JSC Bank of Georgia and Subsidiaries
Interim Condensed Consolidated Financial Statements

30 June 2023

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Report on Review of Interim Financial Information

To the Shareholders and Supervisory Board of JSC Bank of Georgia

We have reviewed the accompanying interim condensed consolidated financial statements of JSC Bank of Georgia and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2023 and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the six-month periods then ended, interim condensed consolidated statement of changes in equity and interim condenses consolidated cash flows for the six-month period then ended and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



Ruslan Khoroshvili (SARAS-A-615243)

On behalf of EY LLC

30 August 2023

Tbilisi, Georgia

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2023

(Thousands of Georgian Lari)

	Notes	As at 30 June 2023 (unaudited)	As at 31 December 2022
Assets			
Cash and cash equivalents	6	2,051,442	3,495,728
Amounts due from credit institutions	7	1,913,226	2,417,306
Investment securities	8	4,559,845	4,343,749
Loans to customers and finance lease receivables	9	18,296,667	16,841,603
Accounts receivable and other loans		40,153	3,398
Prepayments		55,310	47,176
Inventories		16,345	11,441
Right-of-use assets		132,239	115,404
Investment properties		147,849	170,629
Property and equipment		376,307	363,606
Goodwill		33,453	33,453
Intangible assets		140,392	130,307
Income tax assets	10	-	864
Other assets	11	361,550	362,828
Assets held for sale		30,985	29,566
Total assets		**28,155,763**	**28,367,058**
Liabilities			
Client deposits and notes	12	19,893,845	18,274,061
Amounts owed to credit institutions	13	3,083,865	5,191,494
Debt securities issued	14	621,419	646,137
Lease liability		127,553	112,624
Accruals and deferred income		92,248	102,250
Income tax liabilities	10	155,856	99,533
Other liabilities	11	156,971	153,591
Total liabilities		**24,131,757**	**24,579,690**
Equity	16		
Share capital		27,994	27,994
Additional paid-in capital		160,081	190,033
Treasury shares		(10)	(10)
Other reserves		12,729	(4,304)
Retained earnings		3,823,212	3,573,655
Total equity		**4,024,006**	**3,787,368**
Total liabilities and equity		**28,155,763**	**28,367,058**

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

Archil Gachechiladze — Chief Executive Officer

Sulkhan Gvalia — Chief Financial Officer

Mel Carvill — Supervisory Board Chairman

30 August 2023

The accompanying selected explanatory Notes on pages 9 to 49 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2023

(Thousands of Georgian Lari)

	Notes	As at 30 June 2023 (unaudited)	As at 31 December 2022
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Mel Carvill — Supervisory Board Chairman

30 August 2023

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2023 (unaudited)	For the six months ended 30 June 2022 (unaudited)
Interest income calculated using EIR method		1,281,371	1,054,056
Other interest income		8,970	11,405
Interest income		**1,290,341**	**1,065,461**
Interest expense		(524,148)	(509,999)
Deposit insurance fees		(9,774)	(8,301)
Net interest income	17	**756,419**	**547,161**
Fee and commission income		322,114	237,468
Fee and commission expense		(178,977)	(121,341)
Net fee and commission income	18	**143,137**	**116,127**
Net foreign currency gain		181,371	188,823
Net losses on extinguishment of debt		(24)	(693)
Net other gains	21	93,732	5,962
Operating income		**1,174,635**	**857,380**
Salaries and other employee benefits		(180,879)	(158,132)
Administrative expenses		(78,142)	(65,467)
Depreciation, amortisation and impairment		(51,882)	(46,060)
Other operating expenses		(1,439)	(2,411)
Operating expenses		**(312,342)**	**(272,070)**
Gain from associates		397	376
Operating income before cost of risk		**862,690**	**585,686**
Expected credit loss on loans to customers	19	(77,849)	(54,317)
Expected credit loss on finance lease receivables	19	189	(2,180)
Other expected credit loss recovery/(losses)	19	7,331	(5,204)
Impairment charge on other assets and provisions	19	(8,144)	(5,189)
Cost of risk		**(78,473)**	**(66,890)**
Net operating income before non-recurring items		**784,217**	**518,796**
Net non-recurring items		(59)	(29)
Profit before income tax expense		**784,158**	**518,767**
Income tax expense	10	(118,746)	(57,604)
Profit for the Period		**665,412**	**461,163**
Basic and diluted earnings per share	16	23.7784	16.4796

The accompanying selected explanatory Notes on pages 9 to 49 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2023 (unaudited)	For the six months ended 30 June 2022 (unaudited)
Profit for the period		**665,412**	**461,163**
Other comprehensive income (loss)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent period:			
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	8	33,133	(40,615)
– Realised gain on financial assets measured at FVOCI		(13,968)	(330)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI redassified to the consolidated income statement		356	3,006
– Loss from currency translation differences		(7,877)	(16,950)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent period		**11,644**	**(54,889)**
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent period:			
– Net gain/(loss) on investments in equity instruments designated at FVOCI		533	(369)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**533**	**(369)**
Other comprehensive income (loss) for the period, net of tax		**12,177**	**(55,258)**
Total comprehensive income for the period		677,589	405,905
Total comprehensive income for the period		**677,589**	**405,905**

The accompanying selected explanatory Notes on pages 9 to 49 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total equity*
31 December 2021	**27,994**	**180,969**	**(10)**	**(24,070)**	**2,866,340**	**3,051,223**
Profit for the six months ended 30 June 2022 (unaudited)	-	-	-	-	461,163	461,163
Other comprehensive income for the six months ended 30 June 2022 (unaudited)	-	-	-	(44,135)	(11,123)	(55,258)
Total comprehensive income for the six months ended 30 June 2022 (unaudited)	**-**	**-**	**-**	**(44,135)**	**450,040**	**405,905**
Increase in equity arising from share-based payments	-	47,680	-	-	-	47,680
Dividends to shareholders of the Bank (Note 16)	-	-	-	-	(145,065)	(145,065)
Contributions under share-based payment plan	-	(56,434)	-	-	-	(56,434)
30 June 2022 (unaudited)	**27,994**	**172,215**	**(10)**	**(68,205)**	**3,171,315**	**3,303,309**
31 December 2022	**27,994**	**190,033**	**(10)**	**(4,304)**	**3,573,655**	**3,787,368**
Profit for the six months ended 30 June 2023 (unaudited)	-	-	-	-	665,412	665,412
Other comprehensive income for the six months ended 30 June 2023 (unaudited)	-	-	-	17,033	(4,856)	12,177
Total comprehensive income for the six months ended 30 June 2023 (unaudited)	**-**	**-**	**-**	**17,033**	**660,556**	**677,589**
Increase in equity arising from share-based payments	-	43,718	-	-	-	43,718
Dividends to shareholders of the Bank (Note 16)	-	-	-	-	(410,999)	(410,999)
Contributions under share-based payment plan	-	(73,670)	-	-	-	(73,670)
30 June 2023 (unaudited)	**27,994**	**160,081**	**(10)**	**12,729**	**3,823,212**	**4,024,006**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2023 (unaudited)	For the six months ended 30 June 2022 (unaudited)
Cash flows from operating activities			
Interest received		1,253,167	1,021,873
Interest paid		(454,627)	(502,728)
Fees and commissions received		346,819	219,821
Fees and commissions paid		(178,977)	(121,341)
Net cash inflow from real estate		105,254	9,115
Net realised gains from foreign currencies		173,047	192,889
Recoveries of loans to customers previously written off		17,477	55,307
Other income received		5,967	1,594
Salaries and other employee benefits paid		(137,161)	(110,452)
General and administrative and operating expenses paid		(73,099)	(67,996)
Cash flows from operating activities before changes in operating assets and liabilities		**1,057,867**	**698,082**
Net (increase)/ decrease in operating assets			
Amounts due from credit institutions		387,837	65,273
Loans to customers and finance lease receivables		(1,737,078)	(1,057,475)
Prepayments and other assets		(19,900)	(35,233)
Net increase/ (decrease) in operating liabilities			
Amounts due to credit institutions		(2,048,661)	749,622
Debt securities issued		35,286	50,300
Client deposits and notes		1,893,413	1,612,570
Other liabilities		(83,954)	32,971
Net cash flows used in operating activities before income tax		**(515,190)**	**2,116,110**
Income tax paid		(61,559)	(118,612)
Net cash flows used in operating activities		**(576,749)**	**1,997,498**
Cash flows from (used in) investing activities			
Net purchases of investment securities		(224,317)	(654,630)
Purchase of investments in subsidiaires		(79)	-
Proceeds from sale of investment properties and assets held for sale		28,639	40,099
Proceeds from sale of property and equipment and intangible assets		71	7,575
Purchase of property and equipment and intangible assets		(65,915)	(61,864)
Dividends received		696	-
Net cash flows used in investing activities		**(260,905)**	**(668,820)**
Cash flows used in financing activities			
Repurchase of debt securities issued		(20,980)	(99,148)
Repayment of the principal portion of the debt securities issued		(23,480)	(31,397)
Proceeds from Additional Tier 1		-	148,120
Cash payments for the principal portion of the lease liability		(16,604)	(8,570)
Dividends paid		(409,723)	-
Contributions under share-based payment plan		(107,281)	(56,434)
Net cash used in financing activities		**(578,068)**	**(47,429)**
Effect of exchange rates changes on cash and cash equivalents		(28,774)	(13,230)
Effect of expected credit losses on cash and cash equivalents		210	(44)
Net decrease in cash and cash equivalents		**(1,444,286)**	**1,267,975**
Cash and cash equivalents, beginning of the period	6	**3,495,728**	**1,494,452**
Cash and cash equivalents, end of the period	6	**2,051,442**	**2,762,427**

The accompanying selected explanatory Notes on pages 9 to 49 are an integral part of these interim condensed consolidated financial statements.

1. Principal activities

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

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally, and exchanges currencies. Its main office is in Tbilisi, Georgia. At 30 June 2023, the Bank has 196 operating outlets in all major cities of Georgia (31 December 2022: 211). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia. The Bank's identification number is 204378869.

The Bank and its remaining subsidiaries make up a group of companies (the "Group") mainly incorporated in Georgia and Belarus. Primary business activities include providing banking services to corporate and individual customers. The Bank is the Group's main operating unit and accounts for most of the Group's activities.

As at 30 June 2023, 31 December 2022, JSC BGEO Group ("JSC BGEO") was the principal shareholder of the Bank:

	As at	
Shareholder	*30 June 2023 (unaudited)*	*31 December 2022*
JSC BGEO Group	79.78%	79.78%
Bank of Georgia Group PLC	19.78%	19.78%
Others*	0.44%	0.44%
Total	**100.00%**	**100.00%**

* Shares listed on the Georgian Stock Exchange

2. Basis of preparation

General

These interim condensed consolidated financial statements for the six months ended 30 June 2023 were prepared, in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are based on management's best judgment at the date of the interim condensed consolidated financial statements, actual results may differ from these estimates.

Assumptions and significant estimates other than disclosed in these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2022, signed and authorized for release on 28 April 2023.

These interim condensed consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), except per share amounts, which are presented in Georgian Lari, and unless otherwise noted.

The interim condensed consolidated financial statements are unaudited, reviewed by the auditors and their review conclusion is included in this report.

Going concern

The Bank's Management Board has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least twelve months from the date of approval of the financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

3. Summary of significant accounting policies

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2022.

