	-	-	60,809	60,809
Collectively assessed	1,864,202	11,684	-	1,875,886
Balance at 31 December 2022	**1,864,202**	**11,684**	**60,809**	**1,936,695**

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**12,289**	**5,763**	**30,664**	**48,716**
New financial asset originated or purchased	15,988	-	-	15,988
Transfer to Stage 1	41	(41)	-	-
Transfer to Stage 2	(3,388)	3,388	-	-
Impact on ECL of exposures transferred between stages during the year	(17)	(2,846)	-	(2,863)
Assets derecognised due to pass-through arrangement	-	-	-	-
Assets repaid	(13,707)	(2,596)	(3,382)	(19,685)
Write-offs	-	-	(27,448)	(27,448)
Recoveries of amounts previously written off	-	-	6,864	6,864
Unwind of discount	-	-	2,173	2,173
Currency translation differences	712	319	2,016	3,047
Foreign exchange movement	(399)	-	(10,214)	(10,613)
Net other measurement of ECL	(1,529)	(34)	36,269	34,706
Balance at 31 December 2022	**9,990**	**3,953**	**36,942**	**50,885**
Individually assessed	-	-	36,942	36,942
Collectively assessed	9,990	3,953	-	13,943
Balance at 31 December 2022	**9,990**	**3,953**	**36,942**	**50,885**

(Thousands of Georgian Lari)

8. 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**	**Total**
Balance at 1 January 2022	**875,013**	**20,632**	**14,472**	**910,117**
New financial asset originated or purchased	497,073	-	-	497,073
Transfer to Stage 1	2,099	(860)	(1,239)	-
Transfer to Stage 2	(1,016)	1,068	(52)	-
Transfer to Stage 3	(1,567)	(11,473)	13,040	-
Assets repaid	(129,912)	(5,972)	(1,661)	(137,545)
Write-offs	-	-	(15,001)	(15,001)
Recoveries of amounts previously written off	-	-	12,901	12,901
Unwind of discount	-	-	1,030	1,030
Currency translation differences	61,505	896	1,004	63,405
Foreign exchange movement	(50,522)	(2,392)	(4,420)	(57,334)
Balance at 31 December 2022	**1,252,673**	**1,899**	**20,074**	**1,274,646**
Individually assessed	-	-	19,500	19,500
Collectively assessed	1,252,673	1,899	574	1,255,146
Balance at 31 December 2022	**1,252,673**	**1,899**	**20,074**	**1,274,646**

Residential mortgage loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	**1,978**	**1,608**	**2,929**	**6,515**
New financial asset originated or purchased	3,346	-	-	3,346
Transfer to Stage 1	3	(1)	(2)	-
Transfer to Stage 2	(42)	45	(3)	-
Transfer to Stage 3	(112)	(8,493)	8,605	-
Impact on ECL of exposures transferred between stages during the year	(1)	46	(303)	(258)
Assets repaid	(935)	(1,826)	(437)	(3,198)
Write-offs	-	-	(15,001)	(15,001)
Recoveries of amounts previously written off	-	-	12,901	12,901
Unwind of discount	-	-	1,030	1,030
Currency translation differences	121	69	311	501
Foreign exchange movement	(63)	(9)	(614)	(686)
Net other measurement of ECL	(2,345)	8,688	(2)	6,341
Balance at 31 December 2022	**1,950**	**127**	**9,414**	**11,491**
Individually assessed	-	-	9,125	9,125
Collectively assessed	1,950	127	289	2,366
Balance at 31 December 2022	**1,950**	**127**	**9,414**	**11,491**

(Thousands of Georgian Lari)

8. 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	Total
Balance at 1 January 2022	**922,389**	**14,392**	**29,998**	**966,779**
New financial asset originated or purchased	809,442	-	-	809,442
Transfer to Stage 1	3,304	(2,606)	(698)	-
Transfer to Stage 2	(1,911)	1,930	(19)	-
Transfer to Stage 3	(14,953)	(2,145)	17,098	-
Assets repaid	(547,147)	(5,364)	(5,967)	(558,478)
Write-offs	-	-	(2,160)	(2,160)
Recoveries of amounts previously written off	-	-	540	540
Unwind of discount	-	-	248	248
Currency translation differences	60,698	674	1,847	63,219
Foreign exchange movement	(117,537)	(3,101)	(10,991)	(131,629)
Balance at 31 December 2022	**1,114,285**	**3,780**	**29,896**	**1,147,961**
Individually assessed	-	-	24,844	24,844
Collectively assessed	1,114,285	3,780	5,052	1,123,117
Balance at 31 December 2022	**1,114,285**	**3,780**	**29,896**	**1,147,961**

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**10,883**	**3,405**	**11,360**	**25,648**
New financial asset originated or purchased	6,518	-	-	6,518
Transfer to Stage 1	33	(21)	(12)	-
Transfer to Stage 2	(900)	911	(11)	-
Transfer to Stage 3	(4,198)	(214)	4,412	-
Impact on ECL of exposures transferred between stages during the year	33	(195)	(1,188)	(1,350)
Assets repaid	(4,406)	(1,797)	(2,919)	(9,122)
Write-offs	-	-	(2,160)	(2,160)
Recoveries of amounts previously written off	-	-	540	540
Unwind of discount	-	-	248	248
Currency translation differences	722	166	626	1,514
Foreign exchange movement	(462)	(77)	(2,989)	(3,528)
Net other measurement of ECL	5,221	(951)	(254)	4,016
Balance at 31 December 2022	**13,444**	**1,227**	**7,653**	**22,324**
Individually assessed	-	-	3,513	3,513
Collectively assessed	13,444	1,227	4,140	18,811
Balance at 31 December 2022	**13,444**	**1,227**	**7,653**	**22,324**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**473,065**	**23,693**	**14,041**	**510,799**
New financial asset originated or purchased	427,685	-	-	427,685
Transfer to Stage 1	2,971	(912)	(2,059)	-
Transfer to Stage 2	(2,389)	2,503	(114)	-
Transfer to Stage 3	(4,847)	(4,836)	9,683	-
Assets repaid	(293,880)	(15,056)	(3,844)	(312,780)
Write-offs	-	-	(10,237)	(10,237)
Recoveries of amounts previously written off	-	-	8,804	8,804
Unwind of discount	-	-	596	596
Currency translation differences	31,847	1,048	859	33,754
Foreign exchange movement	(27,226)	(3,305)	(4,031)	(34,562)
Balance at 31 December 2022	**607,226**	**3,135**	**13,698**	**624,059**
Individually assessed	-	-	3,879	3,879
Collectively assessed	607,226	3,135	9,819	620,180
Balance at 31 December 2022	**607,226**	**3,135**	**13,698**	**624,059**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**8,499**	**10,426**	**6,304**	**25,229**
New financial asset originated or purchased	4,100	-	-	4,100
Transfer to Stage 1	50	(10)	(40)	-
Transfer to Stage 2	(831)	874	(43)	-
Transfer to Stage 3	(3,190)	(3,818)	7,008	-
Impact on ECL of exposures transferred between stages during the year	18	(150)	(2,132)	(2,264)
Assets repaid	(2,477)	(5,219)	(1,696)	(9,392)
Write-offs	-	-	(10,237)	(10,237)
Recoveries of amounts previously written off	-	-	8,804	8,804
Unwind of discount	-	-	596	596
Currency translation differences	543	460	428	1,431
Foreign exchange movement	(87)	(4)	(432)	(523)
Net other measurement of ECL	2,796	(1,212)	(281)	1,303
Balance at 31 December 2022	**9,421**	**1,347**	**8,279**	**19,047**
Individually assessed	-	-	628	628
Collectively assessed	9,421	1,347	7,651	18,419
Balance at 31 December 2022	**9,421**	**1,347**	**8,279**	**19,047**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**2,188,470**	**66,757**	**115,461**	**2,370,688**
New financial asset originated or purchased	897,913	-	-	897,913
Transfer to Stage 1	9,384	(9,384)	-	-
Transfer to Stage 2	(10,878)	10,878	-	-
Transfer to Stage 3	(15,520)	(9,537)	25,057	-
Assets repaid	(1,024,511)	(10,289)	(3,494)	(1,038,294)
Write-offs	-	-	(43,498)	(43,498)
Recoveries of amounts previously written off	-	-	3,948	3,948
Unwind of discount	-	-	3,338	3,338
Currency translation differences	57,175	1,708	2,904	61,787
Foreign exchange movement	(301,951)	322	(22,737)	(324,366)
Balance at 31 December 2021	**1,800,082**	**50,455**	**80,979**	**1,931,516**
Individually assessed	-	-	80,979	80,979
Collectively assessed	1,800,082	50,455	-	1,850,537
Balance at 31 December 2021	**1,800,082**	**50,455**	**80,979**	**1,931,516**

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**14,919**	**12,294**	**33,085**	**60,298**
New financial asset originated or purchased	6,412	-	-	6,412
Transfer to Stage 1	3,652	(3,728)	76	-
Transfer to Stage 2	(88)	88	-	-
Transfer to Stage 3	(125)	(3,195)	3,320	-
Impact on ECL of exposures transferred between stages during the year	(757)	1	10,140	9,384
Assets repaid	(5,996)	(657)	(318)	(6,971)
Write-offs	-	-	(43,498)	(43,498)
Recoveries of amounts previously written off	-	-	3,948	3,948
Unwind of discount	-	-	3,338	3,338
Currency translation differences	392	285	892	1,569
Foreign exchange movement	(688)	(97)	(2,235)	(3,020)
Net other measurement of ECL	(5,432)	772	21,916	17,256
Balance at 31 December 2021	**12,289**	**5,763**	**30,664**	**48,716**
Individually assessed	-	-	30,664	30,664
Collectively assessed	12,289	5,763	-	18,052
Balance at 31 December 2021	**12,289**	**5,763**	**30,664**	**48,716**

(Thousands of Georgian Lari)

8. 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**	**Total**
Balance at 1 January 2021	**697,080**	**24,567**	**12,061**	**733,708**
New financial asset originated or purchased	344,244	-	-	344,244
Transfer to Stage 1	617	(617)	-	-
Transfer to Stage 2	(22,376)	22,376	-	-
Transfer to Stage 3	(15,278)	(7,416)	22,694	-
Assets repaid	(174,461)	(65)	62	(174,464)
Write-offs	-	-	(4,681)	(4,681)
Recoveries of amounts previously written off	-	-	1,615	1,615
Unwind of discount	-	-	913	913
Currency translation differences	20,634	645	351	21,630
Foreign exchange movement	24,553	(18,858)	(18,543)	(12,848)
Balance at 31 December 2021	**875,013**	**20,632**	**14,472**	**910,117**
Individually assessed	-	-	13,609	13,609
Collectively assessed	875,013	20,632	863	896,508
Balance at 31 December 2021	**875,013**	**20,632**	**14,472**	**910,117**

Residential mortgage loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	**1,433**	**1,966**	**3,493**	**6,892**
New financial asset originated or purchased	7,631	-	-	7,631
Transfer to Stage 1	36	(36)	-	-
Transfer to Stage 2	(744)	744	-	-
Transfer to Stage 3	(1,888)	(681)	2,569	-
Impact on ECL of exposures transferred between stages during the year	(26)	294	2,505	2,773
Assets repaid	(4,024)	(58)	(674)	(4,756)
Write-offs	-	-	(4,681)	(4,681)
Recoveries of amounts previously written off	-	-	1,615	1,615
Unwind of discount	-	-	913	913
Currency translation differences	44	51	92	187
Foreign exchange movement	198	(1,408)	(816)	(2,026)
Net other measurement of ECL	(682)	736	(2,087)	(2,033)
Balance at 31 December 2021	**1,978**	**1,608**	**2,929**	**6,515**
Individually assessed	-	-	2,532	2,532
Collectively assessed	1,978	1,608	397	3,983
Balance at 31 December 2021	**1,978**	**1,608**	**2,929**	**6,515**

(Thousands of Georgian Lari)

8. 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	Total
Balance at 1 January 2021	**766,524**	**31,600**	**32,458**	**830,582**
New financial asset originated or purchased	397,097	-	-	397,097
Transfer to Stage 1	5,210	(4,916)	(294)	-
Transfer to Stage 2	(6,039)	6,039	-	-
Transfer to Stage 3	(8,617)	(2,721)	11,338	-
Assets repaid	(457,836)	(696)	(3,126)	(461,658)
Write-offs	-	-	(14,679)	(14,679)
Recoveries of amounts previously written off	-	-	6,339	6,339
Unwind of discount	-	-	2,255	2,255
Currency translation differences	22,374	732	875	23,981
Foreign exchange movement	203,676	(15,646)	(5,168)	182,862
Balance at 31 December 2021	**922,389**	**14,392**	**29,998**	**966,779**
Individually assessed	-	-	26,656	26,656
Collectively assessed	922,389	14,392	3,342	940,123
Balance at 31 December 2021	**922,389**	**14,392**	**29,998**	**966,779**

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**8,900**	**7,882**	**13,383**	**30,165**
New financial asset originated or purchased	2,890	-	-	2,890
Transfer to Stage 1	1,216	(838)	(378)	-
Transfer to Stage 2	(283)	283	-	-
Transfer to Stage 3	(519)	(3,014)	3,533	-
Impact on ECL of exposures transferred between stages during the year	(134)	2	5,724	5,592
Assets repaid	(4,757)	(389)	438	(4,708)
Write-offs	-	-	(14,679)	(14,679)
Recoveries of amounts previously written off	-	-	6,339	6,339
Unwind of discount	-	-	2,255	2,255
Currency translation differences	261	181	352	794
Foreign exchange movement	(697)	(58)	(828)	(1,583)
Net other measurement of ECL	4,006	(644)	(4,779)	(1,417)
Balance at 31 December 2021	**10,883**	**3,405**	**11,360**	**25,648**
Individually assessed	-	-	8,585	8,585
Collectively assessed	10,883	3,405	2,775	17,063
Balance at 31 December 2021	**10,883**	**3,405**	**11,360**	**25,648**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	**451,863**	**20,686**	**26,901**	**499,450**
New financial asset originated or purchased	189,554	-	-	189,554
Transfer to Stage 1	340	(340)	-	-
Transfer to Stage 2	(12,321)	12,321	-	-
Transfer to Stage 3	(8,336)	(16,984)	25,320	-
Assets repaid	(96,065)	(394)	(1,899)	(98,358)
Write-offs	-	-	(39,677)	(39,677)
Recoveries of amounts previously written off	-	-	6,352	6,352
Unwind of discount	-	-	698	698
Currency translation differences	12,621	594	638	13,853
Foreign exchange movement	(64,591)	7,810	(4,292)	(61,073)
Balance at 31 December 2021	**473,065**	**23,693**	**14,041**	**510,799**
Individually assessed	-	-	7,535	7,535
Collectively assessed	473,065	23,693	6,506	503,264
Balance at 31 December 2021	**473,065**	**23,693**	**14,041**	**510,799**

Consumer loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	**20,976**	**7,500**	**18,686**	**47,162**
New financial asset originated or purchased	7,799	-	-	7,799
Transfer to Stage 1	20	(20)	-	-
Transfer to Stage 2	(410)	410	-	-
Transfer to Stage 3	(1,040)	(4,099)	5,139	-
Impact on ECL of exposures transferred between stages during the year	(34)	380	11,770	12,116
Assets repaid	(6,864)	(347)	709	(6,502)
Write-offs	-	-	(39,677)	(39,677)
Recoveries of amounts previously written off	-	-	6,352	6,352
Unwind of discount	-	-	698	698
Currency translation differences	479	230	415	1,124
Foreign exchange movement	(1,131)	1,302	(1,619)	(1,448)
Net other measurement of ECL	(11,296)	5,070	3,831	(2,395)
Balance at 31 December 2021	**8,499**	**10,426**	**6,304**	**25,229**
Individually assessed	-	-	851	851
Collectively assessed	8,499	10,426	5,453	24,378
Balance at 31 December 2021	**8,499**	**10,426**	**6,304**	**25,229**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**1,852,077**	**106,189**	**58,386**	**2,016,652**
New financial asset originated or purchased	1,122,244	-	-	1,122,244
Transfer to Stage 1	17,651	(17,651)	-	-
Transfer to Stage 2	(49,305)	49,305	-	-
Transfer to Stage 3	(3,463)	(70,752)	74,215	-
Assets repaid	(931,806)	(8,997)	286	(940,517)
Write-offs	-	-	(34,608)	(34,608)
Recoveries of amounts previously written off	-	-	1,418	1,418
Unwind of discount	-	-	(448)	(448)
Currency translation differences	90,721	6,041	2,196	98,958
Foreign exchange movement	90,351	2,622	14,016	106,989
Balance at 31 December 2020	**2,188,470**	**66,757**	**115,461**	**2,370,688**
Individually assessed	-	-	115,461	115,461
Collectively assessed	2,188,470	66,757	-	2,255,227
Balance at 31 December 2020	**2,188,470**	**66,757**	**115,461**	**2,370,688**

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**5,080**	**23,738**	**21,938**	**50,756**
New financial asset originated or purchased	10,967	-	-	10,967
Transfer to Stage 1	65	(65)	-	-
Transfer to Stage 2	(1,124)	1,124	-	-
Transfer to Stage 3	(29)	(15,093)	15,122	-
Impact on ECL of exposures transferred between stages during the year	4	57	23,374	23,435
Assets repaid	(2,177)	(1,065)	286	(2,956)
Write-offs	-	-	(34,608)	(34,608)
Recoveries of amounts previously written off	-	-	1,418	1,418
Unwind of discount	-	-	(448)	(448)
Currency translation differences	121	1,388	1,001	2,510
Foreign exchange movement	831	1,444	3,165	5,440
Net other measurement of ECL	1,181	766	1,837	3,784
Balance at 31 December 2020	**14,919**	**12,294**	**33,085**	**60,298**
Individually assessed	-	-	33,085	33,085
Collectively assessed	14,919	12,294	-	27,213
Balance at 31 December 2020	**14,919**	**12,294**	**33,085**	**60,298**

(Thousands of Georgian Lari)

8. 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	Total
Balance at 1 January 2020	**464,143**	**702**	**3,080**	**467,925**
New financial asset originated or purchased	255,184	-	-	255,184
Transfer to Stage 1	118	(61)	(57)	-
Transfer to Stage 2	(25,730)	25,730	-	-
Transfer to Stage 3	(8,999)	(691)	9,690	-
Assets repaid	(49,760)	(34)	(399)	(50,193)
Write-offs	-	-	(7,765)	(7,765)
Recoveries of amounts previously written off	-	-	2,148	2,148
Unwind of discount	-	-	848	848
Currency translation differences	20,612	(305)	31	20,338
Foreign exchange movement	41,512	(774)	4,485	45,223
Balance at 31 December 2020	**697,080**	**24,567**	**12,061**	**733,708**
Individually assessed	-	-	10,976	10,976
Collectively assessed	697,080	24,567	1,085	722,732
Balance at 31 December 2020	**697,080**	**24,567**	**12,061**	**733,708**

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**170**	**29**	**1,171**	**1,370**
New financial asset originated or purchased	7,551	-	-	7,551
Transfer to Stage 1	123	(45)	(78)	-
Transfer to Stage 2	(339)	339	-	-
Transfer to Stage 3	(383)	(68)	451	-
Impact on ECL of exposures transferred between stages during the year	(500)	660	3,561	3,721
Assets repaid	(1,895)	(32)	(160)	(2,087)
Write-offs	-	-	(7,765)	(7,765)
Recoveries of amounts previously written off	-	-	2,148	2,148
Unwind of discount	-	-	848	848
Currency translation differences	(9)	(26)	27	(8)
Foreign exchange movement	(60)	(8)	(350)	(418)
Net other measurement of ECL	(3,225)	1,117	3,640	1,532
Balance at 31 December 2020	**1,433**	**1,966**	**3,493**	**6,892**
Individually assessed	-	-	2,934	2,934
Collectively assessed	1,433	1,966	559	3,958
Balance at 31 December 2020	**1,433**	**1,966**	**3,493**	**6,892**

