BasisBank Group

Consolidated and Separate Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2023

BasisBank Group

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BasisBank Group

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated and Separate Financial Statements for the Year Ended 31 December 2023

Management of JSC BasisBank (the "Bank") and its subsidiaries (Collectively - the "Group") is responsible for the preparation of the consolidated and separate financial statements that present fairly the financial position of the Group and the Bank as at 31 December 2023, and the related consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and significant accounting policies and notes to the consolidated and separate financial statements (the "consolidated and separate financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated and separate financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and the Bank's financial position and financial performance; and
- Making an assessment of the Group's and the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's and the Bank's transactions and disclose with reasonable accuracy at any time the consolidated and separate financial position of the Group and the Bank, and which enable them to ensure that the consolidated and separate financial statements comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Georgia;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated and separate financial statements for the year ended 31 December 2023 were approved by the Management Board of the Group on 20 March 2024.

On behalf of the Management Board:

____________________________	____________________________
David Tsaava	**Lia Aslanikashvili**
General Director	Deputy General Director, Finances
Tbilisi Georgia	Tbilisi Georgia

BasisBank Group

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated and Separate Financial Statements for the Year Ended 31 December 2023

Management of JSC BasisBank (the "Bank") and its subsidiaries (Collectively - the "Group") is responsible for the preparation of the consolidated and separate financial statements that present fairly the financial position of the Group and the Bank as at 31 December 2023, and the related consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and significant accounting policies and notes to the consolidated and separate financial statements (the "consolidated and separate financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated and separate financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and the Bank's financial position and financial performance; and
- Making an assessment of the Group's and the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
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- Maintaining statutory accounting records in compliance with legislation and accounting standards of Georgia;
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- Preventing and detecting fraud and other irregularities.

The consolidated and separate financial statements for the year ended 31 December 2023 were approved by the Management Board of the Group on 20 March 2024.

On behalf of the Management Board:

David Tsaava
General Director
Tbilisi Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi Georgia

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of JSC BasisBank

Opinion

We have audited the consolidated and separate financial statements of JSC BasisBank (the "Bank") and its subsidiaries (Collectively - the "Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 31 December 2023, and the Group's and the Bank's consolidated and separate financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 5 to the consolidated and separate financial statements which describes the restatement of corresponding figures for the year ended 31 December 2022. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Report prepared in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing, but does not include the consolidated and separate financial statements and our auditor's report thereon. The Management Report is expected to be made available to us after the date of this auditor's report.

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Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Jamal Hasanov

On Behalf of Deloitte & Touche LLC

20 March 2024
Tbilisi, Georgia

Deloitte.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Jamal Hasanov

On Behalf of Deloitte & Touche LLC

20 March 2024
Tbilisi, Georgia

Consolidated and Separate Statements of Financial Position
As at 31 December 2023

		31 December 2023		31 December 2022	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated (restated)*
ASSETS					
Cash and cash equivalents	7	282,582	284,010	277,659	278,068
Mandatory cash balances with the NBG	8	184,600	184,600	218,587	218,587
Due from other banks	9	-	15,426	-	12,593
Investments in debt securities	10	378,159	378,461	394,063	394,362
Investment in subsidiaries	1	24,797	-	20,797	-
Loans and advances to customers	11	2,493,970	2,493,970	2,086,777	2,086,777
Finance lease receivables	12	-	26,136	-	17,680
Reinsurance contract assets	13	-	74,974	-	2,474
Investment properties		-	1,299	-	1,657
Other financial assets		2,269	2,269	3,486	3,486
Other assets	14	28,574	33,065	30,932	34,616
Premises, equipment and intangible assets	15	107,079	107,375	105,081	105,223
Right-of-use assets	16	17,364	17,364	21,582	21,582
TOTAL ASSETS		**3,519,394**	**3,618,949**	**3,158,964**	**3,177,105**
LIABILITIES					
Due to other banks	17	277,084	284,866	303,462	310,707
Customer accounts	18	2,199,455	2,192,372	1,965,810	1,960,740
Borrowed funds	19	379,621	382,344	342,937	342,937
Lease liabilities	16	15,970	15,970	18,576	18,576
Insurance contract liabilities	13	-	77,101	-	3,192
Other financial liabilities		3,961	3,961	5,858	5,858
Current income tax liability	29	13,518	13,518	913	913
Deferred income tax liability	29	1,996	1,996	11,449	11,449
Provisions for liabilities and charges	33	1,655	1,655	1,297	1,297
Other liabilities	20	16,903	18,041	9,478	10,622
Subordinated debts	21	106,383	106,383	56,933	56,933
TOTAL LIABILITIES		**3,016,546**	**3,098,207**	**2,716,713**	**2,723,224**
EQUITY					
Share capital	22	17,319	17,319	17,091	17,091
Share premium	22	104,498	104,498	101,066	101,066
Share-based payment reserve	24	-	-	2,606	2,606
Revaluation reserve for premises		10,870	11,708	10,870	11,708
Revaluation reserve for debt securities carried at FVOCI		(201)	(201)	3,472	3,472
Retained earnings		370,362	387,418	307,146	317,938
TOTAL EQUITY		**502,848**	**520,742**	**442,251**	**453,881**
TOTAL LIABILITIES AND EQUITY		**3,519,394**	**3,618,949**	**3,158,964**	**3,177,105**

** Refer to Note 5 for details regarding the restatement.*

Approved for issue and signed on 20 March 2024.

_______________________________ _______________________________

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 11-121 form an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statements of Financial Position
As at 31 December 2023

In thousands of Georgian Lari	Note	31 December 2023 Bank Separate	31 December 2023 Consolidated	31 December 2022 Bank Separate	31 December 2022 Consolidated (restated)*
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** Refer to Note 5 for details regarding the restatement.*

Approved for issue and signed on 20 March 2024.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 11-121 form an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income
As at 31 December 2023

		2023		2022	
In thousands of Georgian Lari	**Note**	**Bank Separate**	**Consolidated**	**Bank Separate**	**Consolidated (restated)***
Interest income calculated using the effective interest method	25	308,198	310,310	256,269	258,167
Interest expense	25	(173,227)	(173,696)	(132,431)	(132,326)
Net margin on interest and similar income		**134,971**	**136,614**	**123,838**	**125,841**
Credit loss allowance for financial assets	7, 8, 9, 10, 11	(4,290)	(4,355)	(50,174)	(50,087)
Net margin on interest and similar income after credit loss allowance		**130,681**	**132,259**	**73,664**	**75,754**
Fee and commission income	26	19,058	19,052	13,269	13,226
Fee and commission expense	26	(6,195)	(6,195)	(5,051)	(5,051)
Insurance service result		-	(97,209)	-	9,755
Reinsurance service result		-	98,058	-	(6,273)
Finance income from leases		-	6,107	-	3,352
Gains less losses from financial derivatives		(2,216)	(2,216)	(1,558)	(1,558)
Gains less losses from trading in foreign currencies		11,225	11,233	18,498	18,441
Foreign exchange translation gains less losses		(452)	(452)	(9,002)	(9,002)
Expected credit loss for credit related commitments		(356)	(356)	(161)	(161)
Gain from the acquisition of loan portfolio		-	-	57,774	57,774
Other operating income, net		8,366	8,542	4,036	4,101
Administrative and other operating expenses	28	(80,719)	(82,652)	(69,630)	(73,793)
Profit before tax		**79,392**	**86,171**	**81,839**	**86,565**
Income tax expense	29	(8,771)	(9,286)	(12,202)	(12,673)
PROFIT FOR THE YEAR		**70,621**	**76,885**	**69,637**	**73,892**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Gains less losses arising during the year on debt securities carried at FVOCI		(3,673)	(3,673)	4,390	4,390
Items that will not be reclassified to profit or loss:					
Change in revaluation reserve for premises	29	-	-	(2,718)	(2,718)
Other comprehensive income for the year		**(3,673)**	**(3,673)**	**1,672**	**1,672**
Total comprehensive income for the year		**66,948**	**73,212**	**71,309**	**75,564**

** Refer to Note 5 for details regarding the restatement.*

Approved for issue and signed on 20 March 2024.

______________________________ ________________________________

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 11-121 form an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income
As at 31 December 2023

		2023		2022	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated (restated)*
Interest income calculated using the effective interest method	25	308,198	310,310	256,269	258,167
Interest expense	25	(173,227)	(173,696)	(132,431)	(132,326)
Net margin on interest and similar income		**134,971**	**136,614**	**123,838**	**125,841**
Credit loss allowance for financial assets	7, 8, 9, 10, 11	(4,290)	(4,355)	(50,174)	(50,087)
Net margin on interest and similar income after credit loss allowance		**130,681**	**132,259**	**73,664**	**75,754**
Fee and commission income	26	19,058	19,052	13,269	13,226
Fee and commission expense	26	(6,195)	(6,195)	(5,051)	(5,051)
Insurance service result		-	(97,209)	-	9,755
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Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
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Change in revaluation reserve for premises	29	-	-	(2,718)	(2,718)
Other comprehensive income for the year		**(3,673)**	**(3,673)**	**1,672**	**1,672**
Total comprehensive income for the year		**66,948**	**73,212**	**71,309**	**75,564**

** Refer to Note 5 for details regarding the restatement.*

Approved for issue and signed on 20 March 2024.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 11-121 form an integral part of these consolidated and separate financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2023

In thousands of Georgian Lari	Note	Share capital	Share premium	Share based payments reserve	Revaluation reserve for securities at FVOCI	Revaluation reserve for premises	Retained earnings	Total Equity
Balance at 31 December 2021 as previously reported		**16,057**	**74,923**	**2,440**	**(918)**	**14,426**	**244,477**	**351,405**
Impact of initial application of IFRS 17*		-	-	-	-	-	(431)	(431)
Restated balance as at 1 January 2022		**16,057**	**74,923**	**2,440**	**(918)**	**14,426**	**244,046**	**350,974**
Profit for the year (restated)*		-	-	-	-	-	73,892	73,892
Other comprehensive income		-	-	-	4,390	(2,718)	-	1,672
Total comprehensive income for 2022 (restated)*		-	-	-	4,390	(2,718)	73,892	75,564
Share issue	22	1,034	26,143	-	-	-	-	27,177
Share-based payment accruals	24	-		166	-	-	-	166
Balance at 31 December 2022		**17,091**	**101,066**	**2,606**	**3,472**	**11,708**	**317,938**	**453,881**
Profit for the year		-	-	-	-	-	76,885	76,885
Other comprehensive income		-	-	-	(3,673)	-	-	(3,673)
Total comprehensive income for 2023		-	-	-	(3,673)	-	76,885	73,212
Share-based payment accruals	24	-	-	160	-	-	-	160
Share issue	22	228	3,432	(2,766)	-	-	-	894
Dividends declared	23	-	-	-	-	-	(7,405)	(7,405)
Balance at 31 December 2023		**17,319**	**104,498**	**-**	**(201)**	**11,708**	**387,418**	**520,742**

** Refer to Note 5 for details regarding the restatement.*

Approved for issue and signed on 20 March 2024.

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David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
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Profit for the year (restated)*		-	-	-	-	-	73,892	73,892
Other comprehensive income		-	-	-	4,390	(2,718)	-	1,672
Total comprehensive income for 2022 (restated)*		-	-	-	4,390	(2,718)	73,892	75,564
Share issue	22	1,034	26,143	-	-	-	-	27,177
Share-based payment accruals	24	-		166	-	-	-	166
Balance at 31 December 2022		**17,091**	**101,066**	**2,606**	**3,472**	**11,708**	**317,938**	**453,881**
Profit for the year		-	-	-	-	-	76,885	76,885
Other comprehensive income		-	-	-	(3,673)	-	-	(3,673)
Total comprehensive income for 2023		-	-	-	(3,673)	-	76,885	73,212
Share-based payment accruals	24	-	-	160	-	-	-	160
Share issue	22	228	3,432	(2,766)	-	-	-	894
Dividends declared	23	-	-	-	-	-	(7,405)	(7,405)
Balance at 31 December 2023		**17,319**	**104,498**	-	**(201)**	**11,708**	**387,418**	**520,742**

** Refer to Note 5 for details regarding the restatement.*

Approved for issue and signed on 20 March 2024.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 11-121 form an integral part of these consolidated and separate financial statements.

Separate Statements of Changes in Equity
As at 31 December 2023

In thousands of Georgian Lari	Note	Share capital	Share premium	Share based payments reserve	Revaluation reserve for securities at FVOCI	Revaluation reserve for premises	Retained earnings	Total Equity
Balance as at 1 January 2022		**16,057**	**74,923**	**2,440**	**(918)**	**13,588**	**237,509**	**343,599**
Profit for the year		-	-	-	-	-	69,637	69,637
Other comprehensive income		-	-	-	4,390	(2,718)	-	1,672
Total comprehensive income for 2022		-	-	-	4,390	(2,718)	69,637	71,309
Share issue	22	1,034	26,143	-	-	-	-	27,177
Share-based payment accruals	24	-	-	166	-	-	-	166
Balance at 31 December 2022		**17,091**	**101,066**	**2,606**	**3,472**	**10,870**	**307,146**	**442,251**
Profit for the year		-	-	-	-	-	70,621	70,621
Other comprehensive income		-	-	-	(3,673)	-	-	(3,673)
Total comprehensive income for 2023		-	-	-	(3,673)	-	70,621	66,948
Share-based payment accruals	24	-	-	160	-	-	-	160
Share issue	22	228	3,432	(2,766)	-	-	-	894
Dividends declared	23	-	-	-	-	-	(7,405)	(7,405)
Balance at 31 December 2023		**17,319**	**104,498**	**-**	**(201)**	**10,870**	**370,362**	**502,848**

Approved for issue and signed on 20 March 2024.

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Separate Statements of Changes in Equity
As at 31 December 2023

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Other comprehensive income		-	-	-	4,390	(2,718)	-	1,672
Total comprehensive income for 2022		-	-	-	4,390	(2,718)	69,637	71,309
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Balance at 31 December 2022		**17,091**	**101,066**	**2,606**	**3,472**	**10,870**	**307,146**	**442,251**
Profit for the year		-	-	-	-	-	70,621	70,621
Other comprehensive income		-	-	-	(3,673)	-	-	(3,673)
Total comprehensive income for 2023		-	-	-	(3,673)	-	70,621	66,948
Share-based payment accruals	24	-	-	160	-	-	-	160
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Dividends declared	23	-	-	-	-	-	(7,405)	(7,405)
Balance at 31 December 2023		**17,319**	**104,498**	-	**(201)**	**10,870**	**370,362**	**502,848**

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The notes set out on the pages 11-121 form an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2023

In thousands of Georgian Lari	Note	2023 Bank Separate	2023 Consolidated	2022 Bank Separate	2022 Consolidated
Cash flows from operating activities					
Interest income received		304,385	306,497	239,559	241,457
Interest paid		(170,061)	(170,530)	(121,474)	(121,369)
Fees and commissions received	26	19,058	19,052	13,269	13,226
Fees and commissions paid	26	(6,195)	(6,195)	(5,051)	(5,051)
Income received from financial derivatives		(2,216)	(2,216)	(987)	(987)
Income received from trading in foreign currencies		11,225	11,233	18,498	18,441
Other operating income received		7,175	7,351	3,971	4,036
Cash inflow from insurance		-	12,317	-	8,587
Cash outflow from insurance		-	(6,485)	-	(4,280)
Income received from leases		-	6,107	-	3,352
Proceeds from disposal of foreclosed properties		10,822	10,822	4,945	4,945
Staff costs paid		(42,386)	(45,470)	(35,293)	(37,846)
Administrative and other operating expenses paid		(33,706)	(36,299)	(19,055)	(18,982)
Income tax paid		(4,315)	(4,885)	(6,871)	(7,137)
Cash flows from operating activities before changes in operating assets and liabilities		**93,786**	**101,299**	**91,511**	**98,392**
Net (increase)/decrease in:					
- Due from other banks and mandatory cash balances with NBG		32,673	29,840	(73,939)	(73,658)
- Loans and advances to customers		(397,803)	(400,992)	(263,262)	(256,679)
- Insurance assets		-	(2,915)	-	(9,180)
- Finance lease receivables		-	3,125	-	(6,496)
- Other financial assets		1,353	(7,103)	(2,189)	(12,136)
- Other assets		(67,443)	(68,294)	(10,836)	(9,783)
Net increase/(decrease) in:					
- Due to other banks		(26,562)	(26,025)	87,932	92,870
- Customer accounts		234,756	232,743	560,256	556,813
- Other financial liabilities		(1,897)	(1,897)	4,547	4,620
- Insurance liabilities		-	-	-	6,988
- Other liabilities		5,607	8,778	2,486	2,694
Net cash used in/(from) operating activities		**(125,530)**	**(131,441)**	**396,506**	**394,445**
Cash flows from investing activities					
Proceeds on disposal of debt securities held at FVOCI		71,899	72,198	-	-
Proceeds from disposal/redemption of debt securities		96,822	96,822	86,879	86,879
Acquisition of loan and deposit portfolios from JSC VTB Bank Georgia		-	-	(63,359)	(63,359)
Acquisition of debt securities		(93,857)	(93,857)	(262,804)	(262,804)
Acquisition of premises and equipment		(2,067)	(2,125)	(68,501)	(68,512)
Proceeds from disposal of premises and equipment		70	70	3	3
Acquisition of intangible assets		(3,270)	(3,270)	(2,635)	(2,635)
Investment in subsidiary		(4,000)	-	-	-
Net cash from/(used in) investing activities		**65,597**	**69,838**	**(310,417)**	**(310,428)**

Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2023 (continued)

		2023		2022	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated
Cash flows from financing activities					
Proceeds from borrowed funds	30	244,778	247,467	217,368	217,368
Repayment of borrowed funds	30	(215,905)	(215,905)	(252,315)	(252,315)
Proceeds from subordinated debts	29	46,357	46,357	46,232	46,232
Repayment of principal of lease liabilities	16	(3,335)	(3,335)	(4,701)	(4,701)
Issuance of ordinary shares	22	3,660	3,660	27,177	27,177
Dividends paid	23	(7,405)	(7,405)	-	-
Net cash from financing activities		**68,150**	**70,839**	**33,761**	**33,761**
Effect of exchange rate changes on cash and cash equivalents		**(3,294)**	**(3,294)**	**(31,502)**	**(31,503)**
Net increase in cash and cash equivalents		**4,923**	**5,942**	**88,348**	**86,275**
Cash and cash equivalents at the beginning of the year	7	**277,659**	**278,068**	**189,311**	**191,793**
Cash and cash equivalents at the end of the year	7	**282,582**	**284,010**	**277,659**	**278,068**

During the years ended December 31, 2023 and December 31, 2022 the Group performed the following non-cash transactions:

- In 2023, loans to customers were settled by means of collateral repossession in the amount of GEL 4,281 thousand (2022: GEL 9,097 thousand);
- In 2022, loan portfolio with net carrying value of GEL 755,688 thousand was acquired from JSC VTB Bank Georgia in exchange for its deposit portfolio with carrying value of GEL 665,148 thousand and additional cash consideration of GEL 63,359 thousand. In 2023, no similar transactions were made.

Approved for issue and signed on 20 March 2024.

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David Tsaava
General Director
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The notes set out on the pages 11-121 form an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2023 (continued)

		2023		2022	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated
Cash flows from financing activities					
Proceeds from borrowed funds	30	244,778	247,467	217,368	217,368
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The notes set out on the pages 11-121 form an integral part of these consolidated and separate financial statements.

1 Introduction

The BasisBank JSC (hereinafter – the "Bank") was incorporated and is domiciled in Georgia, registered at Krtsanisi Mtatsminda court and registration number is 4/5-44, Tax code 203841833. The Bank is a joint stock company and was set up in accordance with Georgian regulations. As of 31 December 2023 and 2022 the Bank's immediate and ultimate parent company was Xinjiang Hualing Industry & Trade (Group) Co Ltd incorporated in People's Republic of China, and the Bank was ultimately controlled by Mr. Mi Enhua.

	% of ownership interest held as at 31 December	
Shareholders	**2023**	**2022**
Xinjiang Hualing Industry & Trade (Group) Co Ltd	91.548%	92.770%
Mr. Mi Zaiqi	6.461%	6.547%
Other minority shareholders	1.991%	0.682%

Principal activity. The Group's principal business activity is commercial and retail banking operations within Georgia. The Bank has operated under a full banking licence issued by the National Bank of Georgia ("NBG") since 1993.

The Bank participates in the state deposit insurance scheme, which was introduced by the Law of Georgia on "Deposits insurance system" dated 17 May 2017. Staritng from January 1, 2022 the legal entities were added to insurance system. The Deposit Insurance Agency guarantees repayment of 100% of individual and legal deposits amounts up to GEL 15,000 per depositor in both lari and foreign currency on occurrence of insurance case – liquidation, insolvency or bankruptcy process in accordance with the law of Georgia on Commercial Banks.

The Group had 926 employees as at 31 December 2023 (2022: 911 employees), of which 881 are the Bank's employees and 45 of the subsidiaries (2022: 867 related to the Bank and 42 to the subsidiaries).

Registered address and place of business. The Bank's registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia.

Presentation currency. These consolidated and separate financial statements are presented in Georgian lari ("GEL"), unless otherwise stated.

Subsidiaries. These consolidated financial statements include the following principal subsidiaries:

	Country of		Ownership % at 31 December	
Name	**incorporation**	**Principal activities**	**2023**	**2022**
Basis Asset Management – Holding LLC	Georgia	Asset management	100%	100%
BB Insurance JSC	Georgia	Insurance	100%	100%
BB Leasing JSC	Georgia	Leasing	100%	100%

Basis Asset Management – Holding LLC. The Company was incorporated and is domiciled in Georgia. Registering body is Revenue Service of Georgia, Tax code 404417984. The Company is Limited Liability Company and was set up in accordance with Georgian regulations. The company's principal business activity is holding property for lease. The registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia. The share capital of Basis Asset Management – Holding LLC as at 31 December 2023 was GEL 3.8 million (2022 GEL 3.8 million).

BB Insurance JSC (former Hualing Insurance JSC) was incorporated in December 2017 and is domiciled in Georgia. The Company is a joint stock company limited by shares and was set up in accordance with Georgian regulations. Registering body is Revenue Service of Georgia, Tax code 406232214. The Company's principal business activity is insurance business operations within Georgia. The share capital of BB Insurance as at 31 December 2023 was GEL 6 million (2022: GEL 6 million).

The Company has life and non-life licenses issued by the Insurance State Supervision Service of Georgia since 27 December 2017.

The registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia.