Amendments effective from 1 January 2023

IAS 1 Presentation of Financial Statements

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

The amendments did not have material effect on the Group's interim condensed consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17, Insurance Contracts, which sets out the accounting requirements for contractual rights and obligations that arise from insurance contracts issued and reinsurance contracts held.

The amendments did not have material effect on the Group's interim condensed consolidated financial statements.

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

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

The amendments did not have material effect on the Group's interim condensed consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments did not have material effect on the Group's interim condensed consolidated financial statements.

D*eferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*
In May 2021 the Board issued Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments did not have material effect on the Group's interim condensed consolidated financial statements.

3. Summary of significant accounting policies (continued)

Annual Improvements to IFRS Standards 2018–2020

IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The amendments did not have material effect on the Group's interim condensed consolidated financial statements.

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16 - The IBOR transition programme is sponsored by the Chief Financial Officer of Bank of Georgia and has senior representation from each division, region and infrastructure functions. The Group is undergoing the transition process through bulk transition given majority of the loan contracts contain fallback clause. All EUR LIBOR contracts are already transitioned to Euribor on an economically equivalent basis. As for USD Libor contracts the Group has already informed all customers on the upcoming transition to term SOFR rates. Part of the USD loans were already transitioned to SOFR rates, while the remaining part will transition after the next reset date. Meanwhile, new financial instruments issued starting from 2022 and beyond are referenced to SOFR instead of Libor.

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

	Currency	*Balance at 30 June 2023*	*Balance at 31 December 2022*
Financial assets			
Loans to customers and finance lease receivables	USD	457,474	631,180
Financial liabilities			
Amounts owed to credit institutions	USD	457,535	515,129
Debt securities issued	USD	259,541	267,702

4. Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, the Board of Directors and management use their judgement and make estimates in determining the amounts recognised in the interim condensed consolidated financial statements. Key judgments and estimates are summarized below.

Forward-looking information

Forward-looking variable assumptions

To incorporate forward-looking information into the Group's allowance for credit losses, the Group uses the macroeconomic forecasts provided by National Bank of Georgia for Group companies operating in Georgia, while data used by Belarusky Narodny Bank ("BNB") is provided by a non-governmental research centre operating in Belarus. Macroeconomic variables covered by these forecasts and which the Group incorporated in its ECL model, include: GDP growth, foreign exchange rate and inflation rate.

The most significant period end assumptions used for ECL estimate as at 30 June 2023 per geographical segments are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Georgia

Key drivers	ECL scenario	Assigned weight	As at 30 June 2023			Assigned weight	As at 31 December 2022		
			2023	2024	2025		2023	2024	2025
GDP growth in %									
	Upside	25%	6.00%	5.00%	5.00%	25%	6.00%	5.00%	5.00%
	Base case	50%	4.00%	5.50%	5.00%	50%	4.00%	5.50%	5.00%
	Downside	25%	2.00%	4.00%	5.00%	25%	2.00%	4.00%	5.00%
GEL/USD exchange rate									
	Upside	25%	2.00%	0.00%	0.00%	25%	2.00%	0.00%	0.00%
	Base case	50%	0.00%	0.00%	0.00%	50%	0.00%	0.00%	0.00%
	Downside	25%	-15.00%	5.00%	5.00%	25%	-15.00%	5.00%	5.00%
CPI inflation rate in %									
	Upside	25%	5.00%	3.00%	3.00%	25%	5.00%	3.00%	3.00%
	Base case	50%	5.30%	3.10%	3.00%	50%	5.30%	3.10%	3.00%
	Downside	25%	9.00%	6.00%	3.00%	25%	9.00%	6.00%	3.00%

The above information is based on the latest available macroeconomic forecasts provided by the NBG.

Belarus

Key drivers	ECL scenario	Assigned weight	As at 30 June 2023		Assigned weight	As at 31 December 2022	
			2023	2024		2023	2024
GDP growth in %							
	Upside	10%	2.66%	4.26%	10%	2.66%	4.26%
	Base case	50%	0.31%	0.50%	50%	0.31%	0.50%
	Downside	40%	-2.05%	-3.26%	40%	-2.05%	-3.26%
BYN/USD exchange rate %							
	Upside	10%	0.71%	0.65%	10%	0.71%	0.65%
	Base case	50%	2.53%	1.65%	50%	2.53%	1.65%
	Downside	40%	4.09%	2.41%	40%	4.09%	2.41%
CPI inflation rate in %							
	Upside	10%	0.38%	-0.58%	10%	0.38%	-0.58%
	Base case	50%	2.20%	1.66%	50%	2.20%	1.66%
	Downside	40%	3.93%	3.76%	40%	3.93%	3.76%

The above information is based on the latest available published macroeconomic forecasts.

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

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

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Sensitivity of ECL to forward looking assumptions

	As at 30 June 2023				
Key drivers	*Reported ECL*	*Reported ECL coverage*	*ECL coverage by scenarios*		
			Upside	*Base case*	*Downside*
Commercial loans	81,934	1.37%	1.24%	1.34%	1.48%
Residential mortgage loans	29,445	0.68%	0.67%	0.68%	0.70%
Micro and SME loans	64,831	1.62%	1.56%	1.61%	1.68%
Consumer loans	134,383	3.34%	3.27%	3.31%	3.46%
Gold – pawn loans	5,923	3.65%	3.65%	3.65%	3.66%

	As at 31 December 2022				
Key drivers	*Reported ECL*	*Reported ECL coverage*	*ECL coverage by scenarios*		
			Upside	*Base case*	*Downside*
Commercial loans	89,608	1.69%	1.55%	1.67%	1.78%
Residential mortgage loans	30,053	0.72%	0.71%	0.71%	0.73%
Micro and SME loans	63,502	1.66%	1.61%	1.65%	1.70%
Consumer loans	135,450	3.76%	3.70%	3.74%	3.84%
Gold – pawn loans	5,440	3.31%	3.30%	3.30%	3.31%

	As at 31 December 2021				
Key drivers	*Reported ECL*	*Reported ECL coverage*	*ECL coverage by scenarios*		
			Upside	*Base case*	*Downside*
Commercial loans	156,237	2.90%	2.89%	2.90%	2.93%
Residential mortgage loans	33,036	0.82%	0.80%	0.81%	0.85%
Micro and SME loans	74,441	1.99%	1.93%	1.96%	2.13%
Consumer loans	136,035	4.56%	4.46%	4.54%	4.70%
Gold – pawn loans	2,074	1.25%	1.25%	1.25%	1.26%

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the interim condensed consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values (Note 22).

Measurement of fair value of investment properties

The Group performs valuations of its investment properties with a sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The last date of valuation of investment properties was 31 December 2022.

In order to identify whether there was any significant change in the real estate market since the last revaluation that could indicate that investment properties are not stated at fair value as at the reporting date, the Group hired an independent valuator to perform real estate market research. As a result no material change was noted on the real estate market since year ended 2022. Therefore, no revaluation was applied as at the reporting date.

5. Segment information

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

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

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

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

CIB - Corporate Investment Banking - comprises Corporate Banking and Investment Management operations in Georgia. Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and handles saving and term deposits for corporate and institutional customers. The Investment Management business principally provides private banking services to high net worth clients and brokerage services through Galt & Taggart.

BNB - Comprising JSC Belarusky Narodny Bank mainly, principally providing retail and corporate banking services in Belarus.

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

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

The Group's operations are primarily concentrated in Georgia, except for BNB, which operates in Belarus.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's operating income in 6 months of 2023 or 2022.

5. Segment information (continued)

The following table presents the income statement and certain asset and liability information regarding the Group's operating segments as at and for the six months period ended 30 June 2023:

	Retail Banking	*SME*	*Corporate Investment Banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	360,146	123,386	251,131	21,729	27	756,419
Net fee and commission income	97,268	18,179	24,016	3,674	-	143,137
Net foreign currency gain	91,631	18,880	49,541	21,319	-	181,371
Net gains/(losses) on extinguishment of debt	(8)	(3)	(12)	(1)	-	(24)
Net other gains/(losses)	10,209	4,923	78,176	464	(40)	93,732
Operating income	**559,246**	**165,365**	**402,852**	**47,185**	**(13)**	**1,174,635**
Operating expenses	(184,913)	(45,291)	(48,496)	(33,655)	13	(312,342)
Profit from associates	370	27	-	-	-	397
Operating income before cost of risk	**374,703**	**120,101**	**354,356**	**13,530**	**-**	**862,690**
Cost of risk	(64,941)	(12,043)	(4,614)	3,125	-	(78,473)
Net operating income before non-recurring items	**309,762**	**108,058**	**349,742**	**16,655**	**-**	**784,217**
Net non-recurring expense/loss	-	-	-	(59)	-	(59)
Profit before income tax	**309,762**	**108,058**	**349,742**	**16,596**	**-**	**784,158**
Income tax expense	(46,108)	(16,086)	(51,950)	(4,602)	-	(118,746)
Profit for the period	**263,654**	**91,972**	**297,792**	**11,994**	**-**	**665,412**
Assets and liabilities						
Total assets	12,714,033	5,546,273	8,532,482	1,377,840	(14,865)	28,155,763
Total liabilities	11,268,753	4,775,781	6,889,750	1,212,338	(14,865)	24,131,757
Other segment information						
Property and equipment	30,767	2,915	1,024	3,653	-	38,359
Intangible assets	18,773	3,476	1,415	2,167	-	25,831
Capital expenditure	**49,540**	**6,391**	**2,439**	**5,820**	**-**	**64,190**
Depreciation, amortisation and impairment	(39,563)	(5,922)	(2,258)	(4,139)	-	(51,882)

5. Segment information (continued)

The following table presents the income statement information regarding the Group's operating segments for the six months period ended 30 June 2022 and certain asset and liability information as at 31 December 2022:

	Retail Banking	*SME*	*Corporate Investment banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	259,199	94,698	172,120	21,098	46	547,161
Net fee and commission income	74,647	15,740	21,844	3,896	-	116,127
Net foreign currency gain	93,055	16,212	47,022	32,534	-	188,823
Net gains/(losses) on extinguishment of debt	(123)	(47)	(441)	(82)	-	(693)
Net other income	1,570	636	5,483	(1,727)	-	5,962
Operating income	**428,348**	**127,239**	**246,028**	**55,719**	**46**	**857,380**
Operating expenses	(159,084)	(43,439)	(44,664)	(24,837)	(46)	(272,070)
Profit from associates	352	24	-	-	-	376
Operating income before cost of risk	**269,616**	**83,824**	**201,364**	**30,882**	**-**	**585,686**
Cost of risk	(81,505)	(3,366)	42,143	(24,162)	-	(66,890)
Net operating income before non-recurring items	**188,111**	**80,458**	**243,507**	**6,720**	**-**	**518,796**
Net non-recurring expense/loss	-	-	-	(29)	-	(29)
Profit before income tax	**188,111**	**80,458**	**243,507**	**6,691**	**-**	**518,767**
Income tax expense	(20,718)	(8,835)	(26,764)	(1,287)	-	(57,604)
Profit for the period	**167,393**	**71,623**	**216,743**	**5,404**	**-**	**461,163**
Assets and liabilities						
Total assets	13,129,291	5,435,568	8,504,530	1,381,366	(83,697)	28,367,058
Total liabilities	11,669,114	4,691,613	7,072,733	1,229,928	(83,698)	24,579,690
Other segment information						
Property and equipment	60,249	6,134	2,112	2,241	-	70,736
Intangible assets	21,883	5,567	1,788	4,886	-	34,124
Capital expenditure	**82,132**	**11,701**	**3,900**	**7,127**	**-**	**104,860**
Depreciation, amortisation and impairment	(35,166)	(6,190)	(2,088)	(2,616)	-	(46,060)