(Thousands of Georgian Lari)

8. 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	Total
Balance at 1 January 2020	**589,960**	**8,167**	**25,686**	**623,813**
New financial asset originated or purchased	385,730	-	-	385,730
Transfer to Stage 1	8,878	(8,878)	-	-
Transfer to Stage 2	(30,151)	30,151	-	-
Transfer to Stage 3	(10,079)	(257)	10,336	-
Assets repaid	(215,386)	(4,517)	(632)	(220,535)
Write-offs	-	-	(9,729)	(9,729)
Recoveries of amounts previously written off	-	-	399	399
Unwind of discount	-	-	(181)	(181)
Currency translation differences	27,906	86	1,228	29,220
Foreign exchange movement	9,666	6,848	5,351	21,865
Balance at 31 December 2020	**766,524**	**31,600**	**32,458**	**830,582**
Individually assessed	-	-	26,282	26,282
Collectively assessed	766,524	31,600	6,176	804,300
Balance at 31 December 2020	**766,524**	**31,600**	**32,458**	**830,582**

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**2,027**	**133**	**9,136**	**11,296**
New financial asset originated or purchased	3,327	-	-	3,327
Transfer to Stage 1	41	(28)	(13)	-
Transfer to Stage 2	(1,278)	1,278	-	-
Transfer to Stage 3	(887)	(102)	989	-
Impact on ECL of exposures transferred between stages during the year	87	3,446	4,901	8,434
Assets repaid	(265)	(232)	3	(494)
Write-offs	-	-	(9,729)	(9,729)
Recoveries of amounts previously written off	-	-	399	399
Unwind of discount	-	-	(181)	(181)
Currency translation differences	6	(104)	411	313
Foreign exchange movement	973	714	935	2,622
Net other measurement of ECL	4,869	2,777	6,532	14,178
Balance at 31 December 2020	**8,900**	**7,882**	**13,383**	**30,165**
Individually assessed	-	-	10,227	10,227
Collectively assessed	8,900	7,882	3,156	19,938
Balance at 31 December 2020	**8,900**	**7,882**	**13,383**	**30,165**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**416,762**	**4,172**	**13,745**	**434,679**
New financial asset originated or purchased	236,022	-	-	236,022
Transfer to Stage 1	191	(135)	(56)	-
Transfer to Stage 2	(20,851)	20,851	-	-
Transfer to Stage 3	(20,926)	(794)	21,720	-
Assets repaid	(160,316)	(402)	(440)	(161,158)
Write-offs	-	-	(16,510)	(16,510)
Recoveries of amounts previously written off	-	-	4,971	4,971
Unwind of discount	-	-	564	564
Currency translation differences	20,996	(21)	521	21,496
Foreign exchange movement	(20,015)	(2,985)	2,386	(20,614)
Balance at 31 December 2020	**451,863**	**20,686**	**26,901**	**499,450**
Individually assessed	-	-	6,935	6,935
Collectively assessed	451,863	20,686	19,966	492,515
Balance at 31 December 2020	**451,863**	**20,686**	**26,901**	**499,450**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**8,231**	**1,266**	**8,101**	**17,598**
New financial asset originated or purchased	7,070	-	-	7,070
Transfer to Stage 1	16	(10)	(6)	-
Transfer to Stage 2	(1,437)	1,437	-	-
Transfer to Stage 3	(3,316)	(252)	3,568	-
Impact on ECL of exposures transferred between stages during the year	51	1,662	12,994	14,707
Assets repaid	(5,978)	(374)	(144)	(6,496)
Write-offs	-	-	(16,510)	(16,510)
Recoveries of amounts previously written off	-	-	4,971	4,971
Unwind of discount	-	-	564	564
Currency translation differences	242	(24)	267	485
Foreign exchange movement	92	(352)	(409)	(669)
Net other measurement of ECL	16,005	4,147	5,290	25,442
Balance at 31 December 2020	**20,976**	**7,500**	**18,686**	**47,162**
Individually assessed	-	-	1,253	1,253
Collectively assessed	20,976	7,500	17,433	45,909
Balance at 31 December 2020	**20,976**	**7,500**	**18,686**	**47,162**

The contractual amounts outstanding on all loans to customers that have been written off during the reporting period but are still subject to enforcement activity was GEL 51,323 (2021: GEL 101,967, 2020: GEL 67,836).

(Thousands of Georgian Lari)

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

Collateral and other credit enhancements

Loans to legal entities (commercial, micro and SME loans)

Loans to legal entities are subject to individual credit appraisal and impairment testing. The general creditworthiness of a legal entity tends to be the most relevant indicator of credit quality of the loan. However, collateral provides additional security and the Bank generally requires corporate borrowers to provide it.

The main types of collateral obtained are real estate properties, equipment, inventory and cash collateral. The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

The Bank monitors the market value of collateral, 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 loan impairment.

Loans to individuals (mortgage and consumer loans)

Mortgage loans are secured by the underlying housing real estate. Consumer loans to retail customers mainly include credit cards and overdrafts to retail customers, online consumer loans and loans to retail customers for credit purchases. Secured credit card overdrafts are mainly secured by real estate and cars. Other credit card overdrafts are granted on the basis of salary considerations. Auto loans are secured by the underlying cars. Consumer loans are secured by real estate, movable property, salary, cash and individual guarantees.

Without considering the discounted value of collateral, the ECL for credit-impaired (stage 3) loans would be as follows:

2022	*ECL for credit-impaired loans*	*ECL without taking into account the discounted value of collateral*
Commercial loans	36,942	49,812
Residential mortgage loans	9,414	10,091
Micro and SME loans	7,653	24,491
Consumer loans	8,279	10,681
Total	**62,288**	**95,075**

2021	*ECL for credit-impaired loans*	*ECL without taking into account the discounted value of collateral*
Commercial loans	30,664	67,219
Residential mortgage loans	2,929	6,673
Micro and SME loans	11,360	24,901
Consumer loans	6,304	11,776
Total	**51,257**	**110,569**

2020	*ECL for credit-impaired loans*	*ECL without taking into account the discounted value of collateral*
Commercial loans	33,085	59,007
Residential mortgage loans	3,493	6,204
Micro and SME loans	13,383	16,588
Consumer loans	18,686	23,490
Total	**68,647**	**105,289**

(Thousands of Georgian Lari)

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

Concentration of loans to customers

As at 31 December 2022, the concentration of loans granted by the Bank to the ten largest third-party borrowers comprised GEL 686,607 accounting for 14% of the gross loan portfolio of the Bank (2021: 636,887 and 8% respectively, 2020: 758,189 and 10% respectively). An allowance of expected credit loss of GEL 5,275 (2021: GEL 4,459, 2020: GEL11,519) was established against these loans.

As at 31 December 2022, the concentration of loans granted by the Bank to the ten largest third-party group of borrowers (borrower and its related parties) comprised GEL 963,934 accounting for 19% of the gross loan portfolio of the Bank (2021: GEL 737,217 and 13% respectively, 2020: GEL 744,834 and 14% respectively). An allowance of expected credit loss of GEL 8,322 (2021: GEL 5,663,2020: GEL 6,024) was established against these loans.

As at 31 December 2022, 31 December 2021 and 31 December 2020, loans distribution by industry sector was as follows:

	2022	*2021*	*2020*
Individuals	1,898,706	1,420,917	1,233,158
Trade	629,309	606,220	870,073
Construction	548,722	315,239	187,780
Agriculture	329,859	273,747	185,204
Food and beverage	314,198	244,777	240,393
Mining and quarrying	262,153	187,851	215,697
Transport and communication	237,302	375,378	443,750
Energy	180,534	188,287	320,188
Hospitality	139,168	201,725	228,530
Real estate	116,802	146,235	163,851
Manufacturing	56,990	63,490	57,288
Other	269,618	295,345	288,516
Loans to customers, gross	**4,983,361**	**4,319,211**	**4,434,428**
Less – Allowance for expected credit loss	(103,747)	(106,108)	(144,517)
Loans to customers, net	**4,879,614**	**4,213,103**	**4,289,911**

Loans have been extended to the following types of customers:

	2022	*2021*	*2020*
Individuals	1,898,706	1,420,917	1,233,158
Private companies	3,079,396	2,894,547	3,197,565
State-owned entities	5,259	3,747	3,705
Loans to customers, gross	**4,983,361**	**4,319,211**	**4,434,428**
Less – Allowance for expected credit loss	(103,747)	(106,108)	(144,517)
Loans to customers, net	**4,879,614**	**4,213,103**	**4,289,911**

Finance lease receivables

	2022	*2021*	*2020*
Minimum lease payments receivable	206,971	160,144	98,791
Less – Unearned finance lease income	(45,746)	(31,866)	(17,049)
	161,225	**128,278**	**81,742**
Less – Allowance for expected credit loss / impairment loss	(1,412)	(2,735)	(3,443)
Finance lease receivables, net	**159,813**	**125,543**	**78,299**

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

(Thousands of Georgian Lari)

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

Finance lease receivables (continued)

As at 31 December 2022, the concentration of investment in the five largest lease receivables comprised 27,083 or 17% of total finance lease receivables (2021: 23,333 or 18% 2020: GEL 19,931 or 15%). An allowance of GEL 189 (2021: GEL164, 2020: GEL138) was established against these lease receivables.

Future minimum lease payments to be received after 31 December 2022, 31 December 2021 and 31 December 2020 are as follows:

	2022	2021	2020
Within 1 year	53,321	42,221	24,339
From 1 to 2 years	48,065	37,612	24,155
From 2 to 3 years	40,480	30,878	19,885
From 3 to 4 years	27,359	23,389	14,659
From 4 to 5 years	16,312	13,416	8,701
More than 5 years	21,434	12,628	7,052
Minimum lease payment receivables	**206,971**	**160,144**	**98,791**

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	Total
Balance at 1 January 2022	**124,850**	**105**	**3,323**	**128,278**
New financial asset originated or purchased	123,924	-	-	123,924
Transfer to Stage 1	57	(57)	-	-
Transfer to Stage 2	(67)	67	-	-
Transfer to Stage 3	(667)	-	667	-
Assets repaid	(85,469)	(70)	(876)	(86,415)
Write-offs	-	-	(2,708)	(2,708)
Recoveries of amounts previously written off	-	-	71	71
Unwind of discount	-	-	82	82
Currency translation differences	8,404	8	154	8,566
Foreign exchange movement	(10,795)	143	79	(10,573)
Balance at 31 December 2022	**160,237**	**196**	**792**	**161,225**
Individually assessed	-	-	643	643
Collectively assessed	160,237	196	149	160,582
Balance at 31 December 2022	**160,237**	**196**	**792**	**161,225**

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**958**	**24**	**1,753**	**2,735**
New financial asset originated or purchased	1,091	-	-	1,091
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(24)	24	-	-
Transfer to Stage 3	(282)	-	282	-
Impact on ECL of exposures transferred between stages during the year	(40)	28	1,973	1,961
Assets repaid	(752)	(17)	(746)	(1,515)
Write-offs	-	-	(2,708)	(2,708)
Recoveries of amounts previously written off	-	-	71	71
Unwind of discount	-	-	82	82
Currency translation differences	59	2	81	142
Foreign exchange movement	(43)	(5)	(399)	(447)
Balance at 31 December 2022	**967**	**56**	**389**	**1,412**
Individually assessed	-	-	254	254
Collectively assessed	967	56	135	1,158
Balance at 31 December 2022	**967**	**56**	**389**	**1,412**

(Thousands of Georgian Lari)

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

Finance lease receivables (continued)

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**77,537**	**576**	**3,629**	**81,742**
New financial asset originated or purchased	71,601	-	-	71,601
Transfer to Stage 1	286	(166)	(120)	-
Transfer to Stage 2	(1,551)	1,551	-	-
Transfer to Stage 3	(2,481)	-	2,481	-
Assets repaid	(23,059)	(1,868)	-	(24,927)
Write-offs	-	-	(3,753)	(3,753)
Recoveries of amounts previously written off	-	-	885	885
Unwind of discount	-	-	103	103
Currency translation differences	2,517	12	98	2,627
Balance at 31 December 2021	**124,850**	**105**	**3,323**	**128,278**
Individually assessed	-	-	3,223	3,223
Collectively assessed	124,850	105	100	125,055
Balance at 31 December 2021	**124,850**	**105**	**3,323**	**128,278**

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**1,015**	**118**	**2,310**	**3,443**
New financial asset originated or purchased	358	-	-	358
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(201)	201	-	-
Transfer to Stage 3	(1,081)	-	1,081	-
Impact on ECL of exposures transferred between stages during the year	1,104	(299)	1,068	1,873
Assets repaid	(264)	-	-	(264)
Write-offs	-	-	(3,753)	(3,753)
Recoveries of amounts previously written off	-	-	885	885
Unwind of discount	-	-	103	103
Currency translation differences	27	3	59	89
Foreign exchange movement	-	1	-	1
Balance at 31 December 2021	**958**	**24**	**1,753**	**2,735**
Individually assessed	-	-	1,670	1,670
Collectively assessed	958	24	83	1,065
Balance at 31 December 2021	**958**	**24**	**1,753**	**2,735**

(Thousands of Georgian Lari)

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

Finance lease receivables (continued)

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**33,289**	**-**	**1,964**	**35,253**
New financial asset originated or purchased	54,057	-	-	54,057
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(584)	584	-	-
Transfer to Stage 3	(1,787)	-	1,787	-
Assets repaid	(8,523)	-	(186)	(8,709)
Unwind of discount	-	-	(13)	(13)
Currency translation differences	1,085	(8)	77	1,154
Balance at 31 December 2020	**77,537**	**576**	**3,629**	**81,742**
Individually assessed	-	-	3,430	3,430
Collectively assessed	77,537	576	199	78,312
Balance at 31 December 2020	**77,537**	**576**	**3,629**	**81,742**

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**94**	**-**	**1,381**	**1,475**
New financial asset originated or purchased	485	-	-	485
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(2)	2	-	-
Transfer to Stage 3	(4)	-	4	-
Impact on ECL of exposures transferred between stages during the year	450	118	1,019	1,587
Assets repaid	-	-	(139)	(139)
Unwind of discount	-	-	(13)	(13)
Currency translation differences	(8)	(2)	58	48
Balance at 31 December 2020	**1,015**	**118**	**2,310**	**3,443**
Individually assessed	-	-	2,159	2,159
Collectively assessed	1,015	118	151	1,284
Balance at 31 December 2020	**1,015**	**118**	**2,310**	**3,443**

9. Right-of-use assets and lease liabilities

The Bank leases assets such as head office, branch offices and other spaces. The lease of head office, branch office and other spaces typically run for a period of 10 to 20 years.

Information about leases for which the Bank is a lessee is presented below:

	2022	*2021*	*2020*
Right-of-use assets	72,343	71,956	66,755
Lease liability	81,202	78,036	70,443

(Thousands of Georgian Lari)

9. Right-of-use assets and lease liabilities (continued)

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

	2022	2021	2020
Short-term and low value leases	(1,270)	(1,180)	(858)
	(1,270)	**(1,180)**	**(858)**

Movement in liabilities arising from financing activities

	Movement in liabilities arising from financing activities
Carrying amount at 1 January 2020	**67,878**
Cash payments for the principal portion of the lease liability	(11,794)
Change in accrued interest	8,648
Additions	1,226
Other movements*	4,485
Carrying amount at 31 December 2020	**70,443**
Cash payments for the principal portion of the lease liability	(13,370)
Change in accrued interest	8,588
Additions	4,879
Other movements*	7,496
Carrying amount at 31 December 2021	**78,036**
Cash payments for the principal portion of the lease liability	(13,730)
Change in accrued interest	9,017
Additions	2,740
Other movements*	5,139
Carrying amount at 31 December 2022	**81,202**

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

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

	Office buildings and service centres	*Computers and equipment*	*Total*
Cost			
31 December 2021	**82,934**	**3,213**	**86,147**
Additions	1,610	1,130	2,740
Modifications	413	-	413
Currency translation differences	5,258	225	5,483
31 December 2022	**90,215**	**4,568**	**94,783**
Accumulated depreciation			
31 December 2021	**13,827**	**364**	**14,191**
Depreciation charge	6,570	640	7,210
Currency translation differences	1,003	36	1,039
31 December 2022	**21,400**	**1,040**	**22,440**
Net book value			
31 December 2021	**69,107**	**2,849**	**71,956**
31 December 2022	**68,815**	**3,528**	**72,343**

(Thousands of Georgian Lari)

9. Right-of-use assets and lease liabilities (continued)

	Office buildings and service centres	Computers and equipment	Total
Cost			
31 December 2020	**73,217**	**965**	**74,182**
Additions	2,683	2,196	4,879
Modifications	4,939	7	4,946
Transfers	-	-	-
Currency translation differences	2,095	45	2,140
31 December 2021	**82,934**	**3,213**	**86,147**
Accumulated depreciation			
31 December 2020	**7,384**	**43**	**7,427**
Depreciation charge	6,187	317	6,504
Currency translation differences	256	4	260
31 December 2021	**13,827**	**364**	**14,191**
Net book value			
31 December 2020	**65,833**	**922**	**66,755**
31 December 2021	**69,107**	**2,849**	**71,956**

	Office buildings and service centres	Computers and equipment	Total
Cost			
1 January 2020	**68,490**	**-**	**68,490**
Additions	336	890	1,226
Modifications	926	89	1,015
Currency translation differences	3,465	(14)	3,451
31 December 2020	**73,217**	**965**	**74,182**
Accumulated depreciation			
1 January 2020	**1,437**	**-**	**1,437**
Depreciation charge	5,958	44	6,002
Currency translation differences	(11)	(1)	(12)
31 December 2020	**7,384**	**43**	**7,427**
Net book value			
1 January 2020	**67,053**	**-**	**67,053**
31 December 2020	**65,833**	**922**	**66,755**

(Thousands of Georgian Lari)

10. Property and equipment

The movements in property and equipment were as follows:

	Furniture and fixtures	Computers and equipment	Motor vehicles	Leasehold improve-ments	Total
Cost					
1 January 2022	**18,427**	**51,677**	**2,070**	**32,526**	**104,700**
Additions	1,305	6,478	36	2,154	9,973
Disposals	(16)	(121)	-	-	(137)
Write-offs	(89)	(745)	-	(4,359)	(5,193)
Currency translation differences	1,183	3,365	131	2,001	6,680
31 December 2022	**20,810**	**60,654**	**2,237**	**32,322**	**116,023**
Accumulated depreciation					
1 January 2022	**6,444**	**32,493**	**1,088**	**13,272**	**53,297**
Depreciation charge	1,674	6,697	282	2,125	10,778
Disposals	(15)	(120)	-	-	(135)
Write-offs	(6)	(635)	-	(4,340)	(4,981)
Currency translation differences	439	2,165	74	788	3,466
31 December 2022	**8,536**	**40,600**	**1,444**	**11,845**	**62,425**
Net book value					
1 January 2022	**11,983**	**19,184**	**982**	**19,254**	**51,403**
31 December 2022	**12,274**	**20,054**	**793**	**20,477**	**53,598**

	Furniture and fixtures	Computers and equipment	Motor vehicles	Leasehold improve-ments	Total
Cost					
1 January 2021	**16,588**	**49,522**	**1,905**	**29,955**	**97,970**
Additions	1,492	2,417	319	3,262	7,490
Disposals	(9)	-	(208)	-	(217)
Write-offs	(115)	(1,644)	-	(1,537)	(3,296)
Currency translation differences	471	1,382	54	846	2,753
31 December 2021	**18,427**	**51,677**	**2,070**	**32,526**	**104,700**
Accumulated depreciation					
1 January 2021	**4,827**	**26,842**	**967**	**11,384**	**44,020**
Depreciation charge	1,486	6,386	254	1,760	9,886
Disposals	(3)	-	(161)	-	(164)
Write-offs	(12)	(1,520)	-	(201)	(1,733)
Currency translation differences	146	785	28	329	1,288
31 December 2021	**6,444**	**32,493**	**1,088**	**13,272**	**53,297**
Net book value					
1 January 2021	**11,761**	**22,680**	**938**	**18,571**	**53,950**
31 December 2021	**11,983**	**19,184**	**982**	**19,254**	**51,403**

(Thousands of Georgian Lari)

10. Property and equipment (continued)

	Furniture and fixtures	Computers and equipment	Motor vehicles	Leasehold improve-ments	Total
Cost					
1 January 2020	**14,956**	**45,618**	**1,813**	**28,405**	**90,792**
Additions	345	4,883	-	738	5,966
Transfers	1,186	(1,186)	-	-	-
Disposals	(225)	(1,494)	-	-	(1,719)
Write-offs	(423)	(596)	-	(631)	(1,650)
Currency translation differences	749	2,297	92	1,443	4,581
31 December 2020	**16,588**	**49,522**	**1,905**	**29,955**	**97,970**
Accumulated depreciation					
1 January 2020	**3,614**	**21,585**	**683**	**9,223**	**35,105**
Depreciation charge	1,376	5,691	253	1,780	9,100
Transfers	104	(104)	-	-	-
Disposals	(41)	(774)	-	-	(815)
Write-offs	(395)	(594)	-	(64)	(1,053)
Currency translation differences	169	1,038	31	445	1,683
31 December 2020	**4,827**	**26,842**	**967**	**11,384**	**44,020**
Net book value					
1 January 2020	**11,342**	**24,033**	**1,130**	**19,182**	**55,687**
31 December 2020	**11,761**	**22,680**	**938**	**18,571**	**53,950**

In 2022 write-offs mainly arose from impairments of prior head office leasehold improvements. The write-offs in 2021 and 2020 were mainly attributable to the impairment of unused ATM terminals.