BB Leasing JSC (former BHL Leasing JSC) was incorporated and is domiciled in Georgia. Registering body is Revenue Service of Georgia, Tax code 406233534. The Company is Limited Liability Company and was set up in accordance with Georgian regulations. The registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia. The Bank established the leasing subsidiary in December 2018. In 2023 the share capital of BB Leasing increased to GEL 15 million (2022: GEL 11 million). The offers the customers financial leasing products in:

- Vehicle leasing
- Leasing of fixed assets (equipment, technic etc.)
- Preferential agricultural leasing (APMA)
- Leasing provided under the program “Produce in Georgia”
- Sale-and-leaseback

Abbreviations. A glossary of various abbreviations used in this document is included in Note 37.

2 Operating Environment of the Group

The Group carries out its operations in Georgia. Consequently, the Group is exposed to the changes in economic and business environment and challenges prevailing on the Georgian financial market, which displays the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The consolidated and separate financial statements reflect the management’s assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from the management’s assessment.

As per preliminary estimates Georgia reached 7% growth of GDP in 2023. Considering the base effect of double-digit growth in 2021 and 2022, Georgia macroeconomic indicators remain strong, supported by strong government and fiscal policies, increased consumption, and strong financial sector.

Despite stability risks, increased against the backdrop of the Russia-Ukraine war, the positive spillovers on economic activity from the massive migration is pushing consumption and is expected to continue in mid-term. IMF estimates growth of 4.7% in 2024 and 5.2% in 2025.

The annual inflation in Georgia stands below the target of 3% since April 2023 and amounted to 0.4% in December 2023. While the average annual inflation of 2023 amounted to 2.6%. This has been the result of lower commodity prices as well as decreased international shipping costs on the international markets and appreciated Lari against the main trading partners’ currencies. The sanctions imposed on Russia create main risks to the disruptions in supply chain, affecting food and energy product prices globally.

Inflation is expected to remain around 3% targeted by central bank. To contribute to the stabilization of inflation around its target rate in the medium term, NBG has gradually decreased the Monetary Policy Rate in from 11% 2023 down to 9% in December 2023. The factors contributing to the decline in inflation are expected to remain over the short term but subsequently stabilize which would push inflation close to the target by the end of the year. This is expected to be coupled with the normalization of aggregate demand accompanied by gradually reduction in monetary policy rate.

The Georgian banking sector is stable, with strong asset quality, high profitability, and high capitalisation. High Dollarisation and weaker external finances remain the key factors which may detriment Georgia's macroeconomic stability. Macroprudential measures introduced by the NBG are intended to gradually reduce the level of FX lending growth, but this will take time to achieve.

Geopolitical risks with regards to Russia remain high, more in the context of international scrutiny with regard to sanction enforcements, but the Government and the National bank are committed to mitigate these risks and number of measures had been taken in order to protect the market.

In December 2023, the European Council granted Georgia EU candidate country status, representing an important step in the accession process. The candidate status improves the prospects of Georgias economic growth and investments.

3 Summary of Accounting Policies

Basis of preparation. These consolidated and separate financial statements (hereafter the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises, financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

Management have, at the time of approving these consolidated and separate financial statements, a reasonable expectation that the Group and the Bank have adequate resources to continue in operational existence for the foreseeable future.

The Bank's and the Group's ability to continue as a going concern has been reviewed by the Management. In adopting the going concern basis for preparing the consolidated and separate financial statements, the Management have considered the Group's and the Bank's business activities, strategy, principal risks and uncertainties in achieving its objectives, and performance. The Management have performed an assessment of the Group's and the Bank's financial forecasts and testing of key positions including financial plan and strategy implementation, profitability, capital and solvency, liquidity.

Based on this, the Management confirm that they have a reasonable expectation that the Bank and the Group have adequate resources to continue in operational existence for the 12 months from the date the approval of these financial statements. The management is not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Bank's and the Group's ability to continue as a going concern.

Thus they continue to adopt the going concern basis of accounting in preparing the consolidated and separate financial statements.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is applied if the acquired entity represents a business: it has inputs and a substantive process that together significantly contribute to the ability to create outputs. This definition is also applied to early stage companies that have not yet generated outputs. When assessing whether the acquired entity is a business, the Group may apply a 'concentration test' whereby the acquired assets are not considered a business if substantially all of the fair value of gross assets is concentrated in a single asset or a group of similar assets

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Investments in subsidiaries. Investments in subsidiaries are accounted for under the cost method in the separate financial statements of the Bank. When there is objective evidence that the carrying amount of the investment in subsidiary has impaired the impairment loss is calculated as a difference between the carrying amount of the investment and its recoverable amount. The recoverable amount is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss recognised in prior periods can be reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

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

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the Group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the Group's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 34.

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

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

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

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

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

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

The Group uses discounted cash flow valuation techniques to determine the fair value of foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight line basis over the term of the foreign exchange forwards. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

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

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

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business models for its financial assets.

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

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

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

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

Debt instruments measured at AC are presented in the seprate and consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated and separate statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 31 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The

Group's definition of credit impaired assets and definition of default is explained in Note 31. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 31 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

For financial guarantees and credit commitments, provision for ECL is reported as a liability in Provisions for Liabilities and Charges.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 31.

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by GEL 2,663 thousand as of 31 December 2023 (31 December 2022: higher by GEL 4,481 thousand).

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate.

The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group's control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

The time value of money element may be modified. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Group applied a threshold of 10% to determine whether differences against a benchmark instruments are significantly different. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

The Group identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The instruments that failed the SPPI test are measured at FVTPL.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include days past due over 180 days and non-existence of collateral as of write off day. The Bank will also write off those loans, which were collateralized, but the execution process on overdue liability is finalized and all existing collaterals have been sold on auctions or repossessed. The remaining unsecured liability will be written off, even if there is no overdue portion of the liability at the moment of write off.

Based on expert recommendation, the Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery, or the expected recovery is insignificant compared to the remaining liability.

For finance lease receivables determining that there are no reasonable expectation of recovery through cash flows are based on management judgment considering the characteristics of individual customers.

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

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets.

When financial assets are contractually modified (e.g. renegotiated), the Group assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Group applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications.

When as a result of qualitative analysis, the Bank did not identify any criteria that leads to derecognition, additional quantitative test needs to be performed. Doing so, a modification is generally deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or received, is at least 10 per cent different from the net present value of the remaining cash flows of the financial asset prior to the modification, both discounted at the original effective interest rate of the financial asset prior to the modification.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change considerably, the modified asset is not substantially different from the original asset and the modification does not result in derecognition.

The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in consolidated and separate statements of profit or loss.

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

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

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the consolidated and separate statement of financial position and for the purposes of the consolidated and separate statement of cash flows. Cash and cash equivalents are carried at AC.

Mandatory cash balances with the NBG. Mandatory cash balances with the NBG are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated and separate statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks or places deposits with other banks. Amounts due from other banks are carried at AC.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 31 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Repossessed collateral. Repossessed collateral represents non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at cost when acquired and included in premises and equipment, investment properties, assets held for sale or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Inventories of repossessed assets are recorded at the lower of cost or net realizable value. The Group applies its accounting policy for non-current assets held for sale or disposal groups to repossessed collateral where the relevant conditions for such classification are met at the end of the reporting period.

Loan commitments. The Group issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Group cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Financial guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee.

At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the consolidated and separate statement of financial position as an asset.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of impairment amount. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These fees are recognised within fee and commission income in profit or loss.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required.

Premises and equipment. Premises and equipment are stated at cost or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises are subject to revaluation with 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. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

If there is no market based evidence of fair value, fair value is estimated using an income approach.
Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

Leasehold improvements are alterations made to rented properties by the Group to customise it to its particular business needs and preferences. Office equipment, vehicles, leasehold improvements stated are at cost, net of accumulated depreciation and accumulated impairment losses, if any.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity.

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income, net).

Intangible assets. The Group's intangible assets have definite useful life and primarily include capitalised computer software and licences. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceed costs is probable. Capitalised costs include costs for the software development service provided by external contractors and payrolls to employees involved in the development. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software and licences is amortised on a straight line basis over expected useful lives as determined by internal judgment.

Depreciation. Land and construction in progress are not depreciated. Depreciation of other items of premises and equipment and right-of-use assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Premises	50
Office and computer equipment	5
ATM	10
Leasehold improvements	1 to 5
Motor vehicles	5
Right-of-use assets	1 to 10
Computer software without functional maturity	10
Licenses without functional maturity	8

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

Accounting for leases by the Group as a lessee. The Group leases office and premises. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

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

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

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

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accounting for operating leases by the Group as a lessor. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

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

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from lease is recorded as a separate line in the consolidated profit or loss and other comprehensive income statement.

Credit loss allowance is recognised in accordance with the general ECL model using a simplified approach at lifetime ECL. The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases.

The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks for a short period of time. Due to other banks are carried at AC.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at AC.

Borrowed funds. Borrowed funds include long-term lending from international and other financial institutions that are carried at AC.

Subordinated debts. Subordinated debts include debts and issued securities. No prepayment of the subordinated debts can be made except in the case of the occurrence of bankruptcy and/or liquidation proceedings. In such instances, repayment of the subordinated debts will be made only after covering depositors and unsecured creditors obligations. Subordinated debts are carried at AC

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

Accounting for subordinated loans from Shareholder. The shareholder ("Xinjiang Hualing Industry & Trade (Group) Co Ltd') provided two subordinated loans to the group of USD 4,900 thousand and USD 2,588 thousand respectively, both bearing a fixed interest rate of 7%, maturing August 2026 and September 2030 respectively.

The loans were originally recognised and is subsequently carried on the consolidated and separate statements of financial position at amortised contractual value. Terms and conditions of related party balances are disclosed in Note 35.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, currency and interest rate swaps, are carried at their fair value.

The Group may also enters into offsetting loans with its counterparty banks to exchange currencies. Such loans, while legally separate, are aggregated and accounted for as a single derivative financial instrument (currency swap) on a net basis where (i) the loans are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they relate to the same risk and (iv) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Group does not apply hedge accounting.

Fair value of derivatives and certain other instruments. Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 34.

Income taxes. Income taxes have been provided for in the consolidated and separate financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

On January 1, 2023, important changes in the Tax Code of Georgia came into force. Certain changes were made to the regime of taxation of banking institutions, credit unions, microfinance organizations, lending entities, including determining of the standards of accounting of the interest income and reserves for the potential losses. According to other important changes:

- The object of profit tax for commercial banks, credit unions, microfinance organizations, and loan issuers is the difference between gross income received during the calendar year and deductions stipulated under the Tax Code.
- Commercial banks, credit unions and microfinance organizations will recognize interest accrued on loans as income and deduct reserves for possible loan losses from gross income according to IFRS.
- The corporate income tax rate for commercial banks, credit unions, microfinance organizations, and loan issuers is 20%.
- Dividends issued by commercial banks, credit unions, insurance organizations, microfinance organizations, and loan issuers from 2023 profits and subsequent periods are not taxed at the source of payment and should not be included in the gross income of the recipient of dividends.
- Until January 2024, the object of profit tax for insurance organizations will be the difference between gross income received during the calendar year and deductions stipulated under the Tax Code.

Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Tax deduction for lease payments is allocated to depreciation of right of use asset and interest cost on the lease liability. As a result, no temporary differences arise upon initial recognition of a new lease where the Group is a lessee.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods.

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

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Any dividends declared after the end of the reporting period and before the consolidated and separate financial statements are authorised for issue. Refer Note 23.

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

Fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes recurring fees for account maintenance, account servicing fees, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses.

Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Sales and purchases of foreign currencies and currency conversion. The Group sells and purchases foreign currencies in the cash offices and through the bank accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Group, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Group rates are recognised as gains less losses from trading in foreign currencies at a point in time when a particular performance obligation is satisfied.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and its subsidiaries, and the Group's presentation currency, is the national currency of Georgia, Georgian Lari ("GEL").

Monetary assets and liabilities are translated into each the Group's functional currency at the official exchange rate of the NBG at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Group's each functional currency at year-end official exchange rates of the NBG, are recognised in profit or loss for the year (as foreign exchange translation gains less losses).

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation.

At 31 December 2023 and 2022, the principal rate of exchange used for translating foreign currency balances were:

	December 31, 2023	**December 31, 2022**
USD 1 = GEL	2.6894	2.7020
EUR 1 = GEL	2.9753	2.8844

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated and separate statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Staff costs and related contributions. Wages, salaries, contributions to the Pension scheme, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Share based payments. Under share-based compensation plan the Group receives services from management as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Increase in equity on accrued shares resulting from the equity settled schemes is accounted for under share based payment reserve. Upon meeting vesting conditions, share based payment reserve attributable to the vested shares is transferred to share capital and share premium.

Insurance and reinsurance contracts classification and accounting treatment: The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. The Group also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities. The Group does not issue any contracts with direct participating features.

Separating components from insurance and reinsurance contracts: Currently, the Group's products do not include any distinct components that require separation under IFRS 17.

Aggregation of contracts: The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise.

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.
Recognition and derecognition: A group of insurance contracts (or reinsurance contracts issued) is recognised from the earliest of the following dates: the beginning of the period of coverage of the group of contracts, the date on which the first payment of a policyholder in the group becomes due (or, in the absence of such a date, when the first payment is received) and, in the case of a group of onerous contracts, the date on which the group becomes onerous.

A group of reinsurance contracts held is recognised from the beginning of the period of coverage of the group of reinsurance contracts held or, if the reinsurance was contracted in anticipation of the coverage of an underlying group of onerous insurance contracts, on the first recognition of that onerous group.
The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

An insurance contract shall be derecognised when the obligation it covers is extinguished, by payment or maturity, or if the terms of the contract are amended in such a way that the accounting treatment of the contract would have been substantially different if those amendments had originally existed. The derecognition of a contract entails the adjustment of the fulfilment cash flows, the contractual services margin and the coverage units of the group in which it was included

Premium Allocation Model ("PAA"): The Group applies PAA to all the insurance contracts that it issues and reinsurance contracts that it holds, as the eligibility criteria set out in IFRS 17 have been met.
For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition

- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of insurance contracts is recognised.

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.
The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows, with the exception of property insurance product line for which the Group chooses to expense insurance acquisition cash flows as they occur
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group, and include an explicit adjustment for non-financial risk (the risk adjustment).

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses. The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

The Group presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values.

Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions.

The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 35.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in accordance with contractual maturity. Refer to Note 31 for analysis of financial instruments by their maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items of the consolidated statement of financial position that are not analysed in Note 31.

	December 31, 2023			December 31, 2022		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In thousands of Georgian Lari	Within 2 months after the reporting period	After 12 months after the reporting period	Total	Vithin 12 months after the reporting period	After 12 months after the reporting period	Total
ASSETS						
Cash and cash equivalents	284,010	-	284,010	278,068	-	278,068
Mandatory cash balances with the NBG	184,600	-	184,600	218,587	-	218,587
Due from other banks	6,342	9,084	15,426	12,593	-	12,593
Investments in debt securities	136,143	242,318	378,461	351,902	42,460	394,362
Loans and advances to customers	829,803	1,664,167	2,493,970	997,402	1,089,375	2,086,777
Finance leases to customers	2,559	23,577	26,136	4,595	13,085	17,680
Reinsurance contract assets	74,974	-	74,974	2,474	-	2,474
Investment properties	-	1,299	1,299	-	1,657	1,657
Other financial assets	2,269	-	2,269	3,351	135	3,486
Other assets	6,651	26,414	33,065	6,651	27,965	34,616
Premises and equipment	-	107,375	107,375	-	105,223	105,223
Right of use assets	-	17,364	17,364	-	21,582	21,582
TOTAL ASSETS	**1,527,351**	**2,091,598**	**3,618,949**	**1,875,623**	**1,301,482**	**3,177,105**
LIABILITIES						
Due to other banks	284,866	-	284,866	310,707	-	310,707
Customer accounts	1,780,439	411,933	2,192,372	1,873,209	87,531	1,960,740
Other borrowed funds	224,975	157,369	382,344	242,099	100,838	342,937
Lease Liabilities	3,559	12,411	15,970	3,251	15,325	18,576
Insurance contract liabilities	77,101	-	77,101	3,192	-	3,192
Other financial liabilities	3,961	-	3,961	5,858	-	5,858
Current income tax liability	13,518	-	13,518	913	-	913
Deferred income tax liability	-	1,996	1,996	-	11,449	11,449
Provisions for liabilities and charges	1,655	-	1,655	1,297	-	1,297
Other liabilities	18,041	-	18,041	10,622	-	10,622
Subordinated debts	-	106,383	106,383	-	56,933	56,933
TOTAL LIABILITIES	**2,408,115**	**690,092**	**3,098,207**	**2,451,148**	**272,076**	**2,723,224**

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

ECL measurement and incorporation of forward-looking information in ECL models. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 31. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. It is worth noting that macro-economic parameters are very volatile, thus their impact on ECL might change significantly depending on the given situation and specific macroeconomic forecasts. The group incorporates forward-looking macroeconomic information two most critical components for ECL estimation: PD and LGD. Note 31 provides information about inputs, assumptions and estimation techniques used in PD and LGD models for ECL estimation, including an explanation of how the Group incorporates forward-looking information in the ECL models.

The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. Forecasts of economic variables (the "base economic scenario", "Upside economic scenario" and "downside economic scenario") are published by the National Bank of Georgia and provide the best estimate of the expected macro-economic development. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. The impact of the relevant economic variables on the PD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates. Final PD models have been adjusted with relevant macroeconomic variables, with significant impact on Default rates GDP Growth for Retail PD Models and Unemployment for Corporate PD Models).

The Group has incorporated macroeconomic variables in the formulas for LGD, in particular in LGD2 formulas, via incorporating adjustment by real estate price index on the collateral value. In 2023 no adjustment is done for EAD, as the impact has been assessed as insignificant.

Currently the Group uses only scenarios published by the National Bank of Georgia for macroeconomic adjustment in impairment model. In the final model, Scenario weights are according to the weights determined in the NBG's publication: 50% for baseline scenario, 25%-25% for upside and downside scenarios.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected.

The most significant forward looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2023:

		Assigned	Assumption for:		
Variable	Scenario	weight	2024	2025	2026
Real GDP Growth rate %	Base	50%	5.00%	4.50%	5.00%
	Upside	25%	6.50%	5.50%	5.00%
	Downside	25%	3.00%	4.00%	5.00%
Real Estate price index in GEL (YoY	Base	50%	106.00	105.50	105.50
	Upside	25%	106.50	105.75	105.50
	Downside	25%	106.00	105.75	105.50
GEL/USD Nominal Exchange Rate (YoY)	Base	50%	100.00	100.00	100.00
	Upside	25%	97.00	98.00	100.00
	Downside	25%	115.00	100.00	95.00
Unemployment (%)	Base	50%	16.71	16.71	16.46
	Upside	25%	16.46	16.21	15.96
	Downside	25%	17.96	18.46	17.96

CPI inflation which has been found to be a significant macroeconomic variable affecting ECL for individually assessed Stage 1 and Stage 2 loans, is not used in 2023. In 2023 the Group assesses ECL individually for Stage 3 loans, taking into consideration expected cash flows from selling of underlying collaterals, hence Real Estate price index in GEL and GEL/USD Nominal Exchange Rate are relevant macroeconomic variables with high statistical significance. In previous years Nominal Effective Exchange Rate has been found to have high statistical significance on PD in retail Segment, while in 2023 GDP is the macroeconomic variable with the highest statistical significance on PD in retail Segment.

The assumptions and assigned weights were as follows at 31 December 2022:

		Assigned	Assumption for:		
Variable	Scenario	weight	2023	2024	2025
Real GDP Growth rate %	Base	50%	4.00%	5.50%	5.00%
	Upside	25%	6.00%	5.00%	5.00%
	Downside	25%	2.00%	4.00%	5.00%
Real Estate price index in GEL (YoY	Base	50%	107.00	105.50	105.50
	Upside	25%	108.00	105.50	105.50
	Downside	25%	110.00	108.00	105.50
GEL/USD Nominal Exchange Rate (YoY)	Base	50%	100.00	100.00	100.00
	Upside	25%	98.00	100.00	100.00
	Downside	25%	115.00	95.00	95.00
Unemployment (%)	Base	50%	16.04	15.79	15.79
	Upside	25%	15.04	15.04	15.04
	Downside	25%	17.04	17.29	17.04

A change in the weight assigned to base forward looking macro-economic set of assumptions by 10% towards the immediate downside level assumptions would result in an increase in ECL by GEL 23 thousand at 31 December 2023 (31 December 2022: by GEL 203 thousand). A corresponding change towards the upside assumptions would result in a decrease in ECL by GEL 35 thousand at 31 December 2023 (31 December 2022: by GEL 79 thousand).

A 10% increase in PD estimates would result in an increase in total expected credit loss allowances of GEL 347 thousand at 31 December 2023 (31 December 2022: GEL 582 thousand). A 10% decrease in PD estimates would result in an decrease in total expected credit loss allowances of GEL 358 thousand at 31 December 2023 (31 December 2022: GEL 581 thousand).

A 10% increase in LGD estimates would result in an increase in total expected credit loss allowances of GEL 4,316 thousand at 31 December 2023 (31 December 2022: GEL 2,0373 thousand). A 10% decrease in LGD estimates would result in a decrease in total expected credit loss allowances of GEL thousand at 3,985 at 31 December 2023 (31 December 2022: GEL 2,369 thousand).

The Bank applies LGD floor to estimated LGD value. A 10% increase or decrease in LGD floor value would result in an increase or decrease in total expected credit loss allowances of GEL 326 thousand at 31 December 2023 (31 December 2022: increase or decrease by GEL 232 thousand).

Premises valuation. Premises are stated revalued amounts and are subject to revaluation with 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. Premises have been revalued at fair value in December 2021 by an independent firm of valuers. The fair value of premises were estimated based on comparable sales approach.

Repossessed assets valuation. All repossessed assets is measured at the lower of cost or net realisable value. The Group performs regular internal and external valuations to make sure that the carrying amount is not higher than the net realisable value. Valuations are based on available information on market prices, for repossessed real estate on market prices per square meter.

5 Adoption of New or Revised Standards and Interpretations

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated and separate financial statements, except for IFRS 17, as discussed below.

IFRS 17 Insurance Contracts* and related restatements*: IFRS 17 replaces IFRS 4 *Insurance Contracts* for annual periods on or after 1 January 2023.

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group. Under IFRS 17, the Group's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach ("PAA").

