JSC Bank of Georgia and Subsidiaries
Consolidated Financial Statements

31 December 2022
Together with Independent Auditor's Report

CONTENTS

INDEPENDENT AUDITOR'S REPORT

NOTES TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS

EY LLC
Kote Abkhazi Street, 44
Tbilisi, 0105, Georgia
Tel: +995 (32) 215 8811
Fax: +995 (32) 215 8822
www.ey.com/ge

შპს იუაი
საქართველო, 0105 თბილისი
კოტე აფხაზის ქუჩა 44
ტელ: +995 (32) 215 8811
ფაქსი: +995 (32) 215 8822

Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of JSC Bank of Georgia and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated 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 financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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.

Key audit matters

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

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

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

Building a better working world

Key audit matter	How our audit addressed it
estimation of probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'), including the valuation of collateral; and measurement of individually assessed provisions, including expected future cash flows and the valuation of collateral. There are also risks related to: the accuracy and completeness of underlying loan data used in the ECL model; and the accuracy and adequacy of financial statement disclosures. As a consequence of the judgement involved in establishing the allowance, there is a greater risk of misstatement in ECL charges, either by fraud or error, including through the potential override of controls by management. As a result, this matter was one of the most significant assessed risks of material mistatement. The level of risk remains consistent with the prior year.	► We challenged the criteria used to allocate assets to stage 1, 2, 3 or POCI in accordance with IFRS 9, including any management overlays applied specifically to determine SICR and staging. For a sample of loans, we independently assessed whether they had been allocated to the appropriate stage, considering potential indicators of significant increase in credit risk or default and challenged management as to the rationale for movements between stages. ► We performed procedures to address the existence and valuation of collateral for loans where expected cash flows from collateral were impacting the estimation of loan losses. Involving our valuation specialists, we assessed the reasonableness of of valuation methodology of collaterals. ► We evaluated the adequacy and appropriateness of disclosures related to ECL for compliance with the requirements of IFRS.
Valuation of investment properties	
The Group applies the fair value model for its investment property and available for sale assets ('AFS'), while it measures foreclosed assets at the lower of cost and net realisable value. They are largely comprised of real estate assets that were previously held as collateral against loans that have now defaulted.	► We obtained an understanding, performed walkthroughs and evaluated the design effectiveness of key controls across the processes relevant to the valuation of investment property, real estate assets held for sale, and foreclosed assets. ► We evaluated the competence, professional qualification and objectivity of the external experts engaged by the Group to perform valuation of the Group's investment properties.

Key audit matter	How our audit addressed it
Real estate valuations are inherently uncertain and subject to an estimation process. Due to the Russia-Ukraine war, Russian and Ukrainian people moved to Georgia in large numbers. This has resulted in an increase in demand for real estate and a corresponding rise in price. Whilst valuations are performed by a combination of internal and external appropriately qualified valuers, there remains a risk that individual assets might be inappropriately valued. Due to heightened volatility in market prices as a result of ongoing economic uncertainty in the region, the level of risk related to the valuation of properties increased.	► Through reading the valuation reports and discussion with management and the valuers, we obtained an understanding of the objectives and scope of the experts' work, the methods and assumptions that they had used and the conclusions that they had reached. ► We involved the EY Property Valuation specialist team to perform a revaluation of a sample of properties in order to test the reasonableness of management's expert valuation. We verified the input data, the application of the methods and logic as well as the reasoning applied by the appraisers. Subsequently, we compared the results reached by EY specialists to those of management's experts and investigated significant variances. ► We assessed the adjustments made by management to the valuation of properties for their reasonableness, more specifically, we verified that the properties subject to repurchase options had been capped at their repurchase price and that an appropriate period had been applied in order to discount the fair values of properties with restrictions. ► We performed testing over the addition and disposal of properties including the transfer of assets between investment properties, property and equipment, other assets and assets held for sale. ► We reviewed the presentation and disclosure of real estate in the financial statements are in accordance with relevant accounting standards.

Other information included in the Group's 2022 Annual report

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

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

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

Responsibilities of management and the Audit Committee for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Ruslan Khoroshvili

on behalf of EY LLC

28 April 2023

Tbilisi, Georgia

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Thousands of Georgian Lari)

	Notes	*2022*	*2021*	*2020*
Assets				
Cash and cash equivalents	6	3,495,728	1,494,452	1,983,188
Amounts due from credit institutions	7	2,417,306	1,917,939	2,007,581
Investment securities	8	4,343,749	2,563,961	2,513,472
Loans to customers and finance lease receivables	9	16,841,603	15,998,166	14,003,526
Accounts receivable and other loans		3,398	23,432	1,501
Prepayments		47,176	58,160	43,638
Inventories		11,441	6,243	5,995
Right-of-use assets	10	115,404	77,676	82,804
Investment properties	11	170,629	231,707	234,835
Property and equipment	10	363,606	343,025	346,867
Goodwill	12	33,453	33,453	33,453
Intangible assets	10	130,307	124,775	110,361
Income tax assets	13	864	292	22,033
Other assets	14	362,828	241,200	316,404
Assets held for sale		29,566	46,731	62,648
Total assets		**28,367,058**	**23,161,212**	**21,768,306**
Liabilities				
Client deposits and notes	15	18,274,061	14,081,438	14,052,479
Amounts owed to credit institutions	16	5,191,494	4,118,462	3,124,939
Debt securities issued	17	646,137	1,460,479	1,567,558
Lease liability	10	112,624	85,098	95,201
Accruals and deferred income		102,250	76,600	51,408
Income tax liabilities	13	99,533	110,868	62,434
Other liabilities	14	153,591	177,044	325,987
Total liabilities		**24,579,690**	**20,109,989**	**19,280,006**
Equity	19			
Share capital		27,994	27,994	27,994
Additional paid-in capital		190,033	180,969	216,974
Treasury shares		(10)	(10)	(10)
Other reserves		(4,304)	(24,070)	47,997
Retained earnings		3,573,655	2,866,340	2,195,345
Total equity attributable to shareholders of the Group		**3,787,368**	**3,051,223**	**2,488,300**
Total equity		**3,787,368**	**3,051,223**	**2,488,300**
Total liabilities and equity		**28,367,058**	**23,161,212**	**21,768,306**

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

Archil Gachechiladze — Chief Executive Officer

Sulkhan Gvalia — Chief Financial Officer

Mel Carvill — Supervisory Board Chairman

28 April 2023

The accompanying Notes on pages 6 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

(Thousands of Georgian Lari)

	Notes	2022	2021	2020
Interest income calculated using EIR method		2,223,455	1,796,788	1,539,643
Other interest income		20,573	28,737	32,067
Interest income		**2,244,028**	**1,825,525**	**1,571,710**
Interest expense		(1,051,700)	(870,013)	(795,299)
Deposit insurance fees		(17,717)	(14,629)	(11,415)
Net interest income	20	**1,174,611**	**940,883**	**764,996**
Fee and commission income		548,782	382,630	269,640
Fee and commission expense		(287,362)	(194,294)	(133,401)
Net fee and commission income	21	**261,420**	**188,336**	**136,239**
Net foreign currency gain		463,202	107,801	98,938
Net gains/(losses) on extinguishment of debt		(8,462)	(2,892)	(4,924)
Net other gains/(losses)		40,556	70,403	48,130
Operating income		**1,931,327**	**1,304,531**	**1,043,379**
Salaries and other employee benefits	22	(330,376)	(254,153)	(216,657)
Administrative expenses	22	(151,712)	(119,558)	(94,959)
Depreciation, amortisation and impairment	10	(95,977)	(83,682)	(75,934)
Other operating expenses		(3,603)	(3,822)	(4,437)
Operating expenses		**(581,668)**	**(461,215)**	**(391,987)**
Profit from associates		819	(3,781)	782
Operating income before cost of risk		**1,350,478**	**839,535**	**652,174**
Expected credit loss on loans to customers	23	(129,704)	(4,113)	(239,341)
Expected credit loss on finance lease receivables	23	(3,208)	(4,950)	(8,025)
Other expected credit (loss) / recovery	23	(16,745)	9,252	(22,661)
Impairment charge on other assets and provisions		(18,007)	(20,488)	(13,458)
Cost of risk		**(167,664)**	**(20,299)**	**(283,485)**
Net operating income before non-recurring items		**1,182,814**	**819,236**	**368,689**
Net non-recurring items	24	(203)	(610)	(41,416)
Profit before income tax expense		**1,182,611**	**818,626**	**327,273**
Income tax expense	13	(190,607)	(74,815)	(20,775)
Profit for the year		**992,004**	**743,811**	**306,498**
Basic and diluted earnings per share	19	35.4492	26.5800	10.9527

The accompanying Notes on pages 6 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Thousands of Georgian Lari)

	2022	2021	2020
Profit for the year	**992,004**	**743,811**	**306,498**
Other comprehensive income (loss)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent years:			
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	29,683	(39,431)	78,490
– Realised (gain) loss on financial assets measured at FVOCI	(7,528)	(30,044)	(2,854)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement	7,379	(880)	(104)
– Loss from currency translation differences	(18,110)	(7,381)	(3,708)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent years	**11,424**	**(77,736)**	**71,824**
Other comprehensive loss not to be reclassified to profit or loss in subsequent years:			
– Revaluation of property and equipment reclassified to investment property	-	2,359	-
– Net loss on investments in equity instruments designated at FVOCI	(1,369)	884	(518)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent years	**(1,369)**	**3,243**	**(518)**
Other comprehensive income (loss) for the year, net of tax	**10,055**	**(74,493)**	**71,306**
Total comprehensive income for the year	1,002,059	669,318	377,804
Total comprehensive income for the year	**1,002,059**	**669,318**	**377,804**
Total comprehensive income attributable to:			
– shareholders of the Group	1,002,059	669,318	377,804
	1,002,059	**669,318**	**377,804**
Total comprehensive income attributable to:			
– shareholders of the Group	1,002,059	669,318	377,804
	1,002,059	**669,318**	**377,804**

The accompanying Notes on pages 6 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Thousands of Georgian Lari)

	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Total equity
31 December 2019	**27,994**	**183,875**	**(10)**	**(30,874)**	**1,896,412**	**2,077,397**
Profit for the year	-	-	-	-	306,498	306,498
Other comprehensive income for the year	-	-	-	78,871	(7,565)	71,306
Total comprehensive income for the year	**-**	**-**	**-**	**78,871**	**298,933**	**377,804**
Increase in equity arising from share-based payments	-	54,361	-	-	-	54,361
Contributions under share-based payment plan (Note 25)	-	(21,262)	-	-	-	(21,262)
31 December 2020	**27,994**	**216,974**	**(10)**	**47,997**	**2,195,345**	**2,488,300**
Profit for the year	-	-	-	-	743,811	743,811
Other comprehensive income for the year	-	-	-	(72,067)	(2,426)	(74,493)
Total comprehensive income for the year	**-**	**-**	**-**	**(72,067)**	**741,385**	**669,318**
Increase in equity arising from share-based payments	-	44,444	-	-	-	44,444
Dividends to shareholders of the Bank (Note 19)	-	-	-	-	(70,390)	(70,390)
Contributions under share-based payment plan (Note 25)	-	(80,449)	-	-	-	(80,449)
31 December 2021	**27,994**	**180,969**	**(10)**	**(24,070)**	**2,866,340**	**3,051,223**
Profit for the year	-	-	-	-	992,004	992,004
Other comprehensive income for the year	-	-	-	19,766	(9,711)	10,055
Total comprehensive income for the year	**-**	**-**	**-**	**19,766**	**982,293**	**1,002,059**
Increase in equity arising from share-based payments	-	80,955	-	-	-	80,955
Dividends to shareholders of the Bank (Note 19)	-	-	-	-	(274,978)	(274,978)
Contributions under share-based payment plan (Note 25)	-	(71,891)	-	-	-	(71,891)
31 December 2022	**27,994**	**190,033**	**(10)**	**(4,304)**	**3,573,655**	**3,787,368**

The accompanying Notes on pages 6 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(Thousands of Georgian Lari)

	Notes	2022	2021	2020
Cash flows from operating activities				
Interest received		2,286,511	1,826,656	1,431,082
Interest paid		(1,012,989)	(885,881)	(797,265)
Fees and commissions received		511,899	372,057	281,056
Fees and commissions paid		(287,362)	(194,294)	(133,401)
Net realised gain from foreign currencies		453,871	134,819	98,498
Recoveries of loans to customers previously written off	9	84,542	81,329	44,472
Cash received from (paid for) derivatives		-	(235)	1,601
Other income received		16,933	33,687	5,902
Salaries and other employee benefits paid		(249,421)	(209,709)	(162,296)
General and administrative and operating expenses paid		(157,350)	(128,496)	(93,027)
Cash flows from operating activities before changes in operating assets and liabilities		**1,646,634**	**1,029,933**	**676,622**
Net (increase) decrease in operating assets				
Amounts due from credit institutions		(899,984)	89,925	(143,914)
Loans to customers and finance lease receivables		(2,477,673)	(2,172,141)	(1,291,444)
Prepayments and other assets		(40,170)	(49,629)	(3,216)
Net increase (decrease) in operating liabilities				
Amounts due to credit institutions		1,143,916	991,565	(773,597)
Debt securities issued		(15,142)	(36,225)	(205,171)
Client deposits and notes		5,478,689	33,553	2,836,175
Other liabilities		46,441	31,100	(27,448)
Net cash flows from operating activities before income tax		**4,882,711**	**(81,919)**	**1,068,007**
Income tax paid		(202,514)	(4,640)	(18,010)
Net cash flows from operating activities from continuing operations		**4,680,197**	**(86,559)**	**1,049,997**
Net cash flows from operating activities		**4,680,197**	**(86,559)**	**1,049,997**
Cash flows (used in) from investing activities				
Net (purchases) sales of investment securities		(1,832,499)	(86,195)	(667,378)
Proceeds from sale of investment properties and assets held for sale		92,860	124,805	75,388
Proceeds from sale of property and equipment and intangible assets		3,157	870	549
Purchase of property and equipment and intangible assets		(108,052)	(86,703)	(95,089)
Dividends received		-	401	632
Net cash flows from (used in) investing activities from continuing operations		**(1,844,534)**	**(46,822)**	**(685,898)**
Net cash flows (used in) from investing activities		**(1,844,534)**	**(46,822)**	**(685,898)**
Cash flows (used in) from financing activities				
Repurchase of debt securities issued (Note 17)		(617,194)	(28,825)	(120,549)
Repayment of the principal portion of the debt securities issued		(31,581)	(46,706)	(440,410)
Proceeds from Additional Tier 1 debt securities issued		148,120	-	-
Cash payments for the principal portion of the lease liability		(25,020)	(28,672)	(11,525)
Dividends paid		(274,345)	(70,222)	(33)
Contributions under share-based payment plan (Note 25)		(71,891)	(80,449)	(21,262)
Net cash from (used in) financing activities from continuing operations		**(871,911)**	**(254,874)**	**(593,779)**
Net cash (used in) from financing activities		**(871,911)**	**(254,874)**	**(593,779)**
Effect of exchange rates changes on cash and cash equivalents		37,858	(100,529)	53,601
Effect of expected credit losses on cash and cash equivalents		(334)	48	62
Net (decrease) increase in cash and cash equivalents		**2,001,276**	**(488,736)**	**(176,017)**
Cash and cash equivalents, beginning of the year	6	**1,494,452**	**1,983,188**	**2,159,205**
Cash and cash equivalents, end of the year	6	**3,495,728**	**1,494,452**	**1,983,188**

The accompanying Notes on pages 6 to 107 are an integral part of these consolidated financial statements.

1. Principal activities

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

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally, and exchanges currencies. Its main office is in Tbilisi, Georgia. At 31 December 2022, the Bank has 211 operating outlets in all major cities of Georgia (31 December 2021: 211, 31 December 2020: 211). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia. The Bank's identification number is 204378869.

As at 31 December 2022 Bank of Georgia Group PLC represented the ultimate parent company of the Bank.

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

As at 31 December 2022, 31 December 2021 and 31 December 2020, JSC BGEO was the principal shareholder of the Bank:

Shareholder	*31 December 2022*	*31 December 2021*	*31 December 2020*
JSC BGEO Group	79.78%	79.78%	79.78%
Bank of Georgia Group PLC	19.78%	19.78%	19.78%
Others*	0.44%	0.44%	0.44%
Total	**100.00%**	**100.00%**	**100.00%**

**** Shares listed on the Georgian Stock Exchange.***

2. Basis of preparation

General

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2022 reporting.

The Bank and its Georgian-based subsidiaries are required to maintain their records and prepare their financial statements for regulatory purposes in Georgian Lari, while the Bank's subsidiaries established outside of Georgia are in their respective local currencies. These financial statements are prepared under the historical cost convention except for:

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

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

Going concern

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

(Thousands of Georgian Lari)

2. Basis of preparation (continued)

Impact of climate-related risks on the Group's financial position and performance

As described in Note 26 to the financial statements, the Group has identified Climate Risk as an emerging risk. However, qualitative analysis of the impact of climate change and low-carbon transitions on traditional banking risk and on the sectors in which our clients are active lead us to believe that there is currently no material short-to-medium term impact of climate change expected. The Group will refine its assessment of such risks in 2023 and beyond and will re-assess whether the impact of climate-related risks on its financial position and performance need to be considered.

Subsidiaries, associates and corporate shares with shareholdings above 10%

The consolidated financial statements as at 31 December 2022, 31 December 2021 and 31 December 2020 include the following subsidiaries, associates and corporate shares with shareholdings above 10%:

Subsidiaries	*Proportion of voting rights and ordinary share capital held*			*Investments*								
	31 December 2022	*31 December 2021*	*31 December 2020*	*31 December 2022*	*31 December 2021*	*31 December 2020*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
Bank of Georgia Representative Office UK Limited	100.00%	100.00%	100.00%	-	-	-	United Kingdom	42 Brook Street, London, W1K 5DB	Information Sharing and Market Research	17/8/2010	–	Limited Liability Company
Tree of Life Foundation NPO (formerly known as Bank of Georgia Future Foundation, NPO)	100.00%	100.00%	100.00%	-	-	-	Georgia	3 Pushkin Street, Tbilisi 0105	Charitable activities	25/8/2008	–	Non-profit Organization
Bank of Georgia Representative Office Hungary (a)	100.00%	100.00%	100.00%	7,235	6,886	6,886	Hungary	1054 Budapest, Szabadság tér 7; Bank Center	Representative Office	18/6/2012	–	Representative Office
Representative Office of JSC Bank of Georgia in Turkey	100.00%	100.00%	100.00%	-	-	-	Turkey	Süleyman Seba Caddesi No:48 A Blok Daire 82 Akaretler Beşiktaş 34357 Istanbul	Representative Office	25/12/2013	–	Representative Office
Georgia Financial Investments, LLC	100.00%	100.00%	100.00%	3,577	3,577	3,577	Israel	7 Menahem Begin, Ramat Gan 52681, Israel	Information Sharing and Market Research	9/2/2009	–	Limited Liability Company
Benderlock Investments Limited	100.00%	100.00%	100.00%	58,745	58,745	58,745	Cyprus	Arch. Makariou III 58, IRIS TOWER, 8th floor, Flat/Office 702 P.C. 1075, Nicosia	Investments	12/5/2009	13/10/2009	Limited Liability Company
⇒ JSC Belarusky Narodny Bank (b)	99.98%	99.98%	99.98%	102,998	109,173	110,744	Belarus	Nezavisimosty Ave. 87A, Minsk, 220012	Banking	16/4/1992	3/6/2008	Joint Stock Company
⇒ BNB Leasing, LLC	99.90%	99.90%	99.90%	8	11	11	Belarus	Nezavisimosty Ave. 87A, room 3, Minsk, 220012	Leasing	30/3/2006	3/6/2008	Limited Liability Company
Georgian Leasing Company, LLC	100.00%	100.00%	100.00%	22,414	22,414	22,414	Georgia	3-5 Kazbegi Str.,Tbilisi	Leasing	29/10/2001	31/12/2004	Limited Liability Company
⇒ Prime Leasing	100.00%	100.00%	100.00%	2	2	2	Georgia	Didube-Chughureti district, №114, Ak. Tsereteli Ave., Tbilisi	Leasing	27/1/2012	21/1/2015	Limited Liability Company

Associates	*31 December 2022*	*31 December 2021*	*31 December 2020*	*31 December 2022*	*31 December 2021*	*31 December 2020*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
JSC Credit info (c)	21.08%	21.08%	21.08%	9,249	8,918	13,099	Georgia	2 Tarkhnishvili St., Tbilisi, Georgia	Financial intermediation	14/2/2005	14/2/2005	Joint Stock Company
JSC Tbilisi Stock Exchange	24.04%	24.04%	24.04%				Georgia	72 Vazha-Pshavela Avenue, Tbilisi, Georgia	Financial intermediation	8/5/2015	23/12/2016	

Investment securities, corporate shares	*Proportion of voting rights and ordinary share capital held*			*Investments*								
	31 December 2022	*31 December 2021*	*31 December 2020*	*31 December 2022*	*31 December 2021*	*31 December 2020*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
JSC United Clearing Center	16.67%	16.67%	16.67%	108	108	108	Georgia	5/1 Sulkhan-Saba St., Tbilisi, Georgia	Electronic payment services	22/07/2008	15/09/2008	Joint Stock Company

(a) The investment has been fully impaired in standalone financial statements as at 31 December 2022 and 31 December 2021.

(b) The presented amount is the total of investments made directly by JSC Bank of Georgia and Benderlock Investments Limited, at GEL 66,575 and GEL 36,423, respectively.

(c) JSC Credit info initial investment amounted to GEL 95, which has been increased to GEL 5,320 as a result of investment re-measurement to fair value, when an equity investment became an associate in 2019. The share of the investment's profits or losses has also been recognised in the consolidated income statement.

3. Summary of significant accounting policies

Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2022. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

3. Summary of significant accounting policies (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair values. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investments in associates

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Investment in an associate is assessed for impairment at each reporting date and recoverable value is determined if any indicators are identified. Any impairment losses are recorded under Profit (loss) from associate.

3. Summary of significant accounting policies (continued)

Investments in subsidiaries and associates in parent company financial statements

For the purposes of parent company financial statements, investments in subsidiaries and associates are accounted at cost less any impairment. Investments in subsidiaries and associates are accounted in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations when they are classified as held for sale or distribution. Dividends from a subsidiary or an associate are recognised in the parent company financial statements when the parent's right to receive the dividend is established.

Fair value measurement

The Group measures financial instruments, such as trading and investment securities, certain loans to customers, derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 27.

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

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

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

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

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

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

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

Financial assets and liabilities

Classification and measurement for financial assets and liabilities

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

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

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

3. Summary of significant accounting policies (continued)

Financial assets and liabilities

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

Measurement of financial instruments at initial recognition

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

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

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

Subsequent measurement of financial instruments

Financial instruments measured at amortised cost

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

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

The details of these conditions are outlined below.

Business model

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

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

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

There are three business models available under IFRS 9:

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

3. Summary of significant accounting policies (continued)

Subsequent measurement of financial instruments (continued)

Solely Payments of Principal and Interest (SPPI)

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

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

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

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

Debt instruments at FVOCI

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

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

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

Equity instruments at FVOCI – option

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

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

Financial assets at FVTPL

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

Derivatives recorded at fair value through profit or loss

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

3. Summary of significant accounting policies (continued)

Subsequent measurement of financial instruments (continued)

Financial guarantees, letter of credits and other financial commitments

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

Non-financial guarantees

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

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from central banks, excluding obligatory reserves with central banks, and amounts due from credit institutions that mature within 90 days of the date of origination, and are free from contractual encumbrances and readily convertible to known amounts of cash.

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments.

Such instruments include amounts due to credit institutions and amounts due to customers (including promissory notes issued). These are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost, using the effective interest method. Gains and losses are recognised in the Consolidated Income Statement when the borrowings are derecognised as well as through the amortisation process.

Borrowings

Issued Additional Tier 1 instruments with perpetual maturity and discretionary interest payments are classified as financial liabilities when the instruments are not convertible into equity and the Group does not have unconditional right to avoid delivering cash upon a predetermined trigger event. Such instruments are measured at amortised cost with respective interest presented as part of Interest Expense in the Consolidated Income Statement.

If the Group purchases its own debt, it is removed from the Statement of Financial Position and the difference between the carrying amount of the liability and the consideration paid is recognised in the Consolidated Income Statement.

3. Summary of significant accounting policies (continued)

Subordinated debt

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

Leases

The Group as a lessee

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

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

Recognition of right-of-use asset and lease liability

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimated dismantling costs, if any. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term.