11. Intangible assets

The movements in intangible assets were as follows:

	Software and licence	Other	Total
Cost			
1 January 2022	**29,785**	**333**	**30,118**
Additions	17,928	-	17,928
Disposals	-	-	-
Write-offs	(7,088)	-	(7,088)
Currency translation differences	2,116	-	2,116
31 December 2022	**42,741**	**333**	**43,074**
Accumulated amortisation			
1 January 2022	**12,544**	**333**	**12,877**
Amortisation charge	7,547	-	7,547
Write-offs	(6,947)	-	(6,947)
Currency translation differences	821	-	821
31 December 2022	**13,965**	**333**	**14,298**
Net book value			
1 January 2022	**17,241**	**-**	**17,241**
31 December 2022	**28,776**	**-**	**28,776**

(Thousands of Georgian Lari)

11. Intangible assets (continued)

	Software and licence	Other	Total
Cost			
1 January 2021	**23,595**	**333**	**23,928**
Additions	9,009	-	9,009
Disposals	-	-	-
Write-offs	(3,529)	-	(3,529)
Currency translation differences	710	-	710
31 December 2021	**29,785**	**333**	**30,118**
Accumulated amortisation			
1 January 2021	**10,184**	**332**	**10,516**
Amortisation charge	5,565	-	5,565
Write-offs	(3,512)	-	(3,512)
Currency translation differences	307	1	308
31 December 2021	**12,544**	**333**	**12,877**
Net book value			
1 January 2021	**13,411**	**1**	**13,412**
31 December 2021	**17,241**	**-**	**17,241**

	Software and licence	Other	Total
Cost			
1 January 2020	**18,493**	**317**	**18,810**
Additions	6,602	-	6,602
Disposals	-	-	-
Write-offs	(2,381)	-	(2,381)
Currency translation differences	881	16	897
31 December 2020	**23,595**	**333**	**23,928**
Accumulated amortisation			
1 January 2020	**7,562**	**316**	**7,878**
Amortisation charge	4,595	-	4,595
Write-offs	(2,325)	-	(2,325)
Currency translation differences	352	16	368
31 December 2020	**10,184**	**332**	**10,516**
Net book value			
1 January 2020	**10,931**	**1**	**10,932**
31 December 2020	**13,411**	**1**	**13,412**

Over the past two years, the bank has actively participated in the digital transformation stage, making substantial investments in the development of various types of software and IT platforms. These investments include the creation of a proprietary mobile banking application, a CRM dynamic system, and other software and ecosystems.

Write-offs were primarily associated with unused software and licenses, subject to annual impairment assessments.

(Thousands of Georgian Lari)

12. Taxation

The corporate income tax expense in the income statement comprises:

	2022	2021	2020
Current income benefit/(expense)	(90,428)	(17,249)	(25,403)
Deferred income tax benefit/(expense)	19,264	(11,241)	11,523
Income tax expense	**(71,164)**	**(28,490)**	**(13,880)**
Deferred income tax expense in other comprehensive income	1,779	421	861

The income tax rate applicable to the Bank's income is 18%.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with the actual expense is as follows:

	2022	2021	2020
Profit before income tax expense from continuing operations	368,379	152,638	71,135
Profit before income tax expense	**368,379**	**152,638**	**71,135**
Statutory tax rate	18%	18%	18%
Theoretical income tax expense at average tax rate	**(66,308)**	**(27,475)**	**(12,804)**
Non-deductible expenses	(4,856)	(1,015)	(1,076)
Income tax expense	**(71,164)**	**(28,490)**	**(13,880)**

As at 31 December 2022, 31 December 2021 and 31 December 2020, income tax assets and liabilities consist of the following:

	2022	2021	2020
Deferred income tax assets	16,924	-	6,450
Income tax assets	**16,924**	**-**	**6,450**
Current income tax liabilities	77,434	2,932	16,372
Deferred income tax liabilities	-	4,280	-
Income tax liabilities	**77,434**	**7,212**	**16,372**

Deferred tax assets and liabilities as 31 December 2022, 31 December 2021 and 31 December 2020, and their movements for the respective years, are as follows:

		Origination and reversal of temporary				*Origination and reversal of temporary*				*Origination and reversal of temporary*			
	2019	*In the income statement*	*In OCI*	*Currency translation*	*2020*	*In the income statement*	*In OCI*	*Currency translation*	*2021*	*In the income statement*	*In OCI*	*Currency translation*	*2022*
Tax effect of deductible temporary differences:													
Amounts due to credit institutions	-	125	-	(55)	70	(70)	-	-	-	-	-	-	-
Investment securities	-	(161)	861	(77)	623	(622)	421	16	438	(994)	1,779	44	1,267
Loans to customers and finance lease receivables	-	2,367	-	(521)	1,846	(1,846)	-	-	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax losses carried forward	-	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	-	94	-	(8)	86	133	-	3	222	253	-	19	494
Lease liability	12,218	(162)	-	624	12,680	1,006	-	360	14,046	(307)	-	877	14,616
Accruals and deferred income	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets and liabilities	4,083	(525)	-	215	3,773	3,306	-	131	7,210	16,266	-	786	24,262
Deferred tax assets	**16,301**	**1,738**	**861**	**178**	**19,078**	**1,907**	**421**	**510**	**21,916**	**15,218**	**1,779**	**1,726**	**40,639**
Tax effect of taxable temporary differences:													
Amounts due to credit institutions	627	(48)	-	33	612	(52)	-	17	577	(5)	-	36	608
Investment securities	1,039	(1,039)	-	-	-	-	-	-	-	-	-	-	-
Loans to customers and finance lease	7,506	(7,506)	-	-	-	11,521	-	57	11,578	(1,883)	-	690	10,385
Property and equipment	101	(101)	-	-	-	-	-	-	-	-	-	-	-
Right-of-use assets	11,683	(265)	-	598	12,016	598	-	339	12,953	(731)	-	800	13,022
Other assets and liabilities	826	(826)	-	-	-	1,081	-	7	1,088	(1,427)	-	39	(300)
Deferred tax liabilities	**21,782**	**(9,785)**	**-**	**631**	**12,628**	**13,148**	**-**	**420**	**26,196**	**(4,046)**	**-**	**1,565**	**23,715**
Net deferred tax liabilities	**(5,481)**	**11,523**	**861**	**(453)**	**6,450**	**(11,241)**	**421**	**90**	**(4,280)**	**19,264**	**1,779**	**161**	**16,924**

The deductible temporary differences do not expire under current tax legislation.

(Thousands of Georgian Lari)

13. Other assets and other liabilities

Other assets comprise:

	2022	2021	2020
Foreclosed assets	6,235	8,549	11,439
Receivables from money transfers	22,213	11,304	11,539
Derivative financial assets	4,127	501	110
Standard bullions of precious metals	-	6,647	7,621
Other	1,414	7,914	4,904
Other assets, gross	**33,989**	**34,915**	**35,613**
Less – Allowance for impairment of other assets	(138)	(161)	(442)
Other assets, net	**33,851**	**34,754**	**35,171**

Other liabilities comprise:

	2022	2021	2020
Derivative financial liabilities	477	598	3,164
Creditors	7,855	6,258	5,075
Payables for money transfers	21,088	16,400	11,260
Other taxes payable	13,278	9,824	7,075
Provisions	2,078	1,579	2,253
Other	6,217	7,484	6,798
Other liabilities	**50,993**	**42,143**	**35,625**

The outstanding receivables from money transfers primarily stem from yet-to-be-cashed-out funds from payment service providers. The growth observed in 2022 can be mainly attributed to an increase in overall macroeconomic activity. primarily attributed to factors such as tourism, the relocation of several companies to Armenia, and as a result a substantial rise in remittances, which led to increased balances from money transfers.

For other assets line "Other" mainly includes balances on brokerage accounts, while for other liabilities these are mainly financial liabilities related to factoring contracts and other various payables.

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.

	2022		
	Notional amount	Fair value	
		Asset	Liability
Foreign exchange contracts			
Forwards and swaps – domestic	26,587	53	63
Forwards and swaps – foreign	131,875	107	414
Interest rate contracts			
Forwards and swaps - foreign (IR)	53,929	3,967	-
Total derivative assets / liabilities	**212,391**	**4,127**	**477**

	2021			2020		
	Notional amount	Fair value		Notional amount	Fair value	
		Asset	Liability		Asset	Liability
Foreign exchange contracts						
Forwards and swaps – domestic	52,614	-	177	52,428	-	13
Forwards and swaps – foreign	265,852	492	235	131,122	110	488
Interest rate contracts						
Forwards and swaps – foreign (IR)	67,526	9	186	77,469	-	2,663
Total derivative assets / liabilities	**385,992**	**501**	**598**	**261,019**	**110**	**3,164**

(Thousands of Georgian Lari)

14. Accruals and deferred income

Accruals and deferred income comprise:

	2022	2021	2020
Accruals for employee compensation	133,720	39,994	15,382
Deferred income	16	202	184
	133,736	**40,196**	**15,566**

The accruals for employee compensation experienced growth in 2022 due to improved performance by the Bank.

15. Client deposits and notes

The amounts due to customers include the following:

	2022	2021	2020
Current accounts	3,338,989	1,994,011	2,210,990
Time deposits	2,036,775	1,877,489	1,545,630
Client deposits and notes	**5,375,764**	**3,871,500**	**3,756,620**

At 31 December 2022, amounts due to customers of GEL 1,338,625 (25%) were due to the ten largest customers (2021: GEL 860,721 (22%), 2020: GEL 1,225,382 (33%)).

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

	2022	2021	2020
Individuals	2,692,662	1,951,599	1,553,608
Private enterprises	2,577,607	1,868,049	2,161,534
State and state-owned entities	105,495	51,852	41,478
Client deposits and notes	**5,375,764**	**3,871,500**	**3,756,620**

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

	2022	2021	2020
Individuals	2,692,662	1,951,599	1,553,608
Financial intermediation	331,557	254,354	189,840
Trade	304,254	186,882	190,735
Chemical	273,005	271,499	947,465
Service	138,080	72,411	49,712
Construction	524,343	273,641	258,477
Transport & Communication	251,376	106,717	37,308
Manufacturing	58,340	37,816	34,992
Electricity, gas and water supply	87,346	25,565	23,807
Beverage industry	80,531	48,089	37,859
Mining	112,665	201,798	59,357
Hospitality	22,046	13,320	10,265
Agriculture	28,177	11,369	18,101
Other	471,382	416,440	345,094
Client deposits and notes	**5,375,764**	**3,871,500**	**3,756,620**

(Thousands of Georgian Lari)

16. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	2022	2021	2020
Loans from the Central Bank of Armenia	193,184	136,761	97,191
Borrowings from international credit institutions	229,979	368,607	549,313
Time deposits and inter-bank loans	366,889	680,929	678,766
Correspondent accounts	37,651	2,083	1,646
Payables under REPO Operations	26,972	116,101	125,471
	854,675	**1,304,481**	**1,452,387**
Non-convertible subordinated debt	192,901	176,577	135,336
Amounts due to credit institutions	**1,047,576**	**1,481,058**	**1,587,723**

During the year ended 31 December 2022, the Bank paid up to 9.19% on USD borrowings from international credit institutions (2021: up to 4.03%, 2020: up to 4.02%). During the year ended 31 December 2022, the Bank paid up to 11.10% on USD subordinated debt (2021: up to 6.50%, 2020: up to 6.95%). During the year ended 31 December 2022, the Bank paid up to 6.70% on EUR subordinated debt (2021: up to 6.50%, 2020: up to 6.70%).

The Bank is required to meet certain covenants in connection with borrowing agreements. The Bank was in compliance with all covenants as at 31 December 2022, 2021and 2020.

17. Debt securities issued

Debt securities issued comprise:

	2022	2021	2020
Green bonds issued to international financial institutions	120,935	146,909	181,567
Local bonds	510,245	569,069	488,980
Debt securities issued	**631,180**	**715,978**	**670,547**

Bonds issued by the Bank are listed on Armenia Securities Exchange stock exchange. In 2020 the Bank issued green bonds, Based on the core components of ICMA's Green Bond Principles, in the amount of EUR 42 million with an interest rate of 3.05% maturing on 26 November 2025. The green bonds are issued in close cooperation with the FMO, the Dutch Entrepreneurial Development, that is also an anchor investor in this transaction. The purpose of the issued green bonds is financing green projects that contribute to environmental sustainability.

18. Commitments and contingencies

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Taxation contingencies

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on this historical financial information, if the authorities were successful in enforcing their interpretations, could be significant. The stated statute of limitation is fixed and valid under the Republic of Armenian Tax code.

Financial commitments and contingencies

The Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities. The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to legal entities and individuals. The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

(Thousands of Georgian Lari)

18. Commitments and contingencies (continued)

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

	2022	2021	2020
Credit-related commitments			
Financial and performance guarantees issued	205,971	154,210	150,767
Letters of credit	947	4,721	27,622
Undrawn loan facilities	278,413	274,379	218,096
	485,331	**433,310**	**396,485**
Less – Provisions	(2,078)	(1,579)	(2,253)
Guarantees issued			
Performance guarantees	146,864	115,637	102,591
Financial guarantees	59,107	38,573	48,176
	205,971	**154,210**	**150,767**

The Bank discloses its undrawn loan facility balances based on the contractual terms and existing practice in regard 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.

19. Equity

Share capital

As at 31 December 2022 issued share was fully paid. Each share has a nominal value of one GEL 2.84 (2021: GEL 2.84, 2020: GEL 1.91). Shares issued and outstanding as at 31 December 2022 are described below:

	Number of ordinary shares	*Share Capital*
31 December 2019	**116,710**	**222,896**
Increase of share capital	124	252
31 December 2020	**116,834**	**223,148**
Transfer of share capital	-	108,438
Increase of share capital	125	256
31 December 2021	**116,959**	**331,842**
Increase of share capital	62	194
31 December 2022	**117,021**	**332,036**

Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Republic of Armenia. The Bank did not declare and pay dividends in 2022, 2021 and 2020.

Nature and purpose of other reserves

Unrealised gains and losses on investment securities
This reserve records fair value changes on investment securities.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the historical financial information.

Earnings per share

	2022	2021	2020
Basic and diluted earnings per share			
Profit for the year attributable to ordinary shareholders of the Bank	297,215	124,148	57,255
Weighted average number of ordinary shares outstanding during the year	117,002	116,936	116,817
Basic earnings per share	2.54	1.06	0.49

(Thousands of Georgian Lari)

20. Net interest income

	2022	2021	2020
Interest income calculated using EIR method	**550,734**	**450,033**	**412,383**
From loans to customers	479,649	411,268	373,946
From investment securities	48,251	28,946	30,038
From amounts due from credit institutions	22,834	9,819	8,399
Other interest income	**25,459**	**16,603**	**9,653**
From finance lease receivable	15,043	12,075	5,884
From investment securities measured at FVTPL	10,416	4,528	3,769
Interest income	**576,193**	**466,636**	**422,036**
On client deposits and notes	(123,265)	(93,386)	(97,191)
On amounts owed to credit institutions	(66,509)	(65,494)	(70,272)
On debt securities issued	(40,632)	(41,377)	(24,683)
On lease liability	(9,017)	(8,588)	(8,648)
Interest expense	**(239,423)**	**(208,845)**	**(200,794)**
Deposit insurance fees	(5,599)	(4,382)	(4,011)
Net interest income	**331,171**	**253,409**	**217,231**

21. Net fee and commission income

	2022	2021	2020
Settlements operations	58,730	32,533	21,730
Guarantees and letters of credit	4,735	3,902	3,573
Cash operations	13,652	5,651	4,979
Brokerage service fees	1,503	2,724	2,650
Other	2,581	2,566	1,633
Fee and commission income	**81,201**	**47,376**	**34,565**
Settlements operations	(31,262)	(20,940)	(14,044)
Cash operations	(2,985)	(880)	(1,216)
Brokerage service fees	(526)	(842)	(993)
Guarantees and letters of credit	(265)	(455)	(459)
Other	(1,530)	(752)	(599)
Fee and commission expense	**(36,568)**	**(23,869)**	**(17,311)**
Net fee and commission income	**44,633**	**23,507**	**17,254**

In 2022, the Armenian economy demonstrated 12.6% GDP growth, primarily attributed to factors such as tourism, the relocation of several companies to Armenia, and a substantial rise in remittances. The increased activity led to the growth of non-interest income for banks, encompassing fees and commissions derived from settlement and cash operations.

Revenue from customers

In 2022, the Bank recognised GEL 63,465 revenue from contracts with customers in the income statement, including fee and commission as well as net other income (2021: GEL 36,435, 2020: GEL 25,303).

Contract assets and liabilities

As at 31 December 2022, the Bank has recognised GEL 16 revenue-related contract liabilities (2021: GEL 202, 2020: GEL 184) which is expected to be recognised within 1 year. Accounts receivable are recognised when the right to consideration becomes unconditional. Deferred revenue is recognised as revenue as the Bank performs under the contract.

In 2022, the Bank recognised GEL 211 revenue (2021: GEL 188, 2020: GEL 200) that relates to carried-forward contract liabilities and was previously included in the deferred income.

(Thousands of Georgian Lari)

22. Net foreign currency gain

	2022	2021	2020
Net gain on spot transactions	312,351	62,682	17,771
Net loss from revaluation of financial assets and liabilities	(58,734)	(18,524)	21,249
Net foreign currency gain	**253,617**	**44,158**	**39,020**

The growth in net foreign currency gain in 2022 is mainly attributable to client-driven flows and increased volume and increased margins as a result of exchange rate volatility.

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

Salaries and other employee benefits

	2022	2021	2020
Salaries and bonuses	(190,185)	(85,066)	(58,778)
Salaries and other employee benefits	**(190,185)**	**(85,066)**	**(58,778)**

Growth in salaries and other employee benefits in 2022 is attributed to an increased number of staff employed and notable improvement in performance, leading to an increase in bonus accruals for the year.