6. Cash and cash equivalents

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Cash on hand	1,030,659	1,000,596
Current accounts with central banks, exduding obligatory reserves	384,591	805,503
Current accounts with credit institutions	607,165	927,388
Time deposits with credit institutions with maturities of up to 90 days	29,159	762,592
Cash and cash equivalents, gross	**2,051,574**	**3,496,079**
Less – Allowance for expected credit loss	(132)	(351)
Cash and cash equivalents, net	**2,051,442**	**3,495,728**

Of the above cash and cash equivalents as at 30 June 2023, GEL 452,127 (31 December 2022: GEL 1,453,123) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 1.40% interest per annum on these deposits (31 December 2022: up to 11.10%). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

7. Amounts due from credit institutions

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Obligatory reserves with central banks	1,873,658	2,354,470
Time deposits with maturities of more than 90 days	31,517	-
Restricted cash	9,184	68,154
Amounts due from credit institutions, gross	**1,914,359**	**2,422,624**
Less – Allowance for expected credit loss	(1,133)	(5,318)
Amounts due from credit institutions, net	**1,913,226**	**2,417,306**

Obligatory reserves with central banks represent amounts deposited with the NBG and National Bank of the Republic of Belarus (the "NBRB"). Credit institutions are required to maintain cash deposits (obligatory reserve) with the NBG and with the NBRB, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by regulation. The Group did not earn interest on obligatory reserves with NBG and NBRB for the period ended 30 June 2023 and 31 December 2022.

8. Investment securities

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Investment securities measured at FVOCI - debt instruments	4,313,005	3,960,300
Investment securities designated as at FVOCI - equity investments	5,578	4,912
Investment securities	**4,318,583**	**3,965,212**

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Investment securities measured at amortized cost	241,731	381,735
Less: allowance for credit losses	(469)	(3,198)
Investment securities measured at amortized cost, net	**241,262**	**378,537**

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Ministry of Finance of Georgia treasury bonds	1,515,471	1,470,473
Ministry of Finance of Georgia treasury bills	186,957	176,483
Foreign treasury bills	1,578,038	1,062,095
Foreign treasury bonds	217,733	92,816
Certificates of deposit of central banks	33,681	17,675
Other debt instruments	781,125	1,140,758
Investment securities measured at FVOCI - debt instruments	**4,313,005**	**3,960,300**

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Foreign treasury bonds	10,486	-
Ministry of Finance of Georgia treasury bonds	-	119,918
Other debt instruments	231,245	261,817
Investment securities measured at amortized cost - debt instruments, gross	**241,731**	**381,735**
Less: allowance for credit losses	(469)	(3,198)
Investment securities measured at amortized cost, net	**241,262**	**378,537**

8. Investment securities (continued)

Pledged Treasury bonds	*30 June 2023 (unaudited)*	*31 December 2022*
For short-term loans from the NBG	-	709,597
For repo-operations with commercial banks	-	380,065
For deposits of Ministry of Finance of Georgia	933,134	97,109
For cash kept by the NBG at the Group's premises under cash custodian services	16,659	-
Total	**949,793**	**1,186,771**

Pledged Treasury bills	*30 June 2023 (unaudited)*	*31 December 2022*
For cash kept by the NBG at the Group's premises under cash custodian services	-	24,180
Total	**-**	**24,180**

Pledged Corporate Bonds	*30 June 2023 (unaudited)*	*31 December 2022*
For short-term loans from the NBG	-	121,592
For deposits of Ministry of Finance of Georgia	243,376	205,079
Total	**243,376**	**326,671**

Other debt instruments measured at FVOCI as at 30 June 2023 mainly comprises bonds issued by the European Bank for Reconstruction and Development of GEL 332,138 (31 December 2022: GEL 531,351), GEL-denominated bonds issued by International Finance Corporation of GEL 203,122 (31 December 2022: GEL 56,523), GEL-denominated bonds issued by The Netherlands Development Finance Company of GEL 162,899 (31 December 2022: GEL 131,126), GEL-denominated bonds issued by Black Sea Trade and Development Bank of GEL Nil (31 December 2022: GEL 200,913), and GEL-denominated bonds issued by Asian Development Bank of GEL 30,690 (31 December 2022: GEL 107,835).

Foreign treasury bonds comprise of US Treasury Notes in amount of GEL 1,578,038 (31 December 2022: GEL 1,062,095) with maturity up to 6 months, Ministry of Finance of the Republic of Belarus treasury bonds in amount of GEL 65,312 (31 December 2022: GEL 60,300) and United Kingdom Treasury Notes in amount of GEL 152,421 (31 December 2022: GEL 32,516).

For the period ended 30 June 2023 net gains on derecognition of investment securities comprised GEL 13,968 (2022: GEL 7,528) which is included in net other income.

As at 30 June 2023, allowance for ECL on investment securities measured at FVOCI comprised GEL 3,337 (31 December 2022: GEL 2,227.

9. Loans to customers and finance lease receivables

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Commercial loans	5,962,916	5,293,611
Residential mortgage loans	4,311,910	4,193,204
Micro and SME loans	3,992,611	3,825,663
Consumer loans	4,025,342	3,602,054
Gold – pawn loans	162,257	164,554
Loans to customers at amortised cost, gross	**18,455,036**	**17,079,086**
Less – Allowance for expected credit loss	(316,516)	(324,053)
Loans to customers at amortised cost, net	**18,138,520**	**16,755,033**
Finance lease receivables, gross	**86,140**	**95,348**
Less – Allowance for expected credit loss	(8,565)	(8,778)
Finance lease receivables, net	**77,575**	**86,570**
Loans and advances to customers at FVTPL	**80,572**	**-**
Total loans to customers and finance lease receivables	**18,296,667**	**16,841,603**

The Group originated a loan with an intention of syndicating it. The amount of the loan to be syndicated is classified as held for trading and therefore measured at fair value until derecognition criteria are met.

As at 30 June 2023, loans to customers carried at GEL 553,613 (31 December 2022: GEL 1,092,475) were pledged for short-term loans from the NBG.

Expected credit loss

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

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

Commercial loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**4,493,371**	**611,307**	**172,983**	**15,950**	**5,293,611**
New financial asset originated or purchased	2,835,385	26,022	8	11,581	2,872,996
Transfer to Stage 1	3,023	(3,023)	-	-	-
Transfer to Stage 2	(155,479)	158,772	(3,293)	-	-
Transfer to Stage 3	-	(5,803)	5,803	-	-
Assets derecognised due to pass-through arrangement	(117,175)	(301)	(164)	-	(117,640)
Assets repaid	(1,850,322)	(165,176)	(41,704)	(8,234)	(2,065,436)
Resegmentation	24,831	(6,059)	2,311	-	21,083
Impact of modifications	(805)	217	(24)	9	(603)
Write-offs	-	-	(11,322)	-	(11,322)
Recoveries of amounts previously written off	-	-	1,682	77	1,759
Unwind of discount	-	-	(914)	123	(791)
Currency translation differences	(8,552)	(375)	(225)	-	(9,152)
Foreign exchange movement	(52,716)	(11,519)	(2,448)	(379)	(67,062)
Net other changes	48,023	5,593	(8,161)	18	45,473
Balance at 30 June 2023	**5,219,584**	**609,655**	**114,532**	**19,145**	**5,962,916**
Individually assessed	-	-	104,937	15,336	120,273
Collectively assessed	5,219,584	609,655	9,595	3,809	5,842,643
Balance at 30 June 2023	**5,219,584**	**609,655**	**114,532**	**19,145**	**5,962,916**

Commercial loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**19,219**	**23,530**	**42,292**	**4,567**	**89,608**
New financial asset originated or purchased	14,497	329	1	2,523	17,350
Transfer to Stage 1	10	(10)	-	-	-
Transfer to Stage 2	(2,168)	2,601	(433)	-	-
Transfer to Stage 3	-	(107)	107	-	-
Impact on ECL of exposures transferred between stages during the period	(2)	829	3,680	-	4,507
Assets derecognised due to pass-through arrangement	(29)	(8)	-	-	(37)
Assets repaid	(6,570)	(5,379)	(16,208)	(380)	(28,537)
Resegmentation	848	(1,464)	956	-	340
Impact of modifications	-	11	(17)	3	(3)
Write-offs	-	-	(11,322)	-	(11,322)
Recoveries of amounts previously written off	-	-	1,682	77	1,759
Unwind of discount	-	-	(914)	123	(791)
Currency translation differences	430	322	662	(1)	1,413
Foreign exchange movement	(233)	(382)	(1,131)	(69)	(1,815)
Net other measurement of ECL	(4,083)	5,737	8,906	(1,098)	9,462
Balance at 30 June 2023	**21,919**	**26,009**	**28,261**	**5,745**	**81,934**
Individually assessed	-	-	23,324	5,744	29,068
Collectively assessed	21,919	26,009	4,937	1	52,866
Balance at 30 June 2023	**21,919**	**26,009**	**28,261**	**5,745**	**81,934**

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**3,925,906**	**169,566**	**69,657**	**28,075**	**4,193,204**
New financial asset originated or purchased	684,454	32	-	6,369	690,855
Transfer to Stage 1	126,449	(126,449)	-	-	-
Transfer to Stage 2	(158,842)	178,096	(19,254)	-	-
Transfer to Stage 3	(9,621)	(18,396)	28,017	-	-
Assets repaid	(492,944)	(22,252)	(16,973)	(5,491)	(537,660)
Impact of modifications	195	49	(203)	(217)	(176)
Write-offs	-	-	(2,045)	(255)	(2,300)
Recoveries of amounts previously written off	-	-	805	236	1,041
Unwind of discount	-	-	90	78	168
Currency translation differences	(1,066)	(16)	(18)	-	(1,100)
Foreign exchange movement	(35,865)	(1,843)	(951)	(345)	(39,004)
Net other changes	5,161	356	1,177	188	6,882
Balance at 30 June 2023	**4,043,827**	**179,143**	**60,302**	**28,638**	**4,311,910**
Individually assessed	-	-	2,653	-	2,653
Collectively assessed	4,043,827	179,143	57,649	28,638	4,309,257
Balance at 30 June 2023	**4,043,827**	**179,143**	**60,302**	**28,638**	**4,311,910**

Residential mortgage loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**8,860**	**2,601**	**14,085**	**4,507**	**30,053**
New financial asset originated or purchased	5,384	-	-	1,856	7,240
Transfer to Stage 1	2,311	(2,311)	-	-	-
Transfer to Stage 2	(1,601)	5,729	(4,128)	-	-
Transfer to Stage 3	(2,466)	(684)	3,150	-	-
Impact on ECL of exposures transferred between stages during the period	(561)	(3,340)	2,781	-	(1,120)
Assets repaid	(895)	(377)	(4,148)	(1,490)	(6,910)
Impact of modifications	9	3	725	(5)	732
Write-offs	-	-	(2,045)	(255)	(2,300)
Recoveries of amounts previously written off	-	-	805	236	1,041
Unwind of discount	-	-	90	78	168
Currency translation differences	(1)	(1)	(1)	-	(3)
Foreign exchange movement	(28)	(12)	(171)	(42)	(253)
Net other measurement of ECL	(3,717)	1,507	2,520	487	797
Balance at 30 June 2023	**7,295**	**3,115**	**13,663**	**5,372**	**29,445**
Individually assessed	-	-	625	-	625
Collectively assessed	7,295	3,115	13,038	5,372	28,820
Balance at 30 June 2023	**7,295**	**3,115**	**13,663**	**5,372**	**29,445**