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

Recognition exemptions

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

Modifications of lease contracts

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

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

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

The Group as a lessor

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

Finance lease

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

3. Summary of significant accounting policies (continued)

Leases

Operating lease

The Group presents assets subject to operating leases in the Consolidated Statement of Financial Position according to the nature of the asset. Lease income from operating leases is recognised in the Consolidated Income Statement on a straight-line basis over the lease term as Net Other Income. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Impairment of financial assets

Overview of the ECL principles

The Group records an allowance for expected credit loss (ECL) for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial assets'. Equity instruments are not subject to impairment under IFRS 9.

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

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

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

Staged approach to the determination of expected credit losses

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

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

Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit-impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

3. Summary of significant accounting policies (continued)

Staged approach to the determination of expected credit losses (continued)

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

Key judgements and estimates used under IFRS 9 are disclosed in Note 4.

Derecognition of financial assets and liabilities

Derecognition of financial assets

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

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

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition and modification of financial assets

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

Derecognition and modification of financial assets (continued)

When assessing whether or not to derecognise a financial instrument, the Group considers the following factors:

- Change in currency of the loan.
- Change in interest rate type.
- Introduction of an equity feature.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

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

Forbearance and modified loans

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

Derecognition of financial assets and liabilities

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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

Foreclosed Assets

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

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

Majority of the Group's foreclosed assets consists of the real estate assets repossessed during recovery of defaulted loans. Such assets are specific and not ordinarily interchangeable, respectively the Group applies specific identification of their individual costs.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell unless scoped out of IFRS 5 in which case the existing measurement provisions of IFRS apply.

Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset is measured in accordance with applicable IFRSs.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.
Assets and liabilities classified as held for sale are presented separately from other assets and liabilities in the statement of financial position.

3. Summary of significant accounting policies (continued)

Taxation

The current income tax expense is calculated in accordance with the regulations in force in the respective territories in which the Group and its subsidiaries operate.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax liabilities are provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Georgia and Belarus also have various operating taxes that are assessed on the Group's activities. These taxes are included as a component of other operating expenses.

Uncertain tax positions

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

Investment properties

Investment property is land or building or a part of a building held to earn rental income or for capital appreciation and which is not used by the Group.

Investment property is initially recognised at cost, including transaction costs, and subsequently re-measured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Group's investment property is determined on the basis of various sources including reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. With regards to certain investment properties with repurchase option granted to previous owners, fair value of the property at the reporting date is capped at repurchase price.

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

Property and equipment

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

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

3. Summary of significant accounting policies (continued)

Property and equipment (continued)

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

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

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

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

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

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

Goodwill impairment

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

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

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

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

Intangible assets

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

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

Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete the asset and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. Other research and software development costs are recognised as an expense as incurred.

3. Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Share-based payment transactions

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

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The awards of shares in monetary terms are measured by reference to the monetary value (as awarded) adjusted for the time value of money where necessary.
The cost of equity-settled transactions is recognised together with the corresponding increase in equity as part of additional paid-in capital, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Consolidated Income Statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for the awards that do not ultimately vest except for the awards where vesting is conditional upon market conditions which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance conditions are satisfied.

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

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

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

Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Additional paid-in capital

Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital. Further, the effects of share-based payments are also recognised as part of the additional paid-in capital.

Treasury shares

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

3. Summary of significant accounting policies (continued)

Equity (continued)

Dividends

Dividends are recognized as liabilities and deducted from equity at the reporting date only if they are declared before or on the reporting date and do not require further approval. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the Consolidated Financial Statements are authorised for issue. All expenses associated with dividend distribution are added to dividend amount and recorded directly through equity.

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation where an outflow of the economic resources is either not expected to occur or can not be measured reliably.

Contingent liabilities are not recognised in the Consolidated Statement of Financial Position but are disclosed, unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the Consolidated Statement of Financial Position but disclosed when an inflow of economic benefits is probable.

Income and expense recognition

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

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest-bearing securities, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

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

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

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

Fee and commission income

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

3. Summary of significant accounting policies (continued)

Income and expense recognition (continued)

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

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

Customer loyalty program

Customer loyalty programme points accumulated in the business are treated as deferred revenue and recognised in revenues gradually as they are earned. The Group recognises gross revenue earned from customer loyalty programmes when the performance obligation is satisfied, i.e. when the customer redeems the points or the points expire, where the Group acts as a principal. Conversely, the Group measures its revenue as the net amount retained on its account representing the difference between the consideration allocated to the award credits and the amount payable to the third party for supplying the awards as soon as the award credits are granted, where the Group acts as an agent. At each reporting date, the Group estimates the portion of accumulated points that is expected to be utilised by customers based on statistical data. These points are treated as a liability in the statement of financial position and are only recognised in revenue when points are earned or expired.

Performance obligations satisfied at a point in time

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

Dividend income

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

Non-recurring items

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

Functional, reporting currencies and foreign currency translation

The Consolidated Financial Statements are presented in Georgian Lari, which is the Group's presentation currency. BOGG's and the Bank's functional currency is Georgian Lari. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

(Thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Functional, reporting currencies and foreign currency translation

Differences between the contractual exchange rate of a certain transaction and the NBG exchange rate on the date of the transaction are included in gains less losses from foreign currencies (dealing). The official NBG exchange rates at 31 December 2022, 31 December 2021 and 31 December 2020 were:

	Lari to GBP	*Lari to USD*	*Lari to EUR*	*Lari to BYN*
31 December 2022	3.2581	2.7020	2.8844	1.0730
31 December 2021	4.1737	3.0976	3.5040	1.2101
31 December 2020	4.4529	3.2766	4.0233	1.2647

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

On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in other comprehensive income relating to that particular entity is recognised in the Consolidated Income Statement.

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

Adoption of new or revised standards and interpretations

Amendments effective from 1 January 2022

IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'

In May 2020, the IASB issued amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" to clarify what costs an entity considers in assessing whether a contract is onerous. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
The amendment had no material impact on the Group's consolidated financial statements.

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

The amendment had no material impact on the Group's consolidated financial statements.

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

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

(Thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations (continued)

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

The amendment did not have any material effect of the Group's consolidated financial statements.

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16 - The IBOR transition programme is sponsored by the Chief Financial Officer of Bank of Georgia and has senior representation from each division, region and infrastructure functions. The programme has been focused on identifying and quantifying exposures to various interest rate benchmarks, reviewing existing contracts that reference IBORs to make sure contractual fallback language is sufficient to ensure smooth transition. All new contracts are updated for more effective fallback language to facilitate and support later transition. While operational risks could be increased, contractual repapering and rebooking activities will be managed accordingly through bulk transition processes given majority of the loan contracts contain fallback clause. Greater emphasis is placed on engaging with clients who do not have contractual fallback provisions embedded within the loan agreements or are individually significant borrowers. In addition, all major borrowing contracts are updated for fallback clause or the process is in place to facilitate untroubled transition.

For the year ended 2022 all EUR LIBOR contracts were transitioned to Euribor on an economically equivalent basis. For USD Libor contracts the Group is planning to inform all customers by April 2023 on the upcoming transition to term SOFR rates which will take place after June 2023. Meanwhile, new financial instruments issued in 2022 and beyond are referenced to SOFR instead of Libor.

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

Non-derivative contracts:

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

Reclassifications

To improve the quality and understandability of its consolidated income statement, the Group has revisited the presentation of gain/losses resulting from its debt extinguishment. The Group considered it more appropriate to present such gains/losses separately from other gains/losses. Comparative amounts were reclassified in line with the updated presentation.

The following reclassifications were made to year ended 31 December 2021 and 31 December 2020 consolidated income statement to conform to the year ended 31 December 2022 presentation requirements:

Consolidated income statement for the year ended 31 December 2021	*As previously reported*	*Reclassification*	*As reclassified*
Net gains/(losses) on extinguishment of debt	-	(2,892)	(2,892)
Net other gains/(losses)	67,511	2,892	70,403

Consolidated income statement for the year ended 31 December 2020	*As previously reported*	*Reclassification*	*As reclassified*
Net gains/(losses) on extinguishment of debt	-	(4,924)	(4,924)
Net other gains/(losses)	43,206	4,924	48,130

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective

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

IAS 1 Presentation of Financial Statements

In January 2020 and July 2020, the IASB issued amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current". They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The amendments also clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments will be effective for annual periods beginning on or after January 1, 2023 with early adoption permitted. The Group is assessing the potential effect of the amendment on its consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17, Insurance Contracts, which sets out the accounting requirements for contractual rights and obligations that arise from insurance contracts issued and reinsurance contracts held. IFRS 17 is effective from 1 January 2023. The Group is assessing the standard, but does not expect it to have a material effect on its consolidated financial statements.

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

In May 2021 the Board issued Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments to IAS 12 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The Group does not expect it to have a material effect on its consolidated financial statements.

Narrow-scope amendments

Definition of Accounting Estimates - Amendments to IAS 8, In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

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

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted.

The Group is assessing the potential effect of the amendment on its consolidated financial statements.

4. Significant accounting judgements and estimates

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

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

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

The last valuation was performed in 2022. Results of this valuation are presented in Note 11, while valuation inputs and techniques are presented in Note 27. The Group's properties are spread across the different parts of the country. While the secondary market in Georgia provides adequate market information for fair value measurements for small and medium sized properties, valuation of large properties involves application of various observable and unobservable inputs to determine adjustments to the available comparable sale prices. These estimates and assumptions are based on the best available information, however, actual results could be different.

Allowance for financial assets

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

Definition of default, credit-impaired and cure (Note 26)

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

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

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

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

Significant increase in credit risk (SICR)

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

- A significant increase in credit risk, expressed in the relative and/or absolute increase in the risk of default since initial recognition. SICR is determined based on comparison between credit risk ratings (internal or external) as of the origination date and credit risk ratings as of the reporting date for each financial asset individually. Thresholds are determined separately for corporate, retail and SME and other financial instrument portfolios, depending on initial grade assigned at origination.
- Existence of forecast of adverse changes in commercial, financial or economic conditions that adversely affect the creditworthiness of the borrower.

4. Significant accounting judgements and estimates (continued)

Significant increase in credit risk (SICR) (continued)

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

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

Measurement of expected credit losses

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

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

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

Assets considered in the ECL calculations

IFRS 9 requires cash flows expected from collateral and other credit enhancements to be reflected in the ECL calculation. The treatment and reflection of collateral for IFRS 9 purposes is in line with general risk management principles, policies and processes of the 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 inception and reassessed on an annual basis for all material exposures. During the period where real estate prices are subject to significant fluctuation, those collaterals not revalued during the last 3 months before the end of the reporting date were further adjusted with respective real estate price index movement. As at 30 June 2022 the effect of the noted adjustment amounted to GEL 26 million decrease of ECL (2021: nil; 2020: nil).

(Thousands of Georgian Lari)

4. Significant accounting judgements and estimates (continued)

Management Overlays and improvements to the ECL methodology

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

Forward-looking information

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

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

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

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

Forward-looking variable assumptions

The most significant period end assumptions used for ECL estimate as at 31 December 2022 per geographical segments are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

Georgia

Key drivers	ECL scenario	Assigned weight	As at 31 December 2022			Assigned weight	As at 31 December 2021			Assigned weight	As at 31 December 2020		
			2023	2024	2025		2022	2023	2024		2021	2022	2023
GDP growth in %													
	Upside	25%	6.00%	5.00%	5.00%	25%	6.00%	5.00%	4.50%	25%	-3.00%	6.00%	5.00%
	Base case	50%	4.00%	5.50%	5.00%	50%	5.00%	4.00%	4.50%	50%	-4.00%	4.50%	5.00%
	Downside	25%	2.00%	4.00%	5.00%	25%	2.00%	4.00%	5.00%	25%	-9.00%	2.50%	4.00%
GEL/USD exchange rate													
	Upside	25%	2.00%	0.00%	0.00%	25%	4.00%	2.00%	2.00%	25%	5.00%	5.00%	0.00%
	Base case	50%	0.00%	0.00%	0.00%	50%	0.00%	0.00%	0.00%	50%	0.00%	0.00%	0.00%
	Downside	25%	-15.00%	5.00%	5.00%	25%	-10.00%	2.00%	3.00%	25%	-10.00%	-5.00%	5.00%
CPI inflation rate in %													
	Upside	25%	5.00%	3.00%	3.00%	25%	5.50%	3.00%	3.00%	25%	5.50%	4.00%	3.00%
	Base case	50%	5.30%	3.10%	3.00%	50%	7.00%	2.50%	3.00%	50%	4.50%	1.50%	2.50%
	Downside	25%	9.00%	6.00%	3.00%	25%	8.00%	4.00%	3.00%	25%	7.00%	2.00%	2.50%

(Thousands of Georgian Lari)

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Belarus

Key drivers	ECL scenario	Assigned weight	As at 31 December 2022 2023	As at 31 December 2022 2024	Assigned weight	As at 31 December 2021 2022	As at 31 December 2021 2023	Assigned weight	As at 31 December 2020 2021	As at 31 December 2020 2022
GDP growth in %										
	Upside	10.00%	2.66%	4.26%	25%	2.92%	5.01%	10%	2.28%	4.74%
	Base case	50.00%	0.31%	0.50%	50%	0.56%	1.24%	50%	-0.06%	0.98%
	Downside	40.00%	-2.05%	-3.26%	25%	-1.80%	-2.52%	40%	-2.44%	-2.81%
BYN/USD exchange rate %										
	Upside	10.00%	0.71%	0.65%	25%	0.56%	0.52%	10%	-0.48%	-1.17%
	Base case	50.00%	2.53%	1.65%	50%	2.44%	1.37%	50%	1.45%	0.06%
	Downside	40.00%	4.09%	2.41%	25%	4.05%	1.98%	40%	3.29%	1.08%
CPI inflation rate in %										
	Upside	10.00%	0.38%	-0.58%	25%	-0.07%	-0.85%	10%	0.72%	0.69%
	Base case	50.00%	2.20%	1.66%	50%	1.83%	1.38%	50%	1.36%	1.42%
	Downside	40.00%	3.93%	3.76%	25%	3.63%	3.46%	40%	1.99%	2.14%

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

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

Sensitivity of ECL to forward looking assumptions

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

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

	As at 31 December 2020				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	172,916	3.51%	3.48%	3.50%	3.55%
Residential mortgage loans	48,607	1.28%	1.05%	1.06%	1.95%
Micro and SME loans	102,352	3.13%	2.79%	2.83%	4.06%
Consumer loans	113,801	5.15%	4.78%	4.82%	6.18%
Gold – pawn loans	227	0.22%	0.21%	0.21%	0.23%

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Aggregation of financial instruments for collective assessment

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

Determination of expected life for revolving facilities

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

Write-offs

The Group writes off financial assets when there is no reasonable expectation of recovery. For mortgages and other loans secured by real estate, the number of overdue days after which the balances are considered to be irrecoverable and are to be written off comprised 1,460 days. If the amount to be written off is greater than the accumulated loan loss allowance, the difference is first treated as an expected credit loss expense. Any subsequent recoveries are credited to expected credit loss expense.

Backtesting of ECL calculation model

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

Impact of climate-related risks on accounting judgements and estimates

While the effects of climate change represent a source of uncertainty, the Group does not consider there to be a material impact on its judgements and estimates from the physical and transition risks in the short-to-medium term. For further information, see Note 26 on emerging risks.

5. Segment information

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

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

RB - Retail Banking (excluding Retail Banking of BNB) - principally provides consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfers and settlement services, and handling of customers' deposits for both individuals and legal entities. The Retail Banking business targets the emerging retail, mass retail and mass affluent segments, together with small and medium-sized enterprises, and micro businesses.

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

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

(Thousands of Georgian Lari)

5. Segment information (continued)

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's operating income in 2022, 2021 or 2020.

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

	Retail Banking	*Corporate Investment Banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	766,794	370,222	37,510	85	1,174,611
Net fee and commission income	206,505	43,415	11,500	-	261,420
Net foreign currency gain	277,782	120,927	64,493	-	463,202
Net gains/(losses) on extinguishment of debt	(2,594)	(5,564)	(304)	-	(8,462)
Net other gains/(losses)	19,785	19,294	1,477	-	40,556
Operating income	**1,268,272**	**548,294**	**114,676**	**85**	**1,931,327**
Operating expenses	(430,141)	(96,095)	(55,347)	(85)	(581,668)
Profit from associates	819	-	-	-	819
Operating income before cost of risk	**838,950**	**452,199**	**59,329**	**-**	**1,350,478**
Cost of risk	(173,426)	31,591	(25,829)	-	(167,664)
Net operating income before non-recurring items	**665,524**	**483,790**	**33,500**	**-**	**1,182,814**
Net non-recurring expense/loss	1	-	(204)	-	(203)
Profit before income tax	**665,525**	**483,790**	**33,296**	**-**	**1,182,611**
Income tax expense	(105,752)	(77,171)	(7,684)	-	(190,607)
Profit for the year	**559,773**	**406,619**	**25,612**	**-**	**992,004**
Assets and liabilities					
Total assets	18,564,859	8,504,530	1,381,366	(83,697)	28,367,058
Total liabilities	16,360,727	7,072,733	1,229,928	(83,698)	24,579,690
Other segment information					
Property and equipment	66,383	2,112	2,241	-	70,736
Intangible assets	27,450	1,788	4,886	-	34,124
Capital expenditure	**93,833**	**3,900**	**7,127**	**-**	**104,860**
Depreciation, amortisation and impairment	(85,202)	(4,717)	(6,058)	-	(95,977)

(Thousands of Georgian Lari)

5. Segment information (continued)

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

	Retail Banking	*Corporate Investment banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	581,594	319,587	39,675	27	940,883
Net fee and commission income	141,623	41,237	5,476	-	188,336
Net foreign currency gain	57,904	36,556	13,341	-	107,801
Net gains/(losses) on extinguishment of debt	(459)	(1,330)	(1,103)	-	(2,892)
Net other gains/(losses)	23,902	44,152	2,348	1	70,403
Operating income	**804,564**	**440,202**	**59,737**	**28**	**1,304,531**
Operating expenses	(350,094)	(71,418)	(39,675)	(28)	(461,215)
Profit from associates	(3,781)	-	-	-	(3,781)
Operating income before cost of risk	**450,689**	**368,784**	**20,062**	**-**	**839,535**
Cost of risk	(71,100)	52,526	(1,725)	-	(20,299)
Net operating income before non-recurring items	**379,589**	**421,310**	**18,337**	**-**	**819,236**
Net non-recurring expense/loss	1	(78)	(533)	-	(610)
Profit before income tax	**379,590**	**421,232**	**17,804**	**-**	**818,626**
Income tax expense	(33,692)	(37,729)	(3,394)	-	(74,815)
Profit for the year	**345,898**	**383,503**	**14,410**	**-**	**743,811**
Assets and liabilities					
Total assets	14,799,515	7,383,371	980,920	(2,594)	23,161,212
Total liabilities	13,056,931	6,209,389	846,263	(2,594)	20,109,989
Other segment information					
Property and equipment	44,524	2,948	2,031	-	49,503
Intangible assets	29,439	2,578	4,992	-	37,009
Capital expenditure	**73,963**	**5,526**	**7,023**	**-**	**86,512**
Depreciation, amortisation and impairment	(70,673)	(8,069)	(4,940)	-	(83,682)

(Thousands of Georgian Lari)

5. Segment information (continued)

The following table presents the income statement and certain asset and liability information regarding the Group's operating segments as at and for the year ended 31 December 2020:

	Retail Banking	*Corporate Investment banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	495,271	233,462	36,249	14	764,996
Net fee and commission income	96,780	33,781	5,678	-	136,239
Net foreign currency gain	55,973	36,763	6,202	-	98,938
Net gains/(losses) on extinguishment of debt	(2,013)	(2,071)	(840)	-	(4,924)
Net other gains/(losses)	23,967	21,510	2,653	-	48,130
Operating income	**669,978**	**323,445**	**49,942**	**14**	**1,043,379**
Operating expenses	(295,751)	(63,271)	(32,951)	(14)	(391,987)
Profit from associates	782	-	-	-	782
Operating income (expense) before cost of risk	**375,009**	**260,174**	**16,991**	**-**	**652,174**
Cost of risk	(183,231)	(96,273)	(3,981)	-	(283,485)
Net operating income (loss) before non-recurring items	**191,778**	**163,901**	**13,010**	**-**	**368,689**
Net non-recurring expense/loss	(40,013)	(1,278)	(125)	-	(41,416)
Profit (loss) before income tax	**151,765**	**162,623**	**12,885**	**-**	**327,273**
Income tax expense	(6,603)	(11,438)	(2,734)	-	(20,775)
Profit (loss) for the year	**145,162**	**151,185**	**10,151**	**-**	**306,498**
Assets and liabilities					
Total assets	13,392,446	7,366,720	1,018,652	(9,512)	21,768,306
Total liabilities	12,030,543	6,372,878	886,097	(9,512)	19,280,006
Other segment information					
Property and equipment	59,958	4,176	616	-	64,750
Intangible assets	29,125	2,623	2,291	-	34,039
Capital expenditure	**89,083**	**6,799**	**2,907**	**-**	**98,789**
Depreciation, amortisation and impairment	(63,360)	(8,327)	(4,247)	-	(75,934)

(Thousands of Georgian Lari)

6. Cash and cash equivalents

	2022	*2021*	*2020*
Cash on hand	1,000,596	774,253	723,071
Current accounts with credit institutions	927,388	364,912	582,952
Current accounts with central banks, excluding obligatory reserves	805,503	126,627	158,588
Time deposits with credit institutions with maturities of up to 90 days	762,592	228,685	518,648
Cash and cash equivalents, gross	**3,496,079**	**1,494,477**	**1,983,259**
Less – Allowance for expected credit loss	(351)	(25)	(71)
Cash and cash equivalents, net	**3,495,728**	**1,494,452**	**1,983,188**

As at 31 December 2022, GEL 1,453,123 (2021: GEL 417,228, 2020: GEL 967,820) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned between 0.00%-11.10% interest per annum on these deposits (2021: up to 0.07%, 2020: up to 0.21%). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

7. Amounts due from credit institutions

	2022	*2021*	*2020*
Obligatory reserves with central banks	2,354,470	1,898,052	1,994,662
Time deposits with maturities of more than 90 days	-	15,488	0
Restricted cash	68,154	4,730	1,855
Inter-bank loan receivables	-	-	11,464
Amounts due from credit institutions, gross	**2,422,624**	**1,918,270**	**2,007,981**
Less – Allowance for expected credit loss	(5,318)	(331)	(400)
Amounts due from credit institutions, net	**2,417,306**	**1,917,939**	**2,007,581**

Obligatory reserves with central banks represent amounts deposited with the NBG and National Bank of the Republic of Belarus (the "NBRB"). Credit institutions are required to maintain cash deposits (obligatory reserve) with the NBG and with the NBRB, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by regulation. The Group earned up to 0.00% interest on obligatory reserves with NBG and NBRB for the years ended 31 December 2022 (2021: 0.00%, 2020: 1.25%).

As at 31 December 2022, inter-bank loan receivables include GEL Nil deposits placed with non-OECD banks (2021: GEL Nil, 2020: GEL 11,464).

8. Investment securities

	2022	*2021*	*2020*
Investment securities measured at FVOCI - debt instruments	3,960,300	2,558,542	2,510,062
Investment securities designated as at FVOCI - equity investments	4,912	5,419	3,410
Investment securities	**3,965,212**	**2,563,961**	**2,513,472**

	2022	*2021*	*2020*
Investment securities measured at amortized cost	381,735	-	-
Less: allowance for credit losses	(3,198)	-	-
Investment securities measured at amortized cost, net	**378,537**	**-**	**-**

(Thousands of Georgian Lari)

8. Investment securities (continued)

	2022	*2021*	*2020*
Ministry of Finance of Georgia treasury bonds	1,470,473	1,312,001	1,344,404
Ministry of Finance of Georgia treasury bills	176,483	82,196	36,879
Foreign treasury bills	1,062,095	-	-
Foreign treasury bonds	92,816	79,156	159,537
Certificates of deposit of central banks	17,675	39,410	-
Other debt instruments	1,140,758	1,045,779	969,242
Investment securities measured at FVOCI - debt instruments	**3,960,300**	**2,558,542**	**2,510,062**

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

Pledged Treasury bonds	*2022*	*2021*	*2020*
For short-term loans from the NBG	709,597	490,592	1,044,066
For repo-operations with commercial banks	380,065	-	-
For deposits of Ministry of Finance of Georgia	97,109	220,480	Nil
For cash kept by the NBG at the Group's premises under cash custodian services	-	14,720	8,188
Total	**1,186,771**	**725,792**	**1,052,254**

Pledged Treasury bills	*2022*	*2021*	*2020*
For cash kept by the NBG at the Group's premises under cash custodian services	24,180	-	-
Total	**24,180**	**-**	**-**

Pledged Corporate Bonds	*2022*	*2021*	*2020*
For short-term loans from the NBG	121,592	-	685,901
For deposits of Ministry of Finance of Georgia	205,079	109,109	-
Total	**326,671**	**109,109**	**685,901**

Other debt instruments as at 31 December 2022 mainly comprises bonds issued by the European Bank for Reconstruction and Development of GEL 531,351 (2021: GEL 521,394, 2020: GEL 312,144), GEL-denominated bonds issued by International Finance Corporation of GEL 56,523 (2021: GEL 203,351, 2020: GEL 211,250), GEL-denominated bonds issued by The Netherlands Development Finance Company of GEL 131,126 (2021: GEL 163,593, 2020: GEL 162,949), GEL-denominated bonds issued by Black Sea Trade and Development Bank of GEL 200,913 (2021: GEL 65,407, 2020: GEL 151,592) and GEL-denominated bonds issued by Asian Development Bank of GEL 107,835 (2021: GEL 61,609, 2020: GEL 61,350).

