JSC Bank of Georgia and Subsidiaries
Consolidated Financial Statements

31 December 2023
Together with Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

NOTES TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of JSC Bank of Georgia and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the 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 material accounting policy information.

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 2023 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 Company the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

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Key audit matter	How our audit addressed it
Allowance for expected credit loss and application of IFRS 9 'Financial instruments'	
The ECL provision is calculated using a combination of a collective provisioning model and specific loan provisions based on discounted cash flow analyses and regression-based forward-looking estimates. The allowance for expected credit loss is highly judgemental and changes in assumptions could have a material impact on reported profits. Both collective and specific provisioning depend on a number of assumptions and judgements including: ▸ allocation of loans to stage 1, 2, 3 or Purchased and Originated Credit-Impaired ('POCI') using criteria set in accordance with IFRS 9 'Financial Instruments'; ▸ accounting interpretations and modelling assumptions used to build and run the models for calculating the expected credit loss ('ECL'); ▸ inputs and assumptions used to estimate the impact of multiple economic scenarios, including weightings applied; ▸ estimation of probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'), including the valuation of collateral; and ▸ measurement of individually assessed provisions, including expected future cash flows and the valuation of collateral. There are also risks related to: ▸ the accuracy and completeness of underlying loan data used in the ECL model; and ▸ the accuracy and adequacy of financial statement disclosures.	▸ We obtained an understanding, performed walkthroughs and evaluated the design and operating effectiveness of key controls across the processes relevant to the ECL. This includes controls over data accuracy and completeness, credit monitoring, allocation of borrowers into their respective impairment stages, individual provisioning and production of journal entries and disclosures. ▸ Using our IFRS 9 specialists, we assessed and challenged the 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.

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Key audit matter	How our audit addressed it
As a consequence of the judgement involved in establishing the allowance, there is a greater risk of misstatement in ECL charges, either by fraud or error, including through the potential override of controls by management. The level of risk remains consistent with the prior year. Information on the impairment of loans to customers is included in Note 9, *Loans to Customers* and Note 27, *Risk Management*, to the consolidated financial statements.	► We challenged the criteria used to allocate assets to stage 1, 2, 3 or POCI in accordance with IFRS 9, to determine SICR and staging. For a sample of loans, we independently assessed whether they had been allocated to the appropriate stage, considering potential indicators of significant increase in credit risk or default and challenged management as to the rationale for movements between stages. ► We performed procedures to address the existence and valuation of collateral for loans where expected cash flows from the realization of collateral were impacting the estimation of loan losses. Involving our valuation specialists, we assessed the reasonableness of valuation methodology of collateral. ► We evaluated the adequacy and appropriateness of disclosures related to ECL for compliance with the requirements of IFRS.
Valuation of investment properties	
The Group applies the fair value model for its investment property. The Group engaged a professional valuer to determine the fair value for a selection of its investment properties. Real estate valuations are inherently uncertain and subject to an estimation process. Furthermore, the Group's real estate properties are located primarily in Georgia, where the secondary market is relatively illiquid, which increases the judgement involved in determining these valuations. The significance and subjectivity of these valuations make them a key audit matter. Information on the valuation of investment properties is included to Note 3, Summary *of Significant Accounting Policies*, Note 11, *Investment Properties*, Note 28, *Fair Value*	We engaged our Real Estate specialists to evaluate a sample of the Group's real estate valuations. The specialists' assessment included evaluation of the competence and objectivity of the external valuers engaged by the Group, analysis of the methods and assumptions used and testing of the data provided by the valuers. In respect of properties, which were not subject to individual valuation by the external valuer, we assessed management's assumptions regarding changes in the prices of such properties for the reporting period. We corroborated these by reviewing the market overview reports prepared by external valuers, and by reference to our understanding of the Group's real estate portfolio and observable market information.

Key audit matter	How our audit addressed it
Measurements, to the consolidated financial statements.	We reviewed the presentation and disclosure of investment properties in the financial statements are in accordance with relevant accounting standards.

Other information included in Group's 2023 Management Report

Other information consists of the information included in the Group's 2023 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 Management 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 our report on the audit of the consolidated financial statements.

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 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.

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

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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.

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

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

From the matters communicated with 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 (SARAS-A-615243)

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

1 April 2024

Tbilisi, Georgia

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Thousands of Georgian Lari)

	Notes	2023	2022	2021
Assets				
Cash and cash equivalents	6	3,042,832	3,495,728	1,494,452
Amounts due from credit institutions	7	1,752,658	2,417,306	1,917,939
Investment securities	8	4,880,815	4,343,749	2,563,961
Loans to customers and finance lease receivables	9	20,248,067	16,841,603	15,998,166
Accounts receivable and other loans		3,530	3,398	23,432
Prepayments		32,032	47,176	58,160
Foreclosed assets*	12	271,712	119,924	3,216
Right-of-use assets	10	134,422	115,404	77,676
Investment properties	11	127,924	170,629	231,707
Property and equipment	10	404,303	363,606	343,025
Goodwill	13	33,453	33,453	33,453
Intangible assets	10	144,357	130,307	124,775
Income tax assets	14	464	864	292
Other assets*	15	290,152	254,345	244,227
Assets held for sale		27,389	29,566	46,731
Total assets		**31,394,110**	**28,367,058**	**23,161,212**
Liabilities				
Client deposits and notes	16	20,776,816	18,274,061	14,081,438
Amounts owed to credit institutions	17	5,133,029	5,191,494	4,118,462
Debt securities issued	18	421,359	646,137	1,460,479
Lease liability	10	137,554	112,624	85,098
Accruals and deferred income		124,397	102,250	76,600
Income tax liabilities	14	199,058	99,533	110,868
Other liabilities	15	149,847	153,591	177,044
Total liabilities		**26,942,060**	**24,579,690**	**20,109,989**
Equity	20			
Share capital		27,994	27,994	27,994
Additional paid-in capital		151,336	190,033	180,969
Treasury shares		(11)	(10)	(10)
Other reserves		2,087	(4,304)	(24,070)
Retained earnings		4,270,644	3,573,655	2,866,340
Total equity attributable to shareholders of the Group		**4,452,050**	**3,787,368**	**3,051,223**
Total equity		**4,452,050**	**3,787,368**	**3,051,223**
Total liabilities and equity		**31,394,110**	**28,367,058**	**23,161,212**