The measurement principles of the PAA differ from the 'earned premium approach' used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision)
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Group applied the full retrospective approach when adopting IFRS 17. Differences arising from the adoption of IFRS 17 were recognised in retained earnings as of 1 January 2022 (the transition date). The consolidated statement of financial position at the transition date has not been presented, as the adoption did not have a material impact at that date. The Group has restated comparative information for 2022 applying the transitional provisions in Appendix C to IFRS 17. The financial impacts of transition to IFRS 17 and prior period corrections are summarised in the table below:

In thousands of Georgian Lari	**As previously reported as at or for the year ended 31 December 2022**	**Effect of adoption of IFRS 17**	**Correction of errors**	**As restated as at or for the year ended 31 December 2022**
Consolidated Statement of Financial Position				
Assets				
Insurance assets	15,460	(15,460)	-	-
Other financial assets	3,761	(275)	-	3,486
Reinsurance contract assets	-	2,474	-	2,474
Due from other banks	12,618	-	(25)	12,593
Other assets	34,586	-	30	34,616
TOTAL ASSETS	**3,190,361**	**(13,261)**	**5**	**3,177,105**
Liabilities				
Insurance liabilities	15,381	(15,381)	-	-
Other financial liabilities	6,402	(544)	-	5,858
Insurance contract liabilities	-	3,192	-	3,192
Other liabilities	10,552	-	70	10,622
TOTAL LIABILITIES	**2,735,887**	**(12,733)**	**70**	**2,723,224**
Equity				
Retained earnings	318,531	(528)	(65)	317,938
TOTAL EQUITY	**454,474**	**(528)**	**(65)**	**453,881**
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Net insurance revenue	3,050	(3,050)	-	-
Net insurance claims incurred	(1,114)	1,114	-	-
Administrative and other	(72,110)	(1,643)	(40)	(73,793)
Insurance service result	-	9,755	-	9,755
Reinsurance service result	-	(6,273)	-	(6,273)
Income tax expense	(12,648)	-	(25)	(12,673)
Profit for the year	**454,474**	**(97)**	**(65)**	**453,881**

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*— Disclosure of Accounting Policies: The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 12 *Income Taxes*—Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

Amendments to IAS 12 *Income Taxes*— International Tax Reform—Pillar Two Model Rules: In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*: The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

6 New Accounting Pronouncements

At the date of authorisation of these financial statements, the Group and the Bank have not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-curren
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and the Bank in future periods, unless such transactions arise in future periods.

7 Cash and Cash Equivalents

In thousands of Georgian Lari	December 31, 2023	December 31, 2022
Cash on hand	58,337	76,580
Cash balances with the NBG (other than mandatory reserve deposits)	57,122	107,632
Correspondent accounts and overnight placements with other banks	167,762	93,938
Placements with other banks with original maturities of less than three months	1,134	388
Less: credit loss allowance	(345)	(470)
Total cash and cash equivalents	**284,010**	**278,068**

The cash balances with the NBG (other than mandatory reserve deposits) represent balances with the NBG related to settlement activity and were available for withdrawal at year end.

The cash and cash equivalent balances under the Bank's separate financial statement as at 31 December 2023 amount GEL 282,582 thousand (2022: GEL 277,659 thousand). Subsidiaries attributed GEL 1,428 thousand to the Group's balance at 31 December 2023 (2022: GEL 409 thousand).

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2023. Refer to Note 31 for the description of the Group's credit risk grading system. Amounts are presented net of credit loss allowance:

In thousands of Georgian Lari	Cash balances with the NBG, excluding mandatory reserves	Correspondent accounts and overnight placements	Placements with other banks, with maturity of less than three months	Total
- Excellent	-	152,198	-	152,198
- Good	57,001	13,405	1,132	71,538
- Satisfactory	-	730	-	730
- Special monitoring	-	1,207	-	1,207
- Unrated	-	-	-	-
Total cash and cash equivalents, excluding cash on hand	**57,001**	**167,540**	**1,132**	**225,673**

The credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2022 is as follows:

In thousands of Georgian Lari	Cash balances with the NBG, excluding mandatory reserves	Correspondent accounts and overnight placements	Placements with other banks, with maturity of less than three months	Total
- Excellent	-	28,378	-	28,378
- Good	107,400	62,811	109	170,320
- Satisfactory	-	840	-	840
- Special monitoring	-	161	-	161
- Unrated	-	1,511	278	1,789
Total cash and cash equivalents, excluding cash on hand	**107,400**	**93,701**	**387**	**201,488**

7 Cash and Cash Equivalents (Continued)

At 31 December 2023 the Group had 1 counterparty bank (2022: no counterparty bank) with aggregated cash and cash equivalent balance above 10% of equity with aggregate amount of GEL 149,456 thousand or 66.1% of the cash and cash equivalents).

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. Refer to Note 31 for the ECL measurement approach.

Interest rate analysis of cash and cash equivalents is disclosed in Note 31. Information on related party balances is disclosed in Note 35.

8 Mandatory cash balances with the National Bank of Georgia

Mandatory cash balances with the National Bank of Georgia ("NBG") represent amounts deposited with the NBG. Georgian financial institutions are required to maintain an obligatory reserve with the NBG, availability of these funds are restricted and the amount depends on the level of funds attracted by a financial institution.

On January 12, 2024 Fitch Ratings has affirmed Georgia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB' with a Positive Outlook.

Interest rate analysis of Mandatory cash balances with the NBG is in Note 31.

For the purpose of ECL measurement Mandatory cash balances with the NBG are included in Stage 1. As at 31 December 2023, ECL for the Mandatory cash balances with the NBG amounts to GEL 392 thousand (2022: GEL 476 thousand). Refer to Note 31 for the ECL measurement approach.

9 Due from Other Banks

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Placements with other banks with original maturities of more than three months	15,470	12,618
Less: credit loss allowance	(44)	(25)
Total due from other banks	**15,426**	**12,593**

Due from Other Banks represent term placements of the Bank's subsidiaries with other Georgian banks.

For the purpose of ECL measurement due from other banks balances are included in Stage 1. Refer to Note 31 for the ECL measurement approach.

The credit quality of due from other bank balances based on credit risk grades are as follows:

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
- Excellent	-	-
- Good	15,426	-
- Not rated	-	12,593
Total due from other banks	**15,426**	**12,593**

10 Investments in Debt Securities

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Debt securities at AC	220,735	248,127
Debt securities at FVOCI	157,726	146,235
Total investments in debt securities	**378,461**	**394,362**

The table below discloses investments in debt securities at 31 December 2023 by measurement categories and classes:

In thousands of Georgian Lari	**Debt securities at FVOCI**	**Debt securities at AC**	**Total**
Georgian government treasury bonds	157,726	109,515	267,241
Georgian government treasury bills	-	52,373	52,373
Corporate bonds	-	59,321	59,321
Total investments in debt securities at 31 December 2023 (fair value or gross carrying value)	**157,726**	**221,209**	**378,935**
Credit loss allowance	-	(474)	(474)
Total investments in debt securities at 31 December 2023 (carrying value)	**157,726**	**220,735**	**378,461**

The table below discloses investments in debt securities at 31 December 2022 by measurement categories and classes:

In thousands of Georgian Lari	**Debt securities at FVOCI**	**Debt securities at AC**	**Total**
Georgian government treasury bonds	146,235	175,587	321,822
Georgian government treasury bills	-	39,537	39,537
Corporate bonds	-	33,512	33,512
Total investments in debt securities at 31 December 2022 (fair value or gross carrying value)	**146,235**	**248,636**	**394,871**
Credit loss allowance	-	(509)	(509)
Total investments in debt securities at 31 December 2022 (carrying value)	**146,235**	**248,127**	**394,362**

For the purpose of ECL measurement as at 31 December 2023 and 2022 the securities at FVOCI and AC belong to stage 1. Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at FVOCI and AC. Total allowance for ECL recognized for debt securities at FVOCI amounted to GEL 334 thousand as at 31 December 2023 (2022: GEL 304 thousand).

The credit quality of debt securities at FVOCI and AC at 31 December 2023 and 2022 is classified as Good. The debt securities at FVOCI and AC as at 31 December 2023 are not collateralised (2022: not collateralised).

At 31 December 2023 debt securities with a gross carrying value of GEL 126,662 thousand have been pledged for the short-term loans received NBG as collateral (2022: GEL 192,306 thousand). Refer to Notes 17 and 19. The counterparty is not allowed to sell further or repledge the investments.

11 Loans and Advances to Customers

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Gross carrying amount of loans and advances to customers at AC	2,527,164	2,121,190
Less: credit loss allowance	(33,194)	(34,413)
Total carrying amount of loans and advances to customers at AC	**2,493,970**	**2,086,777**

As at 31 December 2023 and 2022 the Group identified 100% of portfolio of loans and advances to customers to meet the SPPI requirement for AC classification under IFRS 9.

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2023 and 31 December 2022 are disclosed in the table below:

	December 31, 2023			**December 31, 2022**		
In thousands of Georgian Lari	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**
Standard lending	**1,718,340**	**(14,887)**	**1,703,453**	**1,361,003**	**(10,776)**	**1,350,227**
Loans to Large entities	1,260,692	(5,124)	1,255,568	1,028,382	(4,903)	1,023,479
Loans to SME	457,648	(9,763)	447,885	332,621	(5,873)	326,748
Retail Lonas	**808,824**	**(18,307)**	**790,517**	**760,187**	**(23,637)**	**736,550**
Mortgage loans	512,847	(8,774)	504,073	506,736	(11,063)	495,673
Consumer loans	268,522	(8,596)	259,926	222,175	(9,373)	212,802
Credit cards	27,455	(937)	26,518	31,276	(3,201)	28,075
Total loans and advances to customers at AC	**2,527,164**	**(33,194)**	**2,493,970**	**2,121,190**	**(34,413)**	**2,086,777**

The explanation of classes of standard loans to legal entities is provided below:

- Loans issued to large business entities under the standard terms, mainly for working capital financing and investment projects; and
- Loans to SME – loans issued to small and medium-sized enterprises, where the Group defines such as loans issued to a client up to USD 2 million;

Mortgage loans with outstanding principal of GEL 88,066 thousand are pledged for the short term loan from NBG at 31 December 2023 (2022: mortgage loans GEL 109,739 thousand and SME loans GEL 28,246 thousand). Refer to Note 17.

11 Loans and Advances to Customers (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods:

	December 31, 2023			December 31, 2022		
In thousands of Georgian Lari	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Standard lending	**1,593,898**	**80,511**	**43,931**	**1,260,305**	**66,698**	**34,000**
Loans to Retail Sector	**734,522**	**24,689**	**49,613**	**677,203**	**34,008**	**48,976**
Mortgage loans	459,726	19,267	33,854	449,356	22,038	35,342
Consumer loans	248,347	4,831	15,344	199,580	9,900	12,695
Credit cards	26,449	591	415	28,267	2,070	939
Less: Provision for loan	(6.002)	(739)	(26.453)	(6.933)	(1.179)	(26.301)
Total loans and advances to customers at AC	**2,322,418**	**104,461**	**67,091**	**1,930,575**	**99,527**	**56,675**

11 Loans and Advances to Customers (Continued)

The following tables tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods:

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Loans to Legal entities								
At 31 December, 2022	**(2,253)**	**(432)**	**(8,091)**	**(10,776)**	**1,260,305**	**66,696**	**34,002**	**1,361,003**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	110	(110)	-	-	(75,615)	75,615	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,261	369	(1,630)	-	(9,102)	(18,025)	27,127	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(184)	174	10	-	38,750	(38,750)	-	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(1,373)	1,373	-	-	10,256	(10,256)	-
New originated or purchased	(3,406)	-	-	(3,406)	1,026,840	-	-	1,026,840
Net Repayments	1,013	227	976	2,216	(653,958)	(15,231)	(7,538)	(676,727)
Other movements	380	98	(1,408)	(930)	(698)	(511)	763	(446)
Net remeasurement due to change in credit risk	106	484	(2,629)	(2,039)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(720)**	**(131)**	**(3,308)**	**(4,159)**	**326,217**	**13,354**	**10,096**	**349,667**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	16	16	-	-	(16)	(16)
Foreign exchange gains and losses and other movements	5	2	25	32	7,376	461	(151)	7,686
At 31 December, 2023	**(2,968)**	**(561)**	**(11,358)**	**(14,887)**	**1,593,898**	**80,511**	**43,931**	**1,718,340**

11 Loans and Advances to Customers (Continued)

In thousands of Georgian Lari	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Loans to Legal entities								
At 31 December, 2021	**(3,954)**	**(3,858)**	**(11,719)**	**(19,531)**	**930,402**	**42,790**	**44,670**	**1,017,862**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	860	(860)	-	-	(84,310)	84,310	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	5,099	503	(5,602)	-	(19,029)	(15,855)	34,884	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(4,243)	4,243	-	-	39,664	(39,652)	(12)	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(1,616)	1,616	-	-	5,434	(5,434)	-
New originated or purchased	(10,741)	(245)	(88)	(11,074)	1,144,622	14,932	182	1,159,736
Net Repayments and other movements*	7,021	868	3,596	11,485	(638,210)	(15,183)	(30,966)	(684,359)
Net remeasurement due to change in credit risk	2,973	(567)	(2,137)	269	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**969**	**2,326**	**(2,615)**	**680**	**442,737**	**33,986**	**(1,346)**	**475,377**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	5,493	5,493	-	-	(5,493)	(5,493)
Foreign exchange gains and losses and other movements	732	1,100	750	2,582	(112,834)	(10,080)	(3,829)	(126,743)
At 31 December, 2022	**(2,253)**	**(432)**	**(8,091)**	**(10,776)**	**1,260,305**	**66,696**	**34,002**	**1,361,003**

** Net Repayments and other movements include additional disbursements on earlier originated loans and utilisation of credit lines reflecting the increase in exposure, as well, as payments. ECL rate change is also reflected in other movements, were there is no change in an exposure stage.*

11 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Mortgage loans								
At 31 December, 2022	**(996)**	**(98)**	**(9,969)**	**(11,063)**	**449,355**	**22,037**	**35,344**	**506,736**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	126	(126)	-	-	(44,864)	44,864	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	211	469	(680)	-	(2,118)	(23,577)	25,695	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(739)	259	480	-	38,586	(36,753)	(1,833)	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(3,591)	3,591	-	-	17,583	(17,583)	-
New originated or purchased	(816)	-	-	(816)	156,460	-	-	156,460
Net Repayments	235	37	2,171	2,443	(139,752)	(5,255)	(7,828)	(152,835)
other movements	810	138	2,490	3,438	379	174	85	638
Net remeasurement due to change in credit risk	558	2,864	(6,202)	(2,780)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**385**	**50**	**1,850**	**2,285**	**8,691**	**(2,964)**	**(1,464)**	**4,263**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	1	1	-	-	(1)	(1)
Foreign exchange gains and losses and other movements	9	-	(6)	3	1,680	194	(25)	1,849
At 31 December, 2023	**(602)**	**(48)**	**(8,124)**	**(8,774)**	**459,726**	**19,267**	**33,854**	**512,847**

11 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Mortgage loans								
At 31 December, 2021	**(169)**	**(14)**	**(1,995)**	**(2,178)**	**159,115**	**3,543**	**11,533**	**174,191**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	233	(233)	-	-	(43,230)	43,230	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	310	993	(1,303)	-	(3,960)	(29,690)	33,650	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(168)	168	-	-	7,747	(7,747)	-	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(616)	616	-	-	4,261	(4,261)	-
New originated or purchased	(1,402)	(383)	(583)	(2,368)	485,508	16,157	2,787	504,452
Net Repayments and other movements*	(47)	(144)	(1,230)	(1,421)	(123,667)	(6,386)	(5,919)	(135,972)
Net remeasurement due to change in credit risk	148	67	(7,198)	(6,983)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(926)**	**(148)**	**(9,698)**	**(10,772)**	**322,398**	**19,825**	**26,257**	**368,480**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	14	1,532	1,546	-	(14)	(1,530)	(1,544)
Foreign exchange gains and losses and other movements	99	50	192	341	(32,158)	(1,317)	(916)	(34,391)
At 31 December, 2022	**(996)**	**(98)**	**(9,969)**	**(11,063)**	**449,355**	**22,037**	**35,344**	**506,736**

11 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Consumer loans								
At 31 December, 2022	**(1,621)**	**(146)**	**(7,606)**	**(9,373)**	**199,579**	**9,901**	**12,695**	**222,175**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	176	(176)	-	-	(25,998)	25,998	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,201	249	(1,450)	-	(5,368)	(16,697)	22,065	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	2,986	218	(3,204)	-	17,253	(16,991)	(262)	-
to lifetime (from Stage 3 credit impaired to Stage 2)	-	67	(67)	-	-	6,141	(6,141)	-
New originated or purchased	(2,553)	-	-	(2,553)	238,261	-	-	238,261
Net Repayments	1,054	56	8,168	9,278	(173,599)	(4,025)	(11,212)	(188,836)
Other movements	(3)	126	(7,676)	(7,553)	(2,068)	450	10,813	9,195
Net remeasurement due to change in credit risk	(3,104)	(447)	(7,432)	(10,983)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(243)**	**93**	**(11,661)**	**(11,811)**	**48,481**	**(5,124)**	**15,263**	**58,620**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	7	(1)	12,593	12,599	(7)	1	(12,593)	(12,599)
Foreign exchange gains and losses and other movements	-	-	(11)	(11)	294	53	(21)	326
At 31 December, 2023	**(1,857)**	**(54)**	**(6,685)**	**(8,596)**	**248,347**	**4,831**	**15,344**	**268,522**

11 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Consumer loans								
At 31 December, 2021	**(392)**	**(18)**	**(933)**	**(1,343)**	**62,758**	**2,965**	**2,942**	**68,665**
Changes in Assumptions								
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	936	(936)	-	-	(29,255)	29,255	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	431	3,471	(3,902)	-	(1,053)	(25,334)	26,387	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(229)	224	5	-	2,855	(2,841)	(14)	-
to lifetime (from Stage 3 credit impaired to Stage 2)	-	(263)	263	-	-	948	(948)	-
New originated or purchased	(4,539)	(1,698)	(18,602)	(24,839)	289,328	8,989	21,144	319,461
Net Repayments and other movements*	1,983	674	(471)	2,186	(122,812)	(4,031)	(6,676)	(133,519)
Net remeasurement due to change in credit risk	154	(1,605)	(14,076)	(15,527)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(1,264)**	**(133)**	**(36,783)**	**(38,180)**	**139,063**	**6,986**	**39,893**	**185,942**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	5	30,097	30,102	-	(5)	(30,097)	(30,102)
Foreign exchange gains and losses and other movements	35	-	13	48	(2,242)	(45)	(43)	(2,330)
At 31 December, 2022	**(1,621)**	**(146)**	**(7,606)**	**(9,373)**	**199,579**	**9,901**	**12,695**	**222,175**

11 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Credit cards								
At 31 December, 2022	**(2,066)**	**(506)**	**(629)**	**(3,201)**	**28,267**	**2,068**	**941**	**31,276**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	301	(301)	-	-	(5,498)	5,498	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	82	276	(358)	-	(620)	(1,404)	2,024	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(716)	989	(273)	-	5,676	(5,331)	(345)	-
to lifetime (from Stage 3 credit impaired to Stage 2)	-	158	(158)	-	-	392	(392)	-
New originated or purchased	(663)	-	-	(663)	28,889	-	-	28,889
Net Repayments	848	126	1,081	2,055	(30,405)	(610)	(1,624)	(32,639)
Other movements	1,124	(29)	(870)	225	177	38	1,408	1,623
Net remeasurement due to change in credit risk	480	(848)	(677)	(1,045)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**1,456**	**371**	**(1,255)**	**572**	**(1,781)**	**(1,417)**	**1,071**	**(2,127)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	35	59	1,600	1,694	(35)	(59)	(1,600)	(1,694)
Foreign exchange gains and losses and other movements	-	-	(2)	(2)	(2)	(1)	3	-
At 31 December, 2023	**(575)**	**(76)**	**(286)**	**(937)**	**26,449**	**591**	**415**	**27,455**

11 Loans and Advances to Customers (Continued)

In thousands of Georgian Lari	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Credit cards								
At 31 December, 2021	**(12)**	**(7)**	**(514)**	**(533)**	**1,364**	**465**	**772**	**2,601**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	247	(247)	-	-	(7,300)	7,300	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	270	1,603	(1,873)	-	(896)	(4,653)	5,549	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(276)	164	112	-	1,524	(1,335)	(189)	-
to lifetime (from Stage 3 credit impaired to Stage 2)	-	(336)	336	-	-	476	(476)	-
New originated or purchased	(1,820)	(163)	(2,546)	(4,529)	50,973	452	2,921	54,346
Net Repayments and other movements*	(708)	265	81	(362)	(17,390)	(635)	(1,984)	(20,009)
Net remeasurement due to change in credit risk	233	(1,785)	(1,875)	(3,427)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(2,054)**	**(499)**	**(5,765)**	**(8,318)**	**26,911**	**1,605**	**5,821**	**34,337**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	5,630	5,630	-	-	(5,630)	(5,630)
Foreign exchange gains and losses and other movements	-	-	20	20	(8)	(2)	(22)	(32)
At 31 December, 2022	**(2,066)**	**(506)**	**(629)**	**(3,201)**	**28,267**	**2,068**	**941**	**31,276**

11 Loans and Advances to Customers (Continued)

Movements in provision for impairment in 2023 were as follows:

In thousands of Georgian Lari	Loans to legal entities	Mortgage loans	Consumer loans	Credit cards	Total
Provision for loans as at 1 January 2023	**10,776**	**11,063**	**9,373**	**3,201**	**34,413**
Total movements with impact on credit loss allowance charge for the period	904	(3,075)	6,914	(672)	4,071
Foreign exchange gains and losses and other movements	(32)	(3)	11	2	(22)
Write-offs	(16)	(1)	(12,599)	(1,694)	(14,310)
Recovery	3,255	790	4,897	100	9,042
Provision for loans as at 31 December 2023	**14,887**	**8,774**	**8,596**	**937**	**33,194**

Significant changes that contributed to the changes in loss allowance charges were:

- The write-off of unsecured consumer loans in the amount of GEL 14,310 thousand. Out of total write-off amount, GEL 6,530 thousand were attributed to loans originated by the Group and GEL 7,780 thousand to loans acquired from JSC "VTB Bank Georgia" in 2022; These loans were written off throughout the year based on the management quarterly assessment and in line with Bank's write-off policy.
- Recovery of loans previously written-off in the total amount of GEL 9,042 thousand. Out of the total recovery amount,GEL 5,130 thousand was attributed to loans originated by the Group and GEL 3,912 thousand to loans acquired from JSC "VTB Bank Georgia" in 2022.