Foreign treasury bonds comprise of US Treasury Notes in amount of GEL 1,062,095 (2021: GEL Nil, 2020: GEL 52,992), Ministry of Finance of the Republic of Lithuania treasury bonds in amount of GEL Nil (2021: GEL 15,992, 2020: GEL 26,982), United Kingdom treasury bonds in the amount of GEL 32,516 (2021: GEL Nil, 2020: GEL Nil) and Ministry of Finance of the Republic of Belarus treasury bonds in amount of GEL 60,300 (2021: GEL 63,164, 2020: GEL 79,563).

For the period ended 31 December 2022 net gains on derecognition of investment securities comprised GEL 7,528 (2021: GEL 30,044, 2020: GEL 3,585) which is included in net other income.

As at 31 December 2022, allowance for expected credit loss on investment securities comprised GEL 7,068 (2021: GEL 3,156, 2020: GEL 4,342).

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables

	2022	*2021*	*2020*
Commercial loans	5,293,611	5,380,396	4,929,198
Residential mortgage loans	4,193,204	4,022,058	3,796,384
Micro and SME loans	3,825,663	3,731,756	3,269,454
Consumer loans	3,602,054	2,981,305	2,208,013
Gold – pawn loans	164,554	165,417	103,384
Loans to customers at amortised cost, gross	**17,079,086**	**16,280,932**	**14,306,433**
Less – Allowance for expected credit loss	(324,053)	(401,823)	(437,903)
Loans to customers at amortised cost, net	**16,755,033**	**15,879,109**	**13,868,530**
Finance lease receivables, gross	**95,348**	**124,952**	**139,372**
Less – Allowance for expected credit loss	(8,778)	(5,895)	(4,376)
Finance lease receivables, net	**86,570**	**119,057**	**134,996**
Total loans to customers and finance lease receivables	**16,841,603**	**15,998,166**	**14,003,526**

As at 31 December 2022, loans to customers carried at GEL 1,092,475 (2021: GEL 1,125,955, 2020: GEL 692,052) were pledged for short-term loans from the NBG.

Expected credit loss

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

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**4,764,048**	**374,933**	**223,401**	**18,014**	**5,380,396**
New financial asset originated or purchased	4,574,787	34,779	693	6,969	4,617,228
Transfer to Stage 1	202,422	(202,422)	-	-	-
Transfer to Stage 2	(773,437)	803,734	(30,297)	-	-
Transfer to Stage 3	(5,553)	(98,586)	104,139	-	-
Assets derecognised due to pass-through arrangement	(23,721)	(20)	(83)	-	(23,824)
Assets repaid	(3,950,533)	(217,064)	(83,154)	(9,763)	(4,260,514)
Resegmentation	194,578	2,622	(6,567)	-	190,633
Impact of modifications	1,330	1,983	184	2	3,499
Write-offs	-	-	(55,962)	-	(55,962)
Recoveries of amounts previously written off	-	-	42,501	2,865	45,366
Unwind of discount	-	-	(1,921)	359	(1,562)
Currency translation differences	(36,086)	(1,051)	(1,888)	-	(39,025)
Foreign exchange movement	(505,333)	(89,055)	(24,019)	(1,843)	(620,250)
Net other changes	50,869	1,454	5,956	(653)	57,626
Balance at 31 December 2022	**4,493,371**	**611,307**	**172,983**	**15,950**	**5,293,611**
Individually assessed	-	-	155,882	13,603	169,485
Collectively assessed	4,493,371	611,307	17,101	2,347	5,124,126
Balance at 31 December 2022	**4,493,371**	**611,307**	**172,983**	**15,950**	**5,293,611**

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**12,992**	**6,893**	**133,426**	**2,926**	**156,237**
New financial asset originated or purchased	23,237	166	230	2,997	26,630
Transfer to Stage 1	4,323	(4,323)	-	-	-
Transfer to Stage 2	(6,172)	12,308	(6,136)	-	-
Transfer to Stage 3	(485)	(1,503)	1,988	-	-
Impact on ECL of exposures transferred between stages during the year	(2,382)	(3,448)	28,233	-	22,403
Assets derecognised due to pass-through arrangement	(62)	-	(34)	-	(96)
Assets repaid	(9,473)	(4,325)	(59,872)	(3,151)	(76,821)
Resegmentation	5,404	(27)	(997)	-	4,380
Impact of modifications	30	104	1	2	137
Write-offs	-	-	(55,962)	-	(55,962)
Recoveries of amounts previously written off	-	-	42,501	2,865	45,366
Unwind of discount	-	-	(1,921)	359	(1,562)
Currency translation differences	(790)	(1,079)	(2,940)	(1)	(4,810)
Foreign exchange movement	(871)	(1,696)	(10,614)	(883)	(14,064)
Net other measurement of ECL	(6,532)	20,460	(25,611)	(547)	(12,230)
Balance at 31 December 2022	**19,219**	**23,530**	**42,292**	**4,567**	**89,608**
Individually assessed	-	-	35,537	4,496	40,033
Collectively assessed	19,219	23,530	6,755	71	49,575
Balance at 31 December 2022	**19,219**	**23,530**	**42,292**	**4,567**	**89,608**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**3,629,369**	**259,970**	**104,514**	**28,205**	**4,022,058**
New financial asset originated or purchased	1,466,957	14	-	13,524	1,480,495
Transfer to Stage 1	403,540	(403,398)	(142)	-	-
Transfer to Stage 2	(375,932)	443,567	(67,635)	-	-
Transfer to Stage 3	(45,171)	(49,817)	94,988	-	-
Assets repaid	(901,792)	(57,945)	(49,096)	(10,849)	(1,019,682)
Resegmentation	(603)	-	-	-	(603)
Impact of modifications	179	37	(2,949)	(169)	(2,902)
Write-offs	-	-	(4,445)	(730)	(5,175)
Recoveries of amounts previously written off	-	-	3,937	357	4,294
Unwind of discount	-	-	182	109	291
Currency translation differences	(4,670)	(98)	(23)	-	(4,791)
Foreign exchange movement	(254,899)	(20,553)	(10,022)	(2,527)	(288,001)
Net other changes	8,928	(2,211)	348	155	7,220
Balance at 31 December 2022	**3,925,906**	**169,566**	**69,657**	**28,075**	**4,193,204**
Individually assessed	-	-	2,940	-	2,940
Collectively assessed	3,925,906	169,566	66,717	28,075	4,190,264
Balance at 31 December 2022	**3,925,906**	**169,566**	**69,657**	**28,075**	**4,193,204**

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**9,701**	**3,803**	**17,039**	**2,493**	**33,036**
New financial asset originated or purchased	14,452	-	-	2,403	16,855
Transfer to Stage 1	5,673	(5,608)	(65)	-	-
Transfer to Stage 2	(3,236)	15,977	(12,741)	-	-
Transfer to Stage 3	(7,463)	(1,484)	8,947	-	-
Impact on ECL of exposures transferred between stages during the year	(1,807)	(10,903)	6,767	-	(5,943)
Assets repaid	(1,731)	(961)	(11,220)	(2,103)	(16,015)
Impact of modifications	4	1	937	64	1,006
Write-offs	-	-	(4,445)	(730)	(5,175)
Recoveries of amounts previously written off	-	-	3,937	357	4,294
Unwind of discount	-	-	182	109	291
Currency translation differences	(2)	-	-	-	(2)
Foreign exchange movement	(244)	(122)	(1,652)	(498)	(2,516)
Net other measurement of ECL	(6,487)	1,898	6,399	2,412	4,222
Balance at 31 December 2022	**8,860**	**2,601**	**14,085**	**4,507**	**30,053**
Individually assessed	-	-	576	-	576
Collectively assessed	8,860	2,601	13,509	4,507	29,477
Balance at 31 December 2022	**8,860**	**2,601**	**14,085**	**4,507**	**30,053**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2021	**3,280,149**	**293,473**	**151,499**	**6,635**	**3,731,756**
New financial asset originated or purchased	2,953,940	7,854	1,859	2,435	2,966,088
Transfer to Stage 1	337,049	(337,049)	-	-	-
Transfer to Stage 2	(442,020)	501,877	(59,857)	-	-
Transfer to Stage 3	(50,683)	(106,474)	157,157	-	-
Assets repaid	(2,142,937)	(125,830)	(71,105)	(5,917)	(2,345,789)
Resegmentation	(224,709)	(4,680)	5,034	-	(224,355)
Impact of modifications	194	139	(2,627)	(36)	(2,330)
Write-offs	-	-	(37,629)	(98)	(37,727)
Recoveries of amounts previously written off	-	-	11,875	79	11,954
Unwind of discount	-	-	1,262	58	1,320
Currency translation differences	(11,551)	(1,097)	(1,147)	-	(13,795)
Foreign exchange movement	(275,010)	(27,918)	(17,669)	(350)	(320,947)
Net other changes	51,417	168	7,865	38	59,488
Balance at 31 December 2022	**3,475,839**	**200,463**	**146,517**	**2,844**	**3,825,663**
Individually assessed	-	-	39,448	-	39,448
Collectively assessed	3,475,839	200,463	107,069	2,844	3,786,215
Balance at 31 December 2022	**3,475,839**	**200,463**	**146,517**	**2,844**	**3,825,663**

Micro and SME loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2021	**28,177**	**6,556**	**39,584**	**124**	**74,441**
New financial asset originated or purchased	38,841	81	97	281	39,300
Transfer to Stage 1	7,921	(7,921)	-	-	-
Transfer to Stage 2	(8,873)	20,802	(11,929)	-	-
Transfer to Stage 3	(8,295)	(7,503)	15,798	-	-
Impact on ECL of exposures transferred between stages during the year	(962)	(9,903)	29,077	-	18,212
Assets repaid	(13,663)	(3,065)	(24,514)	(496)	(41,738)
Resegmentation	(5,935)	(129)	541	-	(5,523)
Impact of modifications	10	(24)	(1,147)	16	(1,145)
Write-offs	-	-	(37,629)	(98)	(37,727)
Recoveries of amounts previously written off	-	-	11,875	79	11,954
Unwind of discount	-	-	1,262	58	1,320
Currency translation differences	(143)	(96)	(764)	-	(1,003)
Foreign exchange movement	(1,071)	(114)	(3,448)	(67)	(4,700)
Net other measurement of ECL	(15,929)	6,764	18,514	762	10,111
Balance at 31 December 2022	**20,078**	**5,448**	**37,317**	**659**	**63,502**
Individually assessed	-	-	10,552	-	10,552
Collectively assessed	20,078	5,448	26,765	659	52,950
Balance at 31 December 2022	**20,078**	**5,448**	**37,317**	**659**	**63,502**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**2,635,438**	**215,026**	**107,642**	**23,199**	**2,981,305**
New financial asset originated or purchased	3,313,393	7,566	969	15,493	3,337,421
Transfer to Stage 1	344,640	(344,445)	(195)	-	-
Transfer to Stage 2	(534,425)	608,146	(73,721)	-	-
Transfer to Stage 3	(121,557)	(167,897)	289,454	-	-
Assets repaid	(2,357,992)	(102,236)	(64,593)	(12,241)	(2,537,062)
Resegmentation	30,506	2,058	1,578	-	34,142
Impact of modifications	1,152	(84)	(24,515)	(1,236)	(24,683)
Write-offs	-	-	(171,142)	(4,431)	(175,573)
Recoveries of amounts previously written off	-	-	22,074	879	22,953
Unwind of discount	-	-	4,252	922	5,174
Currency translation differences	(14,539)	(80)	(163)	-	(14,782)
Foreign exchange movement	(86,830)	(4,100)	(1,319)	(611)	(92,860)
Net other changes	33,406	(79)	31,671	1,021	66,019
Balance at 31 December 2022	**3,243,192**	**213,875**	**121,992**	**22,995**	**3,602,054**
Individually assessed	-	-	2,650	(1)	2,649
Collectively assessed	3,243,192	213,875	119,342	22,996	3,599,405
Balance at 31 December 2022	**3,243,192**	**213,875**	**121,992**	**22,995**	**3,602,054**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**57,083**	**19,410**	**58,731**	**811**	**136,035**
New financial asset originated or purchased	131,916	1,199	478	4,325	137,918
Transfer to Stage 1	26,886	(26,872)	(14)	-	-
Transfer to Stage 2	(36,429)	72,075	(35,646)	-	-
Transfer to Stage 3	(61,445)	(37,845)	99,290	-	-
Impact on ECL of exposures transferred between stages during the year	(3,821)	(29,191)	48,501	-	15,489
Assets repaid	(41,829)	(8,884)	(38,047)	(3,763)	(92,523)
Resegmentation	531	156	456	-	1,143
Impact of modifications	121	(12)	(10,792)	122	(10,561)
Write-offs	-	-	(171,142)	(4,431)	(175,573)
Recoveries of amounts previously written off	-	-	22,074	879	22,953
Unwind of discount	-	-	4,252	922	5,174
Currency translation differences	(36)	(11)	(201)	-	(248)
Foreign exchange movement	(191)	(60)	(763)	(63)	(1,077)
Net other measurement of ECL	(32,188)	29,344	90,779	8,785	96,720
Balance at 31 December 2022	**40,598**	**19,309**	**67,956**	**7,587**	**135,450**
Individually assessed	-	-	1,054	-	1,054
Collectively assessed	40,598	19,309	66,902	7,587	134,396
Balance at 31 December 2022	**40,598**	**19,309**	**67,956**	**7,587**	**135,450**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

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

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

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**4,296,883**	**382,118**	**241,821**	**8,376**	**4,929,198**
New financial asset originated or purchased	4,363,757	34,815	3,202	10,032	4,411,806
Transfer to Stage 1	231,287	(229,399)	(1,888)	-	-
Transfer to Stage 2	(373,532)	394,553	(21,021)	-	-
Transfer to Stage 3	(10,148)	(52,529)	62,677	-	-
Assets derecognised due to pass-through arrangement	(28,338)	(2,048)	(124)	-	(30,510)
Assets repaid	(3,477,879)	(159,200)	(102,689)	(144)	(3,739,912)
Resegmentation	109,367	35,325	2,164	-	146,856
Impact of modifications	686	258	152	(22)	1,074
Write-offs	-	-	(4,574)	-	(4,574)
Recoveries of amounts previously written off	-	-	47,192	69	47,261
Unwind of discount	-	-	2,959	4	2,963
Currency translation differences	(13,676)	(358)	(866)	-	(14,900)
Foreign exchange movement	(350,775)	(27,796)	(9,555)	(380)	(388,506)
Net other changes	16,416	(806)	3,951	79	19,640
Balance at 31 December 2021	**4,764,048**	**374,933**	**223,401**	**18,014**	**5,380,396**
Individually assessed	-	-	199,907	9,566	209,473
Collectively assessed	4,764,048	374,933	23,494	8,448	5,170,923
Balance at 31 December 2021	**4,764,048**	**374,933**	**223,401**	**18,014**	**5,380,396**

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**28,180**	**8,157**	**136,572**	**7**	**172,916**
New financial asset originated or purchased	20,591	1,973	312	3,481	26,357
Transfer to Stage 1	2,934	(2,932)	(2)	-	-
Transfer to Stage 2	(2,904)	11,116	(8,212)	-	-
Transfer to Stage 3	(1,769)	(374)	2,143	-	-
Impact on ECL of exposures transferred between stages during the year	(1,373)	(6,710)	10,153	-	2,070
Assets derecognised due to pass-through arrangement	(138)	(74)	(70)	-	(282)
Assets repaid	(9,349)	(3,694)	(67,366)	(80)	(80,489)
Resegmentation	192	298	-	-	490
Impact of modifications	11	(2)	12	(14)	7
Write-offs	-	-	(4,574)	-	(4,574)
Recoveries of amounts previously written off	-	-	47,192	69	47,261
Unwind of discount	-	-	2,959	4	2,963
Currency translation differences	(131)	(76)	(382)	-	(589)
Foreign exchange movement	(498)	(141)	(5,254)	10	(5,883)
Net other measurement of ECL	(22,754)	(648)	19,943	(551)	(4,010)
Balance at 31 December 2021	**12,992**	**6,893**	**133,426**	**2,926**	**156,237**
Individually assessed	-	-	125,089	2,837	127,926
Collectively assessed	12,992	6,893	8,337	89	28,311
Balance at 31 December 2021	**12,992**	**6,893**	**133,426**	**2,926**	**156,237**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**3,287,844**	**314,215**	**168,476**	**25,849**	**3,796,384**
New financial asset originated or purchased	1,549,472	238	103	13,615	1,563,428
Transfer to Stage 1	428,840	(407,795)	(21,045)	-	-
Transfer to Stage 2	(344,981)	588,640	(243,659)	-	-
Transfer to Stage 3	(158,425)	(129,954)	288,379	-	-
Assets repaid	(975,730)	(94,131)	(73,544)	(9,287)	(1,152,692)
Resegmentation	5,514	970	-	-	6,484
Impact of modifications	988	670	143	(283)	1,518
Write-offs	-	-	(5,750)	(561)	(6,311)
Recoveries of amounts previously written off	-	-	993	205	1,198
Unwind of discount	-	-	244	17	261
Currency translation differences	(1,910)	(45)	2	(2)	(1,955)
Foreign exchange movement	(155,793)	(11,366)	(9,238)	(1,648)	(178,045)
Net other changes	(6,450)	(1,472)	(590)	300	(8,212)
Balance at 31 December 2021	**3,629,369**	**259,970**	**104,514**	**28,205**	**4,022,058**
Individually assessed	-	-	277	-	277
Collectively assessed	3,629,369	259,970	104,237	28,205	4,021,781
Balance at 31 December 2021	**3,629,369**	**259,970**	**104,514**	**28,205**	**4,022,058**

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**8,650**	**11,410**	**25,236**	**3,311**	**48,607**
New financial asset originated or purchased	29,065	3	4	887	29,959
Transfer to Stage 1	15,750	(12,962)	(2,788)	-	-
Transfer to Stage 2	(5,679)	46,641	(40,962)	-	-
Transfer to Stage 3	(18,908)	(5,725)	24,633	-	-
Impact on ECL of exposures transferred between stages during the year	(5,562)	(37,935)	22,414	-	(21,083)
Assets repaid	(2,621)	(2,674)	(12,902)	(1,763)	(19,960)
Resegmentation	21	1	-	-	22
Impact of modifications	-	-	438	(198)	240
Write-offs	-	-	(5,750)	(561)	(6,311)
Recoveries of amounts previously written off	-	-	993	205	1,198
Unwind of discount	-	-	244	17	261
Foreign exchange movement	(470)	101	(1,732)	(409)	(2,510)
Net other measurement of ECL	(10,545)	4,943	7,211	1,004	2,613
Balance at 31 December 2021	**9,701**	**3,803**	**17,039**	**2,493**	**33,036**
Individually assessed	-	-	7	-	7
Collectively assessed	9,701	3,803	17,032	2,493	33,029
Balance at 31 December 2021	**9,701**	**3,803**	**17,039**	**2,493**	**33,036**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**2,649,107**	**439,405**	**177,471**	**3,471**	**3,269,454**
New financial asset originated or purchased	3,303,744	17,798	1,152	7,599	3,330,293
Transfer to Stage 1	384,411	(377,752)	(6,659)	-	-
Transfer to Stage 2	(571,845)	678,669	(106,824)	-	-
Transfer to Stage 3	(108,524)	(112,029)	220,553	-	-
Assets repaid	(1,987,068)	(282,948)	(96,106)	(4,718)	(2,370,840)
Resegmentation	(247,911)	(40,492)	(2,790)	(5)	(291,198)
Impact of modifications	319	210	(4,384)	(11)	(3,866)
Write-offs	-	-	(40,195)	(214)	(40,409)
Recoveries of amounts previously written off	-	-	12,628	686	13,314
Unwind of discount	-	-	265	23	288
Currency translation differences	(5,494)	(473)	(386)	2	(6,351)
Foreign exchange movement	(180,781)	(27,138)	(9,910)	(271)	(218,100)
Net other changes	44,191	(1,777)	6,684	73	49,171
Balance at 31 December 2021	**3,280,149**	**293,473**	**151,499**	**6,635**	**3,731,756**
Individually assessed	-	-	23,466	-	23,466
Collectively assessed	3,280,149	293,473	128,033	6,635	3,708,290
Balance at 31 December 2021	**3,280,149**	**293,473**	**151,499**	**6,635**	**3,731,756**

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**26,157**	**20,571**	**55,560**	**64**	**102,352**
New financial asset originated or purchased	58,476	804	92	81	59,453
Transfer to Stage 1	20,352	(18,841)	(1,511)	-	-
Transfer to Stage 2	(14,284)	35,909	(21,625)	-	-
Transfer to Stage 3	(13,914)	(7,459)	21,373	-	-
Impact on ECL of exposures transferred between stages during the year	(4,218)	(18,652)	27,259	-	4,389
Assets repaid	(16,879)	(7,632)	(26,573)	(968)	(52,052)
Resegmentation	(1,280)	(476)	(182)	-	(1,938)
Impact of modifications	2	(7)	(2,180)	1	(2,184)
Write-offs	-	-	(40,195)	(214)	(40,409)
Recoveries of amounts previously written off	-	-	12,628	686	13,314
Unwind of discount	-	-	265	23	288
Currency translation differences	(62)	(34)	(268)	-	(364)
Foreign exchange movement	(1,020)	(184)	(2,826)	(79)	(4,109)
Net other measurement of ECL	(25,153)	2,557	17,767	530	(4,299)
Balance at 31 December 2021	**28,177**	**6,556**	**39,584**	**124**	**74,441**
Individually assessed	-	-	10,613	-	10,613
Collectively assessed	28,177	6,556	28,971	124	63,828
Balance at 31 December 2021	**28,177**	**6,556**	**39,584**	**124**	**74,441**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**1,904,182**	**194,366**	**100,950**	**8,515**	**2,208,013**
New financial asset originated or purchased	2,747,021	7,001	1,718	19,540	2,775,280
Transfer to Stage 1	270,620	(253,910)	(16,710)	-	-
Transfer to Stage 2	(367,600)	489,718	(122,118)	-	-
Transfer to Stage 3	(134,641)	(123,558)	258,199	-	-
Assets repaid	(1,849,334)	(100,322)	(65,394)	(4,297)	(2,019,347)
Resegmentation	110,449	3,487	706	5	114,647
Impact of modifications	246	82	(9,482)	(46)	(9,200)
Write-offs	-	-	(72,832)	(415)	(73,247)
Recoveries of amounts previously written off	-	-	19,405	148	19,553
Unwind of discount	-	-	397	345	742
Currency translation differences	(6,094)	(33)	(68)	-	(6,195)
Foreign exchange movement	(51,792)	(1,590)	(688)	(223)	(54,293)
Net other changes	12,381	(215)	13,559	(373)	25,352
Balance at 31 December 2021	**2,635,438**	**215,026**	**107,642**	**23,199**	**2,981,305**
Individually assessed	-	-	1,481	-	1,481
Collectively assessed	2,635,438	215,026	106,161	23,199	2,979,824
Balance at 31 December 2021	**2,635,438**	**215,026**	**107,642**	**23,199**	**2,981,305**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**40,597**	**25,533**	**46,641**	**1,030**	**113,801**
New financial asset originated or purchased	153,477	1,570	546	251	155,844
Transfer to Stage 1	33,951	(26,256)	(7,695)	-	-
Transfer to Stage 2	(26,684)	75,148	(48,464)	-	-
Transfer to Stage 3	(57,627)	(20,176)	77,803	-	-
Impact on ECL of exposures transferred between stages during the year	(12,239)	(40,279)	53,664	-	1,146
Assets repaid	(47,437)	(11,239)	(36,001)	(1,449)	(96,126)
Resegmentation	548	83	182	-	813
Impact of modifications	(2)	(1)	(5,036)	5	(5,034)
Write-offs	-	-	(72,832)	(415)	(73,247)
Recoveries of amounts previously written off	-	-	19,405	148	19,553
Unwind of discount	-	-	397	345	742
Currency translation differences	(10)	(3)	(15)	-	(28)
Foreign exchange movement	(153)	(37)	(643)	(29)	(862)
Net other measurement of ECL	(27,338)	15,067	30,779	925	19,433
Balance at 31 December 2021	**57,083**	**19,410**	**58,731**	**811**	**136,035**
Individually assessed	-	-	585	-	585
Collectively assessed	57,083	19,410	58,146	811	135,450
Balance at 31 December 2021	**57,083**	**19,410**	**58,731**	**811**	**136,035**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2020	**97,776**	**3,879**	**1,729**	**-**	**103,384**
New financial asset originated or purchased	170,198	1,117	219	-	171,534
Transfer to Stage 1	10,556	(10,148)	(408)	-	-
Transfer to Stage 2	(21,129)	23,266	(2,137)	-	-
Transfer to Stage 3	(3,856)	(2,531)	6,387	-	-
Assets repaid	(123,964)	(6,222)	(3,071)	-	(133,257)
Resegmentation	22,581	710	(80)	-	23,211
Write-offs	-	-	(253)	-	(253)
Recoveries of amounts previously written off	-	-	3	-	3
Unwind of discount	-	-	(1)	-	(1)
Currency translation differences	(1)	-	1	-	-
Foreign exchange movement	(18)	(6)	(3)	-	(27)
Net other changes	644	51	128	-	823
Balance at 31 December 2021	**152,787**	**10,116**	**2,514**	**-**	**165,417**
Collectively assessed	152,787	10,116	2,514	-	165,417
Balance at 31 December 2021	**152,787**	**10,116**	**2,514**	**-**	**165,417**