The average number of staff employed by the Bank for the years ended 31 December 2022, 31 December 2021 and 31 December 2020, comprised:

	2022	2021	2020
Average total number of staff employed	1,427	1,157	1,109

General and administrative expenses

	2022	2021	2020
Repairs and maintenance	(6,834)	(6,183)	(5,565)
Marketing and advertising	(7,332)	(6,069)	(6,010)
Legal and other professional services	(5,188)	(1,843)	(1,368)
Operating taxes	(2,804)	(2,507)	(2,389)
Office supplies	(495)	(433)	(225)
Communication	(2,145)	(1,406)	(910)
Occupancy and rent	(1,270)	(1,180)	(858)
Travel expenses	(1,034)	(185)	(127)
Insurance	(681)	(560)	(431)
Security	(1,774)	(1,526)	(1,395)
Corporate hospitality and entertainment	(54)	(37)	(5)
Personnel training and recruitment	(3,140)	(2,170)	(2,087)
Other	(2,064)	(1,059)	(852)
General and administrative expenses	**(34,815)**	**(25,158)**	**(22,222)**

The growth in legal and professional services resulted primarily from the costs associated with consulting services. The bank incurred expenses related to obtaining consultancy for addressing digital transformation issues from an international consulting company.

(Thousands of Georgian Lari)

24. Cost of risk

The table below shows ECL charges and provision for guarantees for the year recorded in the income statement:

	Stage 1	Stage 2	Stage 3		
	Collective	Collective	Individual	Collective	Total
Cash and cash equivalents	255	-	-	-	255
Amounts due from credit institutions	(527)	-	-	-	(527)
Investment securities measured at amortised cost - debt instruments	(1,355)	-	-	-	(1,355)
Investment securities measured at FVOCI - debt instruments	(385)	-	-	-	(385)
Loans to customers at amortised cost	942	15,562	(27,462)	(1,878)	(12,836)
Finance lease receivables	50	(30)	(724)	(386)	(1,090)
Other financial assets	(37)	2	-	(152)	(187)
Other financial commitments	(421)	(1)	-	30	(392)
For the year ended 31 December 2022	**(1,478)**	**15,533**	**(28,186)**	**(2,386)**	**(16,517)**

	Stage 1	Stage 2	Stage 3		
	Collective	Collective	Individual	Collective	Total
Cash and cash equivalents	(154)	-	-	-	(154)
Amounts due from credit institutions	46	-	-	-	46
Investment securities measured at amortised cost - debt instruments	(211)	-	-	-	(211)
Investment securities measured at FVOCI - debt instruments	141	-	-	-	141
Loans to customers at amortised cost	13,755	9,187	(48,272)	(9,664)	(34,994)
Finance lease receivables	84	97	(2,048)	(101)	(1,968)
Other financial assets	(29)	(2)	-	3,145	3,114
Other financial commitments	556	80	-	95	731
For the year ended 31 December 2021	**14,188**	**9,362**	**(50,320)**	**(6,525)**	**(33,295)**

	Stage 1	Stage 2	Stage 3		
	Collective	Collective	Individual	Collective	Total
Cash and cash equivalents	34	-	-	-	34
Amounts due from credit institutions	(134)	-	-	-	(134)
Investment securities measured at amortised cost - debt instruments	(207)	-	-	-	(207)
Investment securities measured at FVOCI - debt instruments	77	-	-	-	77
Loans to customers at amortised cost	(30,360)	(3,242)	(60,592)	(24,896)	(119,090)
Finance lease receivables	(929)	(120)	(826)	(58)	(1,933)
Other financial assets	(38)	1	-	(271)	(308)
Other financial commitments	(1,365)	(67)	-	(114)	(1,546)
For the year ended 31 December 2020	**(32,922)**	**(3,428)**	**(61,418)**	**(25,339)**	**(123,107)**

The ECL charges on loans to customers have improved compared to previous periods, attributed to post-COVID-19 recoveries, enhancements in the newly issued portfolio, and an improved macroeconomic situation.

25. Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

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The Management Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Risk Management Center is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Risk Management Center is responsible for the overall risk management, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. This position reports directly to the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Center monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

Risk Management Department prepares monthly, quarterly and annual risk reports which are submitted to executive bodies (ALCO, Large Credit Committee, Management Board) and then submitted to Board committees and further for Board of Director's approval.

Credit decisions/approvals - In lending process there are three collegial bodies which involved in credit decision making: two executive committees (Small Credit Committee and Large Credit Committee) and Management Board. Also, there is a sophisticated system of credit approval depending on the amount, creditworthiness parameters, loan conditions and macroeconomic state where individual decision makers are involved also, such as: Retail Director, Retail Lending Service Head, Risk Director, Credit Risk Service head and other.

Asset Liability Management and risk appetite setting - ALCO committee and Management Board are collegial bodies which are making decisions regarding A&L management, market risks, risk parameters, liquidity, IRRBB. The escalation principles from the committee level to MB level are based on exposure/risk size relative to Bank's equity. Risk appetite framework is maintained by Risk Management Department, all thresholds, limits and allocations across business lines are aligned with strategic business planning. The high-level approval of new risk appetite is conducted on annual basis and includes three steps: approval by Management Board, presentation and discussion in Board Audit and Risk committee, approval by the Board.

25. Risk management (continued)

Operational risk refers to the potential for loss due to internal and external fraud events, inadequate processes or products, business disruptions and systems failures, human error or damages to assets. Operational risk also implies losses driven by legal, reputational, compliance and cyber risks. Ameriabank proactively mitigates this risk through established policies and procedures, supported by dedicated structures like the Risk Management Committee and a robust risk monitoring framework. The Bank's Operational risk framework, approved by the Management Board, outlines:
Operational Risk framework: This framework establishes clear roles, responsibilities, and operational risk limits for all functions within the Bank, analyses internal risk events and conducts root-cause analyses for further risk mitigation purposes.

- Risk assessments: Assessments cover all operational areas, products and services provided for by the Bank, identifying potential vulnerabilities and their likelihood and impact. This analysis forms the basis for the consequent mitigation plans.

- Business continuity planning: Comprehensive plans are in place to maintain critical operations during disruptions, minimizing potential losses and ensuring customer service continuity.

- IT risk management: The Bank performs identification, assessment, evaluation, treatment, monitoring and reporting of IT infrastructure and its risks, and oversees regular system testing to protect against cyber threats and technological failures.

- Third-party risk management: The Bank recognizes the potential for operational risks introduced by third-party vendors and service providers. Therefore, it implements thorough due diligence processes, risk assessments, and robust contractual agreements to mitigate these risks.

The Bank actively monitors and evaluates operational risks, via regular reporting to the Management Board and Board of Directors, incident management processes, and continuous risk assessments. Any material changes to processes, products and services provided by the Bank, are independently reviewed by the Risk Management Center before submission to the Management Board and Investment and Development Committee. Dedicated teams within the Risk Management Center analyze internal data, industry trends, and regulatory updates to proactively identify and address potential risks. This proactive approach ensures a robust operational environment and safeguards the Bank against financial losses from operational failures.

The Operational Risk Management framework and its complementing procedures are regularly updated to ensure effective execution of the operational risk management program.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the General Director. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Center.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank’s overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

(Thousands of Georgian Lari)

25. Risk management (continued)

(i) Interest rate risk

The sensitivity of the 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 2022, 2021 and 2020. Changes in basis points are calculated as standard deviations of daily changes in floating rates over the last month multiplied by respective floating rates.

Currency	*Increase in basis points 2022*	*Sensitivity of net interest income 2022*	*Sensitivity of other comprehensive income 2022*
AMD	96	4,742	-
EUR	411	2,952	-
USD	271	(4,360)	6,323

Currency	*Decrease in basis points 2022*	*Sensitivity of net interest income 2022*	*Sensitivity of other comprehensive income 2022*
AMD	(96)	(4,742)	-
EUR	(411)	(2,952)	-
USD	(271)	4,360	(6,323)

Currency	*Increase in basis points 2021*	*Sensitivity of net interest income 2021*	*Sensitivity of other comprehensive income 2021*
AMD	87	1,953	-
EUR	1	(1)	-
USD	9	(235)	32

Currency	*Decrease in basis points 2021*	*Sensitivity of net interest income 2021*	*Sensitivity of other comprehensive income 2021*
AMD	(87)	(1,953)	-
EUR	(1)	1	-
USD	(9)	235	(32)

Currency	*Increase in basis points 2020*	*Sensitivity of net interest income 2020*	*Sensitivity of other comprehensive income 2020*
AMD	24	137	-
EUR	18	(161)	-
USD	20	(687)	37

Currency	*Decrease in basis points 2020*	*Sensitivity of net interest income 2020*	*Sensitivity of other comprehensive income 2020*
AMD	(24)	(137)	-
EUR	(18)	161	-
USD	(20)	687	(37)

(Thousands of Georgian Lari)

25. Risk management (continued)

Currency risk

The Bank has assets and liabilities denominated in several foreign currencies. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2022 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Armenian Dram, with all other variables held constant on the income statement. The reasonably possible movement of the currency rate against the Armenian Dram 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, while a positive amount reflects a net potential increase.

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*
	2022		*2021*		*2020*	
EUR	12.9%	(7)	6.9%	16,193	7.9%	5,071
USD	7.5%	(20)	4.5%	(7,862)	3.5%	(3,206)

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 or 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 2022, 31 December 2021 and 31 December 2020, is as follows:

	Effect on net interest income
2022	7,583
2021	6,685
2020	4,335

25. Risk management (continued)

Credit risk

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

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (legal entities and individuals);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing control and monitoring of loans and other credit exposures.

Legal entity loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the loan portfolio of legal entities. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Management Center and a second opinion is given accompanied by an opinion whether credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department. Individual transactions are also reviewed by the Legal department depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Loans to individuals credit applications are reviewed by the Retail Lending Subdivisions. Starting from 2020 the Bank has implemented new machine learning scoring system for portfolio of credit purchase and online consumer loans.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Center with regard to credit concentration and market risks.

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

Collateral generally is not held against claims under derivative financial instruments, investments in securities, and loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

For the analysis of collateral held against loans and advances to customers and concentration of credit risk in respect of loans and advances to customers refer to Note 8.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 18.

(Thousands of Georgian Lari)

25. Risk management (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.

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Total*
- rated Aa1 to Aa3	133,242	133,242
- rated A1 to A3	112,324	112,324
- rated from Baa1 to Baa3	35,482	35,482
- rated from BA1 to BA3	401,759	401,759
- not rated	75,472	75,472
Balance at 31 December 2022	**758,279**	**758,279**

Amounts due from credit institutions	*Stage 1*	*Total*
- rated A1 to A3	5,792	5,792
- rated from BA1 to BA3	519,852	519,852
- not rated	323,267	323,267
Balance at 31 December 2022	**848,911**	**848,911**

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
- rated from Aaa1 to Aaa3	157,770	157,770
- rated from BA1 to BA3	234,399	234,399
- not rated	310	310
Balance at 31 December 2022	**392,479**	**392,479**

Investment securities measured at amortized cost - debt instruments	*Stage 1*	*Total*
- rated from Aaa1 to Aaa3	389,763	389,763
- rated Aa1 to Aa3	22,990	22,990
- rated from BA1 to BA3	626,874	626,874
- not rated	36,261	36,261
Balance at 31 December 2022	**1,075,888**	**1,075,888**

(Thousands of Georgian Lari)

25. Risk management (continued)

Credit risk (continued)

Commercial loans at amortised cost	Stage 1	Stage 2	Stage 3	Total
- rated Aa1 to Aa3	40,055	-	-	40,055
- rated A1 to A3	91,939	-	-	91,939
- rated from Baa1 to Baa3	308,017	-	-	308,017
- rated from BA1 to BA3	731,959	-	-	731,959
- rated from B1 to B3	345,736	-	-	345,736
- not rated	346,496	11,684	-	358,180
Defaulted	-	-	60,809	60,809
Balance at 31 December 2022	**1,864,202**	**11,684**	**60,809**	**1,936,695**

Residential mortgage loans at amortised cost	Stage 1	Stage 2	Stage 3	Total
- not rated	1,252,673	1,899	-	1,254,572
Defaulted	-	-	20,074	20,074
Balance at 31 December 2022	**1,252,673**	**1,899**	**20,074**	**1,274,646**

Micro and SME loans at amortised cost	Stage 1	Stage 2	Stage 3	Total
- rated from Baa1 to Baa3	29,358	-	-	29,358
- rated from BA1 to BA3	94,161	-	-	94,161
- rated from B1 to B3	29,690	-	-	29,690
- not rated	961,076	3,780	-	964,856
Defaulted	-	-	29,896	29,896
Balance at 31 December 2022	**1,114,285**	**3,780**	**29,896**	**1,147,961**

Consumer loans at amortised cost	Stage 1	Stage 2	Stage 3	Total
- not rated	607,226	3,135	-	610,361
Defaulted	-	-	13,698	13,698
Balance at 31 December 2022	**607,226**	**3,135**	**13,698**	**624,059**

Finance lease receivables	Stage 1	Stage 2	Stage 3	Total
- rated Aa1 to Aa3	2,256	-	-	2,256
- rated from Baa1 to Baa3	8,635	-	-	8,635
- rated from BA1 to BA3	20,469	-	-	20,469
- not rated	128,877	196	-	129,073
Defaulted	-	-	792	792
Balance at 31 December 2022	**160,237**	**196**	**792**	**161,225**

Other financial assets	Stage 1	Stage 2	Stage 3	Total
- not rated	15,495	313	-	15,808
Defaulted	-	-	6,405	6,405
Balance at 31 December 2022	**15,495**	**313**	**6,405**	**22,213**

(Thousands of Georgian Lari)

25. Risk management (continued)

Credit risk (continued)

Financial guarantees issued	*Stage 1*	*Total*
- not rated	59,107	59,107
Defaulted	-	-
Balance at 31 December 2022	**59,107**	**59,107**

Letters of credit	*Stage 1*	*Total*
- not rated	947	947
Defaulted	-	-
Balance at 31 December 2022	**947**	**947**

Undrawn loan facilities	*Stage 1*	*Total*
- rated from B1 to B3	35,054	35,054
- not rated	243,359	243,359
Defaulted	-	-
Balance at 31 December 2022	**278,413**	**278,413**

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Total*
- rated Aa1 to Aa3	38,716	38,716
- rated A1 to A3	28,858	28,858
- rated from Baa1 to Baa3	17,747	17,747
- rated from BA1 to BA3	1,522,023	1,522,023
- not rated	453	453
Balance at 31 December 2021	**1,607,797**	**1,607,797**

Amounts due from credit institutions	*Stage 1*	*Total*
- rated A1 to A3	3,189	3,189
- rated from BA1 to BA3	227,342	227,342
- not rated	49,068	49,068
Balance at 31 December 2021	**279,599**	**279,599**

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
- rated from BA1 to BA3	70,751	70,751
- not rated	6,203	6,203
Balance at 31 December 2021	**76,954**	**76,954**

Investment securities measured at amortized cost - debt instruments	*Stage 1*	*Total*
- rated from BA1 to BA3	340,672	340,672
- not rated	6,226	6,226
Balance at 31 December 2021	**346,898**	**346,898**

(Thousands of Georgian Lari)

25. Risk management (continued)

Credit risk (continued)

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
- rated from BA1 to BA3	96,136	-	-	96,136
- rated from B1 to B3	83,028	-	-	83,028
- not rated	1,620,918	50,455	-	1,671,373
Defaulted	-	-	80,979	80,979
Balance at 31 December 2021	**1,800,082**	**50,455**	**80,979**	**1,931,516**

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
- not rated	875,013	20,632	-	895,645
Defaulted	-	-	14,472	14,472
Balance at 31 December 2021	**875,013**	**20,632**	**14,472**	**910,117**

Micro and SME loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
- not rated	922,389	14,392	-	936,781
Defaulted	-	-	29,998	29,998
Balance at 31 December 2021	**922,389**	**14,392**	**29,998**	**966,779**

Consumer loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
- not rated	473,065	23,693	-	496,758
Defaulted	-	-	14,041	14,041
Balance at 31 December 2021	**473,065**	**23,693**	**14,041**	**510,799**

Finance lease receivables	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
- not rated	124,850	105	-	124,955
Defaulted	-	-	3,323	3,323
Balance at 31 December 2021	**124,850**	**105**	**3,323**	**128,278**

Other financial assets	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
- not rated	2,165	594	-	2,759
Defaulted	-	-	8,545	8,545
Balance at 31 December 2021	**2,165**	**594**	**8,545**	**11,304**

Financial guarantees issued	*Stage 1*	*Total*
- not rated	38,573	38,573
Defaulted	-	-
Balance at 31 December 2021	**38,573**	**38,573**

Letters of credit	*Stage 1*	*Total*
- not rated	4,721	4,721
Defaulted	-	-
Balance at 31 December 2021	**4,721**	**4,721**

Undrawn loan facilities	*Stage 1*	*Total*
- rated from B1 to B3	40,234	40,234
- not rated	234,111	234,111
Defaulted	34	34
Balance at 31 December 2021	**274,379**	**274,379**

(Thousands of Georgian Lari)

25. Risk management (continued)

Credit risk (continued)

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Total*
- rated Aa1 to Aa3	33,859	33,859
- rated A1 to A3	37,930	37,930
- rated from Baa1 to Baa3	23,667	23,667
- rated from BA1 to BA3	1,243,806	1,243,806
- not rated	695	695
Balance at 31 December 2020	**1,339,957**	**1,339,957**

Amounts due from credit institutions	*Stage 1*	*Total*
- rated A1 to A3	3,376	3,376
- rated from BA1 to BA3	211,810	211,810
- rated from B1 to B3	29,176	29,176
- not rated	91,111	91,111
Balance at 31 December 2020	**335,473**	**335,473**

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
- rated from BA1 to BA3	51,108	51,108
- rated from B1 to B3	6,712	6,712
- not rated	11,953	11,953
Balance at 31 December 2020	**69,773**	**69,773**

Investment securities measured at amortized cost - debt instruments	*Stage 1*	*Total*
- rated from BA1 to BA3	322,882	322,882
- rated from B1 to B3	958	958
Balance at 31 December 2020	**323,840**	**323,840**

(Thousands of Georgian Lari)

25. Risk management (continued)

Credit risk (continued)

Commercial loans at amortised cost	Stage 1	Stage 2	Stage 3	Total
- rated Aa1 to Aa3	-	-	-	-
- rated A1 to A3	-	-	-	-
- rated from Baa1 to Baa3	-	-	-	-
- rated from BA1 to BA3	-	-	-	-
- rated from B1 to B3	-	-	-	-
- not rated	2,188,470	66,757	-	2,255,227
Defaulted	-	-	115,461	115,461
Balance at 31 December 2020	**2,188,470**	**66,757**	**115,461**	**2,370,688**

Residential mortgage loans at amortised cost	Stage 1	Stage 2	Stage 3	Total
- not rated	697,080	24,567	-	721,647
Defaulted	-	-	12,061	12,061
Balance at 31 December 2020	**697,080**	**24,567**	**12,061**	**733,708**

Micro and SME loans at amortised cost	Stage 1	Stage 2	Stage 3	Total
- rated from Baa1 to Baa3	-	-	-	-
- rated from BA1 to BA3	-	-	-	-
- rated from B1 to B3	-	-	-	-
- not rated	766,524	31,600	-	798,124
Defaulted	-	-	32,458	32,458
Balance at 31 December 2020	**766,524**	**31,600**	**32,458**	**830,582**

Consumer loans at amortised cost	Stage 1	Stage 2	Stage 3	Total
- not rated	451,863	20,686	-	472,549
Defaulted	-	-	26,901	26,901
Balance at 31 December 2020	**451,863**	**20,686**	**26,901**	**499,450**

Finance lease receivables	Stage 1	Stage 2	Stage 3	Total
- rated Aa1 to Aa3	-	-	-	-
- rated from Baa1 to Baa3	-	-	-	-
- rated from BA1 to BA3	-	-	-	-
- not rated	77,537	576	-	78,113
Defaulted	-	-	3,629	3,629
Balance at 31 December 2020	**77,537**	**576**	**3,629**	**81,742**

Other financial assets	Stage 1	Stage 2	Stage 3	Total
- not rated	-	99	-	99
Defaulted	-	-	11,440	11,440
Balance at 31 December 2020	**-**	**99**	**11,440**	**11,539**

(Thousands of Georgian Lari)

25. Risk management (continued)

Credit risk (continued)

Financial guarantees issued	*Stage 1*	*Total*
- not rated	48,176	48,176
Defaulted	-	-
Balance at 31 December 2020	**48,176**	**48,176**

Letters of credit	*Stage 1*	*Total*
- not rated	27,622	27,622
Defaulted	-	-
Balance at 31 December 2020	**27,622**	**27,622**

Undrawn loan facilities	*Stage 1*	*Total*
- rated from B1 to B3	27,668	27,668
- not rated	190,425	190,425
Defaulted	3	3
Balance at 31 December 2020	**218,096**	**218,096**

Types of collateral the Bank accepts include real estate properties, equipment, inventory and cash collateral. The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral, 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 loan impairment. In respect to collateral valuation the common approach within the region is to update valuations when there is an indication that real estate market prices have changed significantly since last valuation.