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**3,475,839**	**200,463**	**146,517**	**2,844**	**3,825,663**
New financial asset originated or purchased	1,309,648	78	754	914	1,311,394
Transfer to Stage 1	73,169	(73,169)	-	-	-
Transfer to Stage 2	(142,920)	154,324	(11,404)	-	-
Transfer to Stage 3	(9,682)	(53,397)	63,079	-	-
Assets repaid	(1,029,795)	(42,578)	(27,909)	(763)	(1,101,045)
Resegmentation	(24,337)	6,091	(2,424)	-	(20,670)
Impact of modifications	(137)	332	(2,379)	(11)	(2,195)
Write-offs	-	-	(21,201)	(62)	(21,263)
Recoveries of amounts previously written off	-	-	2,984	78	3,062
Unwind of discount	-	-	747	29	776
Currency translation differences	(1,408)	(207)	(380)	-	(1,995)
Foreign exchange movement	(49,222)	(1,692)	(602)	(21)	(51,537)
Net other changes	46,425	836	3,094	66	50,421
Balance at 30 June 2023	**3,647,580**	**191,081**	**150,876**	**3,074**	**3,992,611**
Individually assessed	-	-	33,898	-	33,898
Collectively assessed	3,647,580	191,081	116,978	3,074	3,958,713
Balance at 30 June 2023	**3,647,580**	**191,081**	**150,876**	**3,074**	**3,992,611**

Micro and SME loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**20,078**	**5,448**	**37,317**	**659**	**63,502**
New financial asset originated or purchased	9,381	-	-	213	9,594
Transfer to Stage 1	1,911	(1,911)	-	-	-
Transfer to Stage 2	(2,747)	5,472	(2,725)	-	-
Transfer to Stage 3	(1,583)	(3,612)	5,195	-	-
Impact on ECL of exposures transferred between stages during the period	(216)	(2,264)	13,887	-	11,407
Assets repaid	(3,880)	(1,369)	(7,186)	(382)	(12,817)
Resegmentation	(839)	1,466	(954)	-	(327)
Impact of modifications	-	18	(983)	(6)	(971)
Write-offs	-	-	(21,201)	(62)	(21,263)
Recoveries of amounts previously written off	-	-	2,984	78	3,062
Unwind of discount	-	-	747	29	776
Currency translation differences	(26)	(23)	(137)	-	(186)
Foreign exchange movement	(48)	56	219	(6)	221
Net other measurement of ECL	(7,177)	3,002	15,879	129	11,833
Balance at 30 June 2023	**14,854**	**6,283**	**43,042**	**652**	**64,831**
Individually assessed	-	-	11,898	-	11,898
Collectively assessed	14,854	6,283	31,144	652	52,933
Balance at 30 June 2023	**14,854**	**6,283**	**43,042**	**652**	**64,831**

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**3,243,192**	**213,875**	**121,992**	**22,995**	**3,602,054**
New financial asset originated or purchased	1,951,926	2,832	551	8,592	1,963,901
Transfer to Stage 1	138,657	(138,628)	(29)	-	-
Transfer to Stage 2	(225,290)	245,064	(19,774)	-	-
Transfer to Stage 3	(39,825)	(59,522)	99,347	-	-
Assets repaid	(1,393,942)	(47,174)	(32,060)	(4,841)	(1,478,017)
Resegmentation	(494)	(32)	254	-	(272)
Impact of modifications	782	(47)	(8,869)	(539)	(8,673)
Write-offs	-	-	(70,560)	(1,586)	(72,146)
Recoveries of amounts previously written off	-	-	10,892	649	11,541
Unwind of discount	-	-	2,110	279	2,389
Currency translation differences	(2,980)	(23)	(38)	-	(3,041)
Foreign exchange movement	(24,427)	(410)	(187)	(55)	(25,079)
Net other changes	17,959	72	14,252	402	32,685
Balance at 30 June 2023	**3,665,558**	**216,007**	**117,881**	**25,896**	**4,025,342**
Individually assessed	-	-	2,371	-	2,371
Collectively assessed	3,665,558	216,007	115,510	25,896	4,022,971
Balance at 30 June 2023	**3,665,558**	**216,007**	**117,881**	**25,896**	**4,025,342**

Consumer loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**40,598**	**19,309**	**67,956**	**7,587**	**135,450**
New financial asset originated or purchased	62,881	356	248	3,240	66,725
Transfer to Stage 1	10,087	(10,082)	(5)	-	-
Transfer to Stage 2	(12,783)	23,921	(11,138)	-	-
Transfer to Stage 3	(26,134)	(11,755)	37,889	-	-
Impact on ECL of exposures transferred between stages during the period	(1,109)	(8,306)	13,885	-	4,470
Assets repaid	(19,705)	(3,990)	(18,645)	(2,193)	(44,533)
Resegmentation	(9)	(2)	(2)	-	(13)
Impact of modifications	96	(3)	(3,646)	(157)	(3,710)
Write-offs	-	-	(70,560)	(1,586)	(72,146)
Recoveries of amounts previously written off	-	-	10,892	649	11,541
Unwind of discount	-	-	2,110	279	2,389
Currency translation differences	(11)	(3)	(12)	-	(26)
Foreign exchange movement	(18)	(3)	(77)	(12)	(110)
Net other measurement of ECL	(12,655)	8,770	37,988	243	34,346
Balance at 30 June 2023	**41,238**	**18,212**	**66,883**	**8,050**	**134,383**
Individually assessed	-	-	909	-	909
Collectively assessed	41,238	18,212	65,974	8,050	133,474
Balance at 30 June 2023	**41,238**	**18,212**	**66,883**	**8,050**	**134,383**

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**147,525**	**8,613**	**8,416**	**-**	**164,554**
New financial asset originated or purchased	48,430	-	206	-	48,636
Transfer to Stage 1	5,931	(5,931)	-	-	-
Transfer to Stage 2	(8,441)	9,136	(695)	-	-
Transfer to Stage 3	(1,048)	(1,599)	2,647	-	-
Assets repaid	(47,882)	(1,569)	(1,508)	-	(50,959)
Resegmentation	-	-	(141)	-	(141)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(295)	-	(295)
Recoveries of amounts previously written off	-	-	-	-	-
Foreign exchange movement	(5)	(1)	(46)	-	(52)
Net other changes	(20)	(55)	292	-	217
Balance at 30 June 2023	**144,490**	**8,594**	**9,173**	**-**	**162,257**
Individually assessed	-	-	4,626	-	4,626
Collectively assessed	144,490	8,594	4,547	-	157,631
Balance at 30 June 2023	**144,490**	**8,594**	**9,173**	**-**	**162,257**

Gold – pawn loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**69**	**32**	**5,339**	**-**	**5,440**
Transfer to Stage 1	18	(18)	-	-	-
Transfer to Stage 2	(11)	110	(99)	-	-
Transfer to Stage 3	(1)	(6)	7	-	-
Assets repaid	(13)	(5)	(80)	-	(98)
Write-offs	-	-	(295)	-	(295)
Unwind of discount	-	-	297	-	297
Net other measurement of ECL	(4)	(84)	667	-	579
Balance at 30 June 2023	**58**	**29**	**5,836**	**-**	**5,923**
Individually assessed	-	-	4,626	-	4,626
Collectively assessed	58	29	1,210	-	1,297
Balance at 30 June 2023	**58**	**29**	**5,836**	**-**	**5,923**

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	**4,764,048**	**374,933**	**223,401**	**18,014**	**5,380,396**
New financial asset originated or purchased	2,261,010	8,249	465	2,739	2,272,463
Transfer to Stage 1	67,899	(67,899)	-	-	-
Transfer to Stage 2	(490,151)	496,088	(5,937)	-	-
Transfer to Stage 3	(4,405)	(24,475)	28,880	-	-
Assets derecognised due to pass-through arrangement	(3,205)	(5)	-	-	(3,210)
Assets repaid	(2,067,131)	(56,705)	(61,982)	(6,366)	(2,192,184)
Resegmentation	86,614	1,037	(5,665)	-	81,986
Impact of modifications	1,662	702	290	(4)	2,650
Write-offs	-	-	(728)	-	(728)
Recoveries of amounts previously written off	-	-	39,217	-	39,217
Unwind of discount	-	-	(395)	116	(279)
Currency translation differences	(35,193)	(1,510)	(2,282)	-	(38,985)
Foreign exchange movement	(315,007)	(48,597)	(12,245)	(769)	(376,618)
Net other changes	37,435	3,106	2,637	(402)	42,776
Balance at 30 June 2022	**4,303,576**	**684,924**	**205,656**	**13,328**	**5,207,484**
Individually assessed	-	-	184,746	10,630	195,376
Collectively assessed	4,303,576	684,924	20,910	2,698	5,012,108
Balance at 30 June 2022	**4,303,576**	**684,924**	**205,656**	**13,328**	**5,207,484**

Commercial loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	**12,992**	**6,893**	**133,426**	**2,926**	**156,237**
New financial asset originated or purchased	8,435	55	228	966	9,684
Transfer to Stage 1	651	(651)	-	-	-
Transfer to Stage 2	(2,547)	6,695	(4,148)	-	-
Transfer to Stage 3	(196)	(1,128)	1,324	-	-
Impact on ECL of exposures transferred between stages during the period	(214)	(2,198)	2,495	-	83
Assets derecognised due to pass-through arrangement	(55)	-	-	-	(55)
Assets repaid	(4,211)	(2,196)	(47,181)	(9)	(53,597)
Resegmentation	858	(360)	(740)	-	(242)
Impact of modifications	32	(33)	3	-	2
Write-offs	-	-	(728)	-	(728)
Recoveries of amounts previously written off	-	-	39,217	-	39,217
Unwind of discount	-	-	(395)	116	(279)
Currency translation differences	(1,190)	(1,511)	(2,724)	(26)	(5,451)
Foreign exchange movement	(336)	(717)	(4,785)	(669)	(6,507)
Net other measurement of ECL	(68)	15,123	(4,845)	2,367	12,577
Balance at 30 June 2022	**14,151**	**19,972**	**111,147**	**5,671**	**150,941**
Individually assessed	-	-	101,260	5,570	106,830
Collectively assessed	14,151	19,972	9,887	101	44,111
Balance at 30 June 2022	**14,151**	**19,972**	**111,147**	**5,671**	**150,941**