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

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**3,410,544**	**349,494**	**161,744**	**7,661**	**3,929,443**
New financial asset originated or purchased	3,226,180	45,618	2,156	-	3,273,954
Transfer to Stage 1	370,266	(370,266)	-	-	-
Transfer to Stage 2	(578,928)	626,550	(47,622)	-	-
Transfer to Stage 3	(58,408)	(79,014)	137,422	-	-
Assets derecognised due to pass-through arrangement	(30,363)	(10,340)	(52)	-	(40,755)
Assets repaid	(2,632,096)	(218,169)	(61,392)	(575)	(2,912,232)
Resegmentation	21,133	-	-	-	21,133
Impact of modifications	(809)	94	(4)	(7)	(726)
Write-offs	-	-	(6,595)	-	(6,595)
Recoveries of amounts previously written off	-	-	13,531	127	13,658
Unwind of discount	-	-	9,691	6	9,697
Currency translation differences	(19,176)	(471)	(1,455)	-	(21,102)
Foreign exchange movement	558,090	37,831	31,097	928	627,946
Net other changes	30,450	791	3,300	236	34,777
Balance at 31 December 2020	**4,296,883**	**382,118**	**241,821**	**8,376**	**4,929,198**
Individually assessed	-	-	237,593	-	237,593
Collectively assessed	4,296,883	382,118	4,228	8,376	4,691,605
Balance at 31 December 2020	**4,296,883**	**382,118**	**241,821**	**8,376**	**4,929,198**

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**8,902**	**3,414**	**77,995**	**301**	**90,612**
New financial asset originated or purchased	3,751	1,253	572	-	5,576
Transfer to Stage 1	3,906	(3,906)	-	-	-
Transfer to Stage 2	(2,773)	8,026	(5,253)	-	-
Transfer to Stage 3	(541)	(12,002)	12,543	-	-
Impact on ECL of exposures transferred between stages during the year	(27,165)	(2,523)	24,295	-	(5,393)
Assets derecognised due to pass-through arrangement	(9)	(294)	(12)	-	(315)
Assets repaid	(9,338)	(10,052)	(29,340)	(304)	(49,034)
Resegmentation	140	-	-	-	140
Impact of modifications	1	8	(6)	-	3
Write-offs	-	-	(6,595)	-	(6,595)
Recoveries of amounts previously written off	-	-	13,531	127	13,658
Unwind of discount	-	-	9,691	6	9,697
Currency translation differences	791	335	2,281	-	3,407
Foreign exchange movement	966	(782)	12,544	20	12,748
Net other measurement of ECL	49,549	24,680	24,326	(143)	98,412
Balance at 31 December 2020	**28,180**	**8,157**	**136,572**	**7**	**172,916**
Individually assessed	-	-	134,424	-	134,424
Collectively assessed	28,180	8,157	2,148	7	38,492
Balance at 31 December 2020	**28,180**	**8,157**	**136,572**	**7**	**172,916**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**2,764,959**	**160,038**	**109,413**	**32,273**	**3,066,683**
New financial asset originated or purchased	1,239,637	430	259	3,101	1,243,427
Transfer to Stage 1	460,728	(419,122)	(41,606)	-	-
Transfer to Stage 2	(541,668)	600,415	(58,747)	-	-
Transfer to Stage 3	(155,514)	(40,638)	196,152	-	-
Assets repaid	(788,737)	(37,503)	(51,790)	(13,696)	(891,726)
Resegmentation	(945)	-	-	-	(945)
Impact of modifications	(8,730)	954	(134)	(854)	(8,764)
Write-offs	-	-	(5,368)	(215)	(5,583)
Recoveries of amounts previously written off	-	-	734	767	1,501
Unwind of discount	-	-	292	91	383
Currency translation differences	(1,837)	(1)	(3)	-	(1,841)
Foreign exchange movement	287,057	23,746	12,847	3,604	327,254
Net other changes	32,894	25,896	6,427	778	65,995
Balance at 31 December 2020	**3,287,844**	**314,215**	**168,476**	**25,849**	**3,796,384**
Individually assessed	-	-	3,517	-	3,517
Collectively assessed	3,287,844	314,215	164,959	25,849	3,792,867
Balance at 31 December 2020	**3,287,844**	**314,215**	**168,476**	**25,849**	**3,796,384**

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**461**	**160**	**6,588**	**1,808**	**9,017**
New financial asset originated or purchased	848	2	9	162	1,021
Transfer to Stage 1	14,030	(7,452)	(6,578)	-	-
Transfer to Stage 2	(2,420)	10,027	(7,607)	-	-
Transfer to Stage 3	(75)	(856)	931	-	-
Impact on ECL of exposures transferred between stages during the year	(19,497)	(6,049)	2,719	-	(22,827)
Assets repaid	(3,281)	(965)	(8,598)	(3,399)	(16,243)
Resegmentation	(17)	-	-	-	(17)
Impact of modifications	(15)	468	499	(213)	739
Write-offs	-	-	(5,368)	(215)	(5,583)
Recoveries of amounts previously written off	-	-	734	767	1,501
Unwind of discount	-	-	292	91	383
Currency translation differences	(11)	-	-	-	(11)
Foreign exchange movement	136	(63)	1,029	474	1,576
Net other measurement of ECL	18,491	16,138	40,586	3,836	79,051
Balance at 31 December 2020	**8,650**	**11,410**	**25,236**	**3,311**	**48,607**
Individually assessed	-	-	403	-	403
Collectively assessed	8,650	11,410	24,833	3,311	48,204
Balance at 31 December 2020	**8,650**	**11,410**	**25,236**	**3,311**	**48,607**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**2,426,866**	**113,130**	**118,475**	**1,749**	**2,660,220**
New financial asset originated or purchased	2,089,047	6,772	887	2,928	2,099,634
Transfer to Stage 1	453,063	(439,267)	(13,796)	-	-
Transfer to Stage 2	(891,350)	925,785	(34,435)	-	-
Transfer to Stage 3	(58,496)	(104,533)	163,029	-	-
Assets repaid	(1,593,656)	(154,459)	(70,067)	(1,224)	(1,819,406)
Resegmentation	(19,958)	-	-	-	(19,958)
Impact of modifications	(6,109)	(786)	(2,560)	(1)	(9,456)
Write-offs	-	-	(30,561)	(976)	(31,537)
Recoveries of amounts previously written off	-	-	7,831	102	7,933
Unwind of discount	-	-	1,319	25	1,344
Currency translation differences	(8,429)	(1,001)	(569)	-	(9,999)
Foreign exchange movement	254,683	35,131	13,036	293	303,143
Net other changes	3,446	58,633	24,882	575	87,536
Balance at 31 December 2020	**2,649,107**	**439,405**	**177,471**	**3,471**	**3,269,454**
Individually assessed	-	-	25,900	-	25,900
Collectively assessed	2,649,107	439,405	151,571	3,471	3,243,554
Balance at 31 December 2020	**2,649,107**	**439,405**	**177,471**	**3,471**	**3,269,454**

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**12,890**	**5,803**	**24,976**	**876**	**44,545**
New financial asset originated or purchased	1,636	739	24	50	2,449
Transfer to Stage 1	24,865	(21,624)	(3,241)	-	-
Transfer to Stage 2	(10,906)	17,875	(6,969)	-	-
Transfer to Stage 3	(562)	(9,162)	9,724	-	-
Impact on ECL of exposures transferred between stages during the year	(25,202)	(2,771)	8,310	-	(19,663)
Assets repaid	(13,883)	(9,024)	(21,668)	(270)	(44,845)
Resegmentation	(123)	-	-	-	(123)
Impact of modifications	(158)	(173)	(1,148)	-	(1,479)
Write-offs	-	-	(30,561)	(976)	(31,537)
Recoveries of amounts previously written off	-	-	7,831	102	7,933
Unwind of discount	-	-	1,319	25	1,344
Currency translation differences	368	134	142	-	644
Foreign exchange movement	661	37	2,140	76	2,914
Net other measurement of ECL	36,571	38,737	64,681	181	140,170
Balance at 31 December 2020	**26,157**	**20,571**	**55,560**	**64**	**102,352**
Individually assessed	-	-	12,976	-	12,976
Collectively assessed	26,157	20,571	42,584	64	89,376
Balance at 31 December 2020	**26,157**	**20,571**	**55,560**	**64**	**102,352**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**1,856,795**	**110,158**	**108,414**	**9,741**	**2,085,108**
New financial asset originated or purchased	1,613,372	7,125	2,925	1,016	1,624,438
Transfer to Stage 1	291,916	(245,014)	(46,902)	-	-
Transfer to Stage 2	(394,422)	435,335	(40,913)	-	-
Transfer to Stage 3	(100,329)	(49,583)	149,912	-	-
Assets repaid	(1,412,334)	(80,602)	(70,082)	(3,242)	(1,566,260)
Resegmentation	(230)	-	263	-	33
Impact of modifications	(12,300)	(1,149)	(3,328)	(148)	(16,925)
Write-offs	-	-	(34,940)	(8)	(34,948)
Recoveries of amounts previously written off	-	-	21,309	65	21,374
Unwind of discount	-	-	431	18	449
Currency translation differences	(10,713)	(32)	(57)	-	(10,802)
Foreign exchange movement	16,413	3,656	3,549	419	24,037
Net other changes	56,014	14,472	10,369	654	81,509
Balance at 31 December 2020	**1,904,182**	**194,366**	**100,950**	**8,515**	**2,208,013**
Individually assessed	-	-	1,346	-	1,346
Collectively assessed	1,904,182	194,366	99,604	8,515	2,206,667
Balance at 31 December 2020	**1,904,182**	**194,366**	**100,950**	**8,515**	**2,208,013**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**16,823**	**6,345**	**49,325**	**214**	**72,707**
New financial asset originated or purchased	15,299	1,736	907	374	18,316
Transfer to Stage 1	45,315	(23,886)	(21,429)	-	-
Transfer to Stage 2	(17,770)	38,726	(20,956)	-	-
Transfer to Stage 3	(577)	(8,973)	9,550	-	-
Impact on ECL of exposures transferred between stages during the year	(39,380)	(13,541)	(5,993)	-	(58,914)
Assets repaid	(29,641)	(10,116)	(44,922)	(439)	(85,118)
Impact of modifications	(519)	(171)	(1,704)	(7)	(2,401)
Write-offs	-	-	(34,940)	(8)	(34,948)
Recoveries of amounts previously written off	-	-	21,309	65	21,374
Unwind of discount	-	-	431	18	449
Currency translation differences	(186)	(7)	(49)	-	(242)
Foreign exchange movement	138	46	744	21	949
Net other measurement of ECL	51,095	35,374	94,368	792	181,629
Balance at 31 December 2020	**40,597**	**25,533**	**46,641**	**1,030**	**113,801**
Individually assessed	-	-	354	-	354
Collectively assessed	40,597	25,533	46,287	1,030	113,447
Balance at 31 December 2020	**40,597**	**25,533**	**46,641**	**1,030**	**113,801**

(Thousands of Georgian Lari)

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2019	**80,795**	**1,114**	**3,631**	**-**	**85,540**
New financial asset originated or purchased	139,676	-	475	-	140,151
Transfer to Stage 1	6,565	(4,313)	(2,252)	-	-
Transfer to Stage 2	(10,625)	11,552	(927)	-	-
Transfer to Stage 3	(5,331)	(877)	6,208	-	-
Assets repaid	(113,508)	(3,726)	(5,053)	-	(122,287)
Resegmentation	-	-	(263)	-	(263)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(58)	-	(58)
Recoveries of amounts previously written off	-	-	6	-	6
Unwind of discount	-	-	6	-	6
Foreign exchange movement	148	8	(167)	-	(11)
Net other changes	56	121	123	-	300
Balance at 31 December 2020	**97,776**	**3,879**	**1,729**	**-**	**103,384**
Collectively assessed	97,776	3,879	1,729	-	103,384
Balance at 31 December 2020	**97,776**	**3,879**	**1,729**	**-**	**103,384**

Gold – pawn loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2019	**8**	**1**	**244**	**-**	**253**
Transfer to Stage 1	79	(6)	(73)	-	-
Transfer to Stage 2	(10)	45	(35)	-	-
Transfer to Stage 3	(1)	(1)	2	-	-
Impact on ECL of exposures transferred between stages during the year	(82)	(1)	-	-	(83)
Assets repaid	(17)	(4)	(227)	-	(248)
Write-offs	-	-	(58)	-	(58)
Recoveries of amounts previously written off	-	-	6	-	6
Unwind of discount	-	-	6	-	6
Foreign exchange movement	(1)	-	1	-	-
Net other measurement of ECL	63	(18)	306	-	351
Balance at 31 December 2020	**39**	**16**	**172**	**-**	**227**
Collectively assessed	39	16	172	-	227
Balance at 31 December 2020	**39**	**16**	**172**	**-**	**227**

The contractual amounts outstanding on loans to customers that have been written off during the reporting period but are still subject to enforcement activity was GEL 188,545 (2021: GEL 95,469, 2020: GEL 50,718).

(Thousands of Georgian Lari)

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

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

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

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

2022	*ECL for credit-impaired loans*	*ECL without taking into account the discounted value of collateral*
Commercial loans	46,859	185,698
Residential mortgage loans	18,592	67,537
Micro and SME loans	37,976	131,404
Consumer loans	75,543	103,597
Gold – pawn loans	5,339	6,947
Total	**184,309**	**495,183**

2021	*ECL for credit-impaired loans*	*ECL without taking into account the discounted value of collateral*
Commercial loans	136,352	230,333
Residential mortgage loans	19,532	93,804
Micro and SME loans	39,708	140,929
Consumer loans	59,542	87,891
Gold – pawn loans	241	1,805
Total	**255,375**	**554,762**

2020	*ECL for credit-impaired loans*	*ECL without taking into account the discounted value of collateral*
Commercial loans	136,579	243,178
Residential mortgage loans	28,547	146,945
Micro and SME loans	55,624	160,862
Consumer loans	47,671	85,569
Gold – pawn loans	172	1,430
Total	**268,593**	**637,984**

Without taking into account the discounted value of collateral, the allowance for expected credit loss/impairment of loans would be GEL 310,874 higher as at 31 December 2022 (2021: GEL 299,387 higher, 2020: GEL 369,391 higher).

(Thousands of Georgian Lari)

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

Concentration of loans to customers (continued)

As at 31 December 2022, the concentration of loans granted by the Group to the ten largest third-party borrowers comprised GEL 1,017,629 accounting for 6% of the gross loan portfolio of the Group (2021: GEL 1,187,521 and 7% respectively, 2020: GEL 1,213,986 and 8% respectively). An allowance of GEL 8,209 (2021: GEL 1,424, 2020: GEL 7,970) was established against these loans.

As at 31 December 2022, the concentration of loans granted by the Group to the ten largest third-party group of borrowers (borrower and its related parties) comprised GEL 1,736,614 accounting for 10% of the gross loan portfolio of the Group (2021: GEL 1,976,154 and 12% respectively, 2020: GEL 1,849,423 and 13% respectively). An allowance of GEL 17,392 (2021: GEL 6,128, 2020: GEL 11,285) was established against these loans.

As at 31 December 2022, 31 December 2021 and 31 December 2020, loans were principally issued within Georgia, and their distribution by industry sector was as follows:

	2022	*2021*	*2020*
Individuals	10,011,378	9,184,255	7,900,831
Trade	1,132,089	1,185,512	1,109,647
Manufacturing	1,030,899	1,189,008	1,137,146
Real estate	1,024,364	1,025,298	1,050,823
Hospitality	828,577	946,224	829,635
Construction	512,345	379,813	304,831
Electricity, gas and water supply	458,415	384,554	336,313
Financial intermediation	308,121	261,965	122,679
Service	302,442	307,602	270,939
Transport & communication	190,175	234,512	302,967
Mining and quarrying	148,489	183,270	68,870
Other	1,131,792	998,919	871,752
Loans to customers, gross	**17,079,086**	**16,280,932**	**14,306,433**
Less – Allowance for expected credit loss	(324,053)	(401,823)	(437,903)
Loans to customers, net	**16,755,033**	**15,879,109**	**13,868,530**

Loans have been extended to the following types of customers:

	2022	*2021*	*2020*
Individuals	10,011,378	9,184,255	7,900,831
Private companies	7,064,014	7,084,205	6,385,468
State-owned entities	3,694	12,472	20,134
Loans to customers, gross	**17,079,086**	**16,280,932**	**14,306,433**
Less – Allowance for expected credit loss	(324,053)	(401,823)	(437,903)
Loans to customers, net	**16,755,033**	**15,879,109**	**13,868,530**

Finance lease receivables

	2022	*2021*	*2020*
Minimum lease payments receivable	120,740	168,508	189,959
Less – Unearned finance lease income	(25,392)	(43,556)	(50,587)
	95,348	**124,952**	**139,372**
Less – Allowance for expected credit loss / impairment loss	(8,778)	(5,895)	(4,376)
Finance lease receivables, net	**86,570**	**119,057**	**134,996**

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

(Thousands of Georgian Lari)

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

Finance lease receivables

As at 31 December 2022**,** finance lease receivables carried at GEL 16,965 were pledged for inter-bank loans received from several credit institutions (2021: GEL 67,556, 2020: GEL 75,134).

As at 31 December 2022, the concentration of investment in the five largest lease receivables comprised GEL 20,273 or 21% of total finance lease receivables (2021: GEL 22,417 or 18%, 2020: GEL 20,486 or 15%) and finance income received from them for the year ended 31 December 2022 comprised GEL 793 or 4% of total finance income from lease (2021: GEL 1,706 or 6%, 2020: GEL 3,161 or 10%).

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

	2022	*2021*	*2020*
Within 1 year	51,944	76,407	92,391
From 1 to 2 years	22,480	35,929	45,482
From 2 to 3 years	18,109	24,390	28,145
From 3 to 4 years	7,613	14,996	15,936
From 4 to 5 years	3,036	3,159	5,189
More than 5 years	17,559	13,627	2,815
Minimum lease payment receivables	**120,740**	**168,508**	**189,959**

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

Finance lease receivables, gross	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2021	**81,174**	**17,584**	**16,612**	**9,582**	**124,952**
New financial asset originated or purchased	47,812	-	-	12,081	59,893
Transfer to Stage 1	25,182	(19,801)	(5,381)	-	-
Transfer to Stage 2	(26,267)	33,605	(7,338)	-	-
Transfer to Stage 3	(3,139)	(15,782)	18,921	-	-
Assets repaid	(60,440)	(8,077)	(5,299)	(6,537)	(80,353)
Impact of modifications	278	-	-	-	278
Write-offs	-	-	(2,724)	-	(2,724)
Unwind of discount	-	-	105	-	105
Currency translation differences	(6,273)	(1,022)	(1,039)	-	(8,334)
Foreign exchange movement	865	(66)	86	-	885
Net other changes	339	10	213	84	646
Balance at 31 December 2022	**59,531**	**6,451**	**14,156**	**15,210**	**95,348**
Individually assessed	-	-	1,245	-	1,245
Collectively assessed	59,531	6,451	12,911	15,210	94,103
Balance at 31 December 2022	**59,531**	**6,451**	**14,156**	**15,210**	**95,348**

Finance lease receivables, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2021	**1,126**	**763**	**2,810**	**1,196**	**5,895**
New financial asset originated or purchased	1,537	-	-	-	1,537
Transfer to Stage 1	1,686	(1,044)	(642)	-	-
Transfer to Stage 2	(1,241)	2,013	(772)	-	-
Transfer to Stage 3	(188)	(1,253)	1,441	-	-
Impact on ECL of exposures transferred between stages during the year	(1,513)	586	2,104	-	1,177
Assets repaid	(664)	(299)	(1,645)	(1,856)	(4,464)
Write-offs	-	-	(480)	-	(480)
Unwind of discount	-	-	105	-	105
Currency translation differences	18	(18)	50	-	50
Foreign exchange movement	64	(3)	5	-	66
Net other measurement of ECL	27	(487)	611	4,741	4,892
Balance at 31 December 2022	**852**	**258**	**3,587**	**4,081**	**8,778**
Individually assessed	-	-	352	-	352
Collectively assessed	852	258	3,235	4,081	8,426
Balance at 31 December 2022	**852**	**258**	**3,587**	**4,081**	**8,778**

(Thousands of Georgian Lari)

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

Finance lease receivables (continued)

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**67,346**	**53,276**	**18,750**	**-**	**139,372**
New financial asset originated or purchased	90,739	-	465	3,107	94,311
Transfer to Stage 1	34,761	(34,715)	(46)	-	-
Transfer to Stage 2	(43,879)	57,480	(13,601)	-	-
Transfer to Stage 3	(3,925)	(33,434)	37,359	-	-
Assets repaid	(60,625)	(23,912)	(4,116)	(122)	(88,775)
Impact of modifications	20	-	-	-	20
Write-offs	-	-	(21,232)	-	(21,232)
Unwind of discount	-	-	10	13	23
Currency translation differences	(2,087)	(1,057)	(931)	-	(4,075)
Foreign exchange movement	(641)	(47)	(66)	(249)	(1,003)
Net other changes	(535)	(7)	20	6,833	6,311
Balance at 31 December 2021	**81,174**	**17,584**	**16,612**	**9,582**	**124,952**
Individually assessed	-	-	2,746	-	2,746
Collectively assessed	81,174	17,584	13,866	9,582	122,206
Balance at 31 December 2021	**81,174**	**17,584**	**16,612**	**9,582**	**124,952**

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	**649**	**1,109**	**2,618**	**-**	**4,376**
New financial asset originated or purchased	1,570	-	256	-	1,826
Transfer to Stage 1	684	(683)	(1)	-	-
Transfer to Stage 2	(976)	2,371	(1,395)	-	-
Transfer to Stage 3	(85)	(1,975)	2,060	-	-
Impact on ECL of exposures transferred between stages during the year	(12)	1,036	2,151	-	3,175
Assets repaid	(461)	(467)	(361)	-	(1,289)
Write-offs	-	-	(2,704)	-	(2,704)
Unwind of discount	-	-	10	13	23
Currency translation differences	(36)	(550)	(152)	(12)	(750)
Net other measurement of ECL	(207)	(78)	328	1,195	1,238
Balance at 31 December 2021	**1,126**	**763**	**2,810**	**1,196**	**5,895**
Individually assessed	-	-	1,236	-	1,236
Collectively assessed	1,126	763	1,574	1,196	4,659
Balance at 31 December 2021	**1,126**	**763**	**2,810**	**1,196**	**5,895**

(Thousands of Georgian Lari)

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

Finance lease receivables (continued)