Movements in provision for impairment in 2022 were as follows:

In thousands of Georgian Lari	Loans to legal entities	Mortgage loans	Consumer loans	Credit cards	Total
Provision for loans as at 1 January 2022	**19,531**	**2,180**	**1,343**	**533**	**23,587**
Total movements with impact on credit loss allowance charge for the period	(1,636)	10,377	36,279	8,225	53,245
Foreign exchange gains and losses and other movements	(2,582)	(343)	(48)	(20)	(2,993)
Write-offs	(5,493)	(1,545)	(30,102)	(5,630)	(42,770)
Recovery	956	394	1,901	93	3,344
Provision for loans as at 31 December 2022	**10,776**	**11,063**	**9,373**	**3,201**	**34,413**

11 Loans and Advances to Customers (Continued)

The credit loss allowance for loans and advances to customers recognised in the period 2022 is impacted by a variety of factors:

- The acquisition of loan portfolio from JCS “VTB Bank Georgia” contributed to the increase in loss allowance measured on a 12-month basis by GEL 16,909 thousand;
- Excluding the acquisition, the portfolio originated by the Group led to the decrease of loss allowance by GEL 6,082 thousand;
- The Group wrote off significant amount of migrated unsecured loans aged for more than 360 days in 2022 in order to align the migrated portfolio to the write off policy of the Group. Out of the total write-off amount of GEL 42,770 thousand, GEL 9,210 thousand was attributed to loans originated by the Group and GEL 33,560 thousand to loans acquired from JSC “VTB Bank Georgia”. However, this was the one-time effect after migration which was neutralized in 2023, via adapting internal processes and the Group continues to write off unsecured loans after reaching 180 days past due according to the internal write off policy. These loans were written-off throughout the year based on the management quarterly assessment and in line with Bank’s write off policy.

The details of ECL measurement are provided in Note 31.

The following tables contain analyses of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans.

The credit quality of loans to Legal entities carried at amortised cost is as follows at 31 December 2023:

In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Standard lending				
- Excellent	44,554	-	-	44,554
- Good	1,549,344	-	-	1,549,344
- Satisfactory	-	78,692	-	78,692
- Special monitoring	-	1,819	-	1,819
- Default	-	-	43,931	43,931
Gross carrying amount	**1,593,898**	**80,511**	**43,931**	**1,718,340**
Credit loss allowance	(2,968)	(561)	(11,358)	(14,887)
Carrying amount	**1,590,930**	**79,950**	**32,573**	**1,703,453**

11 Loans and Advances to Customers (Continued)

The credit quality of Legal entities carried at amortised cost is as follows at 31 December 2022:

In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Standard lending				
- Excellent	367,391	-	-	367,391
- Good	892,914	-	-	892,914
- Satisfactory	-	59,304	-	59,304
- Special monitoring	-	7,394	-	7,394
- Default	-	-	34,000	34,000
Gross carrying amount	**1,260,305**	**66,698**	**34,000**	**1,361,003**
Credit loss allowance	(2,253)	(434)	(8,089)	(10,776)
Carrying amount	**1,258,052**	**66,264**	**25,911**	**1,350,227**

11 Loans and Advances to Customers (Continued)

The credit quality of loans to individuals carried at amortised cost is as follows at 31 December 2023:

In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Mortgage loans				
- Excellent	726	-	-	726
- Good	459,000	-	-	459,000
- Satisfactory	-	15,570	-	15,570
- Special monitoring	-	3,697	-	3,697
- Default	-	-	33,854	33,854
Gross carrying amount	**459,726**	**19,267**	**33,854**	**512,847**
Credit loss allowance	(602)	(48)	(8,124)	(8,774)
Carrying amount	**459,124**	**19,219**	**25,730**	**504,073**
Consumer loans				
- Excellent	23,465	-	-	23,465
- Good	224,882	-	-	224,882
- Satisfactory	-	3,548	-	3,548
- Special monitoring	-	1,283	-	1,283
- Default	-	-	15,344	15,344
Gross carrying amount	**248,347**	**4,831**	**15,344**	**268,522**
Credit loss allowance	(1,857)	(54)	(6,685)	(8,596)
Carrying amount	**246,490**	**4,777**	**8,659**	**259,926**
Credit cards				
- Satisfactory	26,449	575	-	27,024
- Special monitoring	-	16	-	16
- Default	-	-	415	415
Gross carrying amount	**26,449**	**591**	**415**	**27,455**
Credit loss allowance	(575)	(76)	(286)	(937)
Carrying amount	**25,874**	**515**	**129**	**26,518**

11 Loans and Advances to Customers (Continued)

The credit quality of loans to individuals carried at amortised cost is as follows at 31 December 2022:

In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Mortgage loans				
- Excellent	425,244	-	-	425,244
- Good	24,111	-	-	24,111
- Satisfactory	-	20,024	-	20,024
- Special monitoring	-	2,013	-	2,013
- Default	-	-	35,344	35,344
Gross carrying amount	**449,355**	**22,037**	**35,344**	**506,736**
Credit loss allowance	(996)	(98)	(9,969)	(11,063)
Carrying amount	**448,359**	**21,939**	**25,375**	**495,673**
Consumer loans				
- Excellent	75,931	-	-	75,931
- Good	123,648	-	-	123,648
- Satisfactory	-	7,505	-	7,505
- Special monitoring	-	2,395	-	2,395
- Default	-	-	12,696	12,696
Gross carrying amount	**199,579**	**9,900**	**12,696**	**222,175**
Credit loss allowance	(1,621)	(145)	(7,607)	(9,373)
Carrying amount	**197,958**	**9,755**	**5,089**	**212,802**
Credit cards				
- Excellent	37	-	-	37
- Good	28,230	-	-	28,230
- Satisfactory	-	1,965	-	1,965
- Special monitoring	-	103	-	103
- Default	-	-	941	941
Gross carrying amount	**28,267**	**2,068**	**941**	**31,276**
Credit loss allowance	(2,066)	(506)	(629)	(3,201)
Carrying amount	**26,201**	**1,562**	**312**	**28,075**

11 Loans and Advances to Customers (Continued)

For description of the credit risk grading used in the tables above refer to Note 31.

Economic sector risk concentrations within the customer loan portfolio are as follows:

	December 31, 2023		December 31, 2022	
In thousands of Georgian Lari	**Amount**	**%**	**Amount**	**%**
Individuals	808,823	32.00%	760,186	35.84%
Real Estate Management	174,332	6.90%	167,391	7.89%
Construction Development, Land Developme	168,115	6.65%	93,274	4.40%
Hotels, Tourism	159,184	6.30%	106,323	5.01%
Service	156,348	6.19%	107,869	5.09%
Energy	147,758	5.85%	95,506	4.50%
Agro	134,539	5.32%	103,104	4.86%
Construction Companies	118,763	4.70%	93,773	4.42%
Health Care	108,340	4.29%	83,488	3.94%
Trade of Consumer Foods and Goods	106,596	4.22%	77,990	3.68%
Production of Consumer Foods and Goods	87,180	3.45%	69,577	3.28%
Financial Institutions	79,679	3.15%	92,234	4.35%
Production &Trade of Construct Materia	74,743	2.96%	65,210	3.07%
Trade (Other)	40,230	1.59%	44,249	2.09%
Restaurants	38,509	1.52%	34,510	1.63%
State	28,507	1.13%	38,411	1.81%
Other	95,518	3.78%	88,095	4.15%
Total loans and advances to customers carried at AC	**2,527,164**	**100%**	**2,121,190**	**100%**

At 31 December 2023 the Group had 5 borrowers' groups (2022: 6 borrowers) with aggregated loan amounts above 5% of the Bank's regulatory capital. The total aggregate amount of these loans was GEL 166,191 thousand (2022: GEL 168,885 thousand) or 7% of the gross loan portfolio (2022: 8%).

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

11 Loans and Advances to Customers (Continued)

The table below summarises carrying value of loans to customers analysed by type of collateral obtained by the Group as at 31 December 2023:

In thousands of Georgian Lari	Loans to legal entities	Mortgage loans	Consumer loans	Credit cards	Total
Loans collateralised by:					
- real estate	1,199,393	493,422	121,315	435	1,814,565
- cash deposits	29,680	767	24,155	-	54,602
- Transport and equipment	78,833	-	6,419	-	85,252
- other assets	86,281	4,649	744	-	91,674
Total	1,394,187	498,838	152,633	435	2,046,093
Unsecured exposures	324,153	14,009	115,889	27,020	481,071
Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	**1,718,340**	**512,847**	**268,522**	**27,455**	**2,527,164**

Information about collateral for loans to customers is as follows at 31 December 2022:

In thousands of Georgian Lari	Loans to legal entities	Mortgage loans	Consumer loans	Credit cards	Total
Loans collateralised by:					
- real estate	970,420	491,876	69,937	39	1,532,272
- cash deposits	30,810	2,433	17,449	-	50,692
- Transport and equipment	78,413	-	11,891	-	90,304
- other assets	64,379	4,638	1,549	-	70,566
Total	1,144,022	498,947	100,826	39	1,743,834
Unsecured exposures	216,981	7,789	121,349	31,237	377,356
Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	**1,361,003**	**506,736**	**222,175**	**31,276**	**2,121,190**

The carrying value of loans was allocated based on the type of collateral taken in following order: cash deposit, real estate, transport and equipment, other assets. Other assets mainly include securities and inventory. Part of mortgage loans issued for purchases of real estate with status of construction in progress is not secured with real estate before completion of legal registration procedures by the construction company. Until completion of these legal procedures the loans are secured by the construction company’s guarantee. After completion of the registration procedures, the collateral will be replaced with real estate.

The disclosure above represents the lower of the carrying value of the loan or fair value collateral taken; the remaining part is disclosed within the unsecured exposures.

11 Loans and Advances to Customers (Continued)

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2023 is as follows.

	Under-collateralised Loans		**Over-collateralised Loans**	
In thousands of Georgian Lari	Carrying value of the loans	Value of collateral	Carrying value of the loans	Value of collateral
Credit impaired assets:				
Loans to legal entities carried at AC	2,206	1,684	41,727	131,488
Loans to individuals carried at AC				
Mortgage loans	5,423	4,645	28,430	51,601
Consumer loans	7,050	296	8,290	21,206
Credit cards	415	-	-	-

The effect of collateral on credit impaired assets at 31 December 2022 is as follows.

	Under-collateralised Loans		**Over-collateralised Loans**	
In thousands of Georgian Lari	Carrying value of the loans	Value of collateral	Carrying value of the loans	Value of collateral
Credit impaired assets:				
Loans to legal entities carried at AC	70	11	33,929	118,898
Loans to individuals carried at AC				
Mortgage loans	5,488	4,815	29,854	63,610
Consumer loans	6,871	659	5,823	16,430
Credit cards	939	-	-	49

The Group obtains collateral valuation at the time of granting loans and at any significant event or modification occurring after loan origination, i.e. the Group requests re-evaluation of the pledged real-estate collaterals if a new loan is disbursed under the pledge of the given collateral or in case of restructuring of the given commitment in case the last valuation is more than 1 year ago. Where there are indications that the carrying value of the loan might exceed fair value of collateral, the Group discretionally obtains valuations for collateral for the affected properties.

The Group usually re-evaluates real estate properties pledged for the loans which are included in top 100 borrower group list by carrying amount as at reporting date. For financial reporting year 2023 the Group performed internal analysis of the Real Estate Market transactions available through public sources, with the result that there is a significant increase of market prices to be observed in 2023. The findings are in line with the Real-Estate Market Researches published for Georgian Real Estate Market. The increasing trend of real estate market values is still persistent in 2023, but unlike sharp increase seen in 2022, the tempo is moderate in 2023. With the realistic possibility that demand will shrink after the current spike, the Group has refrained to re-evaluating underlying collaterals for the loans of top-100 borrower groups, in order to avoid over-valuation of collaterals in the light of current significant increase of real estate prices in the country. It is to note that, the Group has continued to re-evaluate properties for all borrowers according to internal valuation policy in case of a new loan was issued or modification of initial contractual terms was requested by the Commercial Department, the Group has re-evaluated all the real-estate collaterals for all borrowers with significant exposure, for which ECL was assessed individually.

11 Loans and Advances to Customers (Continued)

Refer to Note 34 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 31. Information on related party balances is disclosed in Note 35.

Analysis by credit quality of loans to standard lending as at December 31, 2023 is presented as follows:

Standard lending As at December 31, 2023	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	1,674,060	(5,801)	1,668,259	0.3%
Overdue:				
up to 30 days	9,239	(130)	9,109	1.4%
31 to 60 days	2,012	(64)	1,948	3.2%
61 to 90 days	2,185	(378)	1,807	17.3%
91 to 180 days	4,013	(760)	3,253	18.9%
over 180 days	4,607	(951)	3,656	20.6%
Total collectively assessed loans	**1,696,116**	**(8,084)**	**1,688,032**	**0.5%**
Individually assessed				
Not past due	13,733	(4,645)	9,088	33.8%
Overdue:				
up to 30 days	-	-	-	-
31 to 60 days	1,944	(618)	1,326	31.8%
61 to 90 days	-	-	-	-
91 to 180 days	3,574	(1,175)	2,399	32.9%
over 180 days	2,973	(365)	2,608	12.3%
Total individually assessed loans	**22,224**	**(6,803)**	**15,421**	**30.6%**
Total Standard Lending	**1,718,340**	**(14,887)**	**1,703,453**	**0.9%**

11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to standard lending as at December 31, 2022 is presented as follows:

Standard lending As at December 31, 2022	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	1,329,045	(3,618)	1,325,427	0.3%
Overdue:				
up to 30 days	6,381	(141)	6,240	2.2%
31 to 60 days	275	(10)	265	3.6%
61 to 90 days	213	(18)	195	8.5%
91 to 180 days	1,114	(61)	1,053	5.5%
over 180 days	3,409	(209)	3,200	6.1%
Total collectively assessed loans	**1,340,437**	**(4,057)**	**1,336,380**	**0.3%**
Individually assessed				
Not past due	18,215	(6,038)	12,177	33.1%
Overdue:				
up to 30 days	1,335	(387)	948	29.0%
31 to 60 days	1,016	(294)	722	28.9%
61 to 90 days	-	-	-	0.0%
91 to 180 days	-	-	-	0.0%
over 180 days	-	-	-	0.0%
Total individually assessed loans	**20,566**	**(6,719)**	**13,847**	**32.7%**
Total Standard Lending	**1,361,003**	**(10,776)**	**1,350,227**	**0.8%**

Analysis by credit quality of loans to mortgage loans as at December 31, 2023 is presented as follows:

Mortgage loans As at December 31, 2023	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	470,616	(2,106)	468,510	0.4%
Overdue:				
up to 30 days	13,411	(577)	12,834	4.3%
31 to 60 days	6,665	(295)	6,370	4.4%
61 to 90 days	1,436	(138)	1,298	9.6%
91 to 180 days	3,468	(826)	2,642	23.8%
over 180 days	17,251	(4,832)	12,419	28.0%
Total collectively assessed loans	**512,847**	**(8,774)**	**504,073**	**1.7%**
Total mortgage loans	**512,847**	**(8,774)**	**504,073**	**1.7%**

11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to mortgage loans as at December 31, 2022 is presented as follows:

Mortgage loans As at December 31, 2022	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	464,088	(3,178)	460,910	0.7%
Overdue:				
up to 30 days	19,148	(1,776)	17,372	9.3%
31 to 60 days	5,640	(890)	4,750	15.8%
61 to 90 days	3,212	(511)	2,701	15.9%
91 to 180 days	3,338	(998)	2,340	29.9%
over 180 days	11,310	(3,710)	7,600	32.8%
Total collectively assessed loans	**506,736**	**(11,063)**	**495,673**	**2.2%**
Total mortgage loans	**506,736**	**(11,063)**	**495,673**	**2.2%**

Analysis by credit quality of loans to consumer loans as at December 31, 2023 is presented as follows:

Consumer loans As at December 31, 2023	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	252,391	(4,372)	248,019	1.7%
Overdue:				
up to 30 days	5,426	(467)	4,959	8.6%
31 to 60 days	1,594	(320)	1,274	20.1%
61 to 90 days	1,261	(290)	971	23.0%
91 to 180 days	3,778	(1,621)	2,157	42.9%
over 180 days	4,072	(1,526)	2,546	37.5%
Total collectively assessed loans	**268,522**	**(8,596)**	**259,926**	**3.2%**
Total consumer loans	**268,522**	**(8,596)**	**259,926**	**3.2%**

11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to consumer loans as at December 31, 2022 is presented as follows:

Consumer loans As at December 31, 2022	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	204,179	(3,175)	201,004	1.6%
Overdue:				
up to 30 days	6,095	(508)	5,587	8.3%
31 to 60 days	1,980	(228)	1,752	11.5%
61 to 90 days	1,636	(173)	1,463	10.6%
91 to 180 days	3,868	(2,613)	1,255	67.6%
over 180 days	4,417	(2,676)	1,741	60.6%
Total collectively assessed loans	**222,175**	**(9,373)**	**212,802**	**4.2%**
Total consumer loans	**222,175**	**(9,373)**	**212,802**	**4.2%**

Analysis by credit quality of loans to credit cards as at December 31, 2023 is presented as follows:

Credit cards As at December 31, 2023	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	26,446	(573)	25,873	2.2%
Overdue:				
up to 30 days	523	(57)	466	10.9%
31 to 60 days	70	(18)	52	25.7%
61 to 90 days	190	(132)	58	69.5%
91 to 180 days	178	(123)	55	69.1%
over 180 days	48	(34)	14	70.8%
Total collectively assessed loans	**27,455**	**(937)**	**26,518**	**3.4%**
Total credit cards	**27,455**	**(937)**	**26,518**	**3.4%**

11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to credit cards as at December 31, 2022 is presented as follows:

Credit cards **As at December 31, 2022**	**Gross loans**	**Provision for expected credit losses**	**Net loans**	**Provision for expected credit losses to gross loans**
Collectively assessed				
Not past due	28,266	(2,066)	26,200	7.3%
Overdue:				
up to 30 days	1,946	(462)	1,484	23.7%
31 to 60 days	124	(43)	81	34.7%
61 to 90 days	211	(141)	70	66.8%
91 to 180 days	631	(423)	208	67.0%
over 180 days	98	(66)	32	67.3%
Total collectively assessed loans	**31,276**	**(3,201)**	**28,075**	**10.2%**
Total credit cards	**31,276**	**(3,201)**	**28,075**	**10.2%**

12 Finance Lease Receivables

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Present value of lease payments receivable	26,345	17,834
Impairment loss allowance	(209)	(154)
Net investment in the lease	**26,136**	**17,680**
Amounts receivable under finance leases		
Year 1	15,166	8,697
Year 2	10,483	7,074
Year 3	7,054	4,013
Year 4	3,204	2,507
Year 5	695	1,118
Onwards	-	4
Total undiscounted lease payments	**36,602**	**23,413**
Undiscounted lease payments analysed as:		
Recoverable within 12 months	21,436	8,697
Recoverable after 12 months	15,166	14,716
Less: unearned finance income	(10,257)	(5,579)
Total	**26,345**	**17,834**
Net investment in the lease analysed as:		
Recoverable within 12 months	13,422	7,019
Recoverable after 12 months	12,714	10,661
Total	**26,136**	**17,680**

12 Finance Lease Receivables (Continued)

Finance lease receivables relate to leases of car and equipment. Estimated collateral held as at 31 December 2023 amount to GEL 38,832 thousand (2022: GEL 25,539 thousand).