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	**3,629,369**	**259,970**	**104,514**	**28,205**	**4,022,058**
New financial asset originated or purchased	676,208	-	-	6,698	682,906
Transfer to Stage 1	188,388	(188,243)	(145)	-	-
Transfer to Stage 2	(223,557)	247,473	(23,916)	-	-
Transfer to Stage 3	(30,196)	(24,471)	54,667	-	-
Assets repaid	(450,026)	(32,561)	(29,424)	(7,620)	(519,631)
Impact of modifications	54	27	(1,425)	(52)	(1,396)
Write-offs	-	-	(1,904)	(394)	(2,298)
Recoveries of amounts previously written off	-	-	2,420	175	2,595
Unwind of discount	-	-	216	20	236
Currency translation differences	(4,915)	(158)	(18)	-	(5,091)
Foreign exchange movement	(140,040)	(10,853)	(6,743)	(1,430)	(159,066)
Net other changes	1,053	(272)	(414)	293	660
Balance at 30 June 2022	**3,646,338**	**250,912**	**97,828**	**25,895**	**4,020,973**
Individually assessed	-	-	515	-	515
Collectively assessed	3,646,338	250,912	97,313	25,895	4,020,458
Balance at 30 June 2022	**3,646,338**	**250,912**	**97,828**	**25,895**	**4,020,973**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	**9,701**	**3,803**	**17,039**	**2,493**	**33,036**
New financial asset originated or purchased	7,307	-	-	690	7,997
Transfer to Stage 1	2,659	(2,593)	(66)	-	-
Transfer to Stage 2	(1,690)	4,610	(2,920)	-	-
Transfer to Stage 3	(4,208)	(661)	4,869	-	-
Impact on ECL of exposures transferred between stages during the period	(879)	(1,964)	3,670	-	827
Assets repaid	(853)	(550)	(7,009)	(1,090)	(9,502)
Impact of modifications	1	1	408	61	471
Write-offs	-	-	(1,904)	(394)	(2,298)
Recoveries of amounts previously written off	-	-	2,420	175	2,595
Unwind of discount	-	-	216	20	236
Currency translation differences	(2)	(2)	(1)	-	(5)
Foreign exchange movement	(165)	(82)	(1,069)	(311)	(1,627)
Net other measurement of ECL	(2,835)	872	5,957	2,566	6,560
Balance at 30 June 2022	**9,036**	**3,434**	**21,610**	**4,210**	**38,290**
Individually assessed	-	-	28	-	28
Collectively assessed	9,036	3,434	21,582	4,210	38,262
Balance at 30 June 2022	**9,036**	**3,434**	**21,610**	**4,210**	**38,290**

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	**3,280,149**	**293,473**	**151,499**	**6,635**	**3,731,756**
New financial asset originated or purchased	1,508,869	3,980	1,469	2,266	1,516,584
Transfer to Stage 1	170,742	(170,742)	-	-	-
Transfer to Stage 2	(256,916)	284,269	(27,353)	-	-
Transfer to Stage 3	(22,954)	(53,011)	75,965	-	-
Assets repaid	(996,535)	(63,157)	(29,009)	(5,633)	(1,094,334)
Resegmentation	(86,613)	(1,037)	5,373	-	(82,277)
Impact of modifications	142	37	(629)	(10)	(460)
Write-offs	-	-	(12,193)	(62)	(12,255)
Recoveries of amounts previously written off	-	-	5,261	49	5,310
Unwind of discount	-	-	687	25	712
Currency translation differences	(9,705)	(1,171)	(1,649)	-	(12,525)
Foreign exchange movement	(152,434)	(17,161)	(11,117)	(245)	(180,957)
Net other changes	37,096	2,318	3,696	54	43,164
Balance at 30 June 2022	**3,471,841**	**277,798**	**162,000**	**3,079**	**3,914,718**
Individually assessed	-	-	33,359	-	33,359
Collectively assessed	3,471,841	277,798	128,641	3,079	3,881,359
Balance at 30 June 2022	**3,471,841**	**277,798**	**162,000**	**3,079**	**3,914,718**

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	**28,177**	**6,556**	**39,584**	**124**	**74,441**
New financial asset originated or purchased	24,623	68	97	161	24,949
Transfer to Stage 1	4,523	(4,523)	-	-	-
Transfer to Stage 2	(5,195)	9,994	(4,799)	-	-
Transfer to Stage 3	(5,786)	(3,428)	9,214	-	-
Impact on ECL of exposures transferred between stages during the period	(538)	(3,750)	13,958	-	9,670
Assets repaid	(7,663)	(1,377)	(10,007)	(392)	(19,439)
Resegmentation	(858)	360	740	-	242
Impact of modifications	6	(13)	(297)	20	(284)
Write-offs	-	-	(12,193)	(62)	(12,255)
Recoveries of amounts previously written off	-	-	5,261	49	5,310
Unwind of discount	-	-	687	25	712
Currency translation differences	(121)	(134)	(987)	-	(1,242)
Foreign exchange movement	(814)	(130)	(2,153)	(45)	(3,142)
Net other measurement of ECL	(13,046)	2,737	5,721	789	(3,799)
Balance at 30 June 2022	**23,308**	**6,360**	**44,826**	**669**	**75,163**
Individually assessed	-	-	14,112	-	14,112
Collectively assessed	23,308	6,360	30,714	669	61,051
Balance at 30 June 2022	**23,308**	**6,360**	**44,826**	**669**	**75,163**

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	**2,635,438**	**215,026**	**107,642**	**23,199**	**2,981,305**
New financial asset originated or purchased	1,629,310	4,216	609	5,218	1,639,353
Transfer to Stage 1	173,740	(173,550)	(190)	-	-
Transfer to Stage 2	(302,713)	333,342	(30,629)	-	-
Transfer to Stage 3	(75,752)	(75,922)	151,674	-	-
Assets repaid	(1,162,331)	(51,256)	(29,621)	(9,310)	(1,252,518)
Resegmentation	(1)	-	316	-	315
Impact of modifications	316	(77)	(8,898)	(854)	(9,513)
Write-offs	-	-	(68,790)	(3,225)	(72,015)
Recoveries of amounts previously written off	-	-	7,866	327	8,193
Unwind of discount	-	-	3,100	577	3,677
Currency translation differences	(15,460)	(95)	(163)	-	(15,718)
Foreign exchange movement	(43,174)	(1,925)	(819)	(338)	(46,256)
Net other changes	15,537	631	10,370	665	27,203
Balance at 30 June 2022	**2,854,910**	**250,390**	**142,467**	**16,259**	**3,264,026**
Individually assessed	-	-	1,076	-	1,076
Collectively assessed	2,854,910	250,390	141,391	16,259	3,262,950
Balance at 30 June 2022	**2,854,910**	**250,390**	**142,467**	**16,259**	**3,264,026**

Residential mortgage loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	**57,083**	**19,410**	**58,731**	**811**	**136,035**
New financial asset originated or purchased	74,787	747	288	595	76,417
Transfer to Stage 1	15,692	(15,679)	(13)	-	-
Transfer to Stage 2	(21,544)	34,134	(12,590)	-	-
Transfer to Stage 3	(35,152)	(17,496)	52,648	-	-
Impact on ECL of exposures transferred between stages during the period	(2,331)	(9,833)	27,468	-	15,304
Assets repaid	(24,573)	(4,736)	(16,783)	(2,262)	(48,354)
Impact of modifications	38	(8)	(4,241)	58	(4,153)
Write-offs	-	-	(68,790)	(3,225)	(72,015)
Recoveries of amounts previously written off	-	-	7,866	327	8,193
Unwind of discount	-	-	3,100	577	3,677
Currency translation differences	(133)	(19)	(70)	-	(222)
Foreign exchange movement	(136)	(33)	(464)	(33)	(666)
Net other measurement of ECL	(20,261)	16,038	32,499	8,206	36,482
Balance at 30 June 2022	**43,470**	**22,525**	**79,649**	**5,054**	**150,698**
Individually assessed	-	-	509	-	509
Collectively assessed	43,470	22,525	79,140	5,054	150,189
Balance at 30 June 2022	**43,470**	**22,525**	**79,649**	**5,054**	**150,698**

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	**152,787**	**10,116**	**2,514**	**-**	**165,417**
New financial asset originated or purchased	72,711	1	31	-	72,743
Transfer to Stage 1	8,206	(8,206)	-	-	-
Transfer to Stage 2	(13,849)	14,634	(785)	-	-
Transfer to Stage 3	(1,697)	(1,576)	3,273	-	-
Assets repaid	(60,253)	(4,838)	(2,309)	-	(67,400)
Resegmentation	-	-	(24)	-	(24)
Write-offs	-	-	(187)	-	(187)
Recoveries of amounts previously written off	-	-	(8)	-	(8)
Foreign exchange movement	(15)	(2)	5	-	(12)
Net other changes	174	(9)	1,424	-	1,589
Balance at 30 June 2022	**158,065**	**10,120**	**3,934**	**-**	**172,119**
Collectively assessed	158,065	10,120	3,934	-	172,119
Balance at 30 June 2022	**158,065**	**10,120**	**3,934**	**-**	**172,119**

Gold – pawn loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	**1,822**	**11**	**241**	**-**	**2,074**
Transfer to Stage 1	8	(8)	-	-	-
Transfer to Stage 2	(6)	41	(35)	-	-
Transfer to Stage 3	(1)	(3)	4	-	-
Assets repaid	(7)	(1)	(40)	-	(48)
Write-offs	-	-	(187)	-	(187)
Recoveries of amounts previously written off	-	-	(8)	-	(8)
Net other measurement of ECL	715	(22)	474	-	1,167
Balance at 30 June 2022	**2,531**	**18**	**449**	**-**	**2,998**
Collectively assessed	2,531	18	449	-	2,998
Balance at 30 June 2022	**2,531**	**18**	**449**	**-**	**2,998**

Concentration of loans to customers

As at 30 June 2023, the concentration of loans granted by the Group to the ten largest third-party borrowers comprised GEL 1,208,538 accounting for 7% of the gross loan portfolio of the Group (31 December 2022: GEL 1,017,629 and 6% respectively). An allowance of GEL 10,245 (31 December 2022: GEL 8,209) was established against these loans.

As at 30 June 2023, the concentration of loans granted by the Group to the ten largest third-party group of borrowers (borrower and its related parties) comprised GEL 1,995,413 accounting for 11% of the gross loan portfolio of the Group (31 December 2022: GEL 1,736,614 and 10% respectively). An allowance of GEL 18,732 (31 December 2022: GEL 17,392) was established against these loans.

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

Concentration of loans to customers (continued)

As at 30 June 2023 and 31 December 2022 loans were principally issued within Georgia, and their distribution by industry sector was as follows:

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Individuals	10,601,098	10,011,378
Trade	1,295,777	1,132,089
Manufacturing	1,276,325	1,030,899
Real estate	1,288,163	1,024,364
Hospitality	863,761	828,577
Financial intermediation	459,078	308,121
Electricity, gas and water supply	449,019	458,415
Construction	371,725	512,345
Service	298,931	302,442
Transport & communication	230,405	190,175
Mining and quarrying	168,398	148,489
Other	1,232,928	1,131,792
Loans to customers, gross	**18,535,608**	**17,079,086**
Less – Allowance for expected credit loss	(316,516)	(324,053)
Loans to customers, net	**18,219,092**	**16,755,033**

Loans have been extended to the following types of customers:

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Individuals	10,601,098	10,011,378
Private companies	7,931,810	7,064,014
State-owned entities	2,700	3,694
Loans to customers, gross	**18,535,608**	**17,079,086**
Less – Allowance for expected credit loss	(316,516)	(324,053)
Loans to customers, net	**18,219,092**	**16,755,033**

Finance lease receivables

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Minimum lease payments receivable	105,811	120,740
Less – Unearned finance lease income	(19,671)	(25,392)
	86,140	**95,348**
Less – Allowance for expected credit loss / impairment loss	(8,565)	(8,778)
Finance lease receivables, net	**77,575**	**86,570**

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

As at 30 June 2023**,** finance lease receivables carried at GEL 3,136 were pledged for inter-bank loans received from several credit institutions (31 December 2022: GEL 16,965).