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 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	1,936,695	392,939	610,969	449,972	88,534	44,480	91,765	23,766	33,231	201,039
ECL coverage	2.63%	0.56%	1.16%	4.55%	0.49%	3.86%	15.94%	0.80%	1.44%	1.83%
Residential mortgage loans	1,274,646	-	150,719	419,966	450,644	175,907	66,538	4,891	1,686	4,295
ECL coverage	0.90%	n/a	3.12%	0.82%	0.24%	0.40%	2.05%	0.14%	1.90%	2.89%
Micro and SME loans	1,147,961	147,182	293,884	357,080	66,563	30,578	125,497	37,779	30,717	58,681
ECL coverage	1.94%	5.90%	1.06%	1.40%	0.82%	1.05%	1.56%	2.27%	0.63%	2.81%
Consumer loans	624,059	430,388	80,038	79,563	13,910	4,339	11,455	1,683	107	2,576
ECL coverage	3.05%	3.76%	1.64%	1.25%	0.55%	2.81%	2.79%	1.60%	0.93%	0.50%
Loans to customers at amortised cost, gross	**4,983,361**	**970,509**	**1,135,610**	**1,306,581**	**619,651**	**255,304**	**295,255**	**68,119**	**65,741**	**266,591**

	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	1,931,516	463,042	613,247	527,553	101,338	21,160	100,314	10,221	7,112	87,529
ECL coverage	2.52%	0.59%	1.58%	4.54%	2.22%	0.71%	8.89%	0.69%	0.70%	1.02%
Residential mortgage loans	910,117	-	100,058	289,591	324,871	129,014	55,913	4,822	1,834	4,014
ECL coverage	0.72%	n/a	0.90%	0.48%	0.55%	0.64%	1.37%	3.36%	36.70%	0.55%
Micro and SME loans	966,779	112,443	203,274	306,963	70,060	66,006	118,225	17,088	30,807	41,913
ECL coverage	2.65%	5.08%	1.75%	1.79%	1.37%	1.34%	3.93%	0.69%	12.90%	0.69%
Consumer loans	510,799	328,726	66,254	75,410	18,728	6,556	10,791	1,765	1,105	1,464
ECL coverage	4.94%	6.80%	1.50%	1.41%	1.19%	1.63%	3.21%	5.21%	5.16%	0.48%
Loans to customers at amortised cost, gross	**4,319,211**	**904,211**	**982,833**	**1,199,517**	**514,997**	**222,736**	**285,243**	**33,896**	**40,858**	**134,920**

(Thousands of Georgian Lari)

25. Risk management (continued)

Credit risk (continued)

	As at 31 December 2020									
			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	2,370,688	774,876	390,055	621,614	124,110	101,303	168,153	38,642	17,581	134,354
ECL coverage	2.54%	2.63%	0.69%	4.52%	3.39%	1.55%	0.83%	0.69%	1.43%	1.11%
Residential mortgage loans	733,708	-	66,599	180,854	329,233	94,552	53,289	3,799	2,258	3,124
ECL coverage	0.94%	n/a	0.84%	0.89%	0.39%	0.89%	3.45%	5.71%	22.63%	0.70%
Micro and SME loans	830,582	69,757	151,915	250,159	82,338	77,459	117,874	28,212	37,223	15,645
ECL coverage	3.63%	9.58%	2.28%	3.44%	2.13%	1.87%	2.15%	2.40%	13.12%	0.68%
Consumer loans	499,450	330,579	65,073	61,523	23,110	11,912	4,874	2,019	145	215
ECL coverage	9.44%	12.68%	2.39%	2.68%	3.54%	2.06%	6.34%	31.75%	24.14%	0.47%
Loans to customers at amortised cost, gross	**4,434,428**	**1,175,212**	**673,642**	**1,114,150**	**558,791**	**285,226**	**344,190**	**72,672**	**57,207**	**153,338**

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

	2022			
	Georgia	OECD	CIS and other foreign	Total
Assets:				
Cash and cash equivalents	35,455	280,983	588,063	904,501
Amounts due from credit institutions	-	-	847,817	847,817
Investment securities	7,371	64,126	1,464,456	1,535,953
Loans to customers and finance lease receivables	455	23,090	5,015,882	5,039,427
All other assets	-	4,074	244,892	248,966
	43,281	**372,273**	**8,161,110**	**8,576,664**
Liabilities:				
Client deposits and notes	2,179	141,446	5,232,139	5,375,764
Amounts owed to credit institutions	665	770,241	276,670	1,047,576
Debt securities issued	-	120,935	510,245	631,180
Lease Liability	-	-	81,202	81,202
All other liabilities	-	413	261,750	262,163
	2,844	**1,033,035**	**6,362,006**	**7,397,885**
Net balance sheet position	**40,437**	**(660,762)**	**1,799,104**	**1,178,779**

	2021				2020			
	Georgia	OECD	CIS and other foreign	Total	Georgia	OECD	CIS and other foreign	Total
Assets:								
Cash and cash equivalents	1,456	76,627	1,676,717	1,754,800	2,135	71,456	1,396,594	1,470,185
Amounts due from credit institutions	52,502	-	226,575	279,077	-	-	334,921	334,921
Investment securities	-	-	476,025	476,025	-	-	452,844	452,844
Loans to customers and finance lease receivables	428	9,793	4,328,425	4,338,646	476	96,089	4,271,645	4,368,210
All other assets	-	398	218,254	218,652	-	-	214,776	214,776
	54,386	**86,818**	**6,925,996**	**7,067,200**	**2,611**	**167,545**	**6,670,780**	**6,840,936**
Liabilities:								
Client deposits and notes	1,600	151,638	3,718,262	3,871,500	1,580	146,641	3,608,399	3,756,620
Amounts owed to credit institutions	-	1,182,211	298,847	1,481,058	-	1,263,799	323,924	1,587,723
Debt securities issued	-	146,909	569,069	715,978	-	181,567	488,980	670,547
Lease Liability	-	-	78,036	78,036	-	-	70,443	70,443
All other liabilities	-	278	89,273	89,551	-	3,164	64,399	67,563
	1,600	**1,481,036**	**4,753,487**	**6,236,123**	**1,580**	**1,595,171**	**4,556,145**	**6,152,896**
Net balance sheet position	**52,786**	**(1,394,218)**	**2,172,509**	**831,077**	**1,031**	**(1,427,626)**	**2,114,635**	**688,040**

25. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Bank may encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks and international financial organisations, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Assets and Liabilities Department receives information from structural subdivisions regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Assets and Liabilities Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Assets and Liabilities Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Assets and Liabilities Department.

(Thousands of Georgian Lari)

25. Risk management (continued)

Liquidity risk and funding management (continued)

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called. Repayments which are subject to notice are treated as if notice were to be given immediately, except current accounts and on demand deposits from customers which are stated at their stated maturities. 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 2022	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	3,834,928	1,359,731	239,328	21,341	5,455,328
Amounts owed to credit institutions	211,166	170,630	661,985	210,593	1,254,374
Debt securities issued	82,701	186,205	405,609	-	674,515
Lease liability	3,548	10,250	47,400	94,941	156,139
Derivative financial liabilities	477	-	-	-	477
Total undiscounted financial liabilities	**4,132,820**	**1,726,816**	**1,354,322**	**326,875**	**7,540,833**

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	2,463,357	1,096,580	368,889	21,801	3,950,627
Amounts owed to credit institutions	351,238	413,021	649,078	248,833	1,662,170
Debt securities issued	78,671	208,970	488,098	-	775,739
Lease liability	3,197	9,588	45,056	97,886	155,727
Derivative financial liabilities	334	22	242	-	598
Other liabilities	-	-	-	-	-
Total undiscounted financial liabilities	**2,896,797**	**1,728,181**	**1,551,363**	**368,520**	**6,544,861**

Financial liabilities As at 31 December 2020	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	2,582,075	1,037,001	185,017	199	3,804,292
Amounts owed to credit institutions	208,914	402,499	881,844	225,312	1,718,569
Debt securities issued	13,166	145,677	579,313	-	738,156
Lease liability	2,886	8,659	40,932	101,250	153,727
Derivative financial liabilities	551	50	2,563	-	3,164
Other liabilities	-	-	-	-	-
Total undiscounted financial liabilities	**2,807,592**	**1,593,886**	**1,689,669**	**326,761**	**6,417,908**

Included in due to customers in the table above are term deposits of individuals. In accordance with the legislation of the Republic of Armenia, the Bank is obliged to repay term deposits of individuals upon demand of a depositor, forfeiting the accrued interest. These deposits are classified in the table above in accordance with their stated maturity dates.

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 2022	485,331	-	-	-	485,331
31 December 2021	433,310	-	-	-	433,310
31 December 2020	396,485	-	-	-	396,485

(Thousands of Georgian Lari)

25. Risk management (continued)

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-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 materialisation 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.
Given the nature of banking operations, climate risk is perceived to be low over the coming years. However, reputational risks can occur if our climate action lacks ambition and credibility. Considering this, the Bank does not currently consider the impacts of climate change for credit risk assessment. The Bank plans to collect data from clients (mostly for corporate) to refine the assessment of climate-related risks as part of standard due diligence. Transition and physical risks for retail clients still have to be assessed.

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 judgements 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.

26. 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.

As at 31 December 2022, 2021 and 2020 the estimated fair values of all financial instruments except for loans and advances to customers and investment securities at amortised cost approximate their carrying values. The fair value of loans and advances to customers is categorised in Level 3 fair value hierarchy and fair value of investment securities measured at amortised cost is categorised in Level 2 in fair value hierarchy.

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:

At 31 December 2022	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Investment securities	310	462,033	-	462,343
Other assets – derivative financial assets	-	4,127	-	4,127
Assets for which fair values are disclosed				
Cash and cash equivalents	904,501	-	-	904,501
Amounts due from credit institutions	-	847,817	-	847,817
Investment securities	-	1,065,877	-	1,065,877
Loans to customers and finance lease receivables	-	-	5,034,716	5,034,716
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	477	-	477
Liabilities for which fair values are disclosed				
Client deposits and notes	-	-	5,382,711	5,382,711
Amounts owed to credit institutions	-	-	1,061,018	1,061,018
Debt securities issued	-	-	626,292	626,292
Lease liability	-	-	81,202	81,202

(Thousands of Georgian Lari)

26. Fair value measurements (continued)

At 31 December 2021	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investment securities	3,059	126,910	-	129,969
Other assets – derivative financial assets	-	501	-	501
Assets for which fair values are disclosed				
Cash and cash equivalents	1,754,800	-	-	1,754,800
Amounts due from credit institutions	-	279,077	-	279,077
Investment securities	-	331,146	-	331,146
Loans to customers and finance lease receivables	-	-	4,341,292	4,341,292
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	598	-	598
Liabilities for which fair values are disclosed				
Client deposits and notes	-	-	3,881,263	3,881,263
Amounts owed to credit institutions	-	-	1,445,236	1,445,236
Debt securities issued	-	-	712,194	712,194
Lease liability	-	-	78,036	78,036

At 31 December 2020	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investment securities	6,139	123,478	-	129,617
Other assets – derivative financial assets	-	110	-	110
Assets for which fair values are disclosed				
Cash and cash equivalents	1,470,185	-	-	1,470,185
Amounts due from credit institutions	-	334,921	-	334,921
Investment securities	-	321,590	-	321,590
Loans to customers and finance lease receivables	-	-	4,360,927	4,360,927
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	3,164	-	3,164
Liabilities for which fair values are disclosed				
Client deposits and notes	-	-	3,764,140	3,764,140
Amounts owed to credit institutions	-	-	1,544,696	1,544,696
Debt securities issued	-	-	665,496	665,496
Lease liability	-	-	70,443	70,443

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. For financial instruments allocated to Level 2 the Bank uses quoted prices for similar instruments in markets that are considered less than active.

(Thousands of Georgian Lari)

26. Fair value measurements (continued)

The following assumptions are used by management to estimate the fair values of loans and advances to customers: discount rates of 5.9%-12.1% for loans denominated in foreign currency and 9.4%-16.1% for loans denominated in Armenian drams, are used for discounting future cash flows from loans and advances to customers.

The following assumptions are used by management to estimate the fair values of investment securities measured at amortised cost – 10.9%-12.0% for securities denominated in AMD and rates of 1.2%-12.4% for securities denominated in foreign currency.

Fair value of financial instruments that are carried in the historical financial information 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 historical financial information. 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.

	31 December 2022		
	Carrying value	*Fair value*	*Unrecognised gain/(loss)*
Financial assets			
Cash and cash equivalents	904,501	904,501	-
Amounts due from credit institutions	847,817	847,817	-
Investment securities	1,073,610	1,065,877	(7,733)
Loans to customers and finance lease receivables	5,039,427	5,034,716	(4,711)
Financial liabilities			
Client deposits and notes	5,375,764	5,382,711	(6,947)
Amounts owed to credit institutions	1,047,576	1,061,018	(13,442)
Debt securities issued	631,180	626,292	4,888
Lease liability	81,202	81,202	-
Total unrecognised change in unrealised fair value			**(27,945)**

	31 December 2021			*31 December 2020*		
	Carrying value	*Fair value*	*Unrecognised gain/(loss)*	*Carrying value*	*Fair value*	*Unrecognised gain/(loss)*
Financial assets						
Cash and cash equivalents	1,754,800	1,754,800	-	1,470,185	1,470,185	-
Amounts due from credit institutions	279,077	279,077	-	334,921	334,921	-
Investment securities	346,056	331,146	(14,910)	323,227	321,590	(1,637)
Loans to customers and finance lease receivables	4,338,646	4,341,292	2,646	4,368,210	4,360,927	(7,283)
Financial liabilities						
Client deposits and notes	3,871,500	3,881,263	(9,763)	3,756,620	3,764,140	(7,520)
Amounts owed to credit institutions	1,481,058	1,445,236	35,822	1,587,723	1,544,696	43,027
Debt securities issued	715,978	712,194	3,784	670,547	665,496	5,051
Lease liability	78,036	78,036	-	70,443	70,443	-
Total unrecognised change in unrealised fair value			**17,579**			**31,638**

(Thousands of Georgian Lari)

27. Maturity analysis of financial assets and liabilities

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position. See Note 25 "Risk management" for the Bank's contractual undiscounted repayment obligations.

	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	778,590	125,911	-	-	-	-	-	904,501
Amounts due from credit institutions	517,403	329,057	676	681	-	-	-	847,817
Investment securities	1,222	539,561	132,703	141,527	151,076	231,060	338,804	1,535,953
Loans to customers and finance lease	41,503	386,567	592,697	606,040	1,081,305	1,389,213	942,102	5,039,427
Total	**1,338,718**	**1,381,096**	**726,076**	**748,248**	**1,232,381**	**1,620,273**	**1,280,906**	**8,327,698**
Financial liabilities								
Client deposits and notes	-	2,848,284	829,307	1,006,951	379,614	293,700	17,908	5,375,764
Amounts owed to credit institutions	37,651	172,884	45,740	118,971	355,477	197,554	119,299	1,047,576
Debt securities issued	-	81,688	78,999	100,763	323,771	45,959	-	631,180
Lease liability	-	3,528	3,283	6,444	26,515	8,071	33,361	81,202
Total	**37,651**	**3,106,384**	**957,329**	**1,233,129**	**1,085,377**	**545,284**	**170,568**	**7,135,722**
Net	**1,301,067**	**(1,725,288)**	**(231,253)**	**(484,881)**	**147,004**	**1,074,989**	**1,110,338**	**1,191,976**
Accumulated gap	**1,301,067**	**(424,221)**	**(655,474)**	**(1,140,355)**	**(993,351)**	**81,638**	**1,191,976**	

	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	1,702,298	52,502	-	-	-	-	-	1,754,800
Amounts due from credit institutions	227,406	48,548	-	1,576	-	1,547	-	279,077
Investment securities	237	6,639	45,455	33,318	49,849	188,456	152,071	476,025
Loans to customers and finance lease	76,776	325,925	358,340	477,749	818,012	1,056,855	1,224,989	4,338,646
Total	**2,006,717**	**433,614**	**403,795**	**512,643**	**867,861**	**1,246,858**	**1,377,060**	**6,848,548**
Financial liabilities								
Client deposits and notes	1	1,986,101	559,018	678,764	355,577	275,104	16,935	3,871,500
Amounts owed to credit institutions	2,080	348,119	127,469	276,438	394,479	172,155	160,318	1,481,058
Debt securities issued	-	77,947	-	200,335	383,288	54,408	-	715,978
Lease liability	-	1,798	-	4,189	10,963	3,337	57,749	78,036
Total	**2,081**	**2,413,965**	**686,487**	**1,159,726**	**1,144,307**	**505,004**	**235,002**	**6,146,572**
Net	**2,004,636**	**(1,980,351)**	**(282,692)**	**(647,083)**	**(276,446)**	**741,854**	**1,142,058**	**701,976**
Accumulated gap	**2,004,636**	**24,285**	**(258,407)**	**(905,490)**	**(1,181,936)**	**(440,082)**	**701,976**	

	At 31 December 2020							
	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	1,470,167	18	-	-	-	-	-	1,470,185
Amounts due from credit institutions	211,865	119,739	-	-	-	3,317	-	334,921
Investment securities	520	31,620	21,480	77,073	52,066	175,811	94,274	452,844
Loans to customers and finance lease	137,266	470,197	277,692	458,718	867,600	1,143,297	1,013,440	4,368,210
Total	**1,819,818**	**621,574**	**299,172**	**535,791**	**919,666**	**1,322,425**	**1,107,714**	**6,626,160**
Financial liabilities								
Client deposits and notes	-	2,104,728	550,630	668,579	243,856	188,667	160	3,756,620
Amounts owed to credit institutions	1,646	203,736	109,675	261,540	512,168	294,373	204,585	1,587,723
Debt securities issued	-	9,844	-	120,932	472,675	67,096	-	670,547
Lease liability	-	867	-	2,472	8,909	2,712	55,483	70,443
Total	**1,646**	**2,319,175**	**660,305**	**1,053,523**	**1,237,608**	**552,848**	**260,228**	**6,085,333**
Net	**1,818,172**	**(1,697,601)**	**(361,133)**	**(517,732)**	**(317,942)**	**769,577**	**847,486**	**540,827**
Accumulated gap	**1,818,172**	**120,571**	**(240,562)**	**(758,294)**	**(1,076,236)**	**(306,659)**	**540,827**	

The maturity analysis in the table above reflects the historical behaviour and actual repayment pattern of current accounts from customers.