Estimates of collateral value are based on the value of collateral assessed at the time of lease origination. Risks related to the leased asset such as damage caused by various reasons and theft in majority cases are insured.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

The following tables disclose the changes in the credit loss allowance and gross carrying amount for finance lease receivables carried at amortised cost between the beginning and the end of the reporting and comparative periods:

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Finance lease receivables before credit loss allowance	**26,345**	**17,834**
- Stage 1	19,627	12,648
- Stage 2	6,582	4,885
- Stage 3	136	301
Less: credit loss allowance	**(209)**	**(154)**
- Stage 1	(137)	(38)
- Stage 2	(61)	(10)
- Stage 3	(11)	(106)
Total finance lease receivables	**26,136**	**17,680**

13 Insurance and Reinsurance Contracts

The roll-forward between the beginning and the end of the reporting and comparative periods of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below:

	Liabilities for remaining coverage		Liabilities for incurred claims			
In thousands of Georgian Lari	**Excluding loss component**	**Loss Component**	**Estimates of value of future cash flows**	**Risk Adjustment**	**Assets for insurance acquisition cash flows**	**Total**
Insurance contract liabilities as at 1 January 2023	1,277	56	1,859	-	-	3,192
Insurance contract assets as at 1 January 2023	-	-	-	-	-	-
Net insurance contract (assets)/liabilities as at 1 January 2023	**1,277**	**56**	**1,859**	**-**	**-**	**3,192**
Insurance revenue	**(15,674)**	**-**	**-**	**-**	**-**	**(15,674)**
Insurance service expenses	**1,337**	**35,861**	**75,685**	**-**	**-**	**112,883**
- Incurred claims and other expenses	-	-	35,291	-	-	35,291
- Amortisation of insurance acquisition cash flows	1,337	-	-	-	-	1,337
- Losses on onerous contracts and reversals of those losses	-	35,861	-	-	-	35,861
- Changes to liabilities for incurred claims	-	-	40,394	-	-	40,394
Insurance service result	**(14,337)**	**35,861**	**75,685**	**-**	**-**	**97,209**
Effect of movements in exchange rates	(33)	-	-	-	-	(33)
Total changes in the statement of comprehensive income	**(14,370)**	**35,861**	**75,685**	**-**	**-**	**97,176**
Cash flows						
Premiums received	15,547	-	-	-	-	15,547
Claims and other expenses paid	-	-	(37,659)	-	-	(37,659)
Total cash flows	**15,547**	**-**	**(37,659)**	**-**	**-**	**(22,112)**
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	(1,155)	-	-	-	-	(1,155)
Net insurance contract (assets)/liabilities as at 31 December 2023	**1,299**	**35,917**	**39,885**	**-**	**-**	**77,101**
Insurance contract liabilities as at 31 December 2023	1,299	35,917	39,885	-	-	77,101
Insurance contract assets as at 31 December 2023	-	-	-	-	-	-

13 Insurance and Reinsurance Contracts (Continued)

	Liabilities for remaining coverage		Liabilities for incurred claims			
In thousands of Georgian Lari	Excluding loss component	Loss Component	Estimates of value of future cash flows	Risk Adjustment	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities as at 1 January 2022	666	-	894	-	-	1,560
Insurance contract assets as at 1 January 2022	-	-	-	-	-	-
Net insurance contract (assets)/liabilities as at 1 January 2022	**666**	**-**	**894**	**-**	**-**	**1,560**
Insurance revenue	**(13,855)**	**-**	**-**	**-**	**-**	**(13,855)**
Insurance service expenses	**544**	**56**	**3,500**	**-**	**-**	**4,100**
- Incurred claims and other expenses	-	-	1,350	-	-	1,350
- Amortisation of insurance acquisition cash flows	544	-	-	-	-	544
- Losses on onerous contracts and reversals of those losses	-	56	-	-	-	56
- Changes to liabilities for incurred claims	-	-	2,150	-	-	2,150
Insurance service result	**(13,311)**	**56**	**3,500**	**-**	**-**	**(9,755)**
Effect of movements in exchange rates	519	-	-	-	-	519
Total changes in the statement of comprehensive income	(12,792)	56	3,500	-	-	(9,236)
Cash flows						
Premiums received	13,930	-	-	-	-	13,930
Claims and other expenses paid	-	-	(2,535)	-	-	(2,535)
Total cash flows	**13,930**	**-**	**(2,535)**	**-**	**-**	**11,395**
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	(527)	-	-	-	-	(527)
Net insurance contract (assets)/liabilities as at 31 December 2022	**1,277**	**56**	**1,859**	**-**	**-**	**3,192**
Insurance contract liabilities as at 31 December 2022	1,277	56	1,859	-	-	3,192
Insurance contract assets as at 31 December 2022	-	-	-	-	-	-

13 Insurance and Reinsurance Contracts (Continued)

The roll-forward between the beginning and the end of the reporting and comparative periods of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims is disclosed in the table below:

	Liabilities for remaining coverage		**Amounts recoverable on incurred claims**			
In thousands of Georgian Lari	**Excluding loss-recovery component**	**Loss-recovery component**	**Estimates of the present value of future cash flows**	**Risk Adjustment**	**Assets for insurance acquisition cash flows**	**Total**
Reinsurance contract assets as at 1 January 2023	269	11	2,194	-	-	2,474
Reinsurance contract liabilities as at 1 January 2023	-	-	-	-	-	-
Net reinsurance contract assets/(liabilities) as at 1 January 2023	**269**	**11**	**2,194**	**-**	**-**	**2,474**
An allocation of reinsurance premiums	**(13,144)**	**-**	**-**	**-**	**-**	**(13,144)**
Amounts recoverable from reinsurers for incurred claims	**1,382**	**35,780**	**74,040**	**-**	**-**	**111,202**
- Amounts recoverable for incurred claims and other expenses	-	-	34,717	-	-	34,717
- Other incurred directly attributable expenses	1,382	-	-	-	-	1,382
- Loss-recovery on onerous underlying contracts and adjustments	-	35,780	-	-	-	35,780
- Changes to amounts recoverable for incurred claims	-	-	39,323	-	-	39,323
Net income or expense from reinsurance contracts held	**(11,762)**	**35,780**	**74,040**	**-**	**-**	**98,058**
Effect of changes in non-performance risk of reinsurers	(32)	-	-	-	-	(32)
Total changes in the statement of comprehensive income	**(11,794)**	**35,780**	**74,040**	**-**	**-**	**98,026**
Cash flows						
Premiums received	12,265	-	-	-	-	12,265
Amounts received	-	-	(36,614)	-	-	(36,614)
Total cash flows	**12,265**	**-**	**(36,614)**	**-**	**-**	**(24,349)**
Ceding commissions and other directly attributable expenses	(1,177)	-	-	-	-	(1,177)
Net reinsurance contract assets/(liabilities)as at 31 December 2023	**(437)**	**35,791**	**39,620**	**-**	**-**	**74,974**
Reinsurance contract assets as at 31 December 2023	(437)	35,791	39,620	-	-	74,974
Reinsurance contract liabilities as at 31 December 2023	-	-	-	-	-	-

13 Insurance and Reinsurance Contracts (Continued)

	Liabilities for remaining coverage		Amounts recoverable on incurred claims			
In thousands of Georgian Lari	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk Adjustment	Assets for insurance acquisition cash flows	Total
Reinsurance contract assets as at 1 January 2022	-	-	-	-	-	-
Reinsurance contract liabilities as at 1 January 2022	**(2,159)**	**-**	**1,240**	**-**	**-**	**(919)**
Net reinsurance contract assets/(liabilities) as at 1 January 2022	**(2,159)**	**-**	**1,240**	**-**	**-**	**(919)**
An allocation of reinsurance premiums	**(11,394)**	**-**	**-**	**-**	**-**	**(11,394)**
Amounts recoverable from reinsurers for incurred claims	**2,699**	**11**	**2,411**	**-**	**-**	**5,121**
- Amounts recoverable for incurred claims and other expenses	**-**	**-**	**1,194**	**-**	**-**	**1,194**
- Other incurred directly attributable expenses	**2,699**	**-**	**-**	**-**	**-**	**2,699**
- Loss-recovery on onerous underlying contracts and adjustments	**-**	**11**	**-**	**-**	**-**	**11**
- Changes to amounts recoverable for incurred claims	**-**	**-**	**1,217**	**-**	**-**	**1,217**
Net income or expense from reinsurance contracts held	**(8,695)**	**11**	**2,411**	**-**	**-**	**(6,273)**
Effect of changes in non-performance risk of reinsurers	635	-	-	-	-	635
Total changes in the statement of comprehensive income	**(8,060)**	**11**	**2,411**	**-**	**-**	**(5,638)**
Cash flows						
Premiums received	11,375	-	-	-	-	11,375
Amounts received	-	-	(1,457)	-	-	(1,457)
Total cash flows	**11,375**	**-**	**(1,457)**	**-**	**-**	**9,918**
Ceding commissions and other directly attributable expenses	(887)	-	-	-	-	(887)
Net reinsurance contract assets/(liabilities) as at 31 December 2022	**269**	**11**	**2,194**	**-**	**-**	**2,474**
Reinsurance contract assets as at 31 December 2022	269	11	2,194	-	-	2,474
Reinsurance contract liabilities as at 31 December 2022						

14 Other Assets

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Repossessed collateral	22,041	28,776
Prepayments for litigations	1,855	1,509
Input and withholding taxes	1,034	888
Prepayments for services	4,748	987
Other	3,387	2,456
Total other assets	**33,065**	**34,616**

Repossessed collateral represents real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the future. The Bank initiates special offers and marketing actions to sell collateral, including brokers' services and advertising on locations (such as lands, offices, etc.)

As of 31 December 2023 the value of repossessed collateral attributable to the Bank was GEL 18,839 thousand (2022: GEL 25,831).

15 Premises, Equipment and Intangible Assets

In thousands of Georgian Lari	Note	Premises	Office and computer Equipment	Vehicles	Leasehold improvements	Construction in progress	Total premises and equipment	Computer software licences	Total
As at 31 December 2021									
Cost or valuation		26,494	13,540	300	3,292	-	43,626	9,681	53,307
Accumulated depreciation/amortization		-	(10,465)	(235)	(1,655)	-	(12,355)	(2,597)	(14,952)
Carrying amount at 31 December 2021		**26,494**	**3,075**	**65**	**1,637**	**-**	**31,271**	**7,084**	**38,355**
Additions		33,279	5,630	275	2,015	28,042	69,241	3,527	72,768
Disposals			(241)		(422)	-	(663)	(1,612)	(2,275)
Depreciation									
Depreciation charge	28	(510)	(1,858)	(53)	(1,098)	-	(3,519)	(1,647)	(5,166)
Disposals		-	67	-	242	-	309	1,232	1,541
As at 31 December 2022									
Cost or valuation		59,773	18,929	575	4,885	28,042	112,204	11,596	123,800
Accumulated depreciation/amortization		(510)	(12,256)	(288)	(2,511)	-	(15,565)	(3,012)	(18,577)
Carrying amount at 31 December 2022		**59,263**	**6,673**	**287**	**2,374**	**28,042**	**96,639**	**8,584**	**105,223**
Additions		169	1,347	54	326	333	2,229	5,232	7,461
Disposals		-	(98)	(37)	(85)	-	(220)	(961)	(1,181)
Depreciation									
Depreciation charge	28	(558)	(2,206)	(71)	(680)	-	(3,515)	(1,742)	(5,257)
Disposals		-	44	37	85	-	166	963	1,129
As at 31 December 2023									
Cost or valuation		59,942	20,178	592	5,126	28,375	114,213	15,867	130,080
Accumulated depreciation/amortization		(1,068)	(14,418)	(322)	(3,106)	-	(18,914)	(3,791)	(22,705)
Carrying amount at 31 December 2023		**58,874**	**5,760**	**270**	**2,020**	**28,375**	**95,299**	**12,076**	**107,375**

15 Premises, Equipment and intaginble Assets (Continued)

Premises have been valued at fair value in December 2021 by an independent firm of valuers. In 2022 the significant addition was made to PPE from an entity under common control, and the transaction price (ie. Cost of the PPE) was also determined by an independent valuer. For 2023 management believes that premises carrying value is not materially different from its fair value at the year end.

The input to which the fair value estimate for premises is most sensitive is price per square meter: the higher the price per square meter, the higher the fair value.

If the premises of the Group were measured using cost model, their carrying amount would be as follows:

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Cost	50,663	50,494
Accumulated depreciation	3,984	3,611
Premises at cost less accumulated depreciation	**46,679**	**46,883**

If the premises of the Bank were measured using cost model, their carrying amount would be as follows:

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Cost	50,494	50,494
Accumulated depreciation	3,984	3,611
Premises at cost less accumulated depreciation	**46,510**	**46,883**

As at December 31, 2023 and 2022 included in property and equipment were fully depreciated assets amounting GEL 11,212 thousand and GEL 9,337 thousand, respectively.

16 Right-of-use Assets and Lease Liabilities

The right of use assets by class of underlying items is analysed as follows:

In thousands of Georgian Lari	**Premises**
Carrying amount at 1 January 2022	**4,370**
Additions	22,014
Modification Effect	652
Depreciation charge	(4,160)
Termination Effect	(1,294)
Carrying amount at 31 December 2022	**21,582**
Additions	803
Modification Effect	51
Depreciation charge	(5,072)
Carrying amount at 31 December 2023	**17,364**

The movement in lease liabilities are analysed as follows:

In thousands or Georgian Lari	**2023**	**2022**
Lease liability as at 1 January	**18,576**	**4,745**
Recognition of lease liabilities	834	22,011
Interest expense on lease liabilities	749	800
Foreign exchange effect	(162)	(3,016)
Modifications	58	802
Termination of lease contract	-	(1,264)
Repayment of interest expense	(749)	(802)
Repayment of lease liabilities	(3,336)	(4,700)
Lease liability as at 31 December	**15,970**	**18,576**

16 Right-of-use Assets and Lease Liabilities (Continued)

Amounts recognised in statement of profit and loss:

In thousands or Georgian Lari	December 31, 2023	December 31, 2022
Depreciation expense on right-of-use assets	5,072	4,160
Interest expense on lease liabilities	749	802
Expenses recognized in profit or loss statement related to low-value asset leases	153	144
Expenses recognized in profit or loss statement related short-term leases	265	232
Total	**6,239**	**5,338**

17 Due to Other Banks

In thousands of Georgian Lari	December 31, 2023	December 31, 2022
Short-term placements from NBG	175,098	288,447
Short-term placements of/loans from other banks	109,767	22,259
Correspondent accounts and overnight placements of other banks	1	1
Total due to other banks	**284,866**	**310,707**

The Group pledged debt securities as collateral with carrying amount of GEL 118,327 thousand, mortgage loans with nominal amount of GEL 88,066 thousand for short-term loan with NBG at the end of reporting period (2022: debt securities GEL 192,306 thousand, mortgage loans GEL 109,739 thousand and SME loans GEL 28,246 thousand). Refer to Note 33.

Refer to Note 34 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 31. Information on related party balances is disclosed in Note 35.

18 Customer Accounts

In thousands of Georgian Lari	December 31, 2023	December 31, 2022
State and public organisations		
- Current/settlement accounts	212,965	136,382
- Term deposits	270,743	265,495
Other legal entities		
- Current/settlement accounts	264,370	446,912
- Term deposits	386,825	201,484
Individuals		
- Current/demand accounts	296,118	305,651
- Term deposits	761,351	604,816
Total customer accounts	**2,192,372**	**1,960,740**

State and public organisations exclude government-owned profit orientated businesses. The customer accounts balances under the Bank's separate statement as at 31 December 2023 amount to GEL 2,199,455 thousand (2022: GEL 1,965,810 thousand).

Economic sector concentrations within customer accounts are as follows:

	December 31, 2023		December 31, 2022	
In thousands of Georgian Lari	Amount	%	Amount	%
Individuals	1,057,469	47%	910,467	45%
Trade	214,052	10%	49,849	3%
Energy	179,542	8%	168,821	9%
Service	147,399	7%	112,280	6%
Financial Institutions	145,554	7%	157,712	8%
Transportation or Communication	130,353	6%	208,387	10%
Construction & Production of Construction Materials	79,250	4%	74,436	4%
State	67,164	3%	89,583	5%
Production/Manufacturing	47,892	2%	37,871	2%
Education	37,911	2%	33,774	2%
Tobacco	30,229	1%	-	-
Real Estate Development	11,345	1%	79,997	4%
Other	44,212	2%	37,563	2%
Total customer accounts	**2,192,372**	**100%**	**1,960,740**	**100%**

At 31 December 2023, the Group had four customers (2022: three customers) with balances above 10% of total equity. The aggregate balance of this customer was GEL 387,252 thousand (2022: GEL 167,249 thousand) or 17% (2022: 8.5%) of total customer accounts.

Refer to Note 34 for disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 31. Information on related party balances is disclosed in Note 35.

19 Borrowed Funds

In thousands of Georgian Lari	December 31, 2023	December 31, 2022
Loans from Blue Orchard Microfinance Fund	89,995	77,547
Loans from Black Sea Trade and Development Bank ("BSTDB")	62,887	52,479
Loans from GREEN FOR GROWTH FUND (Finance-in-Motion)	39,529	14,533
Loans from BANCA POPOLARE DI SONDRIO SCPA	33,472	-
Loans from ODDO BHF Aktiengesellschaft	30,229	-
Loans from Asian Development Bank ("ADB")	29,722	-
Loans from responsAbility	20,780	-
Loans from THE EUROPEAN FUND FOR SOUTHEAST EUROPE PLLC	16,640	29,121
Loans from Microfinance Enhancement Facility SA, SICAV-SIF, (INCOFIN)	10,778	13,535
Loans from responsAbility SICAV (Lux) Micro and SME Finance Debt Fund	10,511	24,695
Loans from responsAbility Global Micro and SME Finance Fund	9,009	8,682
Loans from Global Impact Investments Sarl (SYMBIOTICS)	8,990	8,676
Loans from FINANCING FOR HEALTHEIR LIVES DAC	8,068	-
Loans from responsAbility SICAV (Lux) Micro and SME Finance Leaders	4,505	11,624
Loans from SYMBIOTICS SICAV (LUX)	3,004	2,898
Loans from FINETHIC S.C.A SICAV_SIF (SYMBIOTICS)	1,502	1,449
Loans from Hualing Special Economic Zone JSC	2,723	-
Loans from European Bank for Reconstruction and Development (“EBRD”)	-	46,087
Loans from GLOBAL CLIMATE PARTNERSHIP FUND (responsAbility)	-	16,732
Loans from China Development Bank (“CDB”)	-	13,830
Loans from Commerzbank	-	13,766
Loans from ResponsAbility SICAV (Lux) Financial Inclusion Fund	-	7,283
Total borrowed funds	**382,344**	**342,937**

The Group is obligated to comply with financial covenants in relation to its borrowings. Management believes that the Group was in compliance with covenants at 31 December 2023, except for the covenant set by JSC Pasha Bank Georgia towards BB Leasing JSC. The covenant required BB Leasing to maintain the volume of overdue leasing portfolio within the set limit. tBB Leasing was in breach of this covenant, but received a waiver subsequent to the year-end: JSC Pasha Bank Georgia confirmed that they have elected not to pursue any remedies available to them under the credit agreements until their respective maturity dates.

After the acquisition of the portfolios from JSC VTB Bank Georgia in 2022, the Bank experienced difficulties to meet some of the covenants. The lenders granted waivers to the Bank for all breaches as of 31 December 2022.

Information on compliance with covenants is disclosed in Note 33.

Refer to Note 34 for disclosure of the fair value of each class of borrowed funds. Interest rate analysis of borrowed funds is disclosed in Note 31. Information on related party balances is disclosed in Note 35, the movements in the Group’s liabilities from financing activities is disclosed.

20 Other Liabilities

Other liabilities comprise the following:

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Accrued employee benefit costs	14,439	8,254
Taxes payable other than on income	1,052	364
Prepayments received	698	721
Other	1,852	1,283
Total other liabilities	**18,041**	**10,622**

Accrued employee benefits include the provisions created for staff and management benefits, including provisions created under share based payment ("SBP") arrangements.

21 Subordinated Debts

The subordinated debts of the Group are as follows:

In thousands of Georgian Lari	**Start Date**	**Maturity**	**Currency**	**31-Dec-23**	**31-Dec-22**
Loans from:					
The European Fund for Southeast Europe S.A.	Jun-22	Jun-29	EUR	44,888	43,356
Xinjiang HuaLing Industry & Trade (Group) Co	Aug-19	Aug-26	USD	13,514	13,577
Xinjiang HuaLing Industry & Trade (Group) Co	Sep-23	Sep-30	USD	7,116	-
Individuals	Dec-23	Dec-33	USD	13,187	-
Debt securities in issue	Jan-23	Jan-33	USD	27,678	-
Total subordinated debts				**106,383**	**56,933**

The "Xinjiang HuaLing Industry & Trade (Group) Co" debt issued in 2019 started to phase out in 2019 and as at 31 December 2023 is included in Tier 2 capital with 40% of its value of USD 4,900 thousands. All other subordinated debts are included with 100% of their values.

The subordinated debts from "Xinjiang HuaLing Industry & Trade (Group) Co" carry fixed interest rate of 7% per annum and the subordinated debt from the European Fund for Southeast Europe ("EFSE") caries a floating interest rate of 6M EURIBOR + margin 6.50%.

31 December 2023, the Group has debt securities in issue with nominal value of USD 10,000 thousand (2022: no debt security in issue). These bonds mature on 30 January 2030 and have a coupon rate of 7% per annum.

Refer to Note 34 for the disclosure of the fair value of subordinated debts. Interest rate analysis of subordinated debts is disclosed in Note 31. The movements in the subordinated debts is disclosed in Note 30. Information on related party balances is disclosed in Note 35.

22 Share Capital

In thousands of Georgian Lari except for number of shares	**Number of outstanding shares in thousands**	**Ordinary shares**	**Share premium**	**Total**
At 1 January 2022	**16,057**	**16,057**	**74,923**	**90,980**
New Shares Issued	1,034	1,034	26,143	27,177
At 31 December 2022	**17,091**	**17,091**	**101,066**	**118,157**
New Shares Issued	228	228	3,432	3,660
At 31 December 2023	**17,319**	**17,319**	**104,498**	**121,817**

The total authorised number of ordinary shares is 17,320 thousand shares (2022: 17,215 thousand shares), with a par value of GEL 1 per share (2022: GEL 1 per share). The number of ordinary issued shares is 17,320 thousand, (2022: 17,215 thousand shares). All issued ordinary shares are fully paid. Each ordinary share carries one voting right.

23 Dividends

In thousands of Georgian Lari	**2023**	**2022**
Dividends payable at 1 January	-	-
Dividends declared during the year	7,405	-
Dividends paid during the year	(7,405)	-
Dividends payable at 31 December	**-**	-

All dividends are declared and paid in Georgian Lari.

24 Share-based Payments

In March 2017, the Supervisory Board of the Bank approved a new Senior Management Bonus Scheme for the years 2017 – 2022 and granted new shares to the members of senior management of the Bank subject to service conditions. The Group considered 27 March 2017 as the grant date. The fair value per share at the grant date was estimated at GEL 12.55 per share. The fair value of the shares was determined by reference to the price per share established for the share purchase transaction between the owners of the Bank. According to the new share-based payment scheme, the Management shares were subject to the restrictions and could not be sold by the Directors within 2 (two) years after the acquisition ("the Lock-up Period"). After the Lock-up Period, half of the Management shares owned by the Directors could be sold. All of the Management shares owned by the Directors could be transferred only after the Directors' resignation.

Tabular information on the scheme is given below:

In thousands of Georgian Lari except for number of shares	2023	2022
Number of unvested shares at the beginning of the year	**167,000**	**165,000**
Number of granted shares	-	-
Change in estimate of number of shares expected to vest based on performance conditions	(22,350)	2,000
Number of shares vested	**(144,650)**	**-**
Number of unvested shares at the end of the year	**-**	**167,000**
Value at grant date per share (in GEL)	12.55	12.55
Expense recognized as staff cost during the year	**160**	**166**

In 2023, all the post-vesting restrictions expired entirely and the share-based payment reserve was eliminated against Share Capital and Share Premium (Share-based payment reserve amounted to GEL 2,606 thousand as at 31 December 2022).