As at 30 June 2023, the concentration of investment in the five largest lease receivables comprised GEL 22,113 or 26% of total finance lease receivables (31 December 2022: GEL 20,273 or 21%) and finance income received from them for the period ended 30 June 2023 comprised GEL 861 or 11% of total finance income from lease (31 December 2022: GEL 793 or 4%).

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

Finance lease receivables (continued)

Future minimum lease payments to be received after 30 June 2023 and 31 December 2022 are as follows:

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Within 1 year	48,207	51,944
From 1 to 2 years	14,627	22,480
From 2 to 3 years	16,441	18,109
From 3 to 4 years	4,286	7,613
From 4 to 5 years	3,933	3,036
More than 5 years	18,317	17,559
Minimum lease payment receivables	**105,811**	**120,740**

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

Finance lease receivables, gross	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**59,531**	**6,451**	**14,156**	**15,210**	**95,348**
New financial asset originated or purchased	16,014	-	-	5,245	21,259
Transfer to Stage 1	6,873	(6,714)	(159)	-	-
Transfer to Stage 2	(10,434)	12,039	(1,605)	-	-
Transfer to Stage 3	(1,088)	(7,552)	8,640	-	-
Assets repaid	(23,383)	(2,390)	(2,573)	(2,661)	(31,007)
Impact of modifications	(145)	-	-	-	(145)
Write-offs	-	-	(1,222)	120	(1,102)
Recoveries of amounts previously written off	-	-	74	-	74
Unwind of discount	-	-	2	191	193
Currency translation differences	(722)	242	(725)	-	(1,205)
Foreign exchange movement	1,394	28	100	(514)	1,008
Net other changes	1,647	(2)	(20)	92	1,717
Balance at 30 June 2023	**49,687**	**2,102**	**16,668**	**17,683**	**86,140**
Individually assessed	-	-	638	-	638
Collectively assessed	49,687	2,102	16,030	17,683	85,502
Balance at 30 June 2023	**49,687**	**2,102**	**16,668**	**17,683**	**86,140**

Finance lease receivables, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**852**	**258**	**3,587**	**4,081**	**8,778**
New financial asset originated or purchased	589	-	-	-	589
Transfer to Stage 1	238	(231)	(7)	-	-
Transfer to Stage 2	(227)	229	(2)	-	-
Transfer to Stage 3	(336)	(305)	641	-	-
Impact on ECL of exposures transferred between stages during the period	(145)	170	222	-	247
Assets repaid	(393)	(130)	(1,036)	(1,043)	(2,602)
Write-offs	-	-	(332)	120	(212)
Recoveries of amounts previously written off	-	-	74	-	74
Unwind of discount	-	-	2	191	193
Currency translation differences	10	4	(93)	-	(79)
Net other measurement of ECL	(143)	31	1,257	432	1,577
Balance at 30 June 2023	**445**	**26**	**4,313**	**3,781**	**8,565**
Individually assessed	-	-	131	-	131
Collectively assessed	445	26	4,182	3,781	8,434
Balance at 30 June 2023	**445**	**26**	**4,313**	**3,781**	**8,565**

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

Finance lease receivables (continued)

Finance lease receivables, gross

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	**81,174**	**17,584**	**16,612**	**9,582**	**124,952**
New financial asset originated or purchased	29,005	-	-	3,611	32,616
Transfer to Stage 1	18,381	(13,634)	(4,747)	-	-
Transfer to Stage 2	(16,921)	23,863	(6,942)	-	-
Transfer to Stage 3	(2,871)	(9,468)	12,339	-	-
Assets repaid	(35,163)	(6,837)	(4,686)	(2,524)	(49,210)
Write-offs	-	-	(2,246)	-	(2,246)
Unwind of discount	-	-	3	40	43
Currency translation differences	(5,402)	(957)	383	-	(5,976)
Foreign exchange movement	29	(77)	10	(299)	(337)
Net other changes	191	(1)	35	472	697
Balance at 30 June 2022	**78,043**	**14,303**	**12,584**	**10,882**	**115,812**
Individually assessed	-	-	2,750	-	2,750
Collectively assessed	78,043	14,303	9,834	10,882	113,062
Balance at 30 June 2022	**78,043**	**14,303**	**12,584**	**10,882**	**115,812**

Finance lease receivables, ECL:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	**1,126**	**763**	**2,810**	**1,196**	**5,895**
New financial asset originated or purchased	1,166	-	-	-	1,166
Transfer to Stage 1	1,060	(460)	(600)	-	-
Transfer to Stage 2	(1,073)	1,819	(746)	-	-
Transfer to Stage 3	(123)	(1,017)	1,140	-	-
Impact on ECL of exposures transferred between stages during the period	(986)	436	1,418	-	868
Assets repaid	(267)	(1,010)	(964)	(484)	(2,725)
Write-offs	-	-	(925)	-	(925)
Unwind of discount	-	-	3	40	43
Currency translation differences	(89)	(40)	618	-	489
Foreign exchange movement	-	-	60	-	60
Net other measurement of ECL	153	(518)	435	1,245	1,315
Balance at 30 June 2022	**984**	**831**	**3,870**	**1,997**	**7,682**
Individually assessed	-	-	1,345	-	1,345
Collectively assessed	984	831	2,525	1,997	6,337
Balance at 30 June 2022	**984**	**831**	**3,870**	**1,997**	**7,682**

10. Taxation

The corporate income tax expense in income statement comprises:

	For the six months ended	
	30 June 2023 (unaudited)	*30 June 2022 (unaudited)*
Current income (expense) benefit	(177,008)	(60,858)
Deferred income tax benefit (expenses)	58,262	3,254
Income tax expense	**(118,746)**	**(57,604)**

The income tax rate applicable to most of the Group's income is the income tax rate applicable to subsidiaries' income, which ranges from 15% to 25% (30 June 2022: from 15% to 25%).

As at 30 June 2023 and 31 December 2022 income tax assets and liabilities consist of the following:

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Current income tax assets	-	224
Deferred income tax assets	-	640
Income tax assets	**-**	**864**
Current income tax liabilities	135,456	20,258
Deferred income tax liabilities	20,400	79,275
Income tax liabilities	**155,856**	**99,533**

11. Other assets and other liabilities

Other assets comprise:

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Foreclosed assets	145,491	119,924
Receivables from remittance operations	89,730	86,701
Derivative financial assets	21,288	39,270
Other receivables	61,504	69,907
Operating tax assets	13,301	3,897
Investments in associates	8,951	9,249
Assets purchased for finance lease purposes	1,767	2,140
Derivatives margin	1,649	21,053
Other	32,627	27,540
Other assets, gross	**376,308**	**379,681**
Less – Allowance for impairment of other assets	(14,758)	(16,853)
Other assets, net	**361,550**	**362,828**

11. Other assets and other liabilities (continued)

Other liabilities comprise:

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Payables for remittance operations	43,508	24,671
Creditors	36,915	32,381
Derivative financial liabilities	16,252	59,020
Other taxes payable	7,506	5,619
Provisions	6,304	5,127
Dividends payable	3,622	2,346
Accounts payable	2,251	2,131
Advances received	693	805
Derivatives margin	131	-
Other	39,789	21,491
Other liabilities	**156,971**	**153,591**

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

	2023			*2022*		
	Notional amount	*Fair value*		*Notional amount*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Foreign exchange contracts						
Forwards and swaps – domestic	1,025,373	2,048	3,334	1,392,118	5,688	2,873
Forwards and swaps – foreign	4,637,400	19,240	12,918	4,615,758	33,234	56,147
Interest rate contracts						
Forwards and swaps – foreign	-	-	-	1,209	348	-
Total derivative assets / liabilities	**5,662,773**	**21,288**	**16,252**	**6,009,085**	**39,270**	**59,020**

12. Client deposits and notes

The amounts due to customers include the following:

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Current accounts	11,678,698	11,029,798
Time deposits	8,215,147	7,244,263
Client deposits and notes	**19,893,845**	**18,274,061**

At 30 June 2023, amounts due to customers of GEL 2,841,172 (14%) were due to the ten largest customers (31 December 2022: GEL 2,107,058 (12%)).

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

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Individuals	11,511,561	11,158,313
Private enterprises	6,790,178	6,424,514
State and state-owned entities	1,592,106	691,234
Client deposits and notes	**19,893,845**	**18,274,061**

12. Client deposits and notes (continued)

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

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Individuals	11,511,561	11,158,313
Government services	1,583,680	682,809
Financial intermediation	1,451,848	1,316,330
Trade	1,222,757	1,158,681
Construction	836,132	796,019
Service	800,176	734,205
Transport & communication	533,918	488,132
Manufacturing	531,039	758,774
Electricity, gas and water supply	335,954	186,517
Real estate	319,361	233,177
Hospitality	100,201	172,925
Other	667,218	588,179
Client deposits and notes	**19,893,845**	**18,274,061**

13. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Borrowings from international credit institutions	1,282,838	1,500,037
Time deposits and inter-bank loans	503,000	777,638
Short-term loans from National Bank of Georgia	442,127	1,715,257
Correspondent accounts	333,977	660,768
	2,561,942	**4,653,700**
Non-convertible subordinated debt	389,995	401,733
Additional Tier 1	131,928	136,061
Amounts due to credit institutions	**3,083,865**	**5,191,494**

Short-term loans from National Bank of Georgia are obtained by the Group in order to maintain different limits for liquidity and currency positions. During the period ended 30 June 2023 the Group met liquidity needs by obtaining significant GEL exposures from client deposits, including secured deposits from Ministry of Finance of Georgia. As a result short-term loans from National Bank of Georgia decreased compared to 31 December 2022.

During the period ended 30 June 2023, the Group paid up to 9.25% on US$ borrowings from international credit institutions (31 December 2022: up to 7.52%). During the period ended 30 June 2023, the Group paid up to 11.37% on Dollar subordinated debt (31 December 2022: up to 10.73%).

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants") that the Group maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 30 June 2023 and 31 December 2022, the Group complied with all the Lender Covenants of the significant borrowings from international credit institutions.

On 31 May 2022, the Bank signed a USD 50 million Additional Tier 1 Capital Perpetual Subordinated Syndicated Facility with the European Bank for Reconstruction and Development and Swedfund International AB as lenders with maturity of five years. The amount was fully utilised as at 30 June 2022.