(Thousands of Georgian Lari)

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

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' category in the table above, noting that respective contractual maturity may expand over significantly longer periods:

	At 31 December 2022		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	904,501	-	904,501
Amounts due from credit institutions	847,817	-	847,817
Investment securities	815,013	720,940	1,535,953
Loans to customers and finance lease	1,626,807	3,412,620	5,039,427
Prepayments	39,043	-	39,043
Inventories	4,431	-	4,431
Right-of-use assets	-	72,343	72,343
Property and equipment	-	53,598	53,598
Intangible assets	-	28,776	28,776
Income tax assets	16,924	-	16,924
Other assets	33,811	40	33,851
Total assets	**4,288,347**	**4,288,317**	**8,576,664**
Client deposits and notes	4,684,542	691,222	5,375,764
Amounts owed to credit institutions	375,246	672,330	1,047,576
Debt securities issued	261,450	369,730	631,180
Lease liability	13,255	67,947	81,202
Accruals and deferred income	133,736	-	133,736
Income tax liabilities	77,434	-	77,434
Other liabilities	50,993	-	50,993
Total liabilities	**5,596,656**	**1,801,229**	**7,397,885**
Net	**(1,308,309)**	**2,487,088**	**1,178,779**

	At 31 December 2021			At 31 December 2020		
	Less than 1 year	More than 1 year	Total	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	1,754,800	-	1,754,800	1,470,185	-	1,470,185
Amounts due from credit institutions	277,530	1,547	279,077	331,604	3,317	334,921
Investment securities	85,649	390,376	476,025	130,693	322,151	452,844
Loans to customers and finance lease	1,238,790	3,099,856	4,338,646	1,343,873	3,024,337	4,368,210
Prepayments	42,307	-	42,307	37,821	-	37,821
Inventories	991	-	991	1,217	-	1,217
Right-of-use assets	-	71,956	71,956	-	66,755	66,755
Property and equipment	-	51,403	51,403	-	53,950	53,950
Intangible assets	-	17,241	17,241	-	13,412	13,412
Income tax assets	-	-	-	6,450	-	6,450
Other assets	34,754	-	34,754	35,171	-	35,171
Total assets	**3,434,821**	**3,632,379**	**7,067,200**	**3,357,014**	**3,483,922**	**6,840,936**
Client deposits and notes	3,223,884	647,616	3,871,500	3,323,937	432,683	3,756,620
Amounts owed to credit institutions	754,106	726,952	1,481,058	576,597	1,011,126	1,587,723
Debt securities issued	278,282	437,696	715,978	130,776	539,771	670,547
Lease liability	5,987	72,049	78,036	3,339	67,104	70,443
Accruals and deferred income	40,196	-	40,196	15,566	-	15,566
Income tax liabilities	7,212	-	7,212	16,372	-	16,372
Other liabilities	41,901	242	42,143	33,063	2,562	35,625
Total liabilities	**4,351,568**	**1,884,555**	**6,236,123**	**4,099,650**	**2,053,246**	**6,152,896**
Net	**(916,747)**	**1,747,824**	**831,077**	**(742,636)**	**1,430,676**	**688,040**

(Thousands of Georgian Lari)

28. 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 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 2022			*At 31 December 2021*		
	Shareholder with significant influence	*Subsidiaries and other entities related of the major shareholder*	*Key management personnel*	*Shareholder with significant influence*	*Subsidiaries and other entities related of the major shareholder*	*Key management personnel*
Loans outstanding at 1 January, gross	**-**	**14,290**	**5,564**	**-**	**9,632**	**5,091**
Loans issued during the year	12,323	1	1,608	14,355	13,827	1,638
Loan repayments during the year	(12,320)	(1,202)	(2,391)	(14,355)	(8,716)	(927)
Other movements	-	(1,717)	4	-	(453)	(238)
Loans outstanding at 31 December, gross	**3**	**11,372**	**4,785**	**-**	**14,290**	**5,564**
Less: allowance for impairment at 31 December	-	93	13	-	98	16
Loans outstanding at 31 December, net	**3**	**11,465**	**4,798**	**-**	**14,388**	**5,580**
Interest income on loans	18	1,143	369	27	966	379
Expected credit loss	-	(9)	(4)	-	32	5
Deposits at 1 January	**1,278**	**15,046**	**4,608**	**3,717**	**11,761**	**4,914**
Deposits received during the year	-	2,177	1,128	-	3,444	391
Deposits repaid during the year	-	(3,177)	(1,024)	-	(5,014)	(909)
Other movements	47	10,221	3,329	(2,439)	4,855	212
Deposits at 31 December	**1,325**	**24,267**	**8,041**	**1,278**	**15,046**	**4,608**
Interest expense on deposits	355	265	98	179	124	72
Borrowings at 1 January	**25,861**	**-**	**-**	**155,614**	**-**	**-**
Borrowings received during the year	114,728	-	-	113,912	-	-
Borrowings repaid during the year	(44,881)	-	-	(238,623)	-	-
Other movements	(13,411)	-	-	(5,042)	-	-
Borrowings at 31 December	**82,297**	**-**	**-**	**25,861**	**-**	**-**
Interest expense on borrowings	(3,534)	-	-	(3,649)	-	-
debt securities issued at 1 January	**-**	**9,535**	**12,120**	**-**	**-**	**-**
debt securities issued received during the year	967	2,126	1,878	-	9,333	11,926
debt securities issued repaid during the year	-	(9,960)	(2,471)	-	-	(64)
Other movements	35	(785)	(9,683)	-	202	258
debt securities issued at 31 December	**1,002**	**916**	**1,844**	**-**	**9,535**	**12,120**
Interest expense on debt securities issued	(146)	(131)	(111)	-	(70)	(91)
Guarantees received at 31 December	47,469	-	-	59,339	-	-

(Thousands of Georgian Lari)

28. Related party disclosures (continued)

	At 31 December 2020		
	Shareholder with significant influence	Subsidiaries and other entities related of the major shareholder	Key management personnel
Loans outstanding at 1 January, gross	**-**	**8,186**	**6,007**
Loans issued during the year	13,359	331	760
Loan repayments during the year	(13,359)	(69)	(625)
Other movements	-	1,184	(1,051)
Loans outstanding at 31 December, gross	**-**	**9,632**	**5,091**
Less: allowance for impairment at 31 December	-	66	10
Loans outstanding at 31 December, net	**-**	**9,698**	**5,101**
Interest income on loans	6	817	507
Expected credit loss	-	41	5
Deposits at 1 January	**3,435**	**14,915**	**5,892**
Deposits received during the year	-	5,907	1,081
Deposits repaid during the year	-	(10,119)	(1,362)
Other movements	282	1,058	(697)
Deposits at 31 December	**3,717**	**11,761**	**4,914**
Interest expense on deposits	315	321	109
Borrowings at 1 January	**81,084**	**-**	**-**
Borrowings received during the year	137,028	-	-
Borrowings repaid during the year	(74,780)	-	-
Other movements	12,282	-	-
Borrowings at 31 December	**155,614**	**-**	**-**
Interest expense on borrowings	(5,108)	-	-
Guarantees received at 31 December	31,928	-	-

Compensation of key management personnel comprised the following:

	2022	2021	2020
Salaries and other benefits	54,354	20,072	11,449
Total key management compensation	**54,354**	**20,072**	**11,449**

The number of key management personnel at 31 December 2022 was 14 (31 December 2021: 14, 31 December 2020: 14).

(Thousands of Georgian Lari)

29. Capital adequacy

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 shareholders' 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.

The Central Bank of Armenia sets and monitors capital requirements for the Bank. Under the current capital requirements set by the Central Bank of Armenia, banks have to maintain a minimum total capital of GEL 206 (2021: GEL 193 , 2020: GEL 188). The Bank is in compliance with minimum total capital requirements as at 31 December 2022, 31 December 2021 and 31 December 2020.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basel Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level.

As at 31 December 2022, 31 December 2021 and 31 December 2020, the Bank's capital adequacy ratio was as follows:

	2022	*2021*	*2020*
	(unaudited)	*(unaudited)*	*(unaudited)*
Tier 1 capital	1,097,194	758,656	688,258
Tier 2 capital	159,907	168,472	121,569
Total capital	**1,257,101**	**927,128**	**809,827**
Risk-weighted assets	**7,224,036**	**6,064,781**	**5,817,511**
Tier 1 capital ratio	**15.2%**	**12.5%**	**11.8%**
Total capital ratio	**17.4%**	**15.3%**	**13.9%**
Min. requirement for Tier 1 capital ratio	**11.5%**	**10.5%**	**10.0%**
Min. requirement for Total capital ratio	**14.5%**	**13.5%**	**13.0%**

30. Events after reporting period

In 2023 the Bank declared and paid dividends in amount of GEL 153,468, calculated using AMD-GEL exchange rates on the respective dividend payment dates.

During 2023 the following changes were introduced in capital buffer requirements:

- Minimum regulatory capital requirement decreased by 1%
- Capital conservation buffer increased by 0.5%
- Systemic buffer requirement increased by 0.5%
- Countercyclical buffer of 1.5% was introduced

Conservation buffer requirement increased by an additional 0.5%, effective January 1st 2024 effectively increasing Tier 1 and Total Capital requirements to 13.8% and 16.5%, respectively

On 21 April 2023 and 28 April 2023 the Bank established two subsidiaries in accordance with the legislation of Republic of Armenia - Invia CJSC and Dinno CJSC respectively, with a total investment of GEL 2,398, using 31 December 2022 AMD-GEL ex-rate.

The Bank is the 100% shareholder of both subsidiaries. The subsidiaries are in their start-up stage and main pain planned activities of these companies is provision of legal consulting and digital services.

Section B: Accountant's Report on the Historical Financial Information relating to Ameriabank CJSC

The Board of Directors
Bank of Georgia Group PLC
42 Brook Street
London
United Kingdom, W1K 5DB
Dear Sirs/Madams

19 February 2024

Ameriabank CJSC

We report on the financial information set out in Section A of Part IV of the circular dated 19 February 2024 of Bank of Georgia Group plc (the "Company") (the "Circular") for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 (the "Financial Information").

This report is required by Listing Rule 13.5.21 and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Circular.

Opinion

In our opinion, the Financial Information gives, for the purposes of the Circular dated 19 February 2024, a true and fair view of the state of affairs of Ameriabank CJSC as at 31 December 2020, 2021 and 2022 and of its profits, comprehensive income, cash flows and changes in equity for the periods then ended in accordance with UK adopted International Accounting Standards.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information in accordance with UK adopted International Accounting Standards.

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

Basis of Preparation

The Financial Information has been prepared for inclusion in the Circular on the basis of the accounting policies set out in note 3 to the Financial Information.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions Relating to Going Concern

In performing our work on the Financial Information, prepared on the basis that the acquisition of Ameriabank CJSC by the Company completes, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Information is appropriate.

Based on the work we have performed, we have not identified any material uncertainties related to events or conditions that, individually or collectively, may cast significant doubt on Ameriabank CJSC's ability to continue as a going concern for a period of at least twelve months from the date of the Circular.

Yours faithfully

Ernst & Young LLP

Part V

Unaudited Pro Forma Financial Information relating to the Enlarged Group

Section A: Unaudited Pro Forma Financial Information relating to the Enlarged Group

The following unaudited *pro forma* statement of net assets (the "**Pro forma financial information**") has been prepared to illustrate the effect of the Acquisition on the consolidated net assets of the Group as if it had taken place on 30 June 2023.

The unaudited *pro forma* financial information for the Enlarged Group has been prepared in a manner consistent with the accounting policies adopted by BOGG in preparing its consolidated financial statements for the year ending 31 December 2022, on the basis of the notes set out below and in accordance with Listing Rule 13.3.3R and the requirements of Annex 20, sections one and two of the UK version of the Commission Delegated Regulation (EU) 2019/980.

The unaudited *pro forma* financial information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or what the Enlarged Group's actual financial position would have been if the Acquisition had been completed on the date indicated, nor does it purport to represent the financial position at any future date.

The unaudited *pro forma* financial information should be read together with the historical financial information of the Group, as incorporated by reference in Part VI (*Additional Information*) of this document, and Ameriabank, as laid out in Part IV (*Historical Financial information of Ameriabank CJSC*) of this document.

The unaudited *Pro forma* financial information set out in this Part V does not constitute statutory accounts within the meaning given in section 434 of the Companies Act 2006. BOGG Shareholders should read the whole of this document and not rely solely on the unaudited *pro forma* financial information contained in this Part V. EY's report on the unaudited *pro forma* financial information is set out in Part B (*Accountant's report on the unaudited pro forma financial information*) of this Part V.

Unaudited Pro Forma Statement of Net Assets relating to the Enlarged Group

	The Group as at 30 June 2023 (note 1)	Ameriabank as at 31 December 2022 (note 2)	Adjustments: Acquisition adjustments (note 3)	Adjustments: Intercompany Elimination (note 4)	Unaudited pro forma net assets of the Enlarged Group
	(Thousands of Georgian Lari)				
Assets					
Cash and cash equivalents	2,155,256	904,501	(692,258)	(35,455)	2,332,044
Amounts due from credit institutions	1,931,461	847,817	–	–	2,779,278
Investment securities	4,980,403	1,505,846	–	–	6,486,249
Investment securities pledged under sale and repurchase agreements	–	30,107	–	–	30,107
Loans to customers and finance lease receivables	18,282,017	5,039,427	–	–	23,321,444
Accounts receivable and other loans	47,754	–	–	–	47,754
Prepayments	50,854	39,043	–	–	89,897
Inventories	24,153	–	–	–	24,153
Right-of-use assets	133,889	72,343	–	–	206,232
Investment properties	143,815	–	–	–	143,815
Property and equipment	411,018	53,598	–	–	464,616
Goodwill	39,116	–	–	–	39,116
Intangible assets	162,049	28,776	–	–	190,825
Income tax assets	–	16,924	–	–	16,924
Other assets	324,448	38,282	–	–	362,730
Assets held for sale	30,985	–	–	–	30,985
Total assets	**28,717,218**	**8,576,664**	**(692,258)**	**(35,455)**	**36,566,169**
Liabilities					
Client deposits and notes	19,647,354	5,375,764	–	–	25,023,118
Amounts owed to credit institutions	3,120,305	1,047,576	–	(35,455)	4,132,426
Debt securities issued	621,229	631,180	–	–	1,252,409
Lease liability	129,044	81,202	–	–	210,246
Accruals and deferred income	94,460	133,736	–	–	228,196
Income tax liabilities	155,856	77,434	(210)	–	233,080
Other liabilities	415,958	50,993	135,547	–	602,498
Total liabilities	**24,184,206**	**7,397,885**	**135,337**	**(35,455)**	**31,681,973**
Net assets	**4,533,012**	**1,178,779**	**(827,595)**	**—**	**4,884,196**

Notes

1. The financial information of the Group as at 30 June 2023 has been extracted without material adjustment, from its unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2023, which are prepared in accordance with UK adopted International Accounting Standard 34 and consistently with the accounting policies adopted by the Group in preparing its consolidated financial statements as at and for the year ended 31 December 2022, and which are incorporated by reference as described in Part VI (*Additional Information*) of this document.

2. The financial information of Ameriabank as at 31 December 2022 has been extracted without material adjustment, from the Historical Financial Information of Ameriabank as at 31 December 2022 as set out in Part IV (*Historical Financial information of Ameriabank CJSC*) of this document.

3. The estimated total consideration is KGEL805,025 for the acquisition of 100% of Ameriabank. The consideration will be satisfied in cash, with KGEL669,478 payable at Completion and KGEL55,046 payable on the date falling 6 months from the date of Completion, with the deferred portion of the consideration being subject to deductions for any warranty claim brought by the Company and JSC BOG in connection with a breach of certain warranties contained in the Acquisition Agreement. The parties have determined that the consideration for the Acquisition is KGEL805,025 calculated by reference to the net asset value of Ameriabank as recorded in the Ameriabank management accounts dated 31 October 2023 as reviewed by Ameriabank's auditors, KPMG Armenia LLC (the "**Management Accounts**").

Following Completion of the Initial Acquisition, EBRD will retain 10% of Ameriabank's total issued share capital (the "**Option Shares**"). The consideration in respect of the acquisition of the Option Shares will be payable on the exercise of the put or call option, as applicable, under the Shareholders' (Put and Call Option) Agreement.

This adjustment reflects the following:

- cash settlement of KGEL692,258 being the settlement of the cash element of the consideration of KGEL669,478 including estimated transaction costs of KGEL22,780 (inclusive of an estimate for irrecoverable VAT);
- other liabilities amounting to KGEL135,547 consists of: (i) the deferred consideration of KGEL55,046 at fair value which is 7.6% of the Consideration payable on the date falling 6 months from the date of Completion. No adjustment has been made for any warranty claim as this amount (if relevant) is not yet known; and (ii) the put and call option liability of KGEL80,501 representing the present value of the exercise price. Upon the exercise of the put or call option, the Company will pay 100% of the consideration with respect to the acquisition of the Option Shares either in cash or in the form of shares issued in the Company, directly to EBRD. The put and call option will be accounted for as a finance liability in accordance with IFRS 9 *Financial Instruments*; and
- a related current tax credit of KGEL210 representing the tax credit on those transaction costs that are tax-deductible is shown within "Current tax liabilities".

The unaudited *pro forma* financial information has been prepared on the basis that the Acquisition will be accounted under IFRS 3 "Business Combinations" but does not reflect the fair value adjustments to the acquired assets and liabilities that may be reflected as part of the purchase price allocation, as the fair value measurement of these assets and liabilities will be performed after Completion.

The calculation below reflects gain on bargain purchase arising on the Acquisition and has been accounted for using the acquisition method of accounting.

	Note	**KGEL**
Cash consideration paid on completion		*669,478*
Deferred consideration		*55,046*
Put and call option liability		*80,501*
Total consideration	i	805,025
Less net assets acquired of Ameriabank as at 31 December 2022	ii	(1,178,779)
Gain on bargain purchase[24]		**(373,754)**

i. The estimated total consideration is KGEL805,025, of which KGEL55,046 is deferred consideration, and KGEL80,501 is a put/call option liability.

ii. The net assets acquired of KGEL1,178,779 comprise the net assets of Ameriabank as at 31 December 2022.

The consideration and estimated transaction costs are converted in GEL using the NBG's official exchange rate of USD1:GEL2.6517 and GBP1:GEL3.3589 as of 14 February 2024.

4. The adjustments of GEL 35,455 reflects the intercompany elimination of interbank accounts between BOGG and Ameriabank as at 31 December 2022.

5. No adjustment has been made to reflect the trading results of BOGG since 30 June 2023 or of Ameriabank since 31 December 2022.

[24] Gain on bargain purchase is recognised in the income statement

Section B: Accountant's Report on the Unaudited Pro Forma Financial Information relating to the Enlarged Group

The Board of Directors
Bank of Georgia Group PLC
42 Brook Street
London
United Kingdom, W1K 5DB
Dear Sirs/Madams

19 February 2024

Bank of Georgia Group PLC (the "Company")

We report on the *pro forma* financial information set out in Section A of Part V of the Circular (the "Circular") dated 19 February 2024 of the Company (the "Pro Forma Financial Information").

This report is required by Listing Rule 13.3.3R and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Circular.