25 Interest Income and Expense

In thousands of Georgian Lari	2023	2022
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	262,797	224,657
Debt securities at AC	21,830	18,364
Debt securities at FVOCI	15,781	8,906
Due from other banks at AC	9,902	6,240
Total interest income calculated using the effective interest method	**310,310**	**258,167**
Interest expense on financial liabilities at AC calculated using the effective interest method		
Term deposits of legal entities	62,448	38,762
Term deposits of individuals	36,831	22,401
Borrowed funds	25,274	20,240
Current/settlement accounts	18,357	17,721
Due to other Banks	17,850	28,670
Term placements of other banks	6,003	1,887
Subordinated debts	5,258	2,645
Debt securities in issue	1,675	-
Total interest expense calculated using the effective interest method	**173,696**	**132,326**
Net interest income	**136,614**	**125,841**

26 Fee and Commission Income and Expense

In thousands of Georgian Lari	**2023**	**2022**
Fee and commission income		
- Plastic card fees	5,299	4,018
- Financial guarantees issued (Note 33)	4,998	3,419
- Settlement transactions	3,306	2,907
- Distant banking fees	1,316	609
- Cash transactions	1,182	898
- Performance guarantees issued (Note 33)	636	207
- Other	2,315	1,168
Total fee and commission income	**19,052**	**13,226**
Fee and commission expense		
- Plastic card fees	3,980	3,223
- Settlement transactions	752	765
- Expenses Related to Guarantees	497	334
- Cash Collection & Transaction fees	377	221
- Commissions for credit lines	306	297
- Factoring services	4	6
- Other	279	205
Total fee and commission expense	**6,195**	**5,051**
Net fee and commission income	**12,857**	**8,175**

27 Insurance and Reinsurance Service Results

In thousands of Georgian Lari	**2023**	**2022**
Insurance revenue	**15,674**	**13,855**
Insurance service expense	**(112,883)**	**(4,100)**
- Incurred claims and other directly attributable expenses	(35,291)	(1,350)
- Insurance acquisition cash flows recognised when incurred	(1,337)	(544)
- Losses on onerous contracts and reversals of those losses	(35,861)	(56)
- Changes to liabilities for incurred claims	(40,394)	(2,150)
Reinsurance result	**98,058**	**(6,273)**
- Amounts recoverable from reinsurers for incurred claims	109,820	2,422
- Allocation of reinsurance premiums	(13,144)	(11,394)
- Reinsurance Commission Income	1,382	2,699
Net Insurance Result	**849**	**3,482**

28 Administrative and Other Operating Expenses

In thousands of Georgian Lari	**2023**	**2022**
Employee compensation	49,140	42,872
Depreciation of premises and equipment and amortization of intangible assets	5,257	5,166
Depreciation of right-of-use assets	5,072	4,160
Professional services	4,782	3,113
Communications and information services	4,390	3,234
Advertising and marketing	2,768	2,451
Repairs and maintenance	2,005	1,831
Taxes other than on income	1,052	884
Insurance	942	879
Security services	839	1,055
Interest expense on lease liability	710	800
Office supplies	576	992
Travel and Training	511	206
Lease expenses related to short-term and low-value asset leases	418	375
Other	4,190	5,775
Total administrative and other operating expenses	**82,652**	**73,793**

28 Administrative and Other Operating Expenses (Continued)

The table below discloses the information regarding the number of Management Board and Supervisory Board members and employees:

	31 December 2023		31 December 2022	
	Bank separate	**Consolidated**	**Bank separate**	**Consolidated**
Supervisory Board members	6	7	6	8
Management Board members	7	12	7	11
Middle management staff*	27	34	56	65
Other employees	841	873	798	827
Number of employees	**881**	**926**	**867**	**911**

**Due to the change of internal methodology on definition of middle management staff, the number of employees of this group has decreased significantly compared to 2022.*

The average number of employees of the Group during 2023 is 879 (2022: 833).

Included in staff costs is the amount of GEL 160 thousand (2022: GEL 166 thousand), which represents share-based remuneration provided to the Group’s personnel directly by shareholders.

As at 31 December 2023 the professional service fees include GEL 469 thousand fees incurred for audit and other professional services provided by Auditors/Audit Firms as defined in the Law of Georgia on Accounting, Reporting and Auditing (2022: GEL 477 thousand). The fees related to the Bank as at 31 December 2023 amount GEL 285 thousand, (2022: GEL 311 thousand).

29 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of Georgian Lari	**2023**	**2022**
Current tax	(17,380)	(5,976)
Deferred tax	8,094	(6,697)
Income tax expense for the year	**(9,286)**	**(12,673)**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Bank's 2023 income is 20% (2022: 15%). The income tax rate applicable to the income of subsidiaries is 15% (2022: 15%).

A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Georgian Lari	**2023**	**2022**
Profit before tax	**86,171**	**86,565**
Theoretical tax charge at statutory rate (2023: 20% for the Bank, 15% for the subsidiaries; 2022: 15%)	(16,394)	(12,970)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income from Government /NBG's securities and deposits	7,726	4,373
- Other income which is exempt from taxation	62	491
- Income items not recognized in PL, but taxable from taxation viewpoint	(127)	(82)
- Other non-deductible expenses	(328)	(293)
Effect of change in tax legislation	(225)	(4,192)
Income tax expense for the year	**(9,286)**	**(12,673)**

29 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Georgia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences as at 31 December 2023 is detailed below.

In thousands of Georgian Lari	**1 January 2023**	**Credited/ (charged) to profit or loss**	**Credited/ (charged) to OCI**	**31 December 2023**
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment	(6,440)	286	-	(6,154)
Credit loss allowance of loans	(6,924)	6,924	-	-
Right-of-use assets	789	(107)	-	682
Guarantees provision	(370)	370	-	-
Provision for interbank balances	189	(43)	-	146
Reversal of securities provision	(23)	23	-	-
Borrowings	(394)	164	-	(230)
Accruals	737	(267)	-	470
Other liabilities	2,202	888	-	3,090
Share Based Payment	144	(144)	-	-
Debt securities at FVOCI	(424)	-	424	-
Net one-off tax effect on changes of tax rules	(935)	935	-	-
Net deferred tax liability	**(11,449)**	**9,029**	**424**	**(1,996)**

The tax effect of the movements in these temporary differences as at 31 December 2022 is detailed below.

In thousands of Georgian Lari	**1 January 2022**	**Effect of changes to tax legislation**	**Credited/ (charged) to profit or loss**	**Credited/ (charged) to OCI**	**31 December 2022**
Tax effect of deductible/(taxable) temporary differences					
Premises and equipment	(327)	(109)	(3,286)	(2,718)	(6,440)
Credit loss allowance of loans	(1,375)	-	(5,548)	-	(6,923)
Right of use assets	96	32	661	-	789
Guarantees provision	(279)	-	(91)	-	(370)
Provision for interbank balances	92	30	67	-	189
Reversal of securities provision	38	-	(60)	-	(22)
Borrowings	(301)	(100)	7	-	(394)
Accruals	732	91	(86)	-	737
Other liabilities	565	336	1,299	-	2,200
Share Based Payment	83	28	33	-	144
Debt securities at FVOCI	-	-	-	(424)	(424)
Net one-off tax effect on changes of tax rules	-	-	(935)	-	(935)
Net deferred tax liability	**(676)**	**308**	**(7,939)**	**(3,142)**	**(11,449)**

In the context of the Group's current structure and Georgian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

30 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	Liabilities from financing activities			
In thousands of Georgian Lari	**Borrowed funds**	**Subordinated debts**	**Lease liabilities**	**Total**
Liabilities from financing activities at 1 January 2022	**429,490**	**15,562**	**4,745**	**449,797**
Proceeds from principal	217,368	46,232	-	263,600
Repayment of principal	(252,315)	-	(4,701)	(257,016)
Foreign exchange adjustments	(52,830)	(4,994)	(3,016)	(60,840)
Change in accrued interest	1,224	133	-	1,357
Other non-cash changes	-	-	21,548	21,548
Liabilities from financing activities at 31 December 2022	**342,937**	**56,933**	**18,576**	**418,446**
Proceeds from principal	247,467	46,357	-	293,824
Repayment of principal	(215,905)	-	(3,335)	(219,240)
Foreign exchange adjustments	6,126	1,973	(162)	7,937
Change in accrued interest	955	1,069	-	2,024
Other non-cash changes	764	51	891	1,706
Liabilities from financing activities at 31 December 2023	**382,344**	**106,383**	**15,970**	**504,697**

31 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. The Group manages the identification, assessment and mitigation of risks through an internal governance process, the risk management tools and processes to mitigate the impact of these risks on the Group's financial results, its long term strategic goals and reputation.

Responsibility for risk management resides at all levels within the Group, from the Supervisory Board and Management Board (The Executive Management) level down through to each business unit manager and risk officer. The risk management function is split between risk management units:

- On the Supervisory Board level - the Board committees: Risk Committee and Audit Committee;
- On the Management Board level – the Management Board level committees and units: Assets and Liabilities Management Committee ("ALCO"), Risk Management department, Treasury department, and Credit Committees, Compliance Commitee.

The Supervisory Board has overall responsibility for the oversight of the risk management framework. As a top governing body of the Bank, the Supervisory Board sets the general approach and principles for risk management by assessing the Bank's risk profile and the adequacy and effectiveness of the Bank's risk management framework, approving individual risk strategies, setting risk appetite and the risk control framework.

The Risk Management policies approved by the Supervisory Board of the Bank cover main type of risks, assign responsibility to the management for specific risks, set the requirements for internal control frameworks. The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Management Board defines appropriate procedures for managing all inherent risks in each business line, with the role of structuring business to reflect risk, ensuring adequate segregation of duties and adequate procedures in place, defining operational responsibilities of subordinate staff. The Management Board is responsible for monitoring and implementation of risk mitigation measures and ensuring that the Group operates within the established risk parameters.

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

Credit risk, both at portfolio and transactional levels, is managed by a system of Credit Committees; to facilitate efficient decision-making, the Group establishes a hierarchy of credit committees depending on the type and amount of the exposure.

Market and liquidity risks are managed by the Asset and Liability Management Committee in coordination with the Treasury Department and the Risk Management department. The Treasury Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise, executes the daily control of liquidity gaps, structural interest rate exposures, and controls and manages foreign exchange risk exposure.

The Bank sets principles about risk taking and risk management which are reflected in the internal rules and policies, and applied consistently throughout the organisation.

31 Financial Risk Management (Continued)

These general principles are the following:

- Prudent risk-taking with comprehensive risk assessment and control environment;
- Adequate and effective monitoring and reporting system;
- Proper quantification of risks using proper methodologies in line with the size and complexity of the Bank;
- Adopting and fulfilment of all the regulatory requirements and guidelines available and using best practices via using international standards;
- Operating effective risk governance by maintaining proper risk control hierarchy, independent from business activities in order to avoid conflict of interest;
- Observation of risk management considerations upon the launch of new activities, business lines or products.

Both external and internal risk factors are identified and managed throughout the Group’s organisational structure. Particular emphasis is placed on developing risk maps that are used to identify a wide range of risk factors and serve as a basis for determining the level of comfort over the current risk mitigation procedures.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group’s lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated and separate statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Group established a number of credit committees that are responsible for approving credit limits for individual borrowers. Senior level credit is a supreme decision making body responsible for high value transactions. The Committee is also responsible for issuing guidance and manuals to lower level credit committees.

The credit approval limits between committees are segregated as follows:

For retail segment

- The senior credit committee reviews and approves limits above GEL 1000 thousand;
- The junior credit committees review and approve credit limits up to GEL 1000 thousands;
- Applications up to GEL 400 thousand are approved by risk management department. Exceptions are retail loans up to GEL 150 thousand are approved by retail lending group.

31 Financial Risk Management (Continued)

For business segment

- The senior credit committee reviews and approves limits above USD 1000 thousand;
- The junior credit committees review and approve credit limits up to USD 1000 thousands
- Applications up to USD 500 thousand are approved by risk management department.

Loan applications originating with the relevant client relationship managers are passed on to the relevant credit committee for the approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees. In order to monitor exposure to credit risk, regular reports are produced by the Financial Reporting and Risk departments based on a structured analysis focusing on the customer's business and financial performance. Any significant interaction with customers with deteriorating creditworthiness are reported to and reviewed by the Management Board and the Risk Committee.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an Internal Rating System for legal entities or risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's) for Interbank exposures, debt securities and other financial assets, when applicable.

Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corporate internal ratings	Corresponding ratings of external international rating agencies (Fitch)	Corresponding PD interval of international rating agencies (Fitch)
Excellent	1 – 2	AAA to BB+	0,01% - 0,25%
Good	3 – 4	BB to B+	0,26% -1.53%
Satisfactory	5 – 6	B, B-	1,54% - 3,12%
Special monitoring	7 – 8	CCC+ to CC-	3,13% - 99,9%
Default	9	C, D-I, D-II	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- Excellent – strong credit quality with low expected credit risk;
- Good – adequate credit quality with a moderate credit risk;
- Satisfactory – moderate credit quality with a satisfactory credit risk;
- Special monitoring – facilities that require closer monitoring and remedial management; and
- Default – facilities in which a default has occurred.

The approach used by the Group for measuring credit risk associated with legal entities, is an Expert Judgement-based model designed internally, which assigns credit ratings to the borrower based on the different qualitative and quantitative factors. Ratings are estimated by credit risk officers and are reviewed by the members of the credit risk committees during the credit approval process.

Exposures without assigned internal rating are classified according to credit risk, using different quantitative and qualitative criteria: days in overdue, restructuring, existence of collaterals.

31 Financial Risk Management (Continued)

Credit Risk Grade	Credit Quality criteria
Excellent	Not overdue; fully covered with deposit, precious metal or government guarantee
Good	Not more than 31 days past due during last 12 months and collateral (deposit or real estate) fully covers the loan
Satisfactory	Not more than 31-60 days past due during last 12 months, or if loan was restructured, the event happened more than one year ago and current overdue is less than 31 days past due
Special monitoring	Not more than 61-90 days past due during last 12 months , or if the loan was restructured, the event happened more than one year ago and current overdue is 31-90 days past due
Default	Loan was restructured in last 12 months or minimum overdue in last 12 months is 90 days past due

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default ("PD") are applied for the following financial instruments: interbank placements, loans to sovereigns and sub-sovereigns, and investments in debt securities (government, corporate, municipal bonds, Eurobonds and promissory notes purchased).

***Expected credit loss (ECL) measurement*.** ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. Due to data limitation CCF is assumed to be 100%. PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. As a matter of exception from determining the lifetime exposure based on contractual maturity, the Group uses simplified assumptions for credit cards issued to individuals. As a matter of exception from determining the lifetime exposure based on contractual maturity, the Group uses simplified assumptions for credit cards issued to individuals. 5 years is applied as maximum lifetime these instruments.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

31 Financial Risk Management (Continued)

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- 90 days past due (DPD);
- Distressed restructuring (i.e. exposure is defaulted);
- Inability to repay (ITR), which is expressed in internal rating of the counterparty.

Usually only 90 DPD and distressed restructuring are considered as default indicators for Retail borrowers, if there is no additional information available on a counterparty level.

Apart from the criteria, listed above the Group would classify as default, i.e. include in stage 3, if relevant, following cases:

- Call upon guarantee;
- Partial Write-off;
- Specific portfolios or segments, in case of global macroeconomic changes, which are expected to have detrimental impact on certain segments.

Apart from the criteria, listed above, in case of individual assessment of the counterparties above significance threshold in order to classify a counterparty as defaulted, the bank analysis number of qualitative factors. The below list is not exhaustive:

- A borrower's sources of recurring income will be no longer available due to incurred disappearance of the market that will result reduction of the borrowers sales;
- Delays in payments to other creditors;
- Sales of significant assets of the borrower with loss;
- Termination of significant contract (customer or supplier) that generates significant portion of the revenue or purchases in the past;
- A breach of contract and the covenants of a credit contract;
- Initiation of legal proceedings, that may result in significant cash outflow;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- A crisis of the sector in which the counterparty operates combined with a weak position of the counterparty in this sector.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined expertly, based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis for loans issued to corporate clients above significance threshold and on a portfolio for other loans and advances to customers. For interbank loans and debt securities at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. For loans issued to individuals and other financial assets SICR is assessed on a portfolio basis, but finally SICR is assigned to a particular loan and not to all loans of a borrower. The criteria used to identify a SICR are monitored and reviewed periodically for appropriateness by the Bank's Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Group uses low credit risk assessment exemption for investment grade financial assets. The Group assumes that assets with an external 'investment-grade' rating (e.g., ratings within the AAA through BBB categories using the Standard & Poor's rating system or corresponding to Moody's) have low credit risk at the reporting date. The Group doesn't have financial asset classified as Low Risk assessment as of reporting date.

The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

31 Financial Risk Management (Continued)

For interbank operations and investments in debt securities:

- 30 days past due;
- Award of external rating corresponding to the risk grade “Special monitoring” according to the rating scale disclosed above.

For loans issued to legal entities and bonds issued by corporate customers:

- 30 days past due;
- Restructuring (if exposure is not defaulted);
- Change of internal rating corresponding to the downwards movement from credit risk grades "excellent" or "good" to "Satisfactory" or "Special Monitoring".

For loans to Individuals:

- 30 days past due;
- Restructuring (if exposure is not defaulted);
- Significant increase in lifetime PD above predefined absolute and relative thresholds for retail portfolio.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement.

A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset’s effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed, this is particular will be true for portfolios which have been included in Stage 2 based on watch list status. Regular, at least yearly monitoring is performed for such portfolios to include latest developments into ECL assessment.

ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognises the cumulative changes in lifetime expected credit losses.

The Group performs assessment of credit impairment on an individual basis for the groups of borrowers with unique credit risk characteristics and significant exposures, that is, exposures above GEL 2,000 thousand.

Current threshold was set based on expert decision taking into consideration current structure of the Bank’s Portfolio, and might be re-assessed only in case of significant changes in portfolio volume and structure.

The Group performs assessment on a portfolio basis for the following types of loans: retail loans and loans issued to Corporate SMEs, when the exposure is under the significance threshold. Under this approach loan pools are stratified into homogeneous sub-segments based on specific characteristics, for example product types, historical data on losses, location, sectors of activity, loan currency etc.

31 Financial Risk Management (Continued)

The Group performs assessments based on external ratings for interbank loans, debt securities issued by the banks and loans issued to sovereigns.

ECL assessment of credit impairment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome and is expressed in individual rating of the borrower. The Group defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment of credit impairment is based on the quantitative factors on the one hand, and on the other hand, on expert judgement of experienced officers from the Credit Risk and Problem Assets Management Department, with support of credit risk experts, who are the primary source of information from borrower's side and judgements are regularly tested in order to decrease the difference between estimates and actual losses. Final expected credit loss is assessed on collective bases for stage 1 and stage 2 loans, and on an individual level for stage 3 loans, taking into consideration expected cash flows from selling of underlying collaterals.

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as wholesale or retail), product type, date of initial recognition, term to maturity etc. Different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument’s effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future quarter during the lifetime period for each individual exposure or collective segment. These three components are multiplied together. This effectively calculates an ECL for each future period that is afterword discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. Due to the insufficient data on the payment periodicity for instruments with non-monthly schedules, the assumption of 30-day schedule has been used for the entire Retail portfolio. The impact of this simplification was assessed as immaterial. Currently the Group doesn't consider early partial repayment assumptions in ECL assessment for Retail portfolio (the impact was assessed to be insignificant). For revolving products like overdrafts and credit cards the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" (CCF) that accounts for the expected drawdown of the remaining limit by the time of default. CCF is calculated and updated for each reporting period for the committed, but undrawn limits for Corporate and SME exposures and cards and overdrafts separately.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument.

The Group uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes for Corporate and SME loans, developing lifetime PD curves based on the historical default data for Retail loans.

31 Financial Risk Management (Continued)

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. Assets considered in the ECL calculations IFRS 9 requires cash flows expected from collateral and other credit enhancements to be reflected in the ECL calculation. The treatment and reflection of collateral for IFRS 9 purposes is in line with general risk management principles, policies and processes of the Group. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and reassessed on an annual basis for all material exposures, unless otherweise decided based on expert judgement.

The approach currently used by the Group for LGD measurement can be divided into three steps:

- Calculation of LGD on a portfolio basis based on recovery statistics; LGD1- recoveries based on solely clients cash payments
- Measurement of LGD based on the specific characteristics of the collateral; LGD2 - recoveries expected based on the specific real estate collateral: projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities
- Final LGD= LGD1*LGD2

The rationale behind the Group's approach is the observation that even after default, certain part of defaulted exposure is covered by borrowers own cash payments, without realizing the underlying collateral. Therefore underlying collateral is used to cover the remaining defaulted liability, only after the borrower has exhausted payment possibilities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate/SME loan portfolio and for retail homogenous sub-portfolios.

The Group has applied a floor to final estimated LGD. The rationale for applying the floor is that there are factors, which cannot be modelled even in the pessimistic scenario, which can result in a loss even in case of over-collateralized assets. The Group applies LGD floor as management adjustment to the model estimates and the floor value is subject to regular back-testing and reviews. ECL Sensitivity to LGD floor is disclosed in Note 31.

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Under IFRS9, validation and back-testing of all applied parameters and significant assumptions is an inherent part of ECL assessment process. The results of back testing the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

During 2023 the Group has performed back-tests of the assumptions, thresholds and risk parameters used in IFRS9 impairment model, in order to assess the adequacy of forecasts for financial year 2023 as estimated by the IFRS9 impairment models at the end of previous year. The tests were concluded with satisfactory results and no changes have been regarding any model parameters.

ECL measurement for financial guarantees and loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment. CCF for undrawn credit lines of corporate customers, credit cards and overdrafts issued to individuals and for financial guarantees is defined based on statistical analysis of past exposures at default.

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to government, corporate bonds and interbank exposures.

31 Financial Risk Management (Continued)

ECL Measurement on finance lease receivables. The Group estimates the loss allowance on finance lease assets at the end of the reporting period, whereby the Group classifies lease receivables in Stage 1, Stage 2 or Stage 3 in compliance of IFRS9 requirements.

Namely, at each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition (SICR feature). The evaluation is performed mainly based on quantitative criteria and the SICR feature and/or Default are identified if the following occurs:

- all lease receivables with more than 30 DPD currently and/or in last 6 months as having significantly increase in credit risk since initial recognition are considered to have SICR feature and are classified in Stage 2
- all lease receivables with current 90 DPD, or problematic restruturing within last 12 months are considered to have default indicator and are classified in Stage 3

The Group uses the following designations for the ECL depending on the exposure allocation to the Stage:

- 12months ECL for Stage 1 lease receivables,
- Lifetime ECL for Stage 2 and stage 2 lease receivables

With reference to expected credit losses, IFRS 9 impairment framework includes a requirement to incorporate forward-looking information, including macroeconomic factors in the process of estimating expected credit losses (ECL) by evaluating a range of possible states of the economic environment. The scenarios are defined as baseline (most likely, 50% probability of occurring), upside (better than most likely, 25% probability of occurring) and downside (worse than most likely, 25% probability of occurring). Forecasts of economic variables are published by NBG and provide the best estimate of the expected macro-economic developments in the upcoming years. The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.The Group analyses the ECL parameters separately in different scenarios and derives the final ECL estimate used in the loss allowance calculation process as a probability-weighted amount, where the weights represent the probabilities of individual scenarios occurring.

Insurance risk: The Group has exposure to market risk through its insurance and investment activities. The Group manages its insurance risk through the use of reinsurance of risk concentrations, underwriting limits, approval procedures for transactions and monitoring of emerging issues.

Claims management risk: In general, motor claims reporting lags are minor, if any, and claim complexity is relatively low. Overall the claims liabilities for this line of business create a moderate estimations risk. The Group monitors and reacts to trends in repair costs, injury awards and the frequency of theft and accident claims.

The frequency of claims is affected by adverse weather conditions, and the volume of claims is higher in the winter months. Motor lines of insurance are underwritten based on the Group 's current experience.

Reinsurance risk: The Group cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual and portfolio risks. These reinsurance agreements spread the risk and minimize the effect of losses. The amount of each risk retained depends on the Group's evaluation of the specific risk. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes. When selecting a reinsurer, the Group considers their relative creditworthiness. The creditworthiness of the reinsurer is assessed mainly from publicly available information.