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

14. Debt securities issued

Debt securities issued comprise:

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Additional Tier 1 capital notes issued	259,541	267,702
Eurobonds and notes issued	198,234	226,857
Local bonds	26,374	44,556
Certificates of deposit	137,270	107,022
Debt securities issued	**621,419**	**646,137**

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	**Additional Tier 1 capital notes issued**
Carrying amount at 31 December 2021	**938,372**	**306,239**
Repurchase of debt securities issued	(99,148)	-
Repayment of the principal portion of the debt securities issued	(31,397)	-
Other movements	(4,118)	(16,521)
Carrying amount at 30 June 2022 (unaudited)	**803,709**	**289,718**
Carrying amount at 31 December 2022	**226,857**	**267,702**
Repurchase of debt securities issued	(20,980)	-
Repayment of the principal portion of the debt securities issued	(23,480)	-
Other movements	15,837	(8,161)
Carrying amount at 30 June 2023 (unaudited)	**198,234**	**259,541**

15. Commitments and contingencies

Legal

Sai-invest

As at 30 June 2023, the Bank was engaged in litigation with Sai-Invest LLC ("Sai-Invest") in relation to a deposit pledge in the amount of EUR 7 million for the benefit LTD Sport Invest's loans owing to JSC Bank of Georgia. Sai-Invest LLC has challenged the validity of the deposit pledge in the Georgian courts, and its challenge has been substantially sustained in the Court of Appeal, a determination which the Bank believes to be erroneous and without merit, and which the Bank has appealed to the Supreme Court. The matter is currently under review by the Supreme Court, and the timeline as to when the judgment has to be expected is not available. The Bank's management is of the opinion that the probability of incurring material losses on this claim is low, and, accordingly, no provision has been made in these consolidated financial statements.

Financial commitments and contingencies

As at 30 June 2023 and 31 December 2022**,** the Group's financial commitments and contingencies comprised the following:

	As at	
	30 June 2023 (unaudited)	*31 December 2022*
Credit-related commitments		
Financial and performance guarantees issued*	1,797,847	1,717,308
Undrawn loan facilities	875,897	869,061
Letters of credit	51,877	116,309
	2,725,621	**2,702,678**
Less – Cash held as security against letters of credit and guarantees	(152,898)	(121,753)
Less – Provisions	(6,304)	(5,127)
Operating lease commitments		
Not later than 1 year	1,434	1,975
Later than 1 year but not later than 5 years	811	2,592
Later than 5 years	4	451
	2,249	**5,018**
Capital expenditure commitments	**7,064**	**6,790**

** Out of total guarantees issued as at 30 June 2023 financial and performance guarantees of the Group comprised GEL 789,873 (31 December 2022: GEL 1,030,122) and GEL 1,007,972 (31 December 2022: GEL 656,791), respectively.*

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

16. Equity

Share capital

As at 30 June 2023 and 31 December 2022 authorized common capital comprised 43,308,125 shares. Each share has a nominal value of one (1) Georgian Lari. Shares issued and outstanding as at 30 June 2023, 31 December 2022 and 30 June 2022 remained unchanged at 27,993,660 shares issued correspondingly to GEL 27,994.

	Number of ordinary shares	*Amount of ordinary shares*
31 December 2021	**27,993,660**	**27,994**
30 June 2022 (unaudited)	**27,993,660**	**27,994**
31 December 2022	**27,993,660**	**27,994**
30 June 2023 (unaudited)	**27,993,660**	**27,994**

16. Equity (continued)

Treasury shares

The number of treasury shares held by the Group as at 30 June 2023, comprised 10,173 (31 December 2022: 10,173), with nominal amount of GEL 10 (31 December 2022: GEL 10).

Dividends

Shareholders are entitled to dividends in Georgian Lari.

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

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

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

Nature and purpose of other reserves

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

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

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries with functional currency other than GEL.

Movements on this account during the periods ended 30 June 2023 and 30 June 2022, are presented in the statements of other comprehensive income.

Earnings per share

	For the six months ended	
	30 June 2023 (unaudited)	*30 June 2022 (unaudited)*
Basic and diluted earnings per share		
Profit for the period attributable to ordinary shareholders of the Bank	665,412	461,163
Weighted average number of ordinary shares outstanding during the period	27,983,827	27,983,827
Earnings per share	23.7784	16.4796

17. Net interest income

	For the six months ended	
	30 June 2023 (unaudited)	*30 June 2022 (unaudited)*
Interest income calculated using EIR method	**1,281,371**	**1,054,056**
From loans to customers	1,095,289	914,489
From investment securities	160,763	135,019
From amounts due from credit institutions	37,111	13,217
Net loss on modification of financial assets	(11,792)	(8,669)
Other interest income	**8,970**	**11,405**
From finance lease receivable	7,881	11,405
From other assets	45	-
From loans and advances to customers measured at FVTPL	1,044	-
Interest income	**1,290,341**	**1,065,461**
On client deposits and notes	(362,805)	(267,805)
On amounts owed to credit institutions	(148,478)	(202,427)
On debt securities issued	(24,439)	(49,550)
Interest element of cross-currency swaps	14,554	12,093
On lease liability	(2,980)	(2,310)
Interest expense	**(524,148)**	**(509,999)**
Deposit insurance fees	(9,774)	(8,301)
Net interest income	**756,419**	**547,161**

18. Net fee and commission income

	For the six months ended	
	30 June 2023 (unaudited)	*30 June 2022 (unaudited)*
Settlements operations	258,970	189,964
Guarantees and letters of credit	22,276	17,382
Currency conversion operations	21,665	13,671
Cash operations	13,407	13,765
Brokerage service fees	508	16
Other	5,288	2,670
Fee and commission income	**322,114**	**237,468**
Settlements operations	(161,844)	(107,637)
Cash operations	(8,391)	(9,169)
Currency conversion operations	(4,258)	(1,519)
Brokerage service fees	(878)	(595)
Guarantees and letters of credit	(129)	(219)
Other	(3,477)	(2,202)
Fee and commission expense	**(178,977)**	**(121,341)**
Net fee and commission income	**143,137**	**116,127**

19. Cost of risk

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

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	210	-	-	-	-	210
Amounts due from credit institutions	4,380	-	-	-	-	4,380
Investment securities measured at amortised cost - debt instruments	2,986	-	-	-	-	2,986
Investment securities measured at FVOCI - debt instruments	(356)	-	-	-	-	(356)
Loans to customers at amortised cost	3,852	(2,433)	10,984	(87,398)	(2,854)	(77,849)
Finance lease receivables	417	236	(47)	(1,028)	611	189
Other financial assets	50	-	-	-	-	50
Financial guarantees	55	6	(38)	(7)	-	16
Letter of credit to customers	(212)	-	-	-	-	(212)
Other financial commitments	253	4	-	-	-	257
For the period ended 30 June 2023	**11,635**	**(2,187)**	**10,899**	**(88,433)**	**(2,243)**	**(70,329)**

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	(44)	-	-	-	-	(44)
Amounts due from credit institutions	(192)	-	-	-	-	(192)
Investment securities measured at amortised cost - debt instruments	(456)	-	-	-	-	(456)
Investment securities measured at FVOCI - debt instruments	(3,006)	-	-	-	-	(3,006)
Loans to customers at amortised cost	15,833	(17,302)	16,289	(57,469)	(11,668)	(54,317)
Finance lease receivables	53	(108)	(274)	(1,090)	(761)	(2,180)
Other financial assets	(1,908)	-	-	-	-	(1,908)
Financial guarantees	119	10	22	3	-	154
Letter of credit to customers	(7)	-	65	-	-	58
Other financial commitments	33	157	-	-	-	190
For the period ended 30 June 2022	**10,425**	**(17,243)**	**16,102**	**(58,556)**	**(12,429)**	**(61,701)**

The table below shows impairment charge on other assets and provisions in the income statement:

	For the six months ended	
	30 June 2023 (unaudited)	*30 June 2022 (unaudited)*
Impairment charge on assets held for sale	2,170	1,194
Litigation provision charge/(reversal)	577	(785)
Other impairment charge	5,397	4,780
	8,144	**5,189**

20. Risk management

Liquidity risk and funding management

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

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

The liquidity position is assessed and managed by the Group primarily on a standalone Bank basis, based on certain liquidity ratios established by the NBG. The banks are required to maintain a liquidity coverage ratio, which is defined as the ratio of high-quality liquid assets to net cash outflow over the next 30 days. The order requires that, absent a stress-period, the value of the ratio be no lower than 100%. The liquidity coverage ratio as at 30 June 2023 was 111.1% (31 December 2022: 132.4%).

The Bank holds a comfortable buffer on top of Net Stable Funding Ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. NSFR as at 30 June 2023 was 130.6%, (31 December 2022: 131.9%), all comfortably above the NBG's minimum regulatory requirements.

The Group also matches the maturity of financial assets and financial liabilities and regularly monitors negative gaps compared with the Bank's standalone total regulatory capital calculated per NBG regulation. The ratios are assessed and monitored monthly and compared against set limits. In the case of deviations, amendment strategies / actions are discussed and approved by ALCO.

21. Net other gains/(losses)

During 2021-2022, the Group repossessed significant movable and immovable assets from its defaulted group of borrowers via the public auction as a result of bankruptcy proceedings of the borrower at a deep discount. The properties were classified as Other Assets and measured at lower of cost and net realizable value. The Group managed to realize large properties at current market price in the first half of 2023 and recorded respective real estate gain in amount of GEL 68,744 in its interim condensed consolidated financial statements.

22. Fair value measurements

Fair value hierarchy

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy:

At 30 June 2023	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Total investment properties	-	-	147,849	147,849
Land	-	-	*6,924*	*6,924*
Residential properties	-	-	*98,687*	*98,687*
Non-residential properties	-	-	*42,238*	*42,238*
Investment securities measured at FVOCI	5,410	4,313,065	108	4,318,583
Loans and advances to customers at FVTPL	-	-	80,572	80,572
Other assets – derivative financial assets	-	21,288	-	21,288
Assets for which fair values are disclosed				
Cash and cash equivalents	2,051,442	-	-	2,051,442
Amounts due from credit institutions	-	1,913,226	-	1,913,226
Investment securities measured at amortised cost - debt instruments	-	243,294	-	243,294
Loans to customers and finance lease receivables at amortised cost	-	-	17,456,546	17,456,546
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	16,252	-	16,252
Liabilities for which fair values are disclosed				
Client deposits and notes	-	19,912,699	-	19,912,699
Amounts owed to credit institutions	-	1,943,586	1,121,354	3,064,940
Debt securities issued	-	452,502	164,188	616,690
Lease liability	-	19,480	110,713	130,193

At 31 December 2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Total investment properties	-	-	170,629	170,629
Land	-	-	9,009	9,009
Residential properties	-	-	112,890	112,890
Non-residential properties	-	-	48,730	48,730
Investment securities measured at FVOCI	4,744	3,960,360	108	3,965,212
Other assets – derivative financial assets	-	39,270	-	39,270
Assets for which fair values are disclosed				
Cash and cash equivalents	3,495,728	-	-	3,495,728
Amounts due from credit institutions	-	2,417,306	-	2,417,306
Investment securities measured at amortised cost - debt instruments	-	385,800	-	385,800
Loans to customers and finance lease receivables	-	-	16,246,726	16,246,726
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	59,020	-	59,020
Liabilities for which fair values are disclosed				
Client deposits and notes	-	18,241,016	-	18,241,016
Amounts owed to credit institutions	-	3,974,909	1,192,800	5,167,709
Debt securities issued	-	490,691	151,845	642,536
Lease liability	-	13,068	102,825	115,893

22. Fair value measurements (continued)

Fair value hierarchy (continued)

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

Derivative financial instruments

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

Trading securities and investment securities

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

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

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

Fair value of financial assets and liabilities not carried at fair value

	At 30 June 2023			*At 31 December 2022*		
	Carrying value 2023	*Fair value 2023*	*Unrecognised gain (loss) 2023*	*Carrying value 2022*	*Fair value 2022*	*Unrecognised gain (loss) 2022*
Financial assets						
Cash and cash equivalents	2,051,442	2,051,442	-	3,495,728	3,495,728	-
Amounts due from credit institutions	1,913,226	1,913,226	-	2,417,306	2,417,306	-
Investment securities measured at amortised cost - debt instruments	241,262	243,294	2,032	378,537	385,800	7,263
Loans to customers and finance lease receivables	18,216,095	17,456,546	(759,549)	16,841,603	16,246,726	(594,877)
Financial liabilities						
Client deposits and notes	19,893,845	19,912,699	(18,854)	18,274,061	18,241,016	33,045
Amounts owed to credit institutions	3,083,865	3,064,940	18,925	5,191,494	5,167,709	23,785
Debt securities issued	621,419	616,690	4,729	646,137	642,536	3,601
Lease liability	127,553	130,193	(2,640)	112,624	115,893	(3,269)
Total unrecognised change in unrealised fair value			**(755,357)**			**(530,452)**

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

23. Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities according to their contractual maturities, except for current accounts and credit card loans as described below.