Opinion

In our opinion:

- the *Pro Forma* Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the directors of the Company to prepare the *Pro Forma* Financial Information in accordance with Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as required by Listing Rule 13.3.3R as to the proper compilation of the *Pro Forma* Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the *Pro Forma* Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Preparation

The *Pro Forma* Financial Information has been prepared on the basis described in the footnotes to the *Pro Forma* Financial Information, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2022.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *Pro Forma* Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the *Pro Forma* Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Yours faithfully

Ernst & Young LLP

Part VI

Additional Information

1. Responsibility

1.1 BOGG and the BOGG Directors, whose names are set out in paragraph 4 of this Part VI (*Additional Information*), accept responsibility for the information contained in this document. To the best of the knowledge and belief of BOGG and the BOGG Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. BOGG Information

2.1 BOGG was incorporated on 15 August 2017 as "Bank of Georgia Group Limited". On 7 February 2018 BOGG was re-registered as a public company limited by shares and renamed to "Bank of Georgia Group PLC". It was incorporated with limited liability in England and Wales, and operates as a public limited company under the Companies Act 2006, with registered number 10917019. BOGG is a resident of the UK for UK tax purposes.

2.2 BOGG's registered office and principal place of business is at 42 Brook Street, London, W1K 5DB, its telephone number is +44(0) 203 178 4052, its LEI number is 213800XKDG12NQG8VC53 and its website is https://bankofgeorgiagroup.com/. The contents of BOGG's website do not form part of this document.

2.3 The principal legislation under which the Company operates is the Companies Act 2006.

3. Resolution

3.1 As described in Part I (*Letter from the Chairman of Bank of Georgia* Group PLC) of this document, the Resolution will be proposed at the BOGG General Meeting as set out in the Notice of General Meeting in Part VIII (*Notice of General Meeting*) of this document. The Acquisition will not proceed unless the Resolution is passed.

4. Directors

4.1 The BOGG Directors and their respective functions are as follows:

Director	Function
Mel Carvill	Non-Executive Chairman
Archil Gachechiladze	Executive Director and CEO
Hanna Loikkanen	Senior Independent Non-Executive Director
Alasdair Breach	Independent Non-Executive Director
Tamaz Georgadze	Independent Non-Executive Director
Jonathan Muir	Independent Non-Executive Director
Cecil Quillen	Independent Non-Executive Director
Véronique McCarroll	Independent Non-Executive Director
Mariam Megvinetukhutsesi	Independent Non-Executive Director

5. Directors Interests in the Company

As at the Latest Practicable Date prior to the publication of this document, the interests of the BOGG Directors and any persons connected with them, within the meaning of Part 22 of the Companies Act 2006, in BOGG Shares were as follows:

Director	Number of Shares	Percentage of existing issued share capital (%)	Share options (non-voting)
Mel Carvill.	—	—	—
Archil Gachechiladze.	399,505	0.9	318,702
Alasdair Breach.	30,000	0.1	—
Tamaz Georgadze.	5,000	—	—
Hanna Loikkanen.	—	—	—
Jonathan Muir	—	—	—
Cecil Quillen	2,900	—	—
Véronique McCarroll	—	—	—
Mariam Megvinetukhutsesi	4,102	—	—

6. No Significant Change

6.1 There has been no significant change in the financial performance or financial position of the Group since 30 June 2023, being the date to which the last unaudited interim financial information for BOGG was published.

6.2 There has been no significant change in the financial performance or financial position of the Ameriabank Group since 31 December 2022, being the end of the last financial period for which financial information in relation to Ameriabank, as set out in Part IV (*Historical Financial information of Ameriabank CJSC*) of this document, has been published.

7. Working Capital Statement

7.1 BOGG is of the opinion that, taking into account the existing cash resources available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months following the date of publication of this document.

8. Consents

8.1 Cavendish Capital Markets Ltd has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

8.2 J.P. Morgan Securities plc has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

8.3 Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion in this Circular of its accountant's report set out in Section B of Part IV (*Historical Financial information of Ameriabank CJSC*) and its report set out in Section B of Part V (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*) of this Circular, in the form and context in which these reports are included.

9. Material Contracts

The Group

No contracts have been entered into by the Group (other than contracts entered into in the ordinary course of business): (i) within two years immediately preceding the date of this document that are, or may be, material to the Group, or (ii) that contain provisions under which any member of the Group has an obligation or entitlement that is, or may be, material to the Group as at the latest practicable date, save as disclosed below.

9.1 <u>The Acquisition Agreement</u>

A summary of the principal terms and conditions of the Acquisition Agreement is set out in Part III (*Principal Terms and Conditions of the Acquisition Agreement*) of this document.

9.2 The Shareholders' (Put and Call Option) Agreement

A summary of the principal terms and conditions of the Shareholders' (Put and Call Option) Agreement is set out in Part III (*Principal Terms and Conditions of the Acquisition Agreement*) of this document.

9.3 Sponsor's Agreement with Cavendish

On 19 February 2024, BOGG and Cavendish entered into a sponsor's agreement (the "**Sponsor's Agreement**"). Pursuant to the Sponsor's Agreement, BOGG has appointed Cavendish as sole sponsor, as required under the Listing Rules, in connection with the Acquisition, and Cavendish has accepted such appointment, subject to and in accordance with the terms and conditions of the Sponsor's Agreement.

Pursuant to the Sponsor's Agreement, BOGG has also given certain undertakings, representations and warranties to Cavendish in its capacity as sponsor, including, among other things, certain representations and warranties in relation to the Group and customary undertakings.

Cavendish has the right to terminate the Sponsor's Agreement in certain circumstances, including if there is a material adverse change in the business of the Group, the occurrence of certain force majeure events or where certain customary conditions are not met. Under the Sponsor's Agreement, BOGG has agreed to indemnify Cavendish on customary terms in connection with any losses it may sustain in connection with, the Acquisition or its role as sponsor, and agreed to pay certain fees to Cavendish and to reimburse Cavendish in connection with costs, charges and expenses that Cavendish may incur in connection with the Acquisition.

Financing Arrangements of JSC BOG (unrelated to the Acquisition)

9.4 USD100 million 11.125% Additional Tier 1 Capital Perpetual Subordinated Notes

In March 2019, JSC BOG issued US$100 million 11.125% Additional Tier 1 capital perpetual subordinated notes callable after 5.25 years and on every subsequent interest payment date, subject to prior consent of the National Bank of Georgia. The notes were issued at a price of 100.00% and listed on Irish Stock Exchange plc trading as Euronext Dublin. The regulatory approval on the classification of the notes as Additional Tier 1 instruments under the Basel III Framework was received in April 2019. The notes are included in additional tier 1 capital of JSC BOG and rank *pari passu* and without any preference among themselves. The terms and conditions of the notes contain certain capital trigger provisions upon the occurrence of which any accrued and unpaid interest payable in respect of the notes shall not be paid and obligations to repay the outstanding principal amount shall be terminated, each in full or in part. The notes are fully paid-in and included in JSC BOG's Tier 1 Capital;

9.5 EFSE – USD 10 million Subordinated Facility Agreement (Tier 2)

In June 2019, JSC BOG and the European Fund for Southeast Europe ("**EFSE**") entered into a US$10 million subordinated loan agreement with a maturity of 10 years. It qualifies for Tier 2 capital under the Basel III Framework and improves the overall capitalisation of JSC BOG. The loan is fully drawn down.

9.6 EBRD – GEL 27.9 million Loan Agreement

In June 2019, JSC BOG and EBRD signed a loan agreement on a Georgian Lari equivalent of 8.85 million EUR with a maturity of 5 years. Eventual disbursement had been 27.9 million Lari. The facility aims to continue to provide the micro, small and medium sized enterprises the access to increasingly demanded local currency funding and to further support their alignment with the European Union's Deep and Comprehensive Free Trade Agreement requirements. EBRD obtained the local currency funds through a private placement of GEL-denominated bonds arranged by Galt & Taggart – a wholly owned brokerage subsidiary of the Group. The loan is fully drawn down.

9.7 IFC – GEL 200 million Loan Agreement

In August 2019, JSC BOG and the International Finance Corporation ("**IFC**"), a member of the World Bank Group, signed a GEL 100 million loan agreement with a maturity of 5 years. It is intended for the local currency needs of Georgian micro, small and medium sized enterprises (MSMEs). The investment was supported by the Women Entrepreneurs Opportunity Facility, a pioneering global initiative by IFC and Goldman Sachs Foundation to expand access for women entrepreneurs. 25% of the loan was dedicated to serve female entrepreneurs. IFC raised the local currency funds through a private placement of GEL-denominated bonds arranged by Galt & Taggart – a wholly owned brokerage subsidiary of the Group. The loan had been fully disbursed in December 2019. In January 2020 JSC BOG and IFC signed another loan agreement with the similar terms on the second tranche of GEL 100 million, which is also fully drawn down.

9.8 responsAbility – USD 10 million Tier 2 Promissory Notes

In September 2019, USD 10 million from senior funding, with the following lenders, had been converted into Tier 2 Promissory Notes: (a) responsAbility SICAV (Lux), acting for its sub-fund responsAbility SICAV (Lux) Micro and SME Finance Leaders (USD 3.25 million); (b) responsAbility SICAV (Lux) acting for its sub-fund responsAbility SICAV (Lux) Micro and SME Finance Debt Fund (USD 3.175 million); (c) MultiConcept Fund Management S.A. acting in its own name on behalf of the investment fund responsAbility Global Micro and SME Finance Fund (USD 3,575 million). The facility has a maturity of 10 years, it is fully disbursed and qualifies for Tier 2 capital under the Basel III Framework and improves the overall capitalisation of JSC BOG.

9.9 EIB – EUR 75 million Finance Contract

In December 2019, JSC BOG signed a EUR 50 million loan agreement with European Investment Bank ("**EIB**") with the maturity of up to 7 years. The limit had been further increased in December 2020 by EUR 25 million. In March 2020, EUR 15 million equivalent, with 5 years' maturity had been disbursed in Georgian Lari and the remaining amount, with 7 years maturity had been drawn down by JSC BOG in January 2021 in Euros. The purpose of the credit is to finance investment projects promoted by micro, small and medium sized (MSMEs) and mid-capitalisation enterprises (MidCaps) in Georgia and support the local private sector development. The facility's fully drawn down.

9.10 FMO – USD 127 million Subordinated Term Facilities Agreement (Tier 2)

In December 2019, JSC BOG signed a ten-year USD107 million subordinated syndicated loan agreement arranged by FMO – Dutch entrepreneurial development bank in collaboration with other participating lenders including DEG – Deutsche Investitions und Entwicklungsgesellschaft MBH, the Finnish Fund for Industrial Cooperation Ltd., Obviam, on behalf of the Swiss Investment Fund for Emerging Markets, the Swedish Development Finance Institution – Swedfund International AB, BlueOrchard Microfinance Fund and Symbiotics Group. In December 2020 the agreement had been amended for additional US$ 20 million from Oesterreichische Entwicklungsbank AG. The Facility is fully disbursed and classified as Tier 2 capital instrument under the Basel III Framework.

9.11 EBRD – USD 100 million Loan Agreement

In July 2020, JSC BOG and EBRD signed a USD 100 million multi-currency loan agreement with a maturity of five years, allowing the Bank to draw-down the funds both in local and foreign (US Dollar and Euro) currencies. The facility aims to support micro, small and medium size enterprises through providing uninterrupted access to long-term funding. This was the first long-term facility from EBRD as part of COVID-19 crisis support to Georgia, designed to facilitate on-lending to JSC BOG's clients to withstand the negative consequences brought by the economic impact of the pandemic. JSC BOG made a drawdown in Georgian Lari, into two tranches in 2021, with total amount of c.USD 221 million.

9.12 EBRD – GEL 92 million Loan Agreement

In August 2021, JSC BOG and EBRD signed a GEL 92 million (EUR 25 million equivalent) loan agreement with a maturity of five years. The facility had been disbursed in September 2021 and aims to continue to provide micro, small and medium-sized enterprises access to increasingly demanded long-term local currency funding and to further support their alignment with the European Union's Deep and Comprehensive Free Trade Agreement requirements. This financing is part of a wider EU4Business and EBRD credit line – a financing instrument to boost competitiveness of local firms in the Eastern Partnership region. EBRD obtained the local currency funds through a private placement of GEL-denominated bonds arranged by Galt & Taggart, a wholly owned brokerage subsidiary of the Group. The facility is fully drawn down.

9.13 DFC – USD 100 million Finance Agreement

In November 2021, JSC BOG and the U.S. International Development Finance Corporation signed a USD 100 million loan agreement with a maturity of over 11 years. The facility enables JSC BOG to on-lend to micro, small, and medium-sized business customers to minimise the impact of the

COVID-19 pandemic-related economic implications in Georgia, including expanding access to finance and increasing our support to female-led enterprises. It had been fully disbursed into 3 Tranches in 2022 and 2023.

9.14 GGF – USD 20 million Synthetic Facility Agreement

In November 2021, JSC BOG and Green for Growth Fund, Southeast Europe S.A., SICAV-SIF signed a US$20 million Synthetic Facility Agreement with a maturity of 5 years. The funding is provided by the European Union and the German Federal Ministry for Economic Cooperation and Development and stimulates green financing of both retail and business sectors in Georgia. Aggregated sub-loan portfolio is required to achieve a minimum of 20 percent primary energy and/or CO_2 savings on average. Total local currency equivalent of the facility had been fixed at GEL 60.4 million after full disbursement into two tranches in December 2021 and June 2022.

9.15 ADB and JICA – USD 200 million Common Terms Agreement

In December 2021, JSC BOG signed a USD 200 million loan agreement with a maturity of five years with ADB and the Japan International Cooperation Agency ("**JICA**"). The facility aims to support micro, small and medium-sized enterprises in Georgia, including female-led businesses, through providing continued access to long-term finance. Half of the facility from ADB (US$ 100 million) had been fully disbursed in local currency in September 2023 and another half from JICA – in August 2023 in USD.

9.16 EBRD and Swedfund – USD 50 million Perpetual Subordinated Unsecured Callable Additional Tier 1

In May 2022, JSC BOG entered into a USD 50 million Additional Tier 1 Capital Perpetual Subordinated Syndicated Facility, with EBRD and Swedfund International AB, as Lenders. The Facility is callable by the borrower after 5 years from the disbursement date and on every subsequent interest payment date, subject to prior consent of the National Bank of Georgia. It includes a green component, whereby JSC BOG is expected to identify and apply amounts equal to the AT1 Capital Loan into Green Economy Transition (GET)-eligible investments. EBRD will also provide a grant for a technical cooperation programme to support JSC BOG in its green financing initiatives. The instrument is fully disbursed and duly included into BOG's Tier 1 capital.

9.17 EBRD – GEL 52.6 million Loan Agreement

In September 2022, JSC BOG and EBRD signed a loan agreement in the amount of the GEL equivalent of USD 20 million with a maturity of five years. Disbursement had been made in September 2023. Total amount is c.GEL 52.6 million. This funding comes under the EU4Business-EBRD Credit Line programme, one of the most successful and popular financing instruments across the region and among micro, small and medium sized enterprises (MSMEs) in Georgia. Its objective is to enable local MSMEs to enhance their competitiveness and alignment with European standards, with a particular focus on investments in green technologies. In addition to financing, MSMEs benefit from incentive grant funding and free-of-charge technical assistance by international advisors, funded by the EU under its EU4Business initiative. The loan is fully drawn down.

9.18 GCPF – USD 10 million Unsecured Facilities Agreement

In September 2022, JSC BOG and Global Climate Partnership Fund S.A., SICAV-SIF signed a USD 10 million Unsecured Facility Agreement with a maturity of 10 years payable into two tranches. The funding is intended for Renewable Energy and Energy Efficiency projects with the goal to reduce energy consumption and/or CO2 emissions. The facility is fully drawn down.

9.19 responsAbility – USD 10 million Tier 2 Promissory Notes

In November 2023, JSC BOG signed a USD 10 million Subordinated Loan Agreement with responsAbility SICAV (Lux) acting for its sub-fund responsAbility SICAV (Lux) Financial Inclusion Fund (USD 3.3 million); MultiConcept Fund Management S.A. acting in its own name for responsAbility Global Micro and SME Finance Fund as Lender (USD 2.7 million); responsAbility SICAV (Lux) acting for its sub-fund responsAbility SICAV (Lux) Micro and SME Finance Debt Fund as Lender (USD 2.5 million); responsAbility SICAV (Lux) acting for its sub-fund responsAbility SICAV (Lux) Micro and SME Finance Leaders as Lender (USD 1.5 million). The facility has a maturity of 10 years. It is fully drawn down and qualifies for Tier 2capital under the Basel III Framework and improves the overall capitalisation of JSC BOG.

9.20 EFSE – EUR 20 million Subordinated Facility Agreement (Tier 2)

In December 2023, JSC BOG and the European Fund for Southeast Europe, S.A., SICAV-SIF entered into a EUR 20 million subordinated loan agreement with a maturity of 10 years. It has a component for sustainable economic activities or women majority-owned or led MSMEs, whereby JSC BOG will aim, on a best efforts basis, to identify and apply pre-defined amounts to eligible investments. the facility is fully drawn down and it qualifies as Tier 2capital under the Basel III Framework.

9.21 GGF – EUR 25 million Subordinated Facility Agreement (Tier 2)

In December 2023, JSC BOG and Green for Growth Fund, Southeast Europe S.A., SICAV-SIF signed a EUR 25 million Subordinated Facility Agreement with a maturity of 10 years. It has a green component, whereby BOG will aim, on a best efforts basis, to identify and apply pre-defined amounts to eligible investments from both retail and business sectors in Georgia. The facility is fully drawn down and it qualifies as Tier 2capital under the Basel III Framework.

9.22 EiB – EUR 50 million Finance Contract

In December 2023, JSC BOG signed a multicurrency loan agreement with European Investment Bank, with a EUR 50 million limit and maturity of up to 7 years. The funds will be used to finance investment projects promoted by small and medium-sized (SMEs) and mid-capitalisation enterprises (MidCaps) in Georgia. JSC BOG will direct at least 30% of the loan to green lending. The Facility is complemented by support under the Greening the Financial Systems technical assistance programme, funded by the German government's International Climate Initiative. The facility is fully drawn down.

9.23 Proportional Voting Mechanism with Georgia Capital PLC

Under the terms of the 2018 demerger agreement with Georgia Capital PLC, for so long as Georgia Capital PLC, together with anyone acting in concert with Georgia Capital PLC for the purposes of the Takeover Code (the Concert Parties), holds greater than 9.99% of the share capital of BOGG (any such shares greater than 9.99% being Proportional Voting Shares):

(a) each of BOGG and Georgia Capital PLC has agreed that for so long as there are Proportional Voting Shares they will use all reasonable endeavours to procure (so far as they are reasonably able) that the Proportional Voting Shares are voted in general meetings of BOGG in accordance with the Proportional Voting Mechanism;

(b) BOGG has agreed it will conduct all shareholder votes on a poll in general meetings and the poll will be taken in accordance with the Proportional Voting Mechanism set out in the BOGG Articles of association; and

(c) Georgia Capital PLC has agreed that it, and its Concert Parties, will: (a) vote the Proportional Voting Shares in general meetings of BOGG in accordance with the Proportional Voting Mechanism; and (b) notify the Company of any acquisition or disposal of BOGG Shares by them irrespective of whether any such acquisition or disposal would trigger a public disclosure obligation for them.

Ameriabank

No contracts have been entered into by Ameriabank (other than contracts entered into in the ordinary course of business): (i) within two years immediately preceding the date of this document that are, or may be, material to Ameriabank, or (ii) that contain provisions under which any member of Ameriabank has an obligation or entitlement that is, or may be, material to Ameriabank as at the latest practicable date, save as disclosed below.

9.24 The Acquisition Agreement

A summary of the principal terms and conditions of the Acquisition Agreement is set out in Part III (*Principal Terms and Conditions of the Acquisition Agreement*) of this document.