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**130,232**	**12,498**	**16,461**	**-**	**159,191**
New financial asset originated or purchased	77,711	-	2,254	-	79,965
Transfer to Stage 1	53,417	(49,918)	(3,499)	-	-
Transfer to Stage 2	(130,587)	148,126	(17,539)	-	-
Transfer to Stage 3	(12,089)	(55,528)	67,617	-	-
Assets repaid	(57,227)	(6,157)	(13,094)	-	(76,478)
Impact of modifications	-	(973)	(199)	-	(1,172)
Write-offs	-	-	(34,933)	-	(34,933)
Unwind of discount	-	-	(16)	-	(16)
Currency translation differences	(1,402)	(90)	(107)	-	(1,599)
Foreign exchange movement	5,801	5,312	1,891	-	13,004
Net other changes	1,490	6	(86)	-	1,410
Balance at 31 December 2020	**67,346**	**53,276**	**18,750**	**-**	**139,372**
Individually assessed	-	-	3,139	-	3,139
Collectively assessed	67,346	53,276	15,611	-	136,233
Balance at 31 December 2020	**67,346**	**53,276**	**18,750**	**-**	**139,372**

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	**759**	**95**	**1,443**	**-**	**2,297**
New financial asset originated or purchased	869	-	945	-	1,814
Transfer to Stage 1	305	(292)	(13)	-	-
Transfer to Stage 2	(1,162)	1,513	(351)	-	-
Transfer to Stage 3	(812)	(4,588)	5,400	-	-
Impact on ECL of exposures transferred between stages during the year	1,396	4,449	1,416	-	7,261
Assets repaid	(528)	(70)	(347)	-	(945)
Impact of modifications	-	(1)	(18)	-	(19)
Write-offs	-	-	(6,161)	-	(6,161)
Unwind of discount	-	-	(16)	-	(16)
Currency translation differences	200	(4)	35	-	231
Foreign exchange movement	5	27	191	-	223
Net other measurement of ECL	(383)	(20)	94	-	(309)
Balance at 31 December 2020	**649**	**1,109**	**2,618**	**-**	**4,376**
Individually assessed	-	-	1,022	-	1,022
Collectively assessed	649	1,109	1,596	-	3,354
Balance at 31 December 2020	**649**	**1,109**	**2,618**	**-**	**4,376**

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

	2022	*2021*	*2020*
Right-of-use assets	115,404	77,676	82,804
Lease liability	112,624	85,098	95,201

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

	2022	*2021*	*2020*
Short-term leases	(4,413)	(3,595)	(3,645)
Leases of low-value assets	(1,385)	(1,553)	(1,165)
	(5,798)	**(5,148)**	**(4,810)**

(Thousands of Georgian Lari)

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

Movement in liabilities arising from financing activities

	Movement in liabilities arising from financing activities
Carrying amount at 01 January 2020	**115,039**
Cash payments for the principal portion of the lease liabil	(11,525)
Change in accrued interest	689
Additions	11,490
Other movements*	(20,492)
Carrying amount at 31 December 2020	**95,201**
Cash payments for the principal portion of the lease liabil	(28,672)
Change in accrued interest	193
Additions	39,289
Other movements*	(20,913)
Carrying amount at 31 December 2021	**85,098**
Cash payments for the principal portion of the lease liabil	(25,020)
Change in accrued interest	1,089
Additions	70,095
Other movements*	(18,638)
Carrying amount at 31 December 2022	**112,624**

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

(Thousands of Georgian Lari)

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

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

	Office buildings & service centres	*Computers & equipment*	*Total*
Cost			
31 December 2021	**123,669**	**2,631**	**126,300**
Additions	73,773	-	73,773
Disposals	(18,960)	-	(18,960)
Currency translation differences	(949)	(298)	(1,247)
31 December 2022	**177,533**	**2,333**	**179,866**
Accumulated depreciation			
31 December 2021	**47,760**	**864**	**48,624**
Depreciation charge	24,473	345	24,818
Disposals	(8,656)	-	(8,656)
Currency translation differences	(215)	(109)	(324)
31 December 2022	**63,362**	**1,100**	**64,462**
Net book value			
31 December 2021	**75,909**	**1,767**	**77,676**
31 December 2022	**114,171**	**1,233**	**115,404**

	Office buildings & service centres	*Computers & equipment*	*Total*
Cost			
31 December 2020	**115,349**	**2,749**	**118,098**
Additions	39,780	-	39,780
Disposals	(31,315)	-	(31,315)
Currency translation differences	(145)	(118)	(263)
31 December 2021	**123,669**	**2,631**	**126,300**
Accumulated depreciation			
31 December 2020	**34,778**	**516**	**35,294**
Depreciation charge	20,757	388	21,145
Disposals	(7,719)	-	(7,719)
Currency translation differences	(56)	(40)	(96)
31 December 2021	**47,760**	**864**	**48,624**
Net book value			
31 December 2020	**80,571**	**2,233**	**82,804**
31 December 2021	**75,909**	**1,767**	**77,676**

(Thousands of Georgian Lari)

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

	Office buildings & service centres	Computers & equipment	Total
Cost			
31 December 2019	**115,039**	**-**	**115,039**
Additions	11,451	-	11,451
Disposals	(7,697)	-	(7,697)
Transfers	(2,965)	2,965	-
Currency translation differences	(479)	(216)	(695)
31 December 2020	**115,349**	**2,749**	**118,098**
Accumulated depreciation			
31 December 2019	**19,049**	**-**	**19,049**
Depreciation charge	18,260	391	18,651
Disposals	(1,995)	-	(1,995)
Transfers	(139)	139	-
Currency translation differences	(397)	(14)	(411)
31 December 2020	**34,778**	**516**	**35,294**
Net book value			
31 December 2019	**95,990**	**-**	**95,990**
31 December 2020	**80,571**	**2,233**	**82,804**

The movements in property and equipment were as follows:

	Office buildings & service centres	Furniture & fixtures	Computers & equipment	Motor vehicles	Leasehold improve-ments	Assets under construction	Total
Cost							
31 December 2021	**210,883**	**186,683**	**194,705**	**5,029**	**26,863**	**1,095**	**625,258**
Additions	120	10,566	30,290	1,952	72	27,736	70,736
Transfers	23,333	32	77	-	3,804	(27,246)	-
Transfers to investment properties	769	-	-	-	-	-	769
Transfers to other assets	-	(1,571)	(2,135)	(265)	-	(231)	(4,202)
Disposals	(3,011)	(83)	(439)	(365)	(27)	(1)	(3,926)
Write-offs	(29)	(4,699)	(2,455)	(241)	(4,051)	-	(11,475)
Currency translation differences	(2,881)	(198)	(812)	(47)	(87)	(7)	(4,032)
31 December 2022	**229,184**	**190,730**	**219,231**	**6,063**	**26,574**	**1,346**	**673,128**
Accumulated impairment							
31 December 2021	**2,557**	**36**	**98**	**8**	**-**	**-**	**2,699**
31 December 2022	**2,557**	**36**	**98**	**8**	**-**	**-**	**2,699**
Accumulated depreciation							
31 December 2021	**27,512**	**111,842**	**124,814**	**3,381**	**11,985**	**-**	**279,534**
Depreciation charge	4,159	13,618	22,606	643	4,130	-	45,156
Transfers	(13)	13	-	-	-	-	-
Transfers to investment properties	(155)	-	-	-	-	-	(155)
Transfers to other assets	-	(916)	(2,479)	(230)	-	-	(3,625)
Disposals	(795)	(176)	(366)	(88)	(25)	-	(1,450)
Write-offs	2	(4,546)	(2,414)	(130)	(4,027)	-	(11,115)
Currency translation differences	(851)	(114)	(466)	(20)	(71)	-	(1,522)
31 December 2022	**29,859**	**119,721**	**141,695**	**3,556**	**11,992**	**-**	**306,823**
Net book value							
31 December 2021	**180,814**	**74,805**	**69,793**	**1,640**	**14,878**	**1,095**	**343,025**
31 December 2022	**196,768**	**70,973**	**77,438**	**2,499**	**14,582**	**1,346**	**363,606**

(Thousands of Georgian Lari)

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

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improve-ments*	*Assets under construction*	*Total*
Cost							
31 December 2020	**210,632**	**176,395**	**175,854**	**5,210**	**31,810**	**3,222**	**603,123**
Additions	1,985	11,785	28,214	438	10	7,071	49,503
Transfers	6,416	-	-	-	2,493	(8,909)	-
Revaluation	2,359	-	-	-	-	-	2,359
Transfers to investment properties	(11,320)	-	-	-	-	-	(11,320)
Transfers to assets held for sale	2,245	-	-	-	-	-	2,245
Transfers to other assets	-	(998)	(8,647)	-	-	(183)	(9,828)
Disposals	(766)	(406)	(484)	-	-	-	(1,656)
Write-offs	-	(43)	-	(602)	(7,416)	-	(8,061)
Currency translation differences	(668)	(50)	(232)	(17)	(34)	(106)	(1,107)
31 December 2021	**210,883**	**186,683**	**194,705**	**5,029**	**26,863**	**1,095**	**625,258**
Accumulated impairment							
31 December 2020	**2,557**	**36**	**98**	**8**	**-**	**-**	**2,699**
31 December 2021	**2,557**	**36**	**98**	**8**	**-**	**-**	**2,699**
Accumulated depreciation							
31 December 2020	**24,829**	**100,785**	**109,284**	**3,340**	**15,319**	**-**	**253,557**
Depreciation charge	4,123	12,673	18,758	624	4,109	-	40,287
Transfers to investment properties	(1,119)	-	-	-	-	-	(1,119)
Transfers to other assets	-	(1,225)	(2,639)	-	-	-	(3,864)
Disposals	(51)	(307)	(428)	-	-	-	(786)
Write-offs	5	(23)	4	(576)	(7,416)	-	(8,006)
Currency translation differences	(275)	(61)	(165)	(7)	(27)	-	(535)
31 December 2021	**27,512**	**111,842**	**124,814**	**3,381**	**11,985**	**-**	**279,534**
Net book value							
31 December 2020	**183,246**	**75,574**	**66,472**	**1,862**	**16,491**	**3,222**	**346,867**
31 December 2021	**180,814**	**74,805**	**69,793**	**1,640**	**14,878**	**1,095**	**343,025**

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improve-ments*	*Assets under construction*	*Total*
Cost							
31 December 2019	**198,365**	**175,638**	**160,260**	**4,585**	**28,791**	**5,880**	**573,519**
Additions	249	8,851	28,421	1,097	64	26,068	64,750
Transfers	21,600	223	27	-	6,004	(27,854)	-
Transfers to investment properties	(11,068)	-	-	(22)	-	-	(11,090)
Transfers to assets held for sale	1,333	-	-	(46)	-	-	1,287
Transfers to other assets	(101)	(4,930)	(8,895)	-	-	(867)	(14,793)
Disposals	-	(252)	(149)	(193)	-	-	(594)
Write-offs	(43)	(2,972)	(3,396)	(174)	(2,990)	-	(9,575)
Currency translation differences	297	(163)	(414)	(37)	(59)	(5)	(381)
31 December 2020	**210,632**	**176,395**	**175,854**	**5,210**	**31,810**	**3,222**	**603,123**
Accumulated impairment							
31 December 2019	**2,557**	**36**	**98**	**8**	**-**	**-**	**2,699**
31 December 2020	**2,557**	**36**	**98**	**8**	**-**	**-**	**2,699**
Accumulated depreciation							
31 December 2019	**23,157**	**92,575**	**99,132**	**2,763**	**13,467**	**-**	**231,094**
Depreciation charge	4,022	12,132	17,125	853	4,750	-	38,882
Transfers to investment properties	(2,160)	-	-	(20)	-	-	(2,180)
Transfers to assets held for sale	-	-	-	(30)	-	-	(30)
Transfers to other assets	-	(1,111)	(3,077)	-	-	-	(4,188)
Disposals	-	(100)	(148)	(86)	-	-	(334)
Write-offs	(13)	(2,588)	(3,385)	(121)	(2,857)	-	(8,964)
Currency translation differences	(177)	(123)	(363)	(19)	(41)	-	(723)
31 December 2020	**24,829**	**100,785**	**109,284**	**3,340**	**15,319**	**-**	**253,557**
Net book value							
31 December 2019	**172,651**	**83,027**	**61,030**	**1,814**	**15,324**	**5,880**	**339,726**
31 December 2020	**183,246**	**75,574**	**66,472**	**1,862**	**16,491**	**3,222**	**346,867**

(Thousands of Georgian Lari)

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

The movements in intangible assets were as follows:

	Software and licence	*Other*	*Total*
Cost			
31 December 2021	**187,760**	**26,254**	**214,014**
Additions	34,124	-	34,124
Disposals	(7,330)	-	(7,330)
Write-offs	(376)	(1)	(377)
Currency translation differences	(1,413)	-	(1,413)
31 December 2022	**212,765**	**26,253**	**239,018**
Accumulated amortisation			
31 December 2021	**83,820**	**5,419**	**89,239**
Amortisation charge	25,983	20	26,003
Disposals	(5,683)	-	(5,683)
Write-offs	(377)	(1)	(378)
Currency translation differences	(470)	-	(470)
31 December 2022	**103,273**	**5,438**	**108,711**
Net book value			
31 December 2021	**103,940**	**20,835**	**124,775**
31 December 2022	**109,492**	**20,815**	**130,307**

	Software and licence	*Other*	*Total*
Cost			
31 December 2020	**152,019**	**26,254**	**178,273**
Additions	37,009	-	37,009
Disposals	(741)	-	(741)
Currency translation differences	(527)	-	(527)
31 December 2021	**187,760**	**26,254**	**214,014**
Accumulated amortisation			
31 December 2020	**62,604**	**5,308**	**67,912**
Amortisation charge	22,141	109	22,250
Disposals	(747)	-	(747)
Write-offs	-	2	2
Currency translation differences	(178)	-	(178)
31 December 2021	**83,820**	**5,419**	**89,239**
Net book value			
31 December 2020	**89,415**	**20,946**	**110,361**
31 December 2021	**103,940**	**20,835**	**124,775**

(Thousands of Georgian Lari)

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

	Software and licence	*Other*	*Total*
Cost			
31 December 2019	**121,129**	**26,164**	**147,293**
Additions	33,934	105	34,039
Disposals	(235)	-	(235)
Write-offs	(2,373)	(15)	(2,388)
Currency translation differences	(436)	-	(436)
31 December 2020	**152,019**	**26,254**	**178,273**
Accumulated amortisation			
31 December 2019	**48,610**	**3,212**	**51,822**
Amortisation charge	16,291	2,110	18,401
Disposals	(235)	-	(235)
Write-offs	(1,940)	(14)	(1,954)
Currency translation differences	(122)	-	(122)
31 December 2020	**62,604**	**5,308**	**67,912**
Net book value			
31 December 2019	**72,519**	**22,952**	**95,471**
31 December 2020	**89,415**	**20,946**	**110,361**

11. Investment properties

	2022	*2021*	*2020*
At 1 January	**231,707**	**234,835**	**228,666**
Additions	5,845	83,912	79,761
Disposals	(54,713)	(68,713)	(44,908)
Net gains (losses) from revaluation of investment property	6,645	437	20,346
Transfers from (to) assets held for sale	(16,955)	(28,390)	(56,810)
Transfers from (to) property and equipment	(924)	10,201	8,910
Transfers from (to) finance lease receivables	-	-	532
Transfers from (to) other assets - inventories	-	-	(277)
Currency translation differences	(976)	(575)	(1,385)
At 31 December	**170,629**	**231,707**	**234,835**

Investment properties are stated at fair value. The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As at 31 December 2022, the fair values of the properties are based on valuations performed by accredited independent valuers. Refer to Note 27 for details on fair value measurements of investment properties.

12. Goodwill

Movements in goodwill were as follows:

	2022	*2021*	*2020*
Cost			
1 January	**57,209**	**57,209**	**57,209**
At 31 December	**57,209**	**57,209**	**57,209**
Accumulated impairment			
1 January	**23,756**	**23,756**	**23,756**
At 31 December	**23,756**	**23,756**	**23,756**
Net book value:			
1 January	**33,453**	**33,453**	**33,453**
At 31 December	**33,453**	**33,453**	**33,453**

Impairment test for goodwill

(Thousands of Georgian Lari)

12. Goodwill (continued)

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

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

	2022	2021	2020
Retail Banking	23,488	23,488	23,488
Corporate Banking	9,965	9,965	9,965
Total	**33,453**	**33,453**	**33,453**

Key assumptions used in value-in-use calculations

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

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

	Corporate Banking			Retail Banking		
	2022, %	2021, %	2020, %	2022, %	2021, %	2020, %
Discount rate	4.3%	3.9%	4.4%	8.4%	8.1%	7.7%

Discount rates

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

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

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

Sensitivity to changes in assumptions

Management believes that reasonable possible changes to key assumptions used to determine the recoverable amount for each CGU will not result in an impairment of goodwill. The excess of value-in-use over carrying value is determined by reference to the net book value as at 31 December 2022. Possible change was taken as +/-3% in discount rate and growth rate.

13. Taxation

The corporate income tax expense in income statement comprises:

	2022	2021	2020
Current income benefit (expense)	(137,386)	(111,643)	5,319
Deferred income tax benefit (expense)	(53,221)	36,828	(26,094)
Income tax expense	**(190,607)**	**(74,815)**	**(20,775)**

The income tax rate applicable to most of the Group's income is the income tax rate applicable to subsidiaries' income, which ranges from 15% to 25% (2021: from 15% to 25%, 2020: from 15% to 25%).

(Thousands of Georgian Lari)

13. Taxation (continued)

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

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

The effective income tax rate differs from the statutory income tax rates. As at 31 December 2022, 31 December 2021 and 31 December 2020**,** a reconciliation of the income tax expense based on statutory rates with the actual expense is as follows:

	2022	*2021*	*2020*
Profit before income tax expense from continuing operations	1,182,611	818,626	327,273
Profit before income tax expense	**1,182,611**	**818,626**	**327,273**
Statutory tax rate in Georgia	15%	15%	15%
Theoretical income tax expense at average tax rate	**(177,392)**	**(122,794)**	**(49,091)**
Non-taxable income	47,610	51,571	35,878
Non-deductible expenses	(1,371)	(1,612)	(4,016)
Correction of prior year declarations	(2,846)	(15)	(3,343)
Tax at the domestic rates applicable to profits in each country	(3,585)	(2,108)	(506)
Effects from changes in tax legislation	(53,074)	-	-
Other	51	143	303
Income tax expense	**(190,607)**	**(74,815)**	**(20,775)**

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

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

	2022	*2021*	*2020*
Current income tax assets	224	109	21,841
Deferred income tax assets	640	183	192
Income tax assets	**864**	**292**	**22,033**
Current income tax liabilities	20,258	85,270	-
Deferred income tax liabilities	79,275	25,598	62,434
Income tax liabilities	**99,533**	**110,868**	**62,434**

(Thousands of Georgian Lari)

13. Taxation (continued)

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

		Origination and reversal of temporary differences		*Origination and reversal of temporary differences*		*Origination and reversal of temporary differences*	
	2019	*In the income statement*	*2020*	*In the income statement*	*2021*	*In the income statement*	*2022*
Tax effect of deductible temporary differences:							
Amounts due to credit institutions	63	(63)	-	-	-	193	193
Investment securities	66	(66)	-	-	-	294	294
Investment properties	228	(169)	59	108	167	1,954	2,121
Property and equipment	2,127	258	2,385	29	2,414	(182)	2,232
Assets held for sale	-	-	-	-	-	465	465
Lease liability	8,306	(2,300)	6,006	(2,236)	3,770	19,389	23,159
Accruals and deferred income	1,691	5,514	7,205	12,539	19,744	18,388	38,132
Other assets and liabilities	2,759	(2,692)	67	368	435	3,845	4,280
Deferred tax assets	**15,439**	**283**	**15,722**	**10,808**	**26,530**	**44,346**	**70,876**
Tax effect of taxable temporary differences:							
Amounts due to credit institutions	1,950	278	2,228	59	2,287	1,660	3,947
Debt securities issued	2,311	(687)	1,624	(932)	692	1,259	1,951
Cash and cash equivalents	2,070	(2,070)	-	-	-	-	-
Loans to customers and finance lease	25,904	28,162	54,066	(24,192)	29,874	30,697	60,571
Client deposits and notes	35	141	176	(176)	-	-	-
Property and equipment	9,151	(130)	9,021	(3,121)	5,900	37,342	43,242
Right-of-use assets	8,465	(2,955)	5,510	(2,294)	3,216	20,606	23,822
Investment properties	228	112	340	625	965	7,822	8,787
Intangible assets	21	(21)	-	-	-	-	-
Assets held for sale	1,227	313	1,540	(1,055)	485	(485)	-
Accruals and deferred income	225	68	293	(180)	113	(113)	-
Other assets and liabilities	-	3,166	3,166	5,246	8,412	(1,221)	7,191
Deferred tax liabilities	**51,587**	**26,377**	**77,964**	**(26,020)**	**51,944**	**97,567**	**149,511**
Net deferred tax liabilities	**(36,148)**	**(26,094)**	**(62,242)**	**36,828**	**(25,414)**	**(53,221)**	**(78,635)**

14. Other assets and other liabilities

Other assets comprise:

	2022	*2021*	*2020*
Foreclosed assets	119,924	3,216	5,989
Receivables from remittance operations	86,701	34,996	25,992
Derivative financial assets	39,270	135,079	9,154
Derivatives margin	21,053	18,586	210,816
Other receivables	69,907	18,463	15,157
Investments in associates	9,249	8,917	13,099
Operating tax assets	3,897	7,000	6,068
Assets purchased for finance lease purposes	2,140	13,093	39,742
Other	27,540	16,216	5,366
Other assets, gross	**379,681**	**255,566**	**331,383**
Less – Allowance for impairment of other assets	(16,853)	(14,366)	(14,979)
Other assets, net	**362,828**	**241,200**	**316,404**

(Thousands of Georgian Lari)

14. Other assets and other liabilities (continued)

Other liabilities comprise:

	2022	*2021*	*2020*
Derivative financial liabilities	59,020	7,865	247,520
Creditors	32,381	28,447	31,996
Payables for remittance operations	24,671	8,457	8,597
Other taxes payable	5,619	10,093	9,656
Provisions	5,127	5,793	15,325
Dividends payable	2,346	1,713	1,545
Accounts payable	2,131	3,423	4,817
Advances received	805	265	729
Derivatives margin	-	98,844	-
Other	21,491	12,144	5,802
Other liabilities	**153,591**	**177,044**	**325,987**

In 2020, the Bank's derivative financial liabilities comprised mainly of USD-EUR contracts, the balance on which has significantly increased as a result of a devaluation of USD as compared to EUR. The Bank was also required to provide respective collateral for the exposure in the form of a derivatives margin.

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

	2022		
	Notional amount	*Fair value*	
		Asset	*Liability*
Foreign exchange contracts			
Forwards and swaps – domestic	1,392,118	5,688	2,873
Forwards and swaps – foreign	4,615,758	33,234	56,147
Interest rate contracts			
Forwards and swaps - foreign (IR)	1,209	348	-
Total derivative assets / liabilities	**6,009,085**	**39,270**	**59,020**

(Thousands of Georgian Lari)

14. Other assets and other liabilities (continued)

	2021			2020		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
Foreign exchange contracts						
Forwards and swaps – domestic	1,065,639	931	3,141	574,563	6,881	2,908
Forwards and swaps – foreign	5,678,727	131,321	3,339	7,057,736	724	243,510
Interest rate contracts						
Forwards and swaps – foreign	1,129	296	-	-	-	-
Options - foreign (IR)	7,434	2,531	1,385	7,864	1,549	1,102
Total derivative assets / liabilities	**6,752,929**	**135,079**	**7,865**	**7,640,163**	**9,154**	**247,520**

15. Client deposits and notes

The amounts due to customers include the following:

	2022	2021	2020
Current accounts	11,029,798	7,053,360	6,034,724
Time deposits	7,244,263	7,028,078	8,017,755
Client deposits and notes	**18,274,061**	**14,081,438**	**14,052,479**

At 31 December 2022, amounts due to customers of GEL 2,107,058 (12%) were due to the ten largest customers (2021: GEL 1,953,107 (14%), 2020: GEL 2,951,893 (21%)).