31 Financial Risk Management (Continued)

Reserving risk: There is a risk that reserves are assessed incorrectly and there are not enough funds to pay or handle claims as they fall due. To estimate insurance and reinsurance liabilities, the Group uses actuarial methods and assumptions set by the Insurance State Supervision Service of Georgia.

***Credit risk in respect to insurance*:** The Group is not subject to significant credit risk on receivables arising out of direct insurance operations as policies are cancelled and the unearned premium reserve relating to the policy is similarly cancelled when there is objective evidence that the policyholder is not willing or able to continue paying policy premiums. Management normally fully provides for impaired insurance receivables after they are 365 days overdue.

Management of risk in insurance. The Group’s underwriting strategy seeks diversity so that the Group’s portfolio at all times includes several classes of non-correlating risks and that each class of risk, in turn, is spread across a large number of policies. Management believes that this approach reduces the variability of the outcome.

The underwriting strategy is set out in the Group’s insurance risk management policies. The strategy is implemented through underwriting guidelines that determine detailed underwriting rules for each type of product. The guidelines contain insurance concepts and procedures, descriptions of inherent risk, terms and conditions, rights and obligations, documentation requirements, template agreement/policy examples, rationale of applicable tariffs and factors that would affect the applicable tariff. The tariff calculations are based on probability and variation.

Adherence to the underwriting guidelines is monitored by the Management on an on-going basis, also on a regular basis the Supervisory Board monitors the trends of loss ratio and business profitability. Regular analysis triggers the Board to react accordingly, and to provide changes in the products pricing/specifications in order to maintain the desired loss ratio.

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

31 Financial Risk Management (Continued)

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to foreign currency exchange rate risk at 31 December 2023 is presented in the table below:

	GEL	USD USD 1 =2.6894 GEL	EUR EUR 1 =2.9753 GEL	Other currency	December 31, 2023 Total
Cash and cash equivalents	89,175	103,702	86,656	4,477	284,010
Mandatory cash balances with the NBG	-	145,430	39,170	-	184,600
Due from other banks	15,426	-	-	-	15,426
Investments in debt securities	378,461	-	-	-	378,461
Loans and advances to customers	1,300,936	920,488	272,535	11	2,493,970
Finance leases to customers	16,130	10,006	-	-	26,136
Reinsurance contract assets	74,974	-	-	-	74,974
Other financial assets	1,801	444	24	-	2,269
Total non-derivative financial assets	**1,876,903**	**1,180,070**	**398,385**	**4,488**	**3,459,846**
Non-derivative financial liabilities					
Due to other banks	274,393	10,473	-	-	284,866
Customer accounts	1,094,333	932,477	160,945	4,617	2,192,372
Borrowed funds	19,030	168,928	194,386	-	382,344
Lease liabilities	1,820	14,150	-	-	15,970
Insurance contract liabilities	77,101	-	-	-	77,101
Other financial liabilities	2,998	926	37	-	3,961
Subordinated debts	-	61,495	44,888	-	106,383
Total non-derivative financial liabilities	**1,469,675**	**1,188,449**	**400,256**	**4,617**	**3,062,997**
OPEN BALANCE SHEET POSITION	**407,228**	**(8,379)**	**(1,871)**	**(129)**	**396,849**

31 Financial Risk Management (Continued)

The Group's exposure to foreign currency exchange rate risk at 31 December 2022 is set out below:

	GEL	USD USD 1 =2.7020 GEL	EUR EUR 1 =2.8844 GEL	Other currency	December 31, 2022 Total
Cash and cash equivalents	76,284	130,294	68,622	2,868	278,068
Mandatory cash balances with the NBG	-	175,050	43,537	-	218,587
Due from other banks	12,593	-	-	-	12,593
Investments in debt securities	394,362	-	-	-	394,362
Loans and advances to customers	1,114,872	726,502	245,399	4	2,086,777
Finance leases to customers	10,743	6,937	-	-	17,680
Reinsurance contract assets	2,474	-	-	-	2,474
Other financial assets	2,993	458	34	1	3,486
Total non-derivative financial assets	**1,614,321**	**1,039,241**	**357,592**	**2,873**	**3,014,027**
Non-derivative financial liabilities					
Due to other banks	303,462	7,245	-	-	310,707
Customer accounts	881,326	912,127	164,339	2,948	1,960,740
Borrowed funds	42,012	111,353	189,572	-	342,937
Lease liabilities	2,132	16,444	-	-	18,576
Insurance contract liabilities	3,192	-	-	-	3,192
Other financial liabilities	4,288	1,147	353	70	5,858
Subordinated debts	-	13,577	43,356	-	56,933
Total non-derivative financial liabilities	**1,236,412**	**1,061,893**	**397,620**	**3,018**	**2,698,943**
OPEN BALANCE SHEET POSITION	**377,909**	**(22,652)**	**(40,028)**	**(145)**	**315,084**
Derivative financial instruments					
Gross settled:					
currency swaps	-	27,020	43,266	-	70,286
currency swaps	(70,857)	-	-	-	(70,857)
OPEN POSITION	**307,052**	**4,368**	**3,238**	**(145)**	**314,513**

The open currency position may cause substantial losses depending on the extent of difference and a change in exchange rate. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. General open currency position limits are set to minimize this risk insomuch as such change may adversely affect the Group's revenues, equity, liquidity and creditworthiness.

The open currency position is calculated and maintained on a daily basis. In the event of any violation, the Bank must perform balancing operations to bring the parameter within the approved limits. General open currency positions is a consolidated on-balance sheet and off-balance sheet position which must fall within the limits set by NBG, which is 20% of regulatory capital.

31 Financial Risk Management (Continued)

ALCO introduces intra-day and overnight open currency position limits in aggregate and for individual currencies, within which the Bank may operate. Such limits are reviewed by ALCO from time to time to respond to market conditions. The Bank's internal limits are lower than the limits set by the NBG. Current limit equals 5% of the regulatory capital. The Group monitors under ICAAP framework its exposure to currency risk, according to 99% confidence level VaR at 10 day holding period. As at 31 December 2023 the VaR value amounted GEL 712 thousand (2022: GEL 469 thousand).

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	At 31 December, 2023	**At 31 December, 2022**
In thousands of Georgian Lari	Impact on profit or loss	Impact on profit or loss
US Dollar strengthening by 20%	(1,676)	874
US Dollar weakening by 20%	1,676	(874)
Euro strengthening by 20%	(374)	648
Euro weakening by 20%	374	(648)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands of Georgian Lari	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-interest bearing**	**Total**
31 December, 2023						
Total financial assets	1,269,616	975,590	277,402	781,956	155,282	3,459,846
Total financial liabilities	862,395	644,948	588,597	539,081	427,976	3,062,997
Net interest sensitivity gap at 31 December 2023	**407,221**	**330,642**	**(311,195)**	**242,875**	**(272,694)**	**396,849**
31 December, 2022						
Total financial assets	487,034	1,335,439	303,529	789,544	98,481	3,014,027
Total financial liabilities	1,009,766	663,551	356,023	294,981	374,622	2,698,943
Net interest sensitivity gap at 31 December 2022	**(522,732)**	**671,888**	**(52,494)**	**494,563**	**(276,141)**	**315,084**

31 Financial Risk Management (Continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 200 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the year ended 31 December 2023 would decrease/increase by GEL 9,830 thousand (2022: decrease/increase by GEL 5,553 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate on assets and borrowings; and

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's:

- Other comprehensive income for the year ended 31 December 2023 would decrease/increase by GEL 4,915 million (2022: decrease/increase by GEL 565 million) mainly as a result of the changes in the interest income on variable interest assets

The table below discloses interest rate changes impact on the fixed rate debt securities at FVOCI:

	2023	2022
Interest rate increases by 200 bases points	(8,732)	(7,778)
Interest rate Decreases by 200 bases points	9,407	8,380
Interest rate increases by 100 bases points	(4,447)	(3,961)
Interest rate Decreases by 100 bases points	4,615	4,111

The Group monitors interest rates for its financial instruments. The table below summarises weighted average nominal interest rates at the respective reporting date based on reports reviewed by key management personnel:

	2023			2022		
In % p.a.	**GEL**	**USD**	**Euro**	**GEL**	**USD**	**Euro**
Assets						
Cash and cash equivalents	3.2%	0.5%	0.1%	7.4%	2.8%	0.1%
Correspondent accounts with NBG	9.5%	-	-	11%	-	-
Mandatory cash balances with the NBG	-	-	-	-	-	-
Due from other banks	13.6%	-	-	11%	-	-
Investments in debt securities	10%	-	-	10%	-	-
Loans and advances to customers	13.7%	9.7%	8.4%	14.4%	8.5%	6.1%
Finance lease receivables	21.4%	13.3%	-	21.0%	12.5%	-
Liabilities						
Due to other banks	10.1%	3.3%	-	11.1%	-	-
Customer accounts	11.2%	3.4%	1.8%	11.5%	2.1%	0.8%
- current and settlement accounts	9.0%	1.6%	0.5%	9.8%	2.0%	0.5%
- term deposits	12.0%	3.5%	1.9%	12.1%	2.1%	0.8%
Borrowed funds	13.3%	7.3%	5.8%	14.0%	6.1%	5.3%
Lease liabilities	11.9%	4.3%	-	12.2%	4.7%	-
Subordinated debts	-	7.5%	10.6%	-	7.0%	8.8%

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

31 Financial Risk Management (Continued)

Prepayment risk. The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers (2022: no material impact).

The management of interest rate risk is regulated by the Assets and Liabilities Management ("ALM") Policy of the Bank. The Risk Management department regularly produces a report on interest sensitivity gap by repricing periods. The report is used to assess the impact of changes in interest rates on the profit of the Bank. The amount of the stress (expressed in basis points) of the interest rates incorporated in the report is defined by the Risk Management department, based on observed fluctuations in interest rates for relevant currencies. The limit of tolerable potential impact on the profit of the Bank is defined as up to 1% of the regulatory capital.

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 December 2023 is set out below:

In thousands of Georgian Lari	Georgia	China	OECD	Non-OECD	Total
Non-derivative financial assets					
Cash and cash equivalents	128,830	1,445	152,129	1,606	284,010
Mandatory cash balances with the NBG	184,600	-	-	-	184,600
Due from other banks	15,426	-	-	-	15,426
Investments in debt securities	378,461	-	-	-	378,461
Loans and advances to customers	2,457,255	1,434	8,950	26,331	2,493,970
Finance leases receivables	26,136	-	-	-	26,136
Reinsurance contract assets	73,219	406	344	1,005	74,974
Other financial assets	2,106	134	12	17	2,269
Total non-derivative financial assets	**3,266,033**	**3,419**	**161,435**	**28,959**	**3,459,846**
Non-derivative financial liabilities					
Due to other banks	284,866	-	-	-	284,866
Customer accounts	2,021,480	17,356	36,094	117,442	2,192,372
Borrowed funds	-	2,723	349,899	29,722	382,344
Lease liabilities	15,970	-	-	-	15,970
Insurance contract liabilities	75,632	461	493	515	77,101
Other financial liabilities	3,961	-	-	-	3,961
Subordinated debts	40,865	20,630	44,888	-	106,383
Total non-derivative financial liabilities	**2,442,774**	**41,170**	**431,374**	**147,679**	**3,062,997**
Net position in on-balance sheet non-derivative financial instruments	**823,259**	**(37,751)**	**(269,939)**	**(118,720)**	**396,849**
Credit related commitments and performance guarantees	**593,872**	**10**	**23**	**3,290**	**597,195**
Net position	**229,387**	**(37,761)**	**(269,962)**	**(122,010)**	**(200,346)**

31 Financial Risk Management (Continued)

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Balances with counterparties outstanding to/from companies ultimately controlled by the entities located in China are allocated to the caption "China". Cash and cash equivalents have been allocated based on the country in which they are physically held.

The geographical concentration of the Group's financial assets and liabilities at 31 December 2022 is set out below:

In thousands of Georgian Lari	Georgia	China	OECD	Non-OECD	Total
Non-derivative financial assets					
Cash and cash equivalents	248,691	662	15,042	13,673	278,068
Mandatory cash balances with the NBG	218,587	-	-	-	218,587
Due from other banks	12,593	-	-	-	12,593
Investments in debt securities	394,362	-	-	-	394,362
Loans and advances to customers	2,031,473	433	8,313	46,558	2,086,777
Finance leases receivables	17,680	-	-	-	17,680
Reinsurance contract assets	1,270	158	335	711	2,474
Other financial assets	2,992	147	258	89	3,486
Total non-derivative financial assets	**2,927,648**	**1,400**	**23,948**	**61,031**	**3,014,027**
Non-derivative financial liabilities					
Due to other banks	310,707	-	-	-	310,707
Customer accounts	1,817,177	17,659	17,787	108,117	1,960,740
Borrowed funds	-	13,830	329,107	-	342,937
Lease liabilities	18,576				18,576
Insurance contract liabilities	2,052	224	461	455	3,192
Other financial liabilities	5,671	16	170	1	5,858
Subordinated debts	-	13,577	43,356	-	56,933
Total non-derivative financial liabilities	**2,154,183**	**45,306**	**390,881**	**108,573**	**2,698,943**
Net position in on-balance sheet non-derivative financial instruments	**773,465**	**(43,906)**	**(366,933)**	**(47,542)**	**315,084**
Credit related commitments and performance guarantees	**392,057**	**4,020**	**-**	**4,557**	**400,634**
Derivative financial instruments					
Gross settled:					
currency swaps	-	-	(70,857)	-	(70,857)
currency swaps	-	-	70,286	-	70,286
Total derivative financial instruments	-	-	(571)	-	(571)
Net position	**381,408**	**(47,926)**	**(366,362)**	**(52,099)**	**(84,979)**

31 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Group.

The Group manages liquidity risk according to the Asset-Liability Management Policy and Regulation of Liquidity Management, where detailed processes and limit system for liquidity management is defined. The Asset/Liability Committee is responsible for the implementation of the Asset-Liability Management Policy, the daily management of liquidity is the responsibility of Treasury Department.

The Group seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits, long-term borrowings and credit lines. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements.

The liquidity is calculated and assessed on standalone basis. The Bank calculates and maintains liquidity in accordance with the requirement of the NBG. These ratios are:

- Liquidity Coverage Ratio (“LCR”), which is calculated as high-quality liquid assets divided by net cash outflows over a 30 day stress period. Only assets with high potential to be easily converted into cash are included in high-quality liquid assets.
- NSFR - is defined as the amount of available stable funding relative to the amount of required stable funding

The ratios are as follows:

	2023 actual	2023 NBG requirement	2022 actual	2022 NBG requirement
Total liquidity coverage ratio	123%	>=100%	124%	>=100%
Liquidity coverage ratio (GEL)	98%	>=75%	107%	>=75%
Liquidity coverage ratio (FC)	166%	>=100%	138%	>=100%
NSFR	117%	>=100%	121%	>=100%

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department.

The table below shows liabilities at 31 December 2023 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

31 Financial Risk Management (Continued)

In thousands of Georgian Lari	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Non-derivative financial liabilities and commitments						
Due to other banks	277,232	7,781	-	-	-	285,013
Customer accounts – individuals	348,276	212,211	281,176	251,620	6,999	1,100,282
Customer accounts – other	500,698	250,754	244,083	180,518	307	1,176,360
Borrowed funds	20,089	121,140	100,444	171,368	-	413,041
Lease liabilities	364	1,764	2,064	12,336	1,536	18,064
Insurance contract liabilities	76,786	-	315	-	-	77,101
Other financial liabilities	3,755	203	3	-	-	3,961
Subordinated debts	941	2,388	4,294	41,751	113,051	162,425
Total non-derivative financial liabilities	**1,228,141**	**596,241**	**632,379**	**657,593**	**121,893**	**3,236,247**
Financial guarantees	220,665	-	-	-	-	220,665
Undrawn credit related commitments	316,029	-	-	-	-	316,029
Letters of credit	1,462	-	-	-	-	1,462
Total potential future payments of financial obligations	**1,766,297**	**596,241**	**632,379**	**657,593**	**121,893**	**3,774,403**

31 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2022 is as follows:

In thousands of Georgian Lari	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Non-derivative financial liabilities and commitments						
Due to other banks	304,480	-	7,245	-	-	311,725
Customer accounts – individuals	376,733	228,297	229,131	96,144	7,778	938,083
Customer accounts – other	610,245	263,397	128,273	75,234	7,888	1,085,037
Borrowed funds	20,727	45,036	104,159	204,601	-	374,523
Lease liabilities	338	1,679	2,006	14,891	2,519	21,433
Insurance contract liabilities	1,478	-	1,714	-	-	3,192
Other financial liabilities	4,524	791	543	-	-	5,858
Subordinated debts	-	1,912	2,884	31,497	49,521	85,814
Total non-derivative financial liabilities	**1,318,525**	**541,112**	**475,955**	**422,367**	**67,706**	**2,825,665**
Derivative financial instruments						
Gross settled:						
currency swaps	-	(70,857)	-	-	-	(70,857)
Total derivative financial instruments	-	(70,857)	-	-	-	(70,857)
Financial guarantees	106,590	-	-	-	-	106,590
Undrawn credit related commitments	258,522	-	-	-	-	258,522
Letters of credit	564	-	-	-	-	564
Total potential future payments of financial obligations	**1,684,201**	**470,255**	**475,955**	**422,367**	**67,706**	**3,120,484**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Payments in respect of gross settled forwards will be accompanied by related cash inflows. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Georgian legislation, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Group does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Group monitors expected maturities and the resulting expected liquidity gap as follows.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities.

31 Financial Risk Management (Continued)

Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial instruments at 31 December 2023 is as follows:

In thousands of Georgian Lari	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
At 31 December, 2023						
Non-derivative financial assets						
Cash and cash equivalents	283,174	835	-	-	-	284,009
Mandatory cash balances with the NBG	184,600	-	-	-	-	184,600
Due from other banks	-	-	6,343	9,084	-	15,427
Investments in debt securities	18,666	106,675	10,802	210,428	31,890	378,461
Loans and advances to customers	270,270	231,405	328,128	952,526	711,641	2,493,970
Finance leases receivables	18	1,285	1,256	23,453	124	26,136
Reinsurance contract assets	74,617	-	357	-	-	74,974
Other financial assets	2,271	-	-	-	-	2,271
Total non-derivative financial assets	**833,616**	**340,200**	**346,886**	**1,195,491**	**743,655**	**3,459,848**
Non-derivative financial liabilities						
Due to other banks	277,084	7,782	-	-	-	284,866
Customer accounts – individuals	68,374	230,955	292,141	315,873	150,119	1,057,462
Customer accounts – other	65,522	262,532	294,374	333,106	179,376	1,134,910
Borrowed funds	19,483	113,355	92,137	157,369	-	382,344
Lease liabilities	304	1,490	1,765	10,974	1,437	15,970
Insurance contract liabilities	76,651	-	450	-	-	77,101
Other financial liabilities	3,755	203	3	-	-	3,961
Subordinated debts	-	-	-	13,514	92,869	106,383
Total non-derivative financial liabilities	**511,173**	**616,317**	**680,870**	**830,836**	**423,801**	**3,062,997**
Financial and performance guarantees	502	-	-	-	-	502
Undrawn credit related commitments	1,462	-	-	-	-	1,462
Letters of credit	31,603	-	-	-	-	31,603
Net liquidity gap based on expected maturities	**288,876**	**(276,117)**	**(333,984)**	**364,655**	**319,854**	**363,284**
Cumulative liquidity gap based on expected maturities	**-**	**12,759**	**(321,225)**	**43,430**	**363,284**	**-**

31 Financial Risk Management (Continued)

The expected maturities analysis of financial instruments at 31 December 2022 is as follows:

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 31 December, 2022						
Non-derivative financial assets						
Cash and cash equivalents	277,680	388	-	-	-	278,068
Mandatory cash balances with the NBG	218,587	-	-	-	-	218,587
Due from other banks	-	677	11,917	-	-	12,594
Investments in debt securities	170,677	58,859	40,439	108,973	15,415	394,363
Loans and advances to customers	55,275	314,280	289,500	901,417	526,305	2,086,777
Finance leases receivables	4	53	489	16,671	463	17,680
Reinsurance contract assets	430	72	1,972	-	-	2,474
Other financial assets	3,349	-	-	-	135	3,484
Total non-derivative financial assets	**726,002**	**374,329**	**344,317**	**1,027,061**	**542,318**	**3,014,027**
Non-derivative financial liabilities						
Due to other banks	303,462	-	7,245	-	-	310,707
Customer accounts – individuals	71,792	242,161	234,063	135,267	227,182	910,465
Customer accounts – other	45,521	303,225	150,932	200,959	349,637	1,050,274
Borrowed funds	20,075	52,648	83,232	186,982	-	342,937
Lease liabilities	235	1,364	1,652	13,072	2,253	18,576
Insurance contract liabilities	1,491	127	1,574	-	-	3,192
Other financial liabilities	4,524	791	543	-	-	5,858
Subordinated debts	-	-	-	13,577	43,356	56,933
Total non-derivative financial liabilities	**447,100**	**600,316**	**479,241**	**549,857**	**622,428**	**2,698,942**
Financial and performance guarantees	154	-	-	-	-	154
Undrawn credit related commitments	25,852	-	-	-	-	25,852
Letters of credit	564	-	-	-	-	564
Net liquidity gap based on expected maturities	**252,332**	**(225,987)**	**(134,924)**	**477,204**	**(80,110)**	**288,515**
Cumulative liquidity gap based on expected maturities	**-**	**26,345**	**(108,579)**	**368,625**	**288,515**	**-**
Derivative financial instruments						
Gross settled:						
currency swaps	-	(70,857)	-	-	-	(70,857)
currency swaps	-	70,286	-	-	-	70,286
Total derivative financial instruments	**-**	**(571)**	**-**	**-**	**-**	**(571)**
Net liquidity gap based on expected maturities	**252,332**	**(226,558)**	**(134,924)**	**477,204**	**(80,110)**	**287,944**
Cumulative liquidity gap based on expected maturities	**-**	**25,774**	**(109,150)**	**368,054**	**287,944**	**-**

31 Financial Risk Management (Continued)

Mandatory reserve with NBG is classified on on-demand category as they are created to support the Bank's capability to meet its obligations in the event of an unforeseen interruption of cash flows. Overdue assets over 90 days are reflected in "over 5 years" time package.

Amounts for financial and performance guarantees and undrawn credit lines are disclosed based on expected cash outflows. 10% of total credit line commitments are expected to be utilised and disclosed as expected cash outflow. Customer accounts expected maturities are calculated according to VaR methodology, outflow rates are calculated at 95% confidence interval for each time bucket.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

32 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the National Bank of Georgia, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least above the minimum level stated in borrowing agreements.