10. Major Shareholdings

As at the Latest Practicable Date, the Company is aware of the following persons (other than any Director or member of senior management) who are or will be interested, directly or indirectly, in Ordinary Shares representing three per cent. or more of the Company's voting rights:

	Number of voting rights	% of voting rights
JSC Georgia Capital[1]	9,009,849	19.71%
M&G Investment Management Ltd	2,174,564	4.76%
JP Morgan Asset Management (UK) Ltd	1,924,515	4.21%
Dimensional Fund Advisors (DFA) LP	1,862,782	4.08%
BlackRock Investment Management (UK)	1,636,460	3.58%
Vanguard Group Inc	1,519,025	3.32%
Other shareholders	27,581,907	60.34%
Total	45,709,102	100.0%

Notes:

(1) JSC Georgia Capital will exercise its voting rights at the Group's general meetings in accordance with the votes cast by all other Group Shareholders, as long as JSC Georgia Capital's percentage holding in Bank of Georgia Group PLC is greater than 9.9%

11. Litigation

The Group

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BOGG is aware), during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on either BOGG's and/or the Enlarged Group's financial position or profitability.

Ameriabank

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BOGG is aware), during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Ameriabank Group.

12. Related Party Transactions

Save as disclosed in the information incorporated by reference into this Circular referred to below, BOGG entered into no transactions with related parties during the years ended 31 December 2022, 2021 and 2020.

12.1 Note 32 of the notes to the audited consolidated financial statements for BOGG for the year ended 31 December 2022 which can be found on page 341 of the BOGG 2022 Annual Report;

12.2 Note 31 of the notes to the audited consolidated financial statements for BOGG for the year ended 31 December 2021 which can be found on page 336 of the BOGG 2021 Annual Report; and

12.3 Note 29 of the notes to the audited consolidated financial statements for BOGG for the year ended 31 December 2020 which can be found on page 341 of the BOGG 2020 Annual Report.

For the period from and including 1 January 2023 to the Latest Practicable Date, there were no related party transactions entered into by BOGG.

13. Documents Available for Inspection

Until and including Completion (or the date on which the Acquisition terminates, if earlier) copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at BOGG's registered offices, via the link on BOGG's website at: https://bankofgeorgiagroup.com/, and will also be available for inspection at the BOGG General Meeting for at least 15 minutes prior to and during the BOGG General Meeting until it ends:

13.1 the BOGG Articles;

13.2 this document and the Form of Proxy;

13.3 BOGG's 2022 Annual Report, 2021 Annual Report and 2020 Annual Report;

13.4 BOGG's 2Q23 and 1H23 Results;

13.5 the accountant's report on the historical financial information of Ameriabank from Ernst & Young LLP as set out in Section B of Part IV (*Historical Financial information of Ameriabank CJSC*) of this Circular; and

13.6 the accountant's report on the unaudited *pro forma* financial information of the Enlarged Group from Ernst & Young LLP as set out in Section B of Part V (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*) of this Circular.

A copy of the Acquisition Agreement will be available for inspection, by prior arrangement during normal business hours on any Business Day during the period beginning with (and including) the date of this document and ending on (and including) the date of the BOGG General Meeting at the BOGG registered office.

14. Information Incorporated by Reference

The following documents, which have been filed with or notified to the FCA and are available for inspection in accordance with paragraph 13 of this Part VI of this Circular, contain information about the Company which is relevant to this Circular:

- BOGG's interim financial information for the six months ended 30 June 2023;
- BOGG's audited consolidated financial statements for the year ended 31 December 2022;
- BOGG's audited consolidated financial statements for the year ended 31 December 2021; and
- BOGG's audited consolidated financial statements for the year ended 31 December 2020.

The table below sets out the sections of these documents which are incorporated by reference in, and form part of, this Circular, and only the parts of the documents identified in the table below are incorporated by reference, and form part of, this Circular. The parts of the documents which are not incorporated by reference are either not relevant for the purposes of making a properly informed decision as to how to vote on the Resolution or are covered elsewhere in this Circular. Where the information described below itself incorporates further information by reference to another document, that further information is not intended to form part of this Circular for any purpose.

Reference	Sections incorporated by reference	Page number(s)	Where the information can be accessed
BOGG's 2Q23 and 1H23 Results	Selected financial information as at 30 June 2023	17	https://bankofgeorgiagroup.com/results/earnings
BOGG's 2022 Annual Report	Audited consolidated financial statements for the year ended 31 December 2022	228-342	https://bankofgeorgiagroup.com/reports/annual
BOGG's 2021 Annual Report	Audited consolidated financial statements for the year ended 31 December 2021	244-368	https://bankofgeorgiagroup.com/reports/annual
BOGG's 2020 Annual Report	Audited consolidated financial statements for the year ended 31 December 2020	214-343	https://bankofgeorgiagroup.com/reports/annual

Part VII

Definitions

The following definitions apply throughout this document, unless the context requires otherwise.

Acquisition	the recommended acquisition by the Company and JSC BOG of 100% of the share capital of Ameriabank from the Sellers
Acquisition Agreement	the English law governed share sale and purchase agreement dated 18 February 2024 between the Company, JSC BOG and the Sellers in respect of the Acquisition, further details of which are set out in Part III (*Principal Terms and Conditions of the Acquisition*)
ADB	Asian Development Bank
Ameriabank or **the Bank**	Ameriabank CJSC
Ameriabank Group	means Ameriabank, together with its subsidiaries "Invia" CJSC and "Dinno" CJSC
Basel III	an internationally agreed set of measures developed by the Basel Committee on Banking Supervision which aim to strengthen the regulation, supervision and risk management of banks
Basel III Framework	a framework developed by the Basel Committee on Banking Supervision which sets international standards for bank capital adequacy, stress testing, and liquidity requirements
BOGG Articles	the BOGG Articles of Association
BOGG Board	the board of directors of BOGG as at the date of this document
BOGG Directors	the directors of BOGG as at the date of this document or, where the context so requires, the directors of BOGG from time to time
BOGG General Meeting	the general meeting (or any adjournment thereof) of the BOGG Shareholders to be convened in connection with the Acquisition, to consider and, if thought fit, pass the Resolution
BOGG Shareholders	the registered holders of BOGG Shares from time to time
BOGG Shares or **Ordinary Shares**	the ordinary shares of 1 penny each in the capital of BOGG
Business Day	a day (other than a Saturday, Sunday, public or bank holiday) on which banks are generally open for normal business in London
CAGR	means compound annual growth rate, being the annualised average rate of growth between two given years
Cavendish	Cavendish Capital Markets Limited
CBA	the Central Bank of Armenia
Company or **BOGG**	Bank of Georgia Group PLC
Completion	Completion of the sale of the first 90% of the shares of Ameriabank to the Company and JSC BOG in accordance with the terms of the Acquisition Agreement
Computershare	Computershare Investor Services PLC
Conditions	the conditions to Completion as set out in the Acquisition Agreement, and "Condition" shall mean any one of them
COVID-19	a novel strain of coronavirus causing COVID-19 disease
CPC	the Armenian Competition Protection Commission
CREST	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 / 3755)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such Regulations)

	in accordance with which securities may be held and transferred in uncertificated form
CREST Manual	the CREST Manual published by Euroclear, as amended from time to time
CREST Proxy Instruction	a proxy appointment or instruction made using the CREST service
document or **Circular**	this circular
EBRD	European Bank for Reconstruction and Development
Enlarged Group	the Group as enlarged by the Acquisition following Completion
ESPS	ESPS Holding Limited
EUWA	the European Union (Withdrawal) Act 2018, as amended from time to time
FCA	the UK Financial Conduct Authority
FRC	the UK Financial Reporting Council
FSMA	the Financial Services and Markets Act 2000, as amended
Form(s) of Proxy	the Form of Proxy for use at the BOGG General Meeting, which are being sent to BOGG Shareholders with this document
Foundation	Afeyan Foundation for Armenia Inc.
General Meeting	the general meeting of the Company proposed to be held at the offices of Baker & McKenzie LLP, 280 Bishopsgate, London, EC2M 4RB at 11:00 a.m. on 14 March 2024, to approve the Resolution, the notice of which is set out at the end of this document
Group	the Company and its subsidiaries from time to time
IFRS	UK adopted international accounting standards
IMAST	IMAST Group (CY) Limited
J.P. Morgan	J.P. Morgan Securities plc
JSC BOG	JSC Bank of Georgia, a joint stock company incorporated in Georgia, with national ID 204378869
KGEL	means thousands of Georgian Lari
Latest Practicable Date	14 February 2024, being the latest practicable date prior to the publication of this document
Listing Rules	the rules and regulations made by the FCA under the Financial Services and Markets Act 2000, and contained in the FCA's publication of the same name
London Stock Exchange or **LSE**	London Stock Exchange Group plc
Main Market	the London Stock Exchange's main market for listed securities
Management Accounts	means the unaudited statement of financial position of Ameriabank as at 31 October 2023
N**BG**	the National Bank of Georgia
Notice of General Meeting	the notice of the BOGG General Meeting included at Part VII (*Notice of General Meeting*) of this document
Official List	the Official List of the FCA
Record Time	the record time for entitlement to vote at the BOGG General Meeting, being 6:00 p.m. on 12 March 2024
Regulatory Information Service	any of the services authorised by the FCA from time to time for the purpose of disseminating regulatory announcements

Reporting Accountant(s)	Ernst & Young LLP
Resolution	the ordinary resolution to approve the Acquisition to be proposed at the General Meeting, the full text of which is set out in the Notice of General Meeting
Sanctions	means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by: (i) the government of Georgia; (ii) the government of The Republic of Armenia; (iii) the US government, including those administered by the United States Treasury Department's Office of Foreign Assets Control or the US Department of State, or the US Department of Commerce; (iv) the United Nations Security Council; (v) the Commission of the European Union; or (vi) HM Treasury in the United Kingdom
Sellers	means each of IMAST Group (CY) Limited; European Bank for Reconstruction and Development; Asian Development Bank; Afeyan Foundation for Armenia Inc.; and ESPS Holding Limited
Shareholders' (Put and Call Option) Agreement	the English law governed shareholders' agreement dated 18 February 2024 which will become effective on and from Completion, and which includes a put and call option, between BOGG, JSC BOG and EBRD
SOFR	means the Secured Overnight Financing Rate calculated by the New York Federal Reserve
UK or **United Kingdom**	the United Kingdom of Great Britain and Northern Ireland
UK Disclosure Guidance and Transparency Rules	the disclosure guidance and transparency rules made by the FCA under Section 73A of the FSMA, as amended from time to time
UK Prospectus Regulation Rules	the retained EU law version of the Prospectus Regulation (EU) 2017/1129, as it forms part of the law of England and Wales by virtue of the EUWA, as amended by UK legislation from time to time
uncertificated or **in uncertificated form**	recorded on the relevant register of members as being held in uncertificated form and title to which may, by virtue of the CREST Regulations, be transferred by means of CREST
United States or **US**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

All times referred to are London time unless otherwise stated.

All references to "**GBP**", "**pence**", "**sterling**", "**£**" or "**p**" are to the lawful currency of the United Kingdom.

All references to "**EUR**", "**Euro**" or "**€**" are to the single currency established for members of the European Economic and Monetary Union from 1 January 1999.

All references to "**GEL**" or "**Georgian Lari**" are to the lawful currency of Georgia.

All references to "**AMD**", "**Armenian Dram**" or "**֏**" are to the lawful currency of Armenia.

All references to "**US dollar**", "**USD**", "**US$**" or "**cents**", are to the lawful currency of the United States.

All references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom.

Part VIII

Notice of General Meeting

NOTICE OF GENERAL MEETING OF BANK OF GEORGIA GROUP PLC

Notice is hereby given that a general meeting of Bank of Georgia Group PLC ("**BOGG**" or the "**Company**") will be held at the offices of Baker & McKenzie LLP, 280 Bishopsgate, London EC2M 4RB, at 11:00 a.m. on 14 March 2024 (London time) for the purpose of considering and, if thought fit, passing the following resolution.

Capitalised terms used in this Notice of General Meeting (the "**Notice**") which are not defined herein shall have the meanings ascribed to them in the document of which this Notice forms part.

The following resolution (the "**Resolution**") is being proposed as an ordinary resolution.

ORDINARY RESOLUTION

THAT the proposed acquisition of the entire issued share capital of Ameriabank by the Company and JSC Bank of Georgia from each of (i) IMAST Group (CY) Limited; (ii) European Bank for Reconstruction and Development; (iii) Asian Development Bank; (iv) Afeyan Foundation for Armenia Inc.; and (v) ESPS Holding Limited (the entities listed at (i) – (v), together, the "**Sellers**"), on the terms and subject to the conditions contained in the Acquisition Agreement dated 18 February 2024 between the Company, JSC Bank of Georgia and the Sellers, and the Shareholders' (Put and Call Option) Agreement entered into between the Company, JSC BOG and EBRD on the same date (and becoming effective on and from Completion), in each case as defined and described in the circular sent to the Company's Shareholders dated 19 February 2024 (the "**Circular**"), together with all other agreements and ancillary agreements contemplated by the Acquisition Agreement and the Shareholders' (Put and Call Option) Agreement, be and is hereby approved and that the BOGG Board (or any duly authorised committee thereof) be and are hereby authorised to:

(a) take all such steps as the BOGG Board considers to be necessary or desirable in connection with, and to implement, the Acquisition (as defined in the Circular); and

(b) to agree such modifications, variations, revisions, waivers, extensions or amendments to any of the terms and conditions of the Acquisition and the associated and ancillary agreements and documents contemplated by the Acquisition and/or described in the Circular, including the Acquisition Agreement and the Shareholders' (Put and Call Option) Agreement (provided such modifications, variations, revisions, waivers, extensions or amendments are not of a material nature), as they may in their absolute discretion deem necessary, appropriate or desirable, including, without limitation, the waiver of any Conditions to the Acquisition Agreement.

By order of the board of directors of the Company

Computershare Company Secretarial Services Limited
Company Secretary
19 February 2024

Registered office:
Bank of Georgia Group PLC
42 Brook Street,
London, W1K 5DB

Registered in England & Wales No. 10917019

Notes to the Notice of General Meeting

1. Entitlement to Attend and Vote

BOGG Shareholders registered in the Register of Members of the Company as at 6:00 pm (London time) on 12 March 2024 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting excluding non-working days) shall be entitled to attend or vote at the BOGG General Meeting in respect of the BOGG Shares registered in their name at that time. Changes to entries on the Register of Members after 6:00 pm (London time) on 12 March 2024 will be disregarded in determining the rights of any person to attend or vote at the BOGG General Meeting.

2. Proxies

Members are entitled to appoint a proxy (who need not be a member of the Company) to exercise all or any of their rights to attend, speak and vote on their behalf at the BOGG General Meeting. The BOGG Board encourages shareholders to vote at the BOGG General Meeting by proxy. A member may appoint more than one proxy in relation to the BOGG General Meeting provided that each proxy is appointed to exercise the rights attached to different BOGG Shares held by that member. Members who wish to appoint more than one proxy in respect of their holding may obtain additional Forms of Proxy by contacting the Company's Registrars, Computershare on +44 (0)370 873 5866 or may photocopy the Form of Proxy provided with this document indicating on each copy the name of the proxy appointed and the number of BOGG Shares in respect of which that proxy is appointed. All Forms of Proxy should be returned together in the same envelope.

Completion of the Form of Proxy will not prevent a member from subsequently attending and voting at the BOGG General Meeting in person if they so wish. The Form of Proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be received by post or (during normal business hours only) by hand at the offices of the Company's Registrars, Computershare Investor Services PLC ("**Computershare**") at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom no later than 11.00 am (London time) on 12 March 2024, being 48 hours before the time appointed for the holding of the BOGG General Meeting excluding non-working days.

Members may submit their proxies electronically at www.investorcentre.co.uk/eproxy using the Control Number, their unique PIN and Shareholder Reference Number (SRN) printed on your Form of Proxy.

3. Information Rights and Nominated Persons

Persons who have been nominated under section 146 of the Companies Act 2006 (a *Nominated Person*) to enjoy information rights do not have a right to vote or appoint a proxy at the BOGG General Meeting and the statements of the rights of members in relation to the appointment of proxies in note 2 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

However, a Nominated Person may have the right (under an agreement with the member by whom they were nominated) to be appointed, or to have someone else appointed, as a proxy for the BOGG General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise that right, they may have a right to give voting instructions to the registered shareholder under any such agreement.

4. Corporate Representatives

A corporate shareholder may appoint a person or persons to act as its representative(s) at the BOGG General Meeting. Each such representative may exercise (on behalf of the corporate shareholder) the same powers as the corporate shareholder could exercise if they were an individual shareholder in the Company, provided that they do not do so in relation to the same BOGG Shares.

5. CREST Proxy Instructions

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the BOGG General Meeting to be held on 14 March 2024 and any adjournment thereof by following the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instruction, as described in the CREST Manual (available at www.euroclear.com). The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID Number 3RA50) no later than 11:00 a.m. (London time) on 12 March 2024. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or Sponsored Member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company will treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Proxymity Voting

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Company's registrar. For further information regarding Proxymity, please go to https://www.proxymity.io/. Your proxy must, in order to be considered valid, be lodged not later than 11.00 am London time on 12 March 2024 (or, in the event of any adjournment of the BOGG General Meeting, not less than 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully if you intend to use Proxymity as you will be bound by them and they will govern the electronic appointment of your proxy.

7. Issued Share Capital and Total Voting Rights

Holders of BOGG Shares are entitled to attend and vote at general meetings of the Company. Each BOGG Share entitles the holder to one vote on a poll. As at 14 February 2024, being the last practicable date prior to the publication of this Notice, the Company's issued share capital consisted of 45,709,102 BOGG Shares. The Company does not hold any BOGG Shares in treasury within the meaning of the Companies Act 2006. Therefore, the total voting rights in the Company as at 14 February 2024 are 45,709,102.

8. Voting at the BOGG General Meeting

The Resolution to be put to the BOGG General Meeting will be voted on by way of a poll and not by a show of hands. In this way, the voting preferences of all BOGG Shareholders are taken into account not only those who are able to physically attend the BOGG General Meeting. The results of the poll will be notified to the market in the usual way and published on the Company's website after the meeting.

The poll at the BOGG General Meeting will be taken in accordance with articles 55.3 and 56 of the Company's Articles of Association. Article 56.1 provides that for so long as the Company has Proportional Voting Shares (defined as Ordinary Shares of the Company held by Georgia Capital PLC (directly or indirectly) and any person with whom it is Acting in Concert, for such time(s) as in aggregate they hold shares carrying 9.99% or more of the voting rights exercisable at general meetings of the Company), the following poll provisions will apply:

(a) on each resolution proposed at the BOGG General Meeting all shareholders other than holder(s) of the Proportional Voting Shares will be entitled to vote (the "**First Poll**");

(b) following the closing of each First Poll, that poll will as soon as possible thereafter reopen for the sole purpose of enabling the Proportional Voting Shares to be voted. The holder(s) of the Proportional

Voting Shares shall vote all of the Proportional Voting Shares held by them proportionally to the votes cast on each First Poll (calculated to two decimal places) (the "**Second Poll**"); and

(c) the result of the poll for each of the resolutions, reflecting the combined result of the First Poll and the Second Poll, shall be deemed to be a resolution of the meeting and the secretary may fix a time, place and manner (including electronically) for declaring the result of the poll voting.

The above procedure does not apply to any "Excluded Resolution" as such term is defined in the Company's Articles of Association. There are no Excluded Resolutions proposed in this BOGG General Meeting.

The Board encourages shareholders to vote at the BOGG General Meeting by proxy.

9. Questions

Any member attending the BOGG General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the BOGG General Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the BOGG General Meeting that the question be answered.

10. Display Documents

Copies of the documents listed at paragraph 14 of Part VI (*Additional Information*) of this document are available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and also at the place of the BOGG General Meeting from 10:45 a.m. (London time) on the day of the BOGG General Meeting until the conclusion thereof.

11. Information Available on the Website

A copy of this Notice and other information required by section 311A of the Companies Act 2006 can be found at https://bankofgeorgiagroup.com/

12. Electronic Address

Please note that BOGG Shareholders may not use any electronic address provided in this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.