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

	2022	2021	2020
Individuals	11,158,313	8,399,292	7,815,114
Private enterprises	6,424,514	5,060,010	4,321,820
State and state-owned entities	691,234	622,136	1,915,545
Client deposits and notes	**18,274,061**	**14,081,438**	**14,052,479**

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

	2022	2021	2020
Individuals	11,158,313	8,399,292	7,815,114
Financial intermediation	1,316,330	1,433,939	832,078
Trade	1,158,681	853,235	842,614
Construction	796,019	664,695	588,876
Manufacturing	758,774	443,864	314,207
Service	734,205	361,158	396,826
Government services	682,809	613,710	1,865,906
Transport & communication	488,132	399,010	525,311
Real estate	233,177	214,670	162,310
Electricity, gas and water supply	186,517	112,244	75,188
Hospitality	172,925	70,375	65,042
Other	588,179	515,246	569,007
Client deposits and notes	**18,274,061**	**14,081,438**	**14,052,479**

16. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	2022	*2021*	*2020*
Short-term loans from National Bank of Georgia	1,715,257	1,413,333	590,293
Borrowings from international credit institutions	1,500,037	1,667,915	1,440,901
Time deposits and inter-bank loans	777,638	198,037	190,048
Correspondent accounts	660,768	170,411	196,049
	4,653,700	**3,449,696**	**2,417,291**
Non-convertible subordinated debt	401,733	668,766	707,648
Additional Tier 1	136,061	-	-
Amounts due to credit institutions	**5,191,494**	**4,118,462**	**3,124,939**

During the year ended 31 December 2022, the Group paid up to 7.52% on USD borrowings from international credit institutions (2021: up to 4.18%, 2020: up to 5.49%). During the year ended 31 December 2022, the Group paid up to 10.73% on USD subordinated debt (2021: up to 7.75%, 2020: up to 9.39%).

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants") that the Group maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 31 December 2022, 31 December 2021 and 31 December 2020, the Group complied with all the Lender Covenants of the significant borrowings from international credit institutions.

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

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

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

Facility provider	Commencement date	Maturity date	Interest rate	Currency	Original contractual value	Carrying value as at 31 December 2022	Carrying value as at 31 December 2021	Carrying value as at 31 December 2020
FMO - Dutch entrepreneurial development bank	20-Dec-19	20-Dec-29	libor+5.65	USD	127,000	345,709	390,058	347,087
European Bank for Reconstruction and Developme	7-Jun-22	10-Jun-27	13.5%	USD	35,000	95,243	-	-
Swedfund International AB	7-Jun-22	10-Jun-27	13.5%	USD	15,000	40,818	-	-
International Finance Corporation	29-Jun-15	15-Jun-25	libor+7.5	USD	70,000	-	215,732	293,964

17. Debt securities issued

Debt securities issued comprise:

	2022	*2021*	*2020*
Additional Tier 1 capital notes issued	267,702	306,239	323,320
Eurobonds and notes issued	226,857	938,372	1,020,428
Certificates of deposit	107,022	128,484	140,918
Local bonds	44,556	87,384	82,892
Debt securities issued	**646,137**	**1,460,479**	**1,567,558**

On 21 March 2019, JSC Bank of Georgia successfully issued an inaugural US$ 100 million offering of 11.125% Additional Tier 1 Capital Perpetual Subordinated Notes callable after 5.25 years and on every subsequent interest payment date, subject to prior consent of the National Bank of Georgia (the "Notes"). The Notes have been issued in accordance with Regulation S as adopted by the United States SEC and sold at an issue price of 100.00%. The notes qualify as the Bank's Additional Tier 1 Capital under Basel III framework, with the NBG's approval.

On 1 June 2020 the Bank repaid GEL 500 million GEL-denominated 11.00% notes.

(Thousands of Georgian Lari)

17. Debt securities issued (continued)

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	Additional Tier 1 capital notes issued
Carrying amount at 31 December 2019	**1,442,298**	**282,407**
Repurchase of debt securities issued	(120,549)	-
Repayment of the principal portion of the debt securities issued	(440,410)	-
Other movements	139,089	40,913
Carrying amount at 31 December 2020	**1,020,428**	**323,320**
Repurchase of debt securities issued	(28,825)	-
Repayment of the principal portion of the debt securities issued	(46,706)	-
Other movements	(6,525)	(17,081)
Carrying amount at 31 December 2021	**938,372**	**306,239**
Repurchase of debt securities issued	(617,194)	-
Repayment of the principal portion of the debt securities issued	(31,581)	-
Other movements	(62,740)	(38,537)
Carrying amount at 31 December 2022	**226,857**	**267,702**

18. Commitments and contingencies

Legal

Sai-invest

As at 31 December 2022, the Bank was engaged in litigation with Sai-Invest LLC ("Sai-Invest") in relation to a deposit pledge in the amount of EUR 7 million for the benefit LTD Sport Invest's loans owing to JSC Bank of Georgia. Sai-Invest LLC has challenged the validity of the deposit pledge in the Georgian courts, and its challenge has been substantially sustained in the Court of Appeal, a determination which the Bank believes to be erroneous and without merit, and which the Bank has appealed to the Supreme Court. The matter is currently under review by the Supreme Court, and a decision is expected during 2023. The Bank's management is of the opinion that the probability of incurring material losses on this claim is low, and, accordingly, no provision has been made in these consolidated financial statements.

As at 31 December 2022, 31 December 2021 and 31 December 2020**,** the Group's financial commitments and contingencies comprised the following:

	2022	*2021*	*2020*
Credit-related commitments			
Financial and performance guarantees issued*	1,717,308	1,686,913	1,490,028
Letters of credit	116,309	71,676	125,031
Undrawn loan facilities	869,061	809,481	685,533
	2,702,678	**2,568,070**	**2,300,592**
Less – Cash held as security against letters of credit and guarantees (Note 15)	(121,753)	(117,379)	(131,946)
Less – Provisions	(5,127)	(5,793)	(15,325)
Capital expenditure commitments	**6,790**	**4,539**	**2,863**

** Out of total guarantees issued as at 31 December 2022 financial and performance guarantees of the Group comprised GEL 988,094 (31 December 2021: GEL 1,030,122, 31 December 2020: GEL 888,905) and GEL 729,214 (31 December 2021: GEL 656,791, 31 December 2020: GEL 601,123), respectively.*

(Thousands of Georgian Lari)

18. Commitments and contingencies (continued)

Legal (continued)

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

19. Equity

Share capital

As at 31 December 2022, 31 December 2021 and 31 December 2020, authorised common capital comprised 43,308,125 common shares. As at 31 December 2022, 31 December 2021 and 31 December 2020, issued share capital comprised 27,993,660 common shares, all of which were fully paid. Each share has a nominal value of one (1) Georgian Lari. Shares issued and outstanding as at 31 December 2022 are described below:

	Number of ordinary shares	*Amount of ordinary shares*
31 December 2019	**27,993,660**	**27,994**
31 December 2020	**27,993,660**	**27,994**
31 December 2021	**27,993,660**	**27,994**
31 December 2022	**27,993,660**	**27,994**

Treasury shares

The number of treasury shares held by the Group as at 31 December 2022, comprised 10,173 (31 December 2021: 10,173, 31 December 2020: 10,173), with nominal amount of GEL 10 (31 December 2021: GEL 10, 31 December 2020: GEL 10).

Dividends

Shareholders are entitled to dividends in Georgian Lari.

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

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

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

No dividends have been declared by JSC Bank of Georgia in 2020.

Nature and purpose of other reserves

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

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

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

Movements on this account during the years ended 31 December 2022, 31 December 2021 and 31 December 2020, are presented in the statements of other comprehensive income.

(Thousands of Georgian Lari)

19. Equity (continued)

Earnings per share

	2022	2021	2020
Basic and diluted earnings per share			
Profit for the year attributable to ordinary shareholders of the Bank	992,004	743,811	306,498
Weighted average number of ordinary shares outstanding during the year	27,983,827	27,983,827	27,983,827
Earnings per share	35.4492	26.5800	10.9527

20. Net interest income

	2022	2021	2020
Interest income calculated using EIR method	**2,223,455**	**1,796,788**	**1,539,643**
From loans to customers	1,906,884	1,593,053	1,350,238
From investment securities	296,517	197,240	167,765
From amounts due from credit institutions	46,192	16,949	18,953
Net gain (loss) on modification of financial assets	(26,138)	(10,454)	2,687
Other interest income	**20,573**	**28,737**	**32,067**
From finance lease receivable	20,573	28,727	32,001
From other assets	-	10	66
Interest income	**2,244,028**	**1,825,525**	**1,571,710**
On client deposits and notes	(573,148)	(499,279)	(446,190)
On amounts owed to credit institutions	(418,941)	(286,771)	(253,011)
On debt securities issued	(84,254)	(109,715)	(143,071)
Interest element of cross-currency swaps	29,402	30,632	52,312
On lease liability	(4,759)	(4,880)	(5,339)
Interest expense	**(1,051,700)**	**(870,013)**	**(795,299)**
Deposit insurance fees	(17,717)	(14,629)	(11,415)
Net interest income	**1,174,611**	**940,883**	**764,996**

In 2020, a GEL 39,730 (Note 24) net one-off loss on modification of financial assets was recorded in relation to the three-month payment holidays on principal and interest offered to our Retail Banking clients, as an immediate response to COVID-19 pandemic outbreak, in order to reduce the requirement for customers to physically visit Bank branches and reduce the risk of the virus spread. The net loss incurred as a result of these modifications has been classified as a non-recurring item in the income statement.

(Thousands of Georgian Lari)

21. Net fee and commission income

	2022	*2021*	*2020*
Settlements operations	444,629	306,567	213,219
Guarantees and letters of credit	35,283	34,402	28,373
Currency conversion operations	34,546	15,783	8,438
Cash operations	28,230	18,409	14,771
Brokerage service fees	49	460	48
Other	6,045	7,009	4,791
Fee and commission income	**548,782**	**382,630**	**269,640**
Settlements operations	(248,530)	(176,329)	(119,216)
Cash operations	(26,426)	(8,826)	(8,158)
Currency conversion operations	(5,378)	(1,668)	(1,534)
Brokerage service fees	(1,152)	(1,208)	(963)
Guarantees and letters of credit	(323)	(724)	(505)
Other	(5,553)	(5,539)	(3,025)
Fee and commission expense	**(287,362)**	**(194,294)**	**(133,401)**
Net fee and commission income	**261,420**	**188,336**	**136,239**

Revenue from customers

In 2022, the Group recognised GEL 479,912 revenue from contracts with customers in the income statement, including fee and commission as well as net other income (2021: GEL 340,969, 2020: GEL 241,592).

Contract assets and liabilities

As at 31 December 2022, the Group has recognised GEL 50,440 revenue-related contract liabilities (2021: GEL 40,798, 2020: GEL 36,622). Accounts receivable are recognised when the right to consideration becomes unconditional. Deferred revenue is recognised as revenue as we perform under the contract.

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

In 2022, the Group recognised GEL 38,495 revenue (2021: GEL 10,619, 2020: GEL 11,802) mainly from Georgia that relates to carried-forward contract liabilities and was previously included in the deferred income.

Transaction price allocated to the remaining performance obligations

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

	In 1 year	In 2 years	In 3 years	In 3 to 5 years	In 5 to 10 years	Total
As at 31 December 2022	47,788	2,465	126	43	18	**50,440**
As at 31 December 2021	39,212	1,119	388	76	3	**40,798**
As at 31 December 2020	12,874	1,544	1,303	2,198	18,703	**36,622**

(Thousands of Georgian Lari)

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

Salaries and other employee benefits

	2022	2021	2020
Salaries and bonuses	(319,285)	(245,363)	(209,286)
Social security costs	(6,818)	(5,107)	(4,410)
Pension costs	(4,273)	(3,683)	(2,961)
Salaries and other employee benefits	**(330,376)**	**(254,153)**	**(216,657)**

In 2022, salaries and bonuses include GEL 80,955 of the Equity Compensation Plan costs (2021: GEL 44,445, 2020: GEL 54,361), associated with the existing share-based compensation scheme approved in the Group (Note 25).

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

	2022	2021	2020
The Bank	6,324	6,012	5,783
BNB	654	540	536
Other	187	104	88
Average total number of staff employed	**7,165**	**6,656**	**6,407**

Average number of employees for the year:	2022	2021	2020
Permanent employment:			
Top management	27	25	13
Middle management	112	104	49
Other employees	6,981	6,467	6,321
	7,120	**6,596**	**6,383**
Temporary employment:			
Other employees	45	60	24
	45	**60**	**24**
Total	**7,165**	**6,656**	**6,407**

General and administrative expenses

	2022	2021	2020
Repairs and maintenance	(44,543)	(37,655)	(21,226)
Marketing and advertising	(36,637)	(24,477)	(18,083)
Legal and other professional services	(12,088)	(10,111)	(10,134)
Operating taxes	(11,578)	(12,298)	(13,225)
Office supplies	(7,920)	(6,062)	(5,891)
Communication	(7,072)	(5,663)	(5,443)
Corporate hospitality and entertainment	(6,048)	(1,995)	(1,300)
Occupancy and rent	(5,798)	(5,148)	(4,810)
Travel expenses	(5,298)	(3,711)	(3,147)
Personnel training and recruitment	(4,290)	(1,852)	(1,694)
Insurance	(3,727)	(3,496)	(3,231)
Security	(3,176)	(3,420)	(2,742)
Other	(3,537)	(3,670)	(4,033)
General and administrative expenses	**(151,712)**	**(119,558)**	**(94,959)**

(Thousands of Georgian Lari)

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

Auditor remuneration

Auditor remuneration comprises:

	2022	2021	2020
Fees for the audit of the Bank's annual financial statements	634	592	578
Expenditures for other assurance services	386	517	491
Expenditures for other professional services	9	9	-
Total fees	**1,029**	**1,118**	**1,069**

The figures shown in the above table relate to fees of EY LLC ("EY") and its associates. In 2022, fees paid to other auditors not associated with EY in respect of the audit of the Parent and Group's subsidiaries were GEL 106 (2021: GEL 129, 2020: GEL 135),and in respect of other services of the Group were GEL 579 (2021: GEL 452, 2020: GEL 67).

23. Expected credit loss

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

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	(334)	-	-	-	-	(334)
Amounts due from credit institutions	(5,179)	-	-	-	-	(5,179)
Investment securities measured at amortised cost - debt instruments	(3,199)	-	-	-	-	(3,199)
Investment securities measured at FVOCI - debt instruments	(3,896)	-	-	-	-	(3,896)
Loans to customers at amortised cost	19,980	(15,433)	53,516	(177,169)	(10,598)	(129,704)
Finance lease receivables	292	487	784	(1,886)	(2,885)	(3,208)
Other financial assets	(4,204)	-	-	-	-	(4,204)
Financial guarantees	(437)	6	32	2	-	(397)
Letter of credit to customers	(33)	-	65	-		32
Other financial commitments	140	292	-	-	-	432
For the year ended 31 December 2022	**3,130**	**(14,648)**	**54,397**	**(179,053)**	**(13,483)**	**(149,657)**

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	48	-	-	-	-	48
Amounts due from credit institutions	66	-	-	-	-	66
Investment securities measured at FVOCI - debt instruments	1,090	-	-	-	-	1,090
Loans to customers at amortised cost	(6,355)	28,901	6,267	(31,291)	(1,635)	(4,113)
Finance lease receivables	(513)	(204)	(264)	(2,774)	(1,195)	(4,950)
Other financial assets	(2,621)	-	-	-	-	(2,621)
Financial guarantees	6,599	53	3,733	(7)	-	10,378
Letter of credit to customers	1,543	-	328	-		1,871
Other financial commitments	(1,137)	(443)	-	-	-	(1,580)
For the year ended 31 December 2021	**(1,280)**	**28,307**	**10,064**	**(34,072)**	**(2,830)**	**189**

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	62	-	-	-	-	62
Amounts due from credit institutions	(56)	-	-	-	-	(56)
Investment securities measured at FVOCI - debt instruments	104	-	-	-	-	104
Loans to customers at amortised cost	(63,577)	(49,502)	(62,612)	(62,439)	(1,211)	(239,341)
Finance lease receivables	310	(1,018)	(967)	(6,350)	-	(8,025)
Other financial assets	(13,948)	-	-	-	-	(13,948)
Financial guarantees	(4,091)	(33)	(3,091)	-	-	(7,215)
Letter of credit to customers	(1,317)	-	(380)	-	-	(1,697)
Other financial commitments	158	(69)	-	-	-	89
For the year ended 31 December 2020	**(82,355)**	**(50,622)**	**(67,050)**	**(68,789)**	**(1,211)**	**(270,027)**

(Thousands of Georgian Lari)

23. Expected credit loss (continued)

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

24. Net non-recurring items

	2022	*2021*	*2020*
Modification loss of financial assets*	-	-	(39,730)
Corporate social responsibility expense**	-	-	(1,454)
Other	(203)	(610)	(232)
Net non-recurring expense/loss	**(203)**	**(610)**	**(41,416)**

** Modification loss of financial assets: in response to the COVID-19 outbreak, the Group implemented an initiative to grant a three-month grace period to its borrowers with the interest accrued for grace period being deferred and either allocated over the original repayment schedule till maturity on a straight line basis (i.e. no compounding applied) or in some cases beyond maturity (i.e., maturity extended by 3 months). The payment holiday was intended to reduce customer traffic to branches and thus reduce chances of the rapid spread of the virus in the country. The noted immediate social response to COVID-19 pandemic resulted in modification loss in amount of GEL 39,730. Given the initiative was driven by high social responsibility motives and was similar to a CSR cost with high degree of abnormality and extraordinary nature, such modification losses were presented as non-recurring item in the Group's consolidated financial statements.*

*** In 2020, corporate social responsibly expense: in order to assist in the fight against the COVID-19 the Group purchased and donated laboratory tests, respiratory equipment, etc. to the Government of Georgia on a one-off basis.*

25. Share-based payments

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

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

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

In 2022, the Group contributed GEL 71,891 (2021: GEL 80,449, 2020: GEL 21,262) as intra-group recharge under share-based compensation schemes described above.

Share-based payment transactions fixed in monetary terms

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

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

25. Share-based payments (continued)

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

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

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

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

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

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

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

In 2020, new Management Board members and one key executive signed new three-year fixed contingent share-based compensation agreements with the total of 120,000 and 30,000 ordinary shares of BOGG, respectively. The total amount of shares fixed to each executive will be awarded in three equal instalments during the three consecutive years, of which each award will be subject to a three-year vesting period. The Group considers 3 June 2020 and 29 December 2020 as the grant dates for the awards. The Group estimates that the fair value of the shares on 3 June 2020 and 29 December 2020 were Georgian Lari 39.91 and 54.61, respectively.

In 2020, existing Management Board members' share-based compensation agreements were amended with the total effect of 33,333 ordinary shares of BOGG. The Group considers 23 December 2020 as the grant date for the awards. The Group estimates that the fair value of the shares on 23 December 2020 was Georgian Lari 53.48.

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

(Thousands of Georgian Lari)

25. Share-based payments (continued)

Summary

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

The weighted average fair value of share-based awards at the grant date comprised Georgian Lari 62.28 per share in year ended 31 December 2022 (31 December 2021: Georgian Lari 50.70 per share, 31 December 2020: Georgian Lari 55.89).

The Group's total share-based payment expenses for the year ended 31 December 2022 comprised GEL 80,955 (31 December 2021: GEL 44,445, 31 December 2020: GEL 54,361) and are included in "salaries and other employee benefits", as "salaries and bonuses". Below is the summary of the share-based payments-related data:

	2022	*2021*	*2020*
Total number of equity instruments awarded	1,382,444	415,681	1,002,576
– Among them, to Management Board	*1,071,053*	*30,100*	*424,793*
Weighted average value at grant date, per share (GEL in full amount)	62.28	50.70	55.89
Value at grant date, total (GEL)	**86,105**	**21,074**	**56,031**
Total expense recognised during the year (GEL)	**(80,955)**	**(44,445)**	**(54,361)**

26. Risk management

Introduction

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.
The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk Management structure

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

<u>Committees operating under the Supervisory Board:</u>

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

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

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

26. Risk management (continued)

Introduction (continued)

Other risk management bodies:

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

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

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

Risk measurement and reporting systems

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

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

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

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

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

Risk mitigation

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

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

26. Risk management (continued)

Introduction (continued

Excessive risk concentration

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

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

Credit risk

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

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

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

Derivative financial instruments

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

Credit-related commitment risks

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

Credit quality per class of financial assets

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

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

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

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

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

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

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

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

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

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

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,372,649	-	-	-	1,372,649
Standard grade	577,159	-	-	-	577,159
Low grade	18,466	-	-	-	18,466
Not rated	527,209	-	-	-	527,209
Balance at 31 December 2022	**2,495,483**	**-**	**-**	**-**	**2,495,483**

Amounts due from credit institutions	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,396,898	-	-	-	2,396,898
Standard grade	-	-	-	-	-
Low grade	-	-	-	-	-
Not rated	25,726	-	-	-	25,726
Balance at 31 December 2022	**2,422,624**	**-**	**-**	**-**	**2,422,624**

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,337,630	-	-	-	2,337,630
Standard grade	1,546,899	-	-	-	1,546,899
Low grade	-	-	-	-	-
Not rated	76,381	-	1,619	-	78,000
Balance at 31 December 2022	**3,960,910**	**-**	**1,619**	**-**	**3,962,529**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Investment securities measured at amortized cost - debt instruments	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	129,670	-	-	-	129,670
Standard grade	197,658	-	-	-	197,658
Not rated	54,407	-	-	-	54,407
Balance at 31 December 2022	**381,735**	**-**	**-**	**-**	**381,735**

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,484,436	78,817	-	-	2,563,253
Standard grade	1,431,663	123,274	-	310	1,555,247
Low grade	238,808	391,875	-	1,187	631,870
Not rated	338,464	17,341	-	-	355,805
Defaulted					
Non-performing	-	-	169,661	14,453	184,114
Other	-	-	3,322	-	3,322
Balance at 31 December 2022	**4,493,371**	**611,307**	**172,983**	**15,950**	**5,293,611**

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	3,020,624	22,479	-	4,103	3,047,206
Standard grade	657,117	37,241	-	4,446	698,804
Low grade	107,484	108,764	-	3,402	219,650
Not rated	140,681	1,082	-	-	141,763
Defaulted					
Non-performing	-	-	53,073	13,650	66,723
Other	-	-	16,584	2,474	19,058
Balance at 31 December 2022	**3,925,906**	**169,566**	**69,657**	**28,075**	**4,193,204**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Micro and SME loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,026,620	43,580	-	347	2,070,547
Standard grade	1,022,762	67,959	-	361	1,091,082
Low grade	145,066	75,782	-	45	220,893
Not rated	281,391	13,142	10	207	294,750
Defaulted					
Non-performing	-	-	135,965	1,658	137,623
Other	-	-	10,542	226	10,768
Balance at 31 December 2022	**3,475,839**	**200,463**	**146,517**	**2,844**	**3,825,663**

Consumer loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,003,630	13,253	-	2,411	2,019,294
Standard grade	872,122	39,737	-	1,763	913,622
Low grade	202,919	159,751	-	2,021	364,691
Not rated	164,521	1,134	103	-	165,758
Defaulted					
Non-performing	-	-	70,885	11,279	82,164
Other	-	-	51,004	5,521	56,525
Balance at 31 December 2022	**3,243,192**	**213,875**	**121,992**	**22,995**	**3,602,054**

Gold – pawn loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	61,635	195	-	-	61,830
Standard grade	43,456	1,077	-	-	44,533
Low grade	39,509	7,339	-	-	46,848
Not rated	2,925	2	493	-	3,420
Defaulted					
Non-performing	-	-	1,318	-	1,318
Other	-	-	6,605	-	6,605
Balance at 31 December 2022	**147,525**	**8,613**	**8,416**	**-**	**164,554**

Finance lease receivables	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	17,702	4,495	-	-	22,197
Standard grade	-	694	-	-	694
Not rated	41,829	1,262	5,101	-	48,192
Defaulted					
Non-performing	-	-	3,814	11,909	15,723
Other	-	-	5,241	3,301	8,542
Balance at 31 December 2022	**59,531**	**6,451**	**14,156**	**15,210**	**95,348**

Accounts receivable	Stage 1	Stage 3	Total
Not rated	4,975	-	4,975
Balance at 31 December 2022	**4,975**	**-**	**4,975**

Other financial assets	Stage 1	Stage 3	Total
Not rated	156,608	-	156,608
Balance at 31 December 2022	**156,608**	**-**	**156,608**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Financial and performance guarantees issued	Stage 1	Stage 2	Stage 3	Total
High grade	1,049,817	103	-	1,049,920
Standard grade	241,914	4,357	-	246,271
Low grade	223,983	20,097	-	244,080
Not rated	163,278	111	-	163,389
Defaulted				
Other	-	-	13,648	13,648
Balance at 31 December 2022	**1,678,992**	**24,668**	**13,648**	**1,717,308**

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

Undrawn loan facilities	Stage 1	Stage 2	Stage 3	Total
High grade	498,164	306	-	498,470
Standard grade	259,919	6,168	-	266,087
Low grade	7,719	7,829	-	15,548
Not rated	87,136	82	-	87,219
Defaulted				
Non-performing	-	-	1,537	1,538
Other	-	-	199	199
Balance at 31 December 2022	**852,938**	**14,385**	**1,736**	**869,061**