	At 30 June 2023							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	2,029,528	21,914	-	-	-	-	-	2,051,442
Amounts due from credit institutions	1,860,544	31,455	-	-	-	-	21,227	1,913,226
Investment securities	1,403,712	2,300,571	681,200	3,739	141,007	23,068	6,548	4,559,845
Loans to customers and finance lease	5,022	2,565,016	1,231,010	2,573,707	5,120,064	2,562,347	4,239,501	18,296,667
Accounts receivable and other loans	-	37,970	1,576	607	-	-	-	40,153
Total	**5,298,806**	**4,956,926**	**1,913,786**	**2,578,053**	**5,261,071**	**2,585,415**	**4,267,276**	**26,861,333**
Financial liabilities								
Client deposits and notes	5,868,163	3,788,764	1,227,077	7,340,852	1,109,451	506,619	52,919	19,893,845
Amounts owed to credit institutions	372,010	1,219,863	66,441	171,736	609,343	320,781	323,691	3,083,865
Debt securities issued	-	217,252	23,595	13,341	301,236	5,573	60,422	621,419
Lease liability	-	8,262	8,200	15,765	53,010	29,494	12,822	127,553
Total	**6,240,173**	**5,234,141**	**1,325,313**	**7,541,694**	**2,073,040**	**862,467**	**449,854**	**23,726,682**
Net	**(941,367)**	**(277,215)**	**588,473**	**(4,963,641)**	**3,188,031**	**1,722,948**	**3,817,422**	**3,134,651**
Accumulated gap	**(941,367)**	**(1,218,582)**	**(630,109)**	**(5,593,750)**	**(2,405,719)**	**(682,771)**	**3,134,651**	

	At 31 December 2022							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	2,764,823	730,905	-	-	-	-	-	3,495,728
Amounts due from credit institutions	2,396,567	-	437	-	-	-	20,302	2,417,306
Investment securities	947,377	2,315,415	536,087	217,956	142,195	182,498	2,221	4,343,749
Loans to customers and finance lease	4,204	2,087,352	1,241,786	2,116,316	4,570,794	2,416,951	4,404,200	16,841,603
Accounts receivable and other loans	1,733	1,055	-	610	-	-	-	3,398
Total	**6,114,704**	**5,134,727**	**1,778,310**	**2,334,882**	**4,712,989**	**2,599,449**	**4,426,723**	**27,101,784**
Financial liabilities								
Client deposits and notes	5,433,605	2,811,267	1,297,146	6,962,098	1,224,218	279,175	266,552	18,274,061
Amounts owed to credit institutions	701,208	2,598,973	134,173	382,919	658,256	356,138	359,827	5,191,494
Debt securities issued	-	7,786	51,107	281,718	109,683	195,843	-	646,137
Lease liability	-	6,696	6,908	13,689	45,734	26,920	12,677	112,624
Total	**6,134,813**	**5,424,722**	**1,489,334**	**7,640,424**	**2,037,891**	**858,076**	**639,056**	**24,224,316**
Net	**(20,109)**	**(289,995)**	**288,976**	**(5,305,542)**	**2,675,098**	**1,741,373**	**3,787,667**	**2,877,468**
Accumulated gap	**(20,109)**	**(310,104)**	**(21,128)**	**(5,326,670)**	**(2,651,572)**	**(910,199)**	**2,877,468**	

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

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

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

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

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

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled, except for current accounts which are included in up to 1 year time bucket:

	At 30 June 2023			*At 31 December 2022*		
	Less than 1 year	*More than 1 year*	*Total*	*Less than 1 year*	*More than 1 year*	*Total*
Cash and cash equivalents	2,051,442	-	2,051,442	3,495,728	-	3,495,728
Amounts due from credit institutions	1,891,999	21,227	1,913,226	2,397,004	20,302	2,417,306
Investment securities	4,389,222	170,623	4,559,845	4,016,835	326,914	4,343,749
Loans to customers and finance lease	6,374,755	11,921,912	18,296,667	5,449,658	11,391,945	16,841,603
Accounts receivable and other loans	40,153	-	40,153	3,398	-	3,398
Prepayments	47,697	7,613	55,310	43,825	3,351	47,176
Inventories	16,345	-	16,345	11,441	-	11,441
Right-of-use assets	-	132,239	132,239	-	115,404	115,404
Investment properties	-	147,849	147,849	-	170,629	170,629
Property and equipment	-	376,307	376,307	-	363,606	363,606
Goodwill	-	33,453	33,453	-	33,453	33,453
Intangible assets	-	140,392	140,392	-	130,307	130,307
Income tax assets	-	-	-	224	640	864
Other assets	218,819	142,731	361,550	237,415	125,413	362,828
Assets held for sale	30,985	-	30,985	29,566	-	29,566
Total assets	**15,061,417**	**13,094,346**	**28,155,763**	**15,685,094**	**12,681,964**	**28,367,058**
Client deposits and notes	18,224,856	1,668,989	19,893,845	16,504,116	1,769,945	18,274,061
Amounts owed to credit institutions	1,830,050	1,253,815	3,083,865	3,817,273	1,374,221	5,191,494
Debt securities issued	254,188	367,231	621,419	340,611	305,526	646,137
Lease liability	32,227	95,326	127,553	27,293	85,331	112,624
Accruals and deferred income	55,977	36,271	92,248	69,792	32,458	102,250
Income tax liabilities	135,456	20,400	155,856	20,258	79,275	99,533
Other liabilities	156,971	-	156,971	152,848	743	153,591
Total liabilities	**20,689,725**	**3,442,032**	**24,131,757**	**20,932,191**	**3,647,499**	**24,579,690**
Net	**(5,628,308)**	**9,652,314**	**4,024,006**	**(5,247,097)**	**9,034,465**	**3,787,368**

24. 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 30 June 2023 and 30 June 2022, and related expenses and income for the period are as follows:

	At 30 June 2023 (unaudited)			*At 30 June 2022 (unaudited)*		
	The parent	*Entities under common control*	*Key management personnel**	*The parent*	*Entities under common control*	*Key management personnel**
Loans outstanding at 1 January, gross	**16,343**	**-**	**9,819**	**17,750**	**-**	**12,050**
Loans issued during the Period	50,092	-	1,519	-	-	4,234
Loan repayments during the Period	(50,092)	-	(2,765)	-	-	(5,234)
Other movements	(97)	-	250	(504)	-	(890)
Loans outstanding at 30 June, gross	**16,246**	**-**	**8,823**	**17,246**	**-**	**10,160**
Less: allowance for impairment at 30 June	-	-	(25)	-	-	(23)
Loans outstanding at 30 June, net	**16,246**	**-**	**8,798**	**17,246**	**-**	**10,137**
Interest income on loans	443	-	249	482	-	410
Expected credit loss	-	-	(200)	-	-	-
Deposits at 1 January	**26,766**	**58,329**	**12,633**	**29,813**	**176,898**	**31,127**
Deposits received during the Period	203,195	62,315	8,918	24,141	1,331	6,639
Deposits repaid during the Period	(3,867)	(30,908)	(3,771)	-	(103,527)	(10,435)
Other movements	(2)	4,369	(2,241)	-	(8,397)	(8,591)
Deposits at 30 June	**226,092**	**94,105**	**15,539**	**53,954**	**66,305**	**18,740**
Interest expense on deposits	(6,792)	(1,947)	430	(762)	(435)	(566)
Debt securities at 1 January	**-**	**737**	**-**	**5,746**	**737**	**-**
Debt securities received during the period	-	-	-	-	-	-
Debt securities repaid during the period	-	-	-	-	(462)	-
Other movements	-	-	-	(306)	(54)	-
Debt securities at 30 June	**-**	**737**	**-**	**5,440**	**221**	**-**
Interest expense on debt securities issued	-	-	-	(94)	-	-

** Key management personnel includes members of BOG's Supervisory Board, BOG's Management Board and Key Executives of the Group.*

Compensation of key management personnel comprised the following:

	For the six months ended	
	30 June 2023 (unaudited)	*30 June 2022 (unaudited)*
Salaries and other benefits	4,630	4,714
Share-based payments compensation*	32,929	32,930
Total key management compensation	**37,559**	**37,644**

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 30 June 2023 was 21 (31 December 2022: 21).

25. Capital adequacy

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

During the period ended 30 June 2023, the Bank and the Group complied in full with all its externally imposed capital requirements.

The primary objectives of the Group's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The Group 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 Group 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.

NBG (Basel III) capital adequacy ratio

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

In January 2023, the NBG transitioned to IFRS-based accounting and introduced a new Pillar 2 buffer - Credit Risk Adjustment (CRA) buffer, to account for the difference between the NBG-based and the IFRS-based provision levels (higher in the former case). As at 30 June 2023 the Bank's capital adequacy ratio on this basis was as follows:

IFRS-Based NBG (Basel III) capital adequacy ratio	*As at*
	30 June 2023 (unaudited)
Tier 1 capital	4,150,325
Tier 2 capital	384,802
Total capital	**4,535,127**
Risk-weighted assets	**20,104,135**
Tier 1 capital ratio	**20.6%**
Total capital ratio	**22.6%**
Min. requirement for Tier 1 capital ratio	**16.9%**
Min. requirement for Total capital ratio	**19.8%**

As 31 December 2022, the Bank's capital adequacy was as follows:

NBG (Basel III) capital adequacy ratio	*As at*
	31 December 2022
Tier 1 capital	3,388,048
Tier 2 capital	618,232
Total capital	**4,006,280**
Risk-weighted assets	**20,279,424**
Tier 1 capital ratio	**16.7%**
Total capital ratio	**19.8%**
Min. requirement for Tier 1 capital ratio	**13.8%**
Min. requirement for Total capital ratio	**17.2%**

25. Capital adequacy (continued)

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio based on the consolidated statement of financial position and computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 30 June 2023 and 31 December 2022, was as follows:

	30 June 2023 (unaudited)	*31 December 2022*
Tier 1 capital	3,894,736	3,791,681
Less: Deductions - Goodwill	(33,453)	(33,453)
Tier 2 capital	1,178,506	1,172,983
Less: Deductions from capital	(10)	(10)
Total capital	**5,039,778**	**4,931,200**
Risk-weighted assets	**20,095,872**	**18,735,231**
Total capital ratio	25.1%	26.3%
Tier 1 capital ratio	19.2%	20.1%
Minimum capital adequacy ratio	**8.0%**	**8.0%**

26. Events after reporting period

In July 2023, the Bank repaid remaining USD 73.8 million Eurobonds.