Compliance with capital adequacy ratios set by the NBG is monitored monthly, with reports outlining their calculation reviewed and signed by Deputy General Director, Finances. Other objectives of capital management are evaluated quarterly.

In the process of transition to Basel III framework, to increase transparency and comparability and segregate between available Capital instruments, for coverage of potential risks, the National Bank of Georgia ("NBG") amended Capital Adequacy requirements in December 2017 and in addition to the minimum capital requirements under pillar 1, in updated framework new Pillar 1 and Pillar 2 buffers were introduced:

Buffers under pillar 1:
- The capital conservation buffer - 2.5% of risk-weighted assets, and is designed to provide for losses in the event of stress, included in minimum capital requirements;
- The countercyclical capital buffer - was introduced within the Basel III framework and represents one of the main macro-prudential policy instruments, currently set at 0%;
- Systemic buffers - are set separately for each commercial bank considered to be systematically important (not applicable for Basis bank)

Buffers under pillar 2:
- Unhedged currency induced credit risk buffer (CICR);
- Credit portfolio concentration buffer, which entails name and sectoral concentration buffers;
- Net stress test buffer, will be introduced in accordance with stress tests results administered by the NBG;
- Net GRAPE buffer, set in accordance with the NBG's General Risk Assessment Program and the assessment of banks' internal capital requirement;

32 Management of Capital (Continued)

Under the current capital requirements set by the NBG, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.

Under the current capital requirements the banks are to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.

According to the Pillar 3 quarterly reports submitted to NBG, the capital ratios are as follow:

In thousands of Georgian Lari	**2023 Pillar I/II**	**2022 Pillar I/II**
Primary capital		
Share capital	17,092	17,215
Share premium	101,066	102,555
Other reserve	2,606	0
Retained earnings	299,494	189,397
Revaluation reserve	11,085	13,936
Current year profit	71,959	53,210
Primary capital Before Correction	**503,302**	**376,313**
Primary capital Corrections	(26,873)	(22,446)
Total primary capital after correction	**476,429**	**353,867**
Secondary capital		
Subordinated debts	96,933	51,210
General reserve	-	31,668
Total secondary capital	**96,933**	**82,878**
Total regulatory capital	**573,362**	**436,745**
Risk weighted assets, combining credit, market and operational risks	3,155,794	2,707,680
Minimum NBG requirement for Tier 1 ratio	**14.02%**	**11.42%**
Tier I ratio	**15.10%**	**13.07%**
Minimum NBG requirement for Regulatory capital ratio	**17.13%**	**14.99%**
Regulatory capital ratio	**18.17%**	**16.13%**

33 Contingencies and Commitments

Legal proceedings. As of 31 December 2023 and 2022, the Bank had several unresolved legal claims (no legal disputes against the subsidiaries). The Bank's legal counsel's opinion is that it is possible, but not probable, that the court ruling may be in favour of the claimants. Accordingly, no provision for any claims has been made in these consolidated and separate financial statements. The possible outflow which could result from such litigation, based on the current status of the legal proceedings, is estimated to be GEL 2,152 thousand (2022: GEL 2,652 thousand), while the timing of the outflow is uncertain.

Tax contingencies. Georgian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. A tax year remains open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The Bank was under inspection of tax authorities for the tax period starting from 1 April 2015 until 31 August 2018. There are certain areas which were questioned by the tax authorities, the Bank has not agreed with some estimations and appealed to court, disputes were not settled as at 31 December 2023. The onsite inspection is concluded, the total accruals made after inspection are given in below table. In 2023 The Bank has created provision of GEL 581 thousand as of 31 December 2023 (2022: GEL 581 thousand) on positions where it is probable that the Bank will have to make additional payments. For the rest of the disputed amount the Group's management believes that it is not likely that any significant loss will eventuate and no provisions are created.

The Georgian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant. The Group consults with qualified external tax advisors on a regular basis.

Capital expenditure commitments. As at 31 December 2023 and as at 31 December 2022, the Group has contractual capital expenditure commitments as an investment liability in respect of development and reconstruction of newly acquired land and premises from Hualing International Special Economic Zone under the agreement dated 1 December 2022. The commitment has arisen from the contract replacing the investment liability of Hualing International Special Economic Zone assigned by the Government as a Condition for Privatization for land and the Building dated 21 July 2015 for the same assets. Under the purchase contract between Basisbank and Hualing international special economic zone, the liability for the development of the asset transferred to the bank by the Government decree N161 as of 23 January 2022. The investment committement is totalling GEL 4 million for the completion of construction works and commissioning the building until 28 October 2024.

The Group has already allocated the necessary resources in respect of these commitments.

33 Contingencies and Commitments (Continued)

Lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Georgian Lari	**2023**	**2022**
Not later than 1 year	192	39
Total operating lease commitments	**192**	**39**

The Group leases a part of premises rented for location of equipment (ATMs) under operating leases which are not included into Right of Use Assets. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals

Compliance with covenants. The Group is obligated to comply with financial covenants in relation to borrowed funds and credit lines disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. Management believes that the Group was in compliance with the covenants as at 31 December 2023, except for the covenant breached by BB Leasing JSC as discussed in Note 19 – BB Leasing received a waiver letter from the lender subsequent to the year-end.

The Group was in breach of several covenants as of 31 December 2022, for which waiver letters have been received by the lenders before the year-end.

The Bank is also subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I.

The composition of the Bank's capital calculated in accordance with the Basel Accord is as follows:

In thousands of Georgian Lari	**31 December, 2023**	**31 December, 2022**
Tier 1 capital		
Share capital and share premium	121,817	118,157
Retained earnings	370,362	307,146
Total tier 1 capital	**492,179**	**425,303**
Tier 2 capital		
Revaluation reserves	10,669	14,342
Subordinated debts	85,106	45,546
Total tier 2 capital	**95,775**	**59,888**
Total capital	**587,954**	**485,191**

Credit-related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

33 Contingencies and Commitments (Continued)

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit-related commitments are as follows:

In thousands of Georgian Lari	**31 December, 2023**	**31 December, 2022**
Financial guarantees issued	221,065	106,710
Undrawn credit line commitments	316,594	259,071
Total loan commitments	**537,659**	**365,781**
Less: Provision for financial guarantees	(400)	(120)
Less: Provision for loan commitments	(564)	(558)
Less: Commitment collateralised by cash deposits	(47,151)	(16,993)
Total credit related commitments, net of provision and cash covered exposures	**489,544**	**348,110**

33 Contingencies and Commitments (Continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2023 is as follows:

In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Issued financial guarantees				
- Excellent	42,318	-	-	42,318
- Good	172,237	-	-	172,237
- Satisfactory	-	5,379	-	5,379
- Default	-	-	1,131	1,131
Unrecognised gross amount	**214,555**	**5,379**	**1,131**	**221,065**
Provision for financial guarantees	(303)	(82)	(15)	(400)
Loan commitments				
- Excellent	20,183	-	-	20,183
- Good	295,628	-	-	295,628
- Satisfactory	-	206	-	206
- Special monitoring	-	12	-	12
- Default	-	-	565	565
Unrecognised gross amount	**315,811**	**218**	**565**	**316,594**
Provision for loan commitments	**(562)**	**(2)**	**-**	**(564)**

33 Contingencies and Commitments (Continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2022 is as follows.

In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Issued financial guarantees				
- Excellent	16,005	-	-	16,005
- Good	88,180	-	-	88,180
- Satisfactory	-	2,525	-	2,525
Unrecognised gross amount	**104,185**	**2,525**	**-**	**106,710**
Provision for financial guarantees	(104)	(16)	-	(120)
Loan commitments				
- Excellent	99,743	-	-	99,743
- Good	157,651	-	-	157,651
- Satisfactory	-	1,455	-	1,455
- Special monitoring	-	18	-	18
- Default	-	-	204	204
Unrecognised gross amount	**257,394**	**1,473**	**204**	**259,071**
Provision for loan commitments	**(554)**	**(4)**	**-**	**(558)**

Credit lines on clients which have fallen in stage 3 level at the reporting date and had unutilized credit lines by the end of the date were also assigned of the same stage, but are not entitled to draw these amounts while in default.

Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to credit related commitments.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was GEL 1,853 thousand at 31 December 2023 (2022: GEL 1,501 thousand).

33 Contingencies and Commitments (Continued)

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

The exposure and concentration of performance guarantees expressed at the amounts guaranteed is as follows:

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Construction	36,986	24,625
Real Estate Management and Develoment	3,996	1,509
Service	2,311	1,368
Energy	1,494	1,106
Trade	796	528
Financial Institutions	-	239
Other	13,312	5,525
Total guaranteed amounts	**58,895**	**34,900**

Movements in provisions for performance guarantees are as follows:

In thousands of Georgian Lari	**December 31, 2023**	**December 31, 2022**
Carrying amount at 1 January	**(35)**	**(200)**
Initial recognition of issued performance guarantees	(81)	(24)
Utilisation of provision	14	188
FX movements	-	1
Carrying amount at 31 December	**(102)**	**(35)**

33 Contingencies and Commitments (Continued)

Assets pledged and restricted. The Group had assets pledged as collateral with the following carrying value:

		December 31, 2023		December 31, 2022	
In thousands of Georgian Lari	**Notes**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Investments in debt securities at FVOCI	10, 17	101,548	89,900	115,429	68,636
Investments in debt securities at AC	10	23,670	20,000	76,877	133,321
Mortgage Loan portfolio pledged with NBG		81,490	65,100	109,739	58,044
SME Loan portfolio pledged with NBG		-	-	28,246	28,000
Total		**206,708**	**175,000**	**330,291**	**288,001**

At 31 December 2023, restricted cash balances are balances of GEL 134 thousand (2022: GEL 135 thousand) are placed as a cover for international payment cards transactions. In addition, in 2023, mandatory cash balances with the NBG of GEL 184,600 thousand (2022: GEL 219,063 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations, as disclosed in Note 8.

34 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets and liabilities recorded or disclosed at fair value in the consolidated and separate statement of financial position at 31 December 2023 were classified in their entirety based on the lowest level of input that is significant to the asset or liability's fair value measurement.

34 Fair Value Disclosures (Continued)

(a) Recurring fair value measurements

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

	31 December, 2023				31 December, 2022			
In thousands of Georgian Lari	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
FINANCIAL ASSETS								
Investments in debt securities								
- Georgian government bonds	-	157,726	-	157,726	-	146,235	-	146,235
					-	-		
NON-FINANCIAL ASSETS					-	-		
- Premises and equipment	-	-	58,874	58,874	-	-	59,263	59,263
TOTAL ASSETS WITH RECURRING FAIR VALUE MEASUREMENTS	-	**157,726**	**58,874**	**216,600**	**-**	**146,235**	**56,139**	**202,374**

The market approach has been used to value premises. Inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs at 31 December 2023 and 31 December 2022 are as follows:

	Fair value at 31 December				
In thousands of Georgian Lari	**2023**	**2022**	**Valuation technique**	**Inputs used**	**Relationship of unobservable inputs to fair value**
ASSETS AT FAIR VALUE					
NON-FINANCIAL ASSETS					
- Premises	58,874	59,263	- Market comparable approach	- Price per square meter	The higher the price per square meter, higher the fair value and the lower the discount rate, higher the fair value.
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3	**58,874**	**59,263**			

34 Fair Value Disclosures (Continued)

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

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

	31 December, 2023				31 December, 2022			
In thousands of Georgian Lari	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**
ASSETS								
Cash and cash equivalents								
- Cash on hand	58,335	-	-	58,335	76,580	-	-	76,580
- Cash balances with the NBG	-	57,001	-	57,001	-	107,400	-	107,400
- Correspondent accounts and overnight placements	-	167,540	-	167,540	-	93,701	-	93,701
- Placements with other banks with original maturities of less than three months	-	1,134	-	1,134	-	387	-	387
Due from other banks								
- Short-term placements with other banks with original maturities of more than three months	-	15,426	-	15,426	-	12,593	-	12,593
Mandatory balances with the NBG	-	184,600	-	184,600	-	218,587	-	218,587
Loans and advances to customers at AC								
- Corporate loans	-	-	1,707,134	1,703,455	-	-	1,335,804	1,350,228
- Mortgage loans	-	-	510,814	504,073	-	-	501,106	495,672
- Consumer loans	-	-	261,691	259,924	-	-	212,622	212,802
- Credit cards	-	-	25,446	26,518	-	-	28,076	28,075
***Finance* lease receivables**	-	-	26,136	26,136	-	-	17,680	17,680
Investments in debt securities								
- Georgian government treasury bonds	-	110,150	-	109,414	-	176,046	-	175,348
- Georgian government treasury bills	-	52,375	-	52,331	-	39,524	-	39,498
- Corporate bonds	-	-	59,000	58,990	-	-	32,950	33,281
Reinsurance contract assets	-	74,974	-	74,974	-	2,474	-	2,474
Other financial assets	-	2,269	-	2,269	-	3,486	-	3,486
NON-FINANCIAL ASSETS								
- Investment properties	-	-	2,340	1,299	-	-	2,351	1,657
TOTAL	**58,335**	**665,469**	**2,592,561**	**3,303,419**	**76,580**	**654,198**	**2,130,589**	**2,869,449**

34 Fair Value Disclosures (Continued)

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

	31 December, 2023				31 December, 2022			
In thousands of Georgian Lari	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying Value**
FINANCIAL LIABILITIES								
Due to other banks								
- Correspondent accounts and overnight placements of other banks	-	1	-	1	-	1	-	1
- Short-term placements of other banks	-	109,767	-	109,767	-	22,258	-	22,258
- Short-term loans of NBG	-	175,246	-	175,098	-	289,466	-	288,448
Customer accounts								
- Current/settlement accounts of state and public organisations	-	212,965	-	212,962	-	136,382	-	136,382
- Term deposits of state and public organisations	-	-	268,256	270,743	-	-	264,513	265,495
- Current/settlement accounts of other legal entities	-	264,370	-	264,370	-	446,912	-	446,912
- Term deposits of other legal entities	-	-	392,056	386,825	-	-	202,462	201,484
- Current/demand accounts of individuals	-	296,121	-	296,121	-	305,651		305,651
- Term deposits of individuals	-	-	772,981	761,351	-	-	606,218	604,816
Borrowed funds	-	384,825	-	382,344	-	345,531	-	342,937
Insurance contract liabilities	-	77,101	-	77,101	-	3,192	-	3,192
Lease Liabilities	-	18,064	-	15,970	-	21,433	-	18,576
Other financial liabilities	-	3,961	-	3,961	-	5,858	-	5,858
Subordinated debts	-	105,060	-	106,383	-	58,303	-	56,933
TOTAL	**-**	**1,647,481**	**1,433,293**	**3,062,997**	**-**	**1,634,987**	**1,073,193**	**2,698,943**

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group. The Group's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

35 Related Party Transactions

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

At 31 December 2023, the outstanding balances with related parties were as follows:

In thousands of Georgian Lari	**Ultimate share-holder**	**Share-holders**	**Immediate parent company**	**Supervisory Board**	**Manage-ment Board**	**Companies under common control**	**Other related parties**
Loans and advances to customers (contractual interest rate: 6% –24%)	-	2,074	-	169	2,559	642	1,321
Credit loss allowance at 31 December 2023	-	(2)	-	-	(2)	(1)	(2)
Customer accounts (contractual interest rate: 0% – 12%)	566	1,863	4,102	2,066	7,359	78,338	2,626
Provisions for liabilities and charges	-	-	-	1	1	-	-
Insurance receivables	-	-	-	-	6	-	5
Insurance contract reserves	-	12	-	7	10	104	37
Subordinated debt (contractual interest rate: 7%)	-	-	13,577	-	-	-	-

The income and expense items with related parties for 2023 were as follows:

In thousands of Georgian Lari	**Ultimate share-holder**	**Share-holders**	**Immediate parent company**	**Supervisory Board**	**Manage-ment Board**	**Companies under common control**	**Other related parties**
Interest income	-	18	-	3	119	144	124
Interest expense	(43)	(50)	(56)	(27)	(491)	(1,142)	(130)
Credit loss allowance	-	(1)	-	-	10	32	23
Gains less losses from trading in foreign currencies	-	57	15	-	8	292	5
Foreign exchange translation gains less losses	-	(13)	(105)	31	(6)	393	(13)
Earned premium	-	-	-	2	9	-	7
Claims Settled	-	-	-	4	2	-	19
Change in outstanding claims	-	-	-	6	2	21	24
Provision for credit related commitments	(1)	-	-	(1)	(5)	-	(1)
Administrative and other operating expenses	-	-	-	-	-	-	(2,486)

35 Related Party Transactions (Continued)

At 31 December 2023, other rights and obligations with related parties were as follows:

In thousands of Georgian Lari	Ultimate share-holder	Share-holders	Immediate parent company	Super-visory Board	Manage-ment Board	Compa-nies under common control	Other related parties
Undrawn credit line commitments	-	21	-	93	1,993	158	12

Aggregate amounts lent to and repaid by or paid to related parties during 2023 were:

In thousands of Georgian Lari	Ultimate share-holder	Share-holders	Immediate parent company	Super-visory Board	Manage-ment Board	Compa-nies under common control	Other related parties
Amounts lent to related parties during the year	-	4,365	-	365	5,680	6,064	696
Amounts repaid by related parties during the year	-	2,256	-	234	4,576	6,955	1,156
Amount paid to RP for purchases of CIP and other assets	-	-	-	-	-	-	-

At 31 December 2022, the outstanding balances with related parties were as follows:

In thousands of Georgian Lari	Ultimate shareholder	Share-holders	Immediate parent company	Supervisory Board	Manage-ment Board	Companies under common control	Other related parties
Loans and advances to customers (contractual interest rate: 4% – 16.5%)	-	26	-	19	1,468	1,562	1,318
Credit loss allowance at 31 December 2022	-	(2)	-	(1)	(3)	(1)	(3)
Customer accounts (contractual interest rate: 1% – 14.5%)	524	1,887	3,122	2,687	7,516	83,812	2,054
Provisions for liabilities and charges	-	-	-	1	7	1	-
Insurance receivables	-	-	-	-	1	-	3
Insurance contract reserves	-	-	-	1	5	-	7
Subordinated debt (contractual interest rate: 7%)		-	13,577	-	-	-	-

35 Related Party Transactions (Continued)

The income and expense items with related parties for 2022 were as follows:

In thousands of Georgian Lari	Ultimate shareholder	Shareholders	Immediate parent company	Supervisory Board	Management Board	Companies under common control	Other related parties
Interest income	-	3	-	4	174	399	108
Interest expense	(42)	(59)	(42)	(22)	(423)	(766)	(117)
Credit loss allowance	-	-	-	-	(2)	76	(5)
Gains less losses from trading in foreign currencies	-	48	-	-	(1)	255	5
Foreign exchange translation gains less losses	-	244	2,283	333	242	5,154	18
Provision for credit related commitments	-	13	-	1	10	-	6
Earned premium	-	-	-	-	-	-	6
Claims Settled	-	-	-	-	-	-	2
Change in outstanding claims	(1)	-	-	(1)	(5)	-	(1)
Administrative and other operating expenses	-	-	-	-	-	-	(1,918)

At 31 December 2022, other rights and obligations with related parties were as follows:

In thousands of Georgian Lari	Ultimate shareholder	Shareholders	Immediate parent company	Supervisory Board	Management Board	Companies under common control	Other related parties
Undrawn credit line commitments	-	76	-	56	1,396	817	14

Aggregate amounts lent to and repaid by related parties during 2022 were:

In thousands of Georgian Lari	Ultimate shareholder	Shareholders	Immediate parent company	Supervisory Board	Management Board	Companies under common control	Other related parties
Amounts lent to related parties during the year	-	404	-	125	5,065	9,365	629
Amounts repaid by related parties during the year	-	991	-	238	5,913	13,850	-
Amount paid to RP for purchases of CIP and other assets	-	-	-	-	-	-	59,922

A person is considered as related party only if he/she has control or joint control or significant influence over the Bank or the Group, is a member of Top Management of the Group or its parent entity.

35 Related Party Transactions (Continued)

Legal Entity is considered to be a related party if the following conditions are met: The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); The enterprise is subject of control or joint control of the following natural persons: person having control or significant influence over the Bank; Member of Top Management of the Bank, The Group or its parent Company, as well as their family members. Other related parties include companies under control of the Bank and/or family member of persons who are considered as related party and have right significant influence over the bank or the Group.

Compensation for the members of the Supervisory Board is presented below:

	2023		**2022**	
In thousands of Georgian Lari	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	956	-	857	-
Total	**956**	-	**857**	-

Key management compensation is presented below:

	2023		**2022**	
In thousands of Georgian Lari	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	4,450	88	2,951	28
Share-based compensation:				
- Equity-settled share-based compensation	160	-	167	-
Other long-term employee benefits:				
- Long-term bonus scheme	6,122	8,740	4,906	3,858
Total	**10,732**	**8,828**	**8,024**	**3,886**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services. Key management personnel includes management board members.

36 Events after the reporting period

Increase of BasisBank's Share Capital. On February 14, 2024 during the shareholder meeting the decision was made to issue ordinary shares. These shares were subsequently fully purchased by the Bank's largest shareholder, Xinjiang Hualing Industry and Trade (Group) Co, for a total of 26.5 million GEL.

Acquisition of leasing portfolio by BB Leasing. In January 2024, BB leasing acquired selected auto leasing portfolio from Georgian Leasing Company JSC (a subsidiary of JSC Bank of Georgia).

BB Leasing acquired 412 leasing contracts with overall portfolio of GEL 4,120 thousands. As a result, BB leasing has significantly increased its retail business and has significantly strengthen its position on the market. The portfolio was acquired with a discount of 10.4% from its carrying value.

37 Abbreviations

The list of the abbreviations used in these consolidated and separate financial statements is provided below:

Abbreviation	Full name
AC	Amortised Cost
ALCO	Assets liability management committee
CCF	Credit Conversion Factor
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective interest rate
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX, Forex	Foreign Currency Exchange
IFRS	International Financial Reporting Standard
IRB system	Internal Risk-Based system
L&R	Loans and Receivables
LGD	Loss Given Default
LTV	Loan to Value
NBG	National Bank of Georgia
PD	Probability of Default
PL	Statement of profit or loss
POCI financial assets	Purchased or Originated Credit-Impaired financial assets
ROU asset	Right of use asset
SPB	Share-based Payment
SICR	Significant Increase in Credit Risk
SME	Small and Medium-sized Enterprises
SPPI	Solely Payments of Principal and Interest
SPPI test	Assessment whether the financial instruments' cash flows represent Solely Payments of Principal and Interest