Cash and cash equivalents, excluding cash on hand	Stage 1	Total
High grade	480,889	480,889
Standard grade	53,892	53,892
Low grade	132	132
Not rated	185,311	185,311
Balance at 31 December 2021	**720,224**	**720,224**

Amounts due from credit institutions	Stage 1	Total
High grade	-	-
Standard grade	1,892,669	1,892,669
Low grade	-	-
Not rated	25,601	25,601
Balance at 31 December 2021	**1,918,270**	**1,918,270**

Investment securities measured at FVOCI - debt instruments	Stage 1	Total
High grade	1,031,369	1,031,369
Standard grade	1,435,747	1,435,747
Low grade	13,804	13,804
Not rated	79,948	79,948
Balance at 31 December 2021	**2,560,868**	**2,560,868**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Commercial loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,815,718	11,769	-	-	2,827,487
Standard grade	1,130,598	166,392	-	-	1,296,990
Low grade	369,056	176,236	-	7,131	552,423
Not rated	448,676	20,536	-	-	469,212
Defaulted					
Non-performing	-	-	212,134	10,883	223,017
Other	-	-	11,267	-	11,267
Balance at 31 December 2021	**4,764,048**	**374,933**	**223,401**	**18,014**	**5,380,396**

Residential mortgage loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,751,165	67,134	-	2,163	2,820,462
Standard grade	616,665	84,564	-	4,284	705,513
Low grade	112,440	106,454	-	5,083	223,977
Not rated	149,099	1,818	-	-	150,917
Defaulted					
Non-performing	-	-	31,140	3,767	34,907
Other	-	-	73,374	12,908	86,282
Balance at 31 December 2021	**3,629,369**	**259,970**	**104,514**	**28,205**	**4,022,058**

Micro and SME loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	1,733,636	103,160	-	308	1,837,104
Standard grade	932,109	90,631	-	1,588	1,024,328
Low grade	108,045	69,942	-	561	178,548
Not rated	506,359	29,740	11	-	536,110
Defaulted					
Non-performing	-	-	115,794	2,125	117,919
Other	-	-	35,694	2,053	37,747
Balance at 31 December 2021	**3,280,149**	**293,473**	**151,499**	**6,635**	**3,731,756**

Consumer loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	1,415,629	23,339	-	858	1,439,826
Standard grade	758,684	54,826	-	1,640	815,150
Low grade	272,104	135,897	-	2,259	410,260
Not rated	189,021	964	267	-	190,252
Defaulted					
Non-performing	-	-	41,757	1,141	42,898
Other	-	-	65,618	17,301	82,919
Balance at 31 December 2021	**2,635,438**	**215,026**	**107,642**	**23,199**	**2,981,305**

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

Finance lease receivables	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	8,585	3,221	-	-	11,806
Standard grade	8,337	2,733	-	-	11,070
Low grade	8,515	5,850	-	-	14,365
Not rated	55,737	5,780	-	-	61,517
Defaulted					
Non-performing	-	-	605	-	605
Other	-	-	16,007	9,582	25,589
Balance at 31 December 2021	**81,174**	**17,584**	**16,612**	**9,582**	**124,952**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Accounts receivable	***Stage 1***	***Total***
Not rated	25,267	25,267
Balance at 31 December 2021	**25,267**	**25,267**

Other financial assets	***Stage 1***	***Total***
Not rated	53,459	53,459
Balance at 31 December 2021	**53,459**	**53,459**

Financial and performance guarantees issued	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
High grade	307,607	24,337	-	331,944
Standard grade	91,528	7,799	-	99,327
Low grade	58,376	3,334	-	61,710
Not rated	1,193,179	9	-	1,193,188
Defaulted				
Other	-	-	744	744
Balance at 31 December 2021	**1,650,690**	**35,479**	**744**	**1,686,913**

Letters of credit	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
High grade	67,925	-	-	67,925
Standard grade	1,743	-	-	1,743
Low grade	410	-	-	410
Not rated	1,598	-	-	1,598
Balance at 31 December 2021	**71,676**	**-**	**-**	**71,676**

Undrawn loan facilities	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
High grade	581,310	1,415	-	582,725
Standard grade	121,376	3,011	-	124,387
Low grade	12,986	4,561	-	17,547
Not rated	83,653	240	9	83,902
Defaulted				
Non-performing	-	-	5	5
Other	-	-	909	915
Balance at 31 December 2021	**799,325**	**9,227**	**923**	**809,481**

Cash and cash equivalents, excluding cash on hand	***Stage 1***	***Total***
High grade	1,077,415	1,077,415
Standard grade	95,148	95,148
Low grade	87,355	87,355
Not rated	270	270
Balance at 31 December 2020	**1,260,188**	**1,260,188**

Amounts due from credit institutions	***Stage 1***	***Total***
Standard grade	1,986,932	1,986,932
Not rated	21,049	21,049
Balance at 31 December 2020	**2,007,981**	**2,007,981**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
High grade	1,010,177	1,010,177
Standard grade	1,384,245	1,384,245
Low grade	11,003	11,003
Not rated	107,929	107,929
Balance at 31 December 2020	**2,513,354**	**2,513,354**

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,801,002	41,693	-	-	1,842,695
Standard grade	1,142,255	110,608	-	-	1,252,863
Low grade	361,573	194,295	-	7,402	563,270
Not rated	992,053	35,522	-	-	1,027,575
Defaulted					
Non-performing	-	-	236,992	974	237,966
Other	-	-	4,829	-	4,829
Balance at 31 December 2020	**4,296,883**	**382,118**	**241,821**	**8,376**	**4,929,198**

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,521,205	108,883	-	1,283	2,631,371
Standard grade	534,592	102,058	-	4,390	641,040
Low grade	111,250	101,843	-	4,968	218,061
Not rated	120,797	1,431	-	-	122,228
Defaulted					
Non-performing	-	-	110,378	6,056	116,434
Other	-	-	58,098	9,152	67,250
Balance at 31 December 2020	**3,287,844**	**314,215**	**168,476**	**25,849**	**3,796,384**

Micro and SME loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,278,947	151,938	-	409	1,431,294
Standard grade	834,885	135,345	-	309	970,539
Low grade	96,053	86,728	-	1,987	184,768
Not rated	439,222	65,394	-	11	504,627
Defaulted					
Non-performing	-	-	144,323	706	145,029
Other	-	-	33,148	49	33,197
Balance at 31 December 2020	**2,649,107**	**439,405**	**177,471**	**3,471**	**3,269,454**

Consumer loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,041,103	31,976	-	412	1,073,491
Standard grade	514,395	51,890	-	965	567,250
Low grade	150,067	109,522	-	2,388	261,977
Not rated	198,617	978	-	-	199,595
Defaulted					
Non-performing	-	-	66,765	1,619	68,384
Other	-	-	34,185	3,131	37,316
Balance at 31 December 2020	**1,904,182**	**194,366**	**100,950**	**8,515**	**2,208,013**

Gold – pawn loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	31,765	262	-	-	32,027
Standard grade	42,352	703	-	-	43,055
Low grade	21,929	2,914	-	-	24,843
Not rated	1,730	-	-	-	1,730
Defaulted					
Non-performing	-	-	406	-	406
Other	-	-	1,323	-	1,323
Balance at 31 December 2020	**97,776**	**3,879**	**1,729**	**-**	**103,384**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Finance lease receivables	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	12,756	7,605	-	-	20,361
Standard grade	8,673	17,403	-	-	26,076
Low grade	201	12,767	-	-	12,968
Not rated	45,716	15,501	-	-	61,217
Defaulted					
Non-performing	-	-	3,595	-	3,595
Other	-	-	15,155	-	15,155
Balance at 31 December 2020	**67,346**	**53,276**	**18,750**	**-**	**139,372**

Accounts receivable	*Stage 1*	*Total*
Not rated	3,447	3,447
Balance at 31 December 2020	**3,447**	**3,447**

Other financial assets	*Stage 1*	*Total*
Not rated	41,149	41,149
Balance at 31 December 2020	**41,149**	**41,149**

Financial and performance guarantees issued	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	160,612	7,628	-	168,240
Standard grade	40,554	7,414	-	47,968
Low grade	39,485	5,250	-	44,735
Not rated	1,198,042	6	-	1,198,048
Defaulted				
Other	-	-	31,037	31,037
Balance at 31 December 2020	**1,438,693**	**20,298**	**31,037**	**1,490,028**

Letters of credit	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	49,162	-	-	49,162
Standard grade	10,970	-	-	10,970
Low grade	261	-	-	261
Not rated	58,698	-	-	58,698
Defaulted				
Other	-	-	5,940	5,940
Balance at 31 December 2020	**119,091**	**-**	**5,940**	**125,031**

Undrawn loan facilities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	450,119	2,683	-	452,802
Standard grade	62,708	878	-	63,586
Low grade	15,682	14,740	-	30,422
Not rated	136,726	799	-	137,525
Defaulted				
Other	-	-	1,198	1,198
Balance at 31 December 2020	**665,235**	**19,100**	**1,198**	**685,533**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Types of collateral the Group accepts include real estate, movable properties as well as financial assets (deposits, shares and guarantees) and other registered liens. Measurement and processing of collateral is governed by generally acceptable standards and collateral-specific instructions. These transactions are structured under legally verified standard agreements where the pledges are secured through public registry where eligible. The following table shows the ratio of the loan portfolio to the market value of collateral held by the Group in respect of the portfolio. As at 31 December 2022, up to 78.6% of the collateral held has been re-valued within the last two years (31 December 2021: 76.0%, 31 December 2020: 76.2%). For residential mortgage loans, in cases where the collateral for a loan may not be officially registered until its construction is complete, respective loan is shown as unsecured, even though it is usually secured by the corporate guarantee of the construction company.

	As at 31 December 2022									
			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	5,293,611	731,018	1,002,735	900,866	158,713	245,750	1,239,811	340,917	70,694	603,107
Commercial loans - ECL	89,608	19,961	5,810	10,593	1,296	3,829	37,054	4,025	926	6,114
ECL Coverage	1.69%	2.73%	0.58%	1.18%	0.82%	1.56%	2.99%	1.18%	1.31%	1.01%
Residential mortgage loans	4,193,204	120,440	981,034	1,859,064	532,412	441,719	230,274	8,114	2,665	17,482
Residential mortgage loans - ECL	30,053	2,956	64	7,125	5,329	6,403	7,070	359	38	709
ECL Coverage	0.72%	2.45%	0.01%	0.38%	1.00%	1.45%	3.07%	4.42%	1.43%	4.06%
Micro and SME loans	3,825,663	405,003	885,724	966,056	278,684	280,462	800,119	73,083	30,447	106,085
Micro and SME loans - ECL	63,502	19,176	160	3,967	2,572	4,161	23,332	2,498	1,396	6,240
ECL Coverage	1.66%	4.73%	0.02%	0.41%	0.92%	1.48%	2.92%	3.42%	4.59%	5.88%
Consumer loans	3,602,054	1,794,034	629,846	694,153	217,045	174,755	83,286	4,926	1,196	2,813
Consumer loans - ECL	135,450	121,731	214	3,516	2,962	2,779	3,815	379	11	43
ECL Coverage	3.76%	6.79%	0.03%	0.51%	1.36%	1.59%	4.58%	7.69%	0.92%	1.53%
Gold – pawn loans	164,554	-	8,590	58,481	94,082	2,044	1,338	-	-	19
Gold – pawn loans - ECL	5,440	-	4,340	43	282	279	480	-	-	16
ECL Coverage	3.31%	N/A	50.52%	0.07%	0.30%	13.65%	35.87%	n/a	N/A	84.21%
Loans to customers at amortised cost, gross	**17,079,086**	**3,050,495**	**3,507,929**	**4,478,620**	**1,280,936**	**1,144,730**	**2,354,828**	**427,040**	**105,002**	**729,506**

	As at 31 December 2021									
			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	5,380,396	688,491	471,008	1,396,633	167,960	341,335	1,193,148	524,524	197,306	399,991
Commercial loans - ECL	156,237	10,099	5,150	9,606	1,741	6,541	29,788	84,942	3,693	4,677
ECL Coverage	2.90%	1.47%	1.09%	0.69%	1.04%	1.92%	2.50%	16.19%	1.87%	1.17%
Residential mortgage loans	4,022,058	94,513	715,692	1,556,323	651,029	519,179	440,231	11,085	4,739	29,267
Residential mortgage loans - ECL	33,036	3,957	129	1,345	4,276	6,201	15,029	1,024	102	973
ECL Coverage	0.82%	4.19%	0.02%	0.09%	0.66%	1.19%	3.41%	9.24%	2.15%	3.32%
Micro and SME loans	3,731,756	429,366	725,310	933,874	272,270	328,758	835,894	90,748	34,841	80,695
Micro and SME loans - ECL	74,441	25,303	753	2,476	1,796	5,425	26,028	4,168	848	7,644
ECL Coverage	1.99%	5.89%	0.10%	0.27%	0.66%	1.65%	3.11%	4.59%	2.43%	9.47%
Consumer loans	2,981,305	1,560,864	443,343	514,287	178,141	143,989	132,295	3,634	731	4,021
Consumer loans - ECL	136,035	125,946	294	1,845	1,813	2,057	3,527	408	19	126
ECL Coverage	4.56%	8.07%	0.07%	0.36%	1.02%	1.43%	2.67%	11.23%	2.60%	3.13%
Gold – pawn loans	165,417	1	4,182	37,427	118,095	4,568	1,128	-	-	16
Gold – pawn loans - ECL	2,074	2	1	1,807	111	113	28	-	-	12
ECL Coverage	1.25%	N/A	0.02%	4.83%	0.09%	2.47%	2.48%	n/a	N/A	75.00%
Loans to customers at amortised cost, gross	**16,280,932**	**2,773,235**	**2,359,535**	**4,438,544**	**1,387,495**	**1,337,829**	**2,602,696**	**629,991**	**237,617**	**513,990**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

	As at 31 December 2020									
			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	4,929,198	615,858	635,951	1,147,875	114,903	146,474	1,139,855	147,898	318,589	661,795
Commercial loans - ECL	172,916	15,498	2,847	13,048	5,753	12,625	99,212	9,125	9,058	5,750
ECL Coverage	3.51%	2.52%	0.45%	1.14%	5.01%	8.62%	8.70%	6.17%	2.84%	0.87%
Residential mortgage loans	3,796,384	90,628	972,294	1,896,005	438,750	200,236	129,234	9,315	2,236	57,686
Residential mortgage loans - ECL	48,607	2,894	244	14,665	11,368	7,109	10,172	432	74	1,649
ECL Coverage	1.28%	3.19%	0.03%	0.77%	2.59%	3.55%	7.87%	4.64%	3.31%	2.86%
Micro and SME loans	3,269,454	353,142	919,623	938,206	264,999	217,848	494,492	38,622	7,581	34,941
Micro and SME loans - ECL	102,352	37,919	930	10,465	5,521	12,444	26,189	3,009	1,045	4,830
ECL Coverage	3.13%	10.74%	0.10%	1.12%	2.08%	5.71%	5.30%	7.79%	13.78%	13.82%
Consumer loans	2,208,013	1,118,714	460,494	436,194	90,076	48,783	49,946	1,055	640	2,111
Consumer loans - ECL	113,801	104,908	592	4,397	2,128	344	1,329	51	11	41
ECL Coverage	5.15%	9.38%	0.13%	1.01%	2.36%	0.71%	2.66%	4.83%	1.72%	1.94%
Gold – pawn loans	103,384	-	3,340	23,313	72,392	1,748	2,576	2	-	13
Gold – pawn loans - ECL	227	-	2	14	145	36	20	-	-	10
ECL Coverage	0.22%	N/A	0.06%	0.06%	0.20%	2.06%	0.78%	0.00%	N/A	76.92%
Loans to customers at amortised cost, gross	**14,306,433**	**2,178,342**	**2,991,702**	**4,441,593**	**981,120**	**615,089**	**1,816,103**	**196,892**	**329,046**	**756,546**

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

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

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

Financial assets modified during 2022:	**Amortised cost before modification**	**Net gain (loss) arising from modification**
Commercial loans	621,067	2,169
Residential mortgage loans	73,863	(3,081)
Micro and SME loans	173,382	(2,524)
Consumer loans	305,726	(25,835)
Loans to customers	**1,174,038**	**(29,271)**
Total loans to customers and finance lease receivables	**1,174,038**	**(29,271)**

Financial assets modified during 2021:	**Amortised cost before modification**	**Net gain (loss) arising from modification**
Commercial loans	437,979	388
Residential mortgage loans	132,638	530
Micro and SME loans	243,217	(4,185)
Consumer loans	271,896	(9,446)
Loans to customers	**1,085,730**	**(12,713)**
Total loans to customers and finance lease receivables	**1,085,730**	**(12,713)**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

Financial assets modified during 2020:	Amortised cost before modification	Net gain (loss) arising from modification
Commercial loans	117,119	83
Residential mortgage loans	364,619	(34)
Micro and SME loans	347,449	(3,347)
Consumer loans	347,562	(4,625)
Loans to customers	**1,176,749**	**(7,923)**
Finance lease receivables	52,188	(1,172)
Total loans to customers and finance lease receivables	**1,228,937**	**(9,095)**

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

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

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

Financial assets modified since initial recognition, as at 31 December 2020	Gross Carrying Amount	Corresponding ECL
Commercial loans	14,952	(1)
Residential mortgage loans	100,079	(444)
Micro and SME loans	68,748	(1,023)
Consumer loans	42,408	(1,962)
Loans to customers	**226,187**	**(3,430)**
Finance lease receivables	717	(3)
Total loans to customers and finance lease receivables	**226,904**	**(3,433)**

(Thousands of Georgian Lari)

26. Risk management (continued)

Credit risk (continued)

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

	2022			
	Georgia	OECD	CIS and other foreign countries	Total
Assets:				
Cash and cash equivalents	1,419,835	1,453,123	622,770	3,495,728
Amounts due from credit institutions	2,342,829	54,175	20,302	2,417,306
Investment securities	1,792,192	2,436,465	115,092	4,343,749
Loans to customers and finance lease receivables	16,303,440	16,340	521,823	16,841,603
All other assets	1,070,174	119,933	78,565	1,268,672
	22,928,470	**4,080,036**	**1,358,552**	**28,367,058**
Liabilities:				
Client deposits and notes	13,018,270	978,029	4,277,762	18,274,061
Amounts owed to credit institutions	2,622,788	2,066,922	501,784	5,191,494
Debt securities issued	312,258	333,879	-	646,137
Lease Liability	99,556	-	13,068	112,624
All other liabilities	268,425	79,321	7,628	355,374
	16,321,297	**3,458,151**	**4,800,242**	**24,579,690**
Net balance sheet position	**6,607,173**	**621,885**	**(3,441,690)**	**3,787,368**

	2021				2020			
	Georgia	OECD	CIS and other foreign countries	Total	Georgia	OECD	CIS and other foreign countries	Total
Assets:								
Cash and cash equivalents	812,315	417,228	264,909	1,494,452	775,779	967,820	239,589	1,983,188
Amounts due from credit institutions	1,909,220	-	8,719	1,917,939	1,987,539	-	20,042	2,007,581
Investment securities	1,462,826	953,739	147,396	2,563,961	1,408,604	922,077	182,791	2,513,472
Loans to customers and finance lease receivables	15,335,870	17,750	644,546	15,998,166	13,304,984	10,701	687,841	14,003,526
All other assets	951,588	178,108	56,998	1,186,694	972,500	243,632	44,407	1,260,539
	20,471,819	**1,566,825**	**1,122,568**	**23,161,212**	**18,449,406**	**2,144,230**	**1,174,670**	**21,768,306**
Liabilities:								
Client deposits and notes	11,219,941	897,834	1,963,663	14,081,438	11,262,272	859,206	1,931,001	14,052,479
Amounts owed to credit institutions	1,581,588	2,447,879	88,995	4,118,462	803,366	2,251,718	69,855	3,124,939
Debt securities issued	386,295	1,066,857	7,327	1,460,479	82,893	1,450,598	34,067	1,567,558
Lease Liability	82,311	-	2,787	85,098	90,783	-	4,418	95,201
All other liabilities	305,609	48,919	9,984	364,512	176,872	238,725	24,232	439,829
	13,575,744	**4,461,489**	**2,072,756**	**20,109,989**	**12,416,186**	**4,800,247**	**2,063,573**	**19,280,006**
Net balance sheet position	**6,896,075**	**(2,894,664)**	**(950,188)**	**3,051,223**	**6,033,220**	**(2,656,017)**	**(888,903)**	**2,488,300**

Liquidity risk and funding management

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

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

The liquidity position is assessed and managed by the Group primarily on a standalone Bank basis, based on certain liquidity ratios established by the NBG. The banks are required to maintain a liquidity coverage ratio, which is defined as the ratio of high-quality liquid assets to net cash outflow over the next 30 days. The order requires that, absent a stress-period, the value of the ratio be no lower than 100%. The liquidity coverage ratio as at 31 December 2022 was 132.4% (2021: 124.0%, 2020: 138.6%).

The Bank holds a comfortable buffer on top of Net Stable Funding Ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. NSFR as at 31 December 2022 was 131.9%, (2021: 132.5%, 2020: 137.5%), all comfortably above the NBG's minimum regulatory requirements.

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

(Thousands of Georgian Lari)

26. Risk management (continued)

Liquidity risk and funding management

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Bank could be required to pay, and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial liabilities As at 31 December 2022	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	8,311,907	8,362,015	1,951,705	342,592	18,968,219
Amounts owed to credit institutions	3,380,461	570,588	1,284,397	654,002	5,889,448
Debt securities issued	7,849	343,213	411,265	-	762,327
Lease liability	7,458	21,841	76,111	16,756	122,166
Derivative financial liabilities	43,876	14,401	743	-	59,020
Other liabilities	93,799	367	287	118	94,571
Total undiscounted financial liabilities	**11,845,350**	**9,312,425**	**3,724,508**	**1,013,468**	**25,895,751**

Financial liabilities As at 31 December 2021	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	5,355,862	7,318,350	1,645,710	352,824	14,672,746
Amounts owed to credit institutions	1,815,237	535,469	1,752,690	610,949	4,714,345
Debt securities issued	37,586	244,739	1,437,825	-	1,720,150
Lease liability	5,967	16,099	65,185	10,992	98,243
Derivative financial liabilities	3,206	2,972	1,687	-	7,865
Other liabilities	168,613	220	328	18	169,179
Total undiscounted financial liabilities	**7,386,471**	**8,117,849**	**4,903,425**	**974,783**	**21,382,528**

Financial liabilities As at 31 December 2020	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	6,002,499	6,594,584	1,655,563	353,414	14,606,060
Amounts owed to credit institutions	978,391	678,058	1,463,692	558,867	3,679,008
Debt securities issued	73,025	123,355	1,409,255	345,886	1,951,521
Lease liability	6,277	18,823	68,760	21,751	115,611
Derivative financial liabilities	92,554	130,785	24,181	-	247,520
Other liabilities	69,184	2,525	6,656	102	78,467
Total undiscounted financial liabilities	**7,221,930**	**7,548,130**	**4,628,107**	**1,280,020**	**20,678,187**

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

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
31 December 2022	1,280,906	625,011	778,275	30,294	2,714,486
31 December 2021	1,010,650	663,865	885,895	17,546	2,577,956
31 December 2020	857,447	492,386	933,169	27,436	2,310,438

The Group expects that not all guarantees or commitments will be drawn before expiry of the commitment.

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

(Thousands of Georgian Lari)

26. Risk management (continued)

Market risk

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

Interest rate risk

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

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for the year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2022. Changes in basis points are calculated as standard deviations of daily changes in floating rates over the last month multiplied by respective floating rates. During the years ended 31 December 2022, 2021 and 2020**,** sensitivity analysis did not reveal any significant potential effect on the Group's equity.

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

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

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

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

(Thousands of Georgian Lari)

26. Risk management (continued)

Market risk

Currency	*Increase in basis points 2020*	*Sensitivity of net interest income 2020*	*Sensitivity of other comprehensive income 2020*
GEL	15	1,427	1,452
EUR	2	242	-
USD	3	13	-

Currency	*Decrease in basis points 2020*	*Sensitivity of net interest income 2020*	*Sensitivity of other comprehensive income 2020*
GEL	15	(1,427)	(1,452)
EUR	2	(242)	-
USD	3	(13)	-

Currency risk

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

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2022 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian Lari, with all other variables held constant on the income statement. The reasonably possible movement of the currency rate against the Georgian Lari is calculated as a standard deviation of daily changes in exchange rates over the 12 months. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. During the year ended 31 December 2022, year ended 31 December 2021 and year ended 31 December 2020, sensitivity analysis did not reveal any significant potential effect on the Group's equity.

Currency	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
	2022		*2021*		*2020*	
EUR	13.4%	1,179	8.6%	209	15.1%	2,527
USD	10.9%	4,018	6.4%	1,027	13.0%	3,049

Prepayment risk

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

The Group calculates the effect of early repayments by calculating the weighted average rates of early repayments across each loan product individually, applying these historical rates to the outstanding carrying amount of respective products as at the reporting date and multiplying by the weighted average effective annual interest rates for each product.

The model does not make a distinction between different reasons for repayment (e.g. relocation, refinancing and renegotiation) and takes into account the effect of any prepayment penalties on the Group's income.

(Thousands of Georgian Lari)

26. Risk management (continued)

Market risk

The estimated effect of prepayment risk on net interest income of the Group for the years ended 31 December 2022, 31 December 2021 and 31 December 2020, is as follows:

	Effect on net interest income
2022	(51,899)
2021	(52,552)
2020	(40,748)

Operational risk

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

Cyber risk, AML and compliance risk

Information-security threats have continued to increase over the past few years and the Group has seen a number of major organisations subject to cyber-attacks. Fortunately, the Group's operations have not been materially affected and the Group has not suffered a data breach. Over the past few years, as the Group's operations have expanded and the focus has been directed towards more digitalisation of banking products and services, there has been seen an increase in electronic crimes, including fraud, although losses have not been significant. Money laundering (ML) and Terrorism financing (FT) risks, which the Bank has measures in place to guard against, continue to evolve globally. The Bank continues to face stringent regulatory and supervisory requirements related to the fight against ML/TF. Failure to comply with these requirements may lead to enforcement action by the regulator, which can result in a pecuniary penalty and negatively impact the Group's reputation.
The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Operating environment

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

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

Regional instability

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

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

26. Risk management (continued)

Market risk

Capital risk

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

The Group maintains an actively managed capital base to cover risks inherent to its business. As part of its capital adequacy management framework, the Group continuously monitors market conditions and review market changes, and performs stress and scenario testing to test its position under adverse economic conditions, market and regulatory developments. Capital position is continuously monitored by the management, as well as the Board, to ensure prudent management and timely actions, when necessary. For further details, please refer to Note 30.

Emerging risks

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

The Group has identified climate risk as an emerging risk. Climate-related risk is the risk of financial loss and/or damage to the Group's reputation as a result of accelerating transition to a lower-carbon economy as well as the materialisation of actual physical damage as a result of acute or chronic weather events. Among other things, transitional and physical risks may impact the performance and financial position of our customers and their ability to repay their loans.

The Bank conducted a qualitative analysis to understand how, under different scenarios, the transition and physical effects of climate change can drive credit, liquidity, capital, market, operational and reputational risk for the Bank over 'short-term' (i.e. one to two years) to 'very long-term' (i.e. over eight years) time horizons. Risks are perceived to be low over the coming years. However, reputational risks can occur if our climate action lacks ambition and credibility. Moreover, the Bank conducted a qualitative analysis of the transition and physical risks for the sectors in which our corporate and MSME clients are active. The results of this analysis showed that although both strong climate policy (transition risks) and untamed climate change (physical risks) can negatively affect borrowers' repayment capacity and value of collateral in the future (from 2030 and beyond), risks over the next years are expected to be low for our commercial portfolio and are not likely to affect current expectations of credit loss. We thus do not currently consider the impacts of climate change in individual clients' credit risk assessment. However, we have started collecting data from clients to refine our assessment of their climate-related risks as part of standard due diligence. Transition and physical risks for retail clients still have to be assessed.

Overall, many of the effects of climate change will be longer term in nature, with an inherent level of uncertainty, and have no effect on accounting judgements and estimates for the current period. As a result, there are no additional notes provided in the financial statements. Potential impacts of climate-related risks will be subject to further analysis in the future.

(Thousands of Georgian Lari)

27. Fair value measurements

Fair value hierarchy

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

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

(Thousands of Georgian Lari)

27. Fair value measurements (continued)

Fair value hierarchy (continued)

At 31 December 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	231,707	231,707
Land	-	-	*11,762*	*11,762*
Residential properties	-	-	*152,167*	*152,167*
Non-residential properties	-	-	*67,778*	*67,778*
Investment securities	5,242	2,558,611	108	2,563,961
Other assets – derivative financial assets	-	135,079	-	135,079
Assets for which fair values are disclosed				
Cash and cash equivalents	1,494,452	-	-	1,494,452
Amounts due from credit institutions	-	1,917,939	-	1,917,939
Loans to customers and finance lease receivables	-	-	15,615,284	15,615,284
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	7,865	-	7,865
Liabilities for which fair values are disclosed				
Client deposits and notes	-	14,056,936	-	14,056,936
Amounts owed to credit institutions	-	3,453,121	665,341	4,118,462
Debt securities issued	-	1,316,918	215,791	1,532,709
Lease liability	-	2,787	89,018	91,805

At 31 December 2020	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	234,835	234,835
Land	-	-	*10,981*	*10,981*
Residential properties	-	-	*146,112*	*146,112*
Non-residential properties	-	-	*77,742*	*77,742*
Investment securities	3,229	2,510,135	108	2,513,472
Other assets – derivative financial assets	-	9,154	-	9,154
Assets for which fair values are disclosed				
Cash and cash equivalents	1,983,188	-	-	1,983,188
Amounts due from credit institutions	-	2,007,581	-	2,007,581
Loans to customers and finance lease receivables	-	-	13,707,669	13,707,669
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	247,520	-	247,520
Liabilities for which fair values are disclosed				
Client deposits and notes	-	14,039,791	-	14,039,791
Amounts owed to credit institutions	-	2,660,021	464,918	3,124,939
Debt securities issued	-	1,404,266	222,681	1,626,947
Lease liability	-	-	102,578	102,578

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

(Thousands of Georgian Lari)

27. Fair value measurements (continued)

Fair value hierarchy (continued)

Derivative financial instruments

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

Trading securities and investment securities

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

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

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

Movements in Level 3 financial instruments measured at fair value

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

	At 31 December 2019	Sale of investment securities	At 31 December 2020	At 31 December 2021	At 31 December 2022
Level 3 financial assets					
Equity investment securities	395	(287)	108	108	108

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

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

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

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

	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
	2022		2021		2020	
Level 3 financial assets						
Equity investment securities	108	+/- 16	108	+/- 16	108	+/- 16

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

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

(Thousands of Georgian Lari)

27. Fair value measurements (continued)

Fair value hierarchy (continued)

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

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

	2022	Valuation technique	Significant unobservable inputs	MIN	MAX	Weighted average	Other key information	MIN	MAX	Weighted Average
Investment property	**170,629**									
Land	9,009									
Development land	6,872	Market approach	Price per square metre	0.012	2.220	1.033	Square metres, land	32	20,000	4,026
		Income approach	Rent per square metre	0.006	0.006	0.006	Square metres, land	5,178	26,796	23,295
			Occupancy rate	65%	65%	65%				
Agricultural land	2,137	Market approach	Price per square metre	0.001	0.709	0.337	Square metres, land	310	140,000	19,296
Residential properties	112,890	Market approach	Price per square metre	0.049	5.466	1.004	Square metres, building	18	3,170	225
Non-residential properties	48,730									
	44,251	Market approach	Price per square metre	22.870	3,838.861	1,321.071	Square metres,Land	50	23,884	2,684
							Square metres,Building	32	3,000	984
	4,479	Income approach	Rent per square metre	0.006	0.006	0.006	Square metres, building	1,701	12,706	358
			Occupancy rate	65%	65%	65%				

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

Set out below is an overview of all financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2022, 31 December 2021 and 31 December 2020:

	At 31 December 2022		
	Amortised cost	*Fair value through OCI*	*Fair value through profit or loss*
Financial assets			
Cash and cash equivalents	3,495,728	-	-
Amounts due from credit institutions	2,417,306	-	-
Loans to customers and finance lease receivables	16,841,603	-	-
Accounts receivable and other loans	3,398	-	-
Equity instruments	-	4,912	-
Debt instruments	378,537	3,960,300	-
Interest rate contracts	-	-	348
Foreign currency derivative financial instruments	-	-	38,922
Total	**23,136,572**	**3,965,212**	**39,270**
Financial liabilities			
Client deposits and notes	18,274,061	-	-
Amounts owed to credit institutions	5,191,494	-	-
Debt securities issued	646,137	-	-
Lease liability	112,624	-	-
Trade and other payables (in other liabilities)	67,148	-	-
Foreign currency derivative financial instruments	-	-	59,020
Total	**24,291,464**	**-**	**59,020**

(Thousands of Georgian Lari)

27. Fair value measurements (continued)

Financial instruments overview

	At 31 December 2021			At 31 December 2020		
	Amortised cost	Fair value through OCI	Fair value through profit or loss	Amortised cost	Fair value through OCI	Fair value through profit or loss
Financial assets						
Cash and cash equivalents	1,494,452	-	-	1,983,188	-	-
Amounts due from credit institutions	1,917,939	-	-	2,007,581	-	-
Loans to customers and finance lease receivables	15,998,166	-	-	14,003,526	-	-
Accounts receivable and other loans	23,432	-	-	1,501	-	-
Equity instruments	-	5,419	-	-	3,410	-
Debt instruments	-	2,558,542	-	-	2,510,062	-
Interest rate contracts	-	-	2,827	-	-	1,549
Foreign currency derivative financial instruments	-	-	132,252	-	-	7,605
Total	**19,433,989**	**2,563,961**	**135,079**	**17,995,796**	**2,513,472**	**9,154**
Financial liabilities						
Client deposits and notes	14,081,438	-	-	14,052,479	-	-
Amounts owed to credit institutions	4,118,462	-	-	3,124,939	-	-
Debt securities issued	1,460,479	-	-	1,567,558	-	-
Lease liability	85,098	-	-	95,201	-	-
Trade and other payables (in other liabilities)	52,133	-	-	48,014	-	-
Interest rate contracts	-	-	1,385	-	-	1,102
Foreign currency derivative financial instruments	-	-	6,480	-	-	246,418
Total	**19,797,610**	**-**	**7,865**	**18,888,191**	**-**	**247,520**

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

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

	At 31 December 2022		
	Carrying value	Fair value	Unrecognised gain (loss)
Financial assets			
Cash and cash equivalents	3,495,728	3,495,728	-
Amounts due from credit institutions	2,417,306	2,417,306	-
Loans to customers and finance lease receivables	16,841,603	16,246,726	(594,877)
Financial liabilities			
Client deposits and notes	18,274,061	18,241,016	33,045
Amounts owed to credit institutions	5,191,494	5,167,709	23,785
Debt securities issued	646,137	642,536	3,601
Lease liability	112,624	115,893	(3,269)
Total unrecognised change in unrealised fair value			**(537,715)**

(Thousands of Georgian Lari)

27. Fair value measurements (continued)

Financial instruments overview (continued)

	At 31 December 2021			At 31 December 2020		
	Carrying value	*Fair value*	*Unrecognised gain (loss)*	*Carrying value*	*Fair value*	*Unrecognised gain (loss)*
Financial assets						
Cash and cash equivalents	1,494,452	1,494,452	-	1,983,188	1,983,188	-
Amounts due from credit institutions	1,917,939	1,917,939	-	2,007,581	2,007,581	-
Loans to customers and finance lease receivables	15,998,166	15,615,284	(382,882)	14,003,526	13,707,669	(295,857)
Financial liabilities						
Client deposits and notes	14,081,438	14,056,936	24,502	14,052,479	14,039,791	12,688
Amounts owed to credit institutions	4,118,462	4,118,462	-	3,124,939	3,124,939	-
Debt securities issued	1,460,479	1,532,709	(72,230)	1,567,558	1,626,947	(59,389)
Lease liability	85,098	91,805	(6,707)	95,201	102,578	(7,377)
Total unrecognised change in unrealised fair value			**(437,317)**			**(349,935)**

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

(Thousands of Georgian Lari)

28. Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities according to their contractual maturities, except for current accounts and credit card loans as described below. See Note 26 "Risk management" for the Group's contractual undiscounted repayment obligations.

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

	At 31 December 2021							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,265,780	228,672	-	-	-	-	-	1,494,452
Amounts due from credit institutions	1,893,732	7,744	7,744	-	-	-	8,719	1,917,939
Investment securities	1,157,889	1,282,083	7,083	12,486	12,998	88,776	2,646	2,563,961
Loans to customers and finance lease	2,965	3,046,019	937,783	1,981,480	4,000,593	2,276,915	3,752,411	15,998,166
Accounts receivable and other loans	21,502	190	-	1,740	-	-	-	23,432
Total	**4,341,868**	**4,564,708**	**952,610**	**1,995,706**	**4,013,591**	**2,365,691**	**3,763,776**	**21,997,950**
Financial liabilities								
Client deposits and notes	2,510,537	2,783,739	1,177,931	6,049,579	844,999	448,276	266,377	14,081,438
Amounts owed to credit institutions	170,411	1,635,122	147,011	343,720	903,976	509,173	409,049	4,118,462
Debt securities issued	-	37,429	16,376	169,718	1,014,078	222,878	-	1,460,479
Lease liability	-	5,993	5,596	10,037	34,020	22,171	7,281	85,098
Total	**2,680,948**	**4,462,283**	**1,346,914**	**6,573,054**	**2,797,073**	**1,202,498**	**682,707**	**19,745,477**
Net	**1,660,920**	**102,425**	**(394,304)**	**(4,577,348)**	**1,216,518**	**1,163,193**	**3,081,069**	**2,252,473**
Accumulated gap	**1,660,920**	**1,763,345**	**1,369,041**	**(3,208,307)**	**(1,991,789)**	**(828,596)**	**2,252,473**	

	At 31 December 2020							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,464,611	518,577	-	-	-	-	-	1,983,188
Amounts due from credit institutions	1,987,538	11,464	-	-	-	-	8,579	2,007,581
Investment securities	307,266	2,101,411	23,664	10,865	12,030	3,079	55,157	2,513,472
Loans to customers and finance lease	-	2,670,945	847,396	1,593,974	3,484,561	2,000,114	3,406,536	14,003,526
Accounts receivable and other loans	-	1,153	-	348	-	-	-	1,501
Total	**3,759,415**	**5,303,550**	**871,060**	**1,605,187**	**3,496,591**	**2,003,193**	**3,470,272**	**20,509,268**
Financial liabilities								
Client deposits and notes	2,206,718	3,761,277	1,164,090	5,348,350	967,733	344,506	259,805	14,052,479
Amounts owed to credit institutions	196,049	778,656	178,604	480,230	638,374	501,080	351,946	3,124,939
Debt securities issued	-	72,744	36,482	78,902	1,145,766	46,258	187,406	1,567,558
Lease liability	-	6,190	6,195	11,738	34,413	22,771	13,894	95,201
Total	**2,402,767**	**4,618,867**	**1,385,371**	**5,919,220**	**2,786,286**	**914,615**	**813,051**	**18,840,177**
Net	**1,356,648**	**684,683**	**(514,311)**	**(4,314,033)**	**710,305**	**1,088,578**	**2,657,221**	**1,669,091**
Accumulated gap	**1,356,648**	**39,398,139**	**44,371,427**	**47,320,553**	**59,821,341**	**67,080,132**	**83,637,541**	

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

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

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

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

As at 31 December 2022, client deposits and notes amounted to GEL 18,274,061 (2021: GEL 14,081,438, 2020: GEL 14,052,479) and represented 74% (2021: 70%, 2020: 73%) of the Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As at 31 December 2022, amounts owed to credit institutions amounted to GEL 5,191,494 (2021: GEL 4,118,462, 2020: GEL 3,124,939) and represented 21% (2021: 20%, 2020: 16%) of total liabilities. As at 31 December 2022, debt securities issued amounted to GEL 646,137 (2021: GEL 1,460,479, 2020: GEL 1,567,558) and represented 3% (2021: 7%, 2020: 8%) of total liabilities.

(Thousands of Georgian Lari)

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

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

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

	At 31 December 2022		
	Less than 1 year	*More than 1 year*	*Total*
Cash and cash equivalents	3,495,728	-	3,495,728
Amounts due from credit institutions	2,397,004	20,302	2,417,306
Investment securities	4,016,835	326,914	4,343,749
Loans to customers and finance lease	5,449,658	11,391,945	16,841,603
Accounts receivable and other loans	3,398	-	3,398
Prepayments	43,825	3,351	47,176
Inventories	11,441	-	11,441
Right-of-use assets	-	115,404	115,404
Investment properties	-	170,629	170,629
Property and equipment	-	363,606	363,606
Goodwill	-	33,453	33,453
Intangible assets	-	130,307	130,307
Income tax assets	224	640	864
Other assets	237,415	125,413	362,828
Assets held for sale	29,566	-	29,566
Total assets	**15,685,094**	**12,681,964**	**28,367,058**
Client deposits and notes	16,504,116	1,769,945	18,274,061
Amounts owed to credit institutions	3,817,273	1,374,221	5,191,494
Debt securities issued	340,611	305,526	646,137
Lease liability	27,293	85,331	112,624
Accruals and deferred income	69,792	32,458	102,250
Income tax liabilities	20,258	79,275	99,533
Other liabilities	152,848	743	153,591
Total liabilities	**20,932,191**	**3,647,499**	**24,579,690**
Net	**(5,247,097)**	**9,034,465**	**3,787,368**

(Thousands of Georgian Lari)

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

	At 31 December 2021			*At 31 December 2020*		
	Less than 1 year	*More than 1 year*	*Total*	*Less than 1 year*	*More than 1 year*	*Total*
Cash and cash equivalents	1,494,452	-	1,494,452	1,983,188	-	1,983,188
Amounts due from credit institutions	1,909,220	8,719	1,917,939	1,999,002	8,579	2,007,581
Investment securities	2,459,541	104,420	2,563,961	2,443,206	70,266	2,513,472
Loans to customers and finance lease	5,968,247	10,029,919	15,998,166	5,112,315	8,891,211	14,003,526
Accounts receivable and other loans	23,432	-	23,432	1,501	-	1,501
Prepayments	56,558	1,602	58,160	42,510	1,128	43,638
Inventories	6,243	-	6,243	5,995	-	5,995
Right-of-use assets	-	77,676	77,676	-	82,804	82,804
Investment properties	-	231,707	231,707	-	234,835	234,835
Property and equipment	-	343,025	343,025	-	346,867	346,867
Goodwill	-	33,453	33,453	-	33,453	33,453
Intangible assets	-	124,775	124,775	-	110,361	110,361
Income tax assets	109	183	292	21,841	192	22,033
Other assets	230,592	10,608	241,200	285,165	31,239	316,404
Assets held for sale	46,731	-	46,731	62,648	-	62,648
Total assets	**12,195,125**	**10,966,087**	**23,161,212**	**11,957,371**	**9,810,935**	**21,768,306**
Client deposits and notes	12,521,786	1,559,652	14,081,438	12,480,435	1,572,044	14,052,479
Amounts owed to credit institutions	2,296,264	1,822,198	4,118,462	1,633,539	1,491,400	3,124,939
Debt securities issued	223,523	1,236,956	1,460,479	188,128	1,379,430	1,567,558
Lease liability	21,626	63,472	85,098	24,123	71,078	95,201
Accruals and deferred income	56,129	20,471	76,600	42,441	8,967	51,408
Income tax liabilities	85,270	25,598	110,868	-	62,434	62,434
Other liabilities	175,765	1,279	177,044	299,964	26,023	325,987
Total liabilities	**15,380,363**	**4,729,626**	**20,109,989**	**14,668,630**	**4,611,376**	**19,280,006**
Net	**(3,185,238)**	**6,236,461**	**3,051,223**	**(2,711,259)**	**5,199,559**	**2,488,300**

(Thousands of Georgian Lari)

29. Related party disclosures

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

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

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

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

	At 31 December 2022			*At 31 December 2021*			*At 31 December 2020*		
	The parent	*Entities under common control*	*Key management personnel**	*The parent*	*Entities under common control*	*Key management personnel**	*The parent*	*Entities under common control*	*Key management personnel**
Loans outstanding at 1 January, gross	**17,750**	**-**	**12,050**	**10,701**	**-**	**10,646**	**2,461**	**1,893**	**6,718**
Loans issued during the year	-	-	7,090	7,127	-	8,944	12,823	-	7,798
Loan repayments during the year	-	-	(7,246)	-	-	(6,531)	(5,853)	(1,750)	(5,322)
Other movements	(1,407)	-	(2,075)	(78)	-	(1,009)	1,270	(143)	1,452
Loans outstanding at 31 December, gross	**16,343**	**-**	**9,819**	**17,750**	**-**	**12,050**	**10,701**	**-**	**10,646**
Less: allowance for impairment at 31 December	-	-	(67)	-	-	(27)	-	-	(9)
Loans outstanding at 31 December, net	**16,343**	**-**	**9,752**	**17,750**	**-**	**12,023**	**10,701**	**-**	**10,637**
Interest income on loans	928	-	745	858	-	644	413	84	424
Expected credit loss	-	-	(200)	-	-	-	-	-	(69)
Deposits at 1 January	**29,813**	**176,898**	**31,127**	**7,098**	**69,520**	**32,619**	**39,504**	**50,673**	**30,475**
Deposits received during the year	-	6,938	9,212	22,715	100,750	21,490	2,363	20,554	23,211
Deposits repaid during the year	(3,049)	(108,180)	(15,773)	-	(27,415)	(32,337)	(34,994)	(2,565)	(19,565)
Other movements	2	(17,327)	(11,933)	-	34,043	9,355	225	858	(1,502)
Deposits at 31 December	**26,766**	**58,329**	**12,633**	**29,813**	**176,898**	**31,127**	**7,098**	**69,520**	**32,619**
Interest expense on deposits	(2,436)	(1,270)	(959)	(547)	(1,669)	(1,368)	(1,777)	(809)	(1,249)
Debt securities at 1 January	**5,746**	**737**	**-**	**708**	**737**	**-**	**35,264**	**589**	**-**
Debt securities received during the period	-	-	-	5,746	-	-	708	-	-
Debt securities repaid during the period	-	-	-	-	-	-	(37,298)	-	-
Other movements	(5,746)	-	-	(708)	-	-	2,034	148	-
Debt securities at 31 December	**-**	**737**	**-**	**5,746**	**737**	**-**	**708**	**737**	**-**
Interest expense on debt securities issued	(163)	-	-	(163)	-	-	(1,619)	(47)	-
Commitments, financial and performance guarantees issued	-	-	176	-	-	176	-	-	176

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

Compensation of key management comprised the following:

	2022	2021	2020
Salaries and other benefits	9,602	11,197	9,197
Share-based payments compensation *	58,110	24,817	27,188
Total key management compensation	**67,712**	**36,014**	**36,385**

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based (Note 25). The number of key management personnel at 31 December 2022 was 20 (31 December 2021: 20, 31 December 2020: 20).

(Thousands of Georgian Lari)

30. Capital adequacy

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

During the year ended 31 December 2022, the Bank and the Group complied in full with all its externally imposed capital requirements.

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

NBG (Basel III) capital adequacy ratio

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

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

	2022	*2021*	*2020*
Tier 1 capital	3,388,048	2,691,000	1,989,190
Tier 2 capital	618,232	784,800	830,145
Total capital	**4,006,280**	**3,475,800**	**2,819,335**
Risk-weighted assets	**20,279,424**	**17,977,949**	**16,040,094**
Tier 1 capital ratio	**16.7%**	**15.0%**	**12.4%**
Total capital ratio	**19.8%**	**19.3%**	**17.6%**
Min. requirement for Tier 1 capital ratio	**13.8%**	**13.6%**	**9.2%**
Min. requirement for Total capital ratio	**17.2%**	**17.7%**	**13.8%**

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio based on the consolidated statement of financial position and computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 31 December 2022, 31 December 2021 and 31 December 2020, was as follows:

	2022	*2021*	*2020*
Tier 1 capital	3,791,681	3,004,387	2,377,622
Less: Deductions - Goodwill	(33,453)	(33,453)	(33,453)
Tier 2 capital	1,172,983	1,253,467	1,278,661
Less: Deductions from capital	(10)	(10)	(10)
Total capital	**4,931,200**	**4,224,391**	**3,622,821**
Risk-weighted assets	**18,735,231**	**19,257,218**	**15,628,422**
Total capital ratio	26.3%	21.9%	23.2%
Tier 1 capital ratio	20.1%	15.4%	15.0%
Minimum capital adequacy ratio	**8.0%**	**8.0%**	**8.0%**