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

1 April 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Thousands of Georgian Lari)

	Notes	2023	2022	2021
Assets				
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Archil Gachechiladze — Chief Executive Officer

Sulkhan Gvalia — Chief Financial Officer

Mel Carvill — Supervisory Board Chairman

1 April 2024

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

The accompanying Notes on pages 6 to 105 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

(Thousands of Georgian Lari)

	Notes	*2023*	*2022*	*2021*
Interest income calculated using EIR method		2,715,232	2,223,455	1,796,788
Other interest income		14,053	20,573	28,737
Interest income		**2,729,285**	**2,244,028**	**1,825,525**
Interest expense		(1,123,038)	(1,051,700)	(870,013)
Deposit insurance fees		(20,247)	(17,717)	(14,629)
Net interest income	21	**1,586,000**	**1,174,611**	**940,883**
Fee and commission income		669,536	548,782	382,630
Fee and commission expense		(328,864)	(287,362)	(194,294)
Net fee and commission income	22	**340,672**	**261,420**	**188,336**
Net foreign currency gain		370,847	463,202	107,801
Net gains/(losses) on extinguishment of debt		564	(8,462)	(2,892)
Net other gains	25	114,546	40,556	70,403
Operating income		**2,412,629**	**1,931,327**	**1,304,531**
Salaries and other employee benefits	23	(379,716)	(330,376)	(254,153)
Administrative expenses	23	(184,857)	(151,712)	(119,558)
Depreciation, amortisation and impairment	10	(110,740)	(95,977)	(83,682)
Other operating expenses		(3,642)	(3,603)	(3,822)
Operating expenses		**(678,955)**	**(581,668)**	**(461,215)**
Profit from associates		984	819	(3,781)
Operating income before cost of risk		**1,734,658**	**1,350,478**	**839,535**
Expected credit loss on loans to customers	24	(124,009)	(129,704)	(4,113)
Expected credit loss on finance lease receivables	24	(2,762)	(3,208)	(4,950)
Other expected credit recovery / (loss)	24	3,117	(16,745)	9,252
Impairment charge on other assets and provisions		(18,317)	(18,007)	(20,488)
Cost of risk		**(141,971)**	**(167,664)**	**(20,299)**
Net operating income before non-recurring items		**1,592,687**	**1,182,814**	**819,236**
Net non-recurring items		-	(203)	(610)
Profit before income tax expense		**1,592,687**	**1,182,611**	**818,626**
Income tax expense	14	(258,968)	(190,607)	(74,815)
Profit for the year		**1,333,719**	**992,004**	**743,811**
Basic and diluted earnings per share	20	47.6609	35.4492	26.5800

The accompanying Notes on pages 6 to 105 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Thousands of Georgian Lari)

	2023	*2022*	*2021*
Profit for the year	**1,333,719**	**992,004**	**743,811**
Other comprehensive (loss)/income			
Other comprehensive (loss)/income 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)	26,381	29,683	(39,431)
– Realised loss on financial assets measured at FVOCI	(14,322)	(7,528)	(30,044)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement	1,041	7,379	(880)
– Loss from currency translation differences	(37,259)	(18,110)	(7,381)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent years	**(24,159)**	**11,424**	**(77,736)**
Other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent years:			
– Revaluation of property and equipment reclassified to investment property	-	-	2,359
– Net gain/(loss) on investments in equity instruments designated at FVOCI	1,775	(1,369)	884
Net other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent years	**1,775**	**(1,369)**	**3,243**
Other comprehensive (loss)/income for the year, net of tax	**(22,384)**	**10,055**	**(74,493)**
Total comprehensive income for the year	**1,311,335**	**1,002,059**	**669,318**

The accompanying Notes on pages 6 to 105 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total equity*
31 December 2020	**27,994**	**216,974**	**(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 20)	-	-	-	-	(70,390)	(70,390)
Contributions under share-based payment plan (Note 26)	-	(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 20)	-	-	-	-	(274,978)	(274,978)
Contributions under share-based payment plan (Note 26)	-	(71,891)	-	-	-	(71,891)
31 December 2022	**27,994**	**190,033**	**(10)**	**(4,304)**	**3,573,655**	**3,787,368**
Profit for the year	-	-	-	-	1,333,719	1,333,719
Other comprehensive income for the year	-	-	-	6,391	(28,775)	(22,384)
Total comprehensive income for the year	**-**	**-**	**-**	**6,391**	**1,304,944**	**1,311,335**
Increase in equity arising from share-based payments	-	70,970	-	-	-	70,970
Purchase of treasury shares	-	-	(1)	-	-	(1)
Dividends to shareholders of the Bank (Note 20)	-	-	-	-	(607,955)	(607,955)
Contributions under share-based payment plan (Note 26)	-	(109,667)	-	-	-	(109,667)
31 December 2023	**27,994**	**151,336**	**(11)**	**2,087**	**4,270,644**	**4,452,050**

The accompanying Notes on pages 6 to 105 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Thousands of Georgian Lari)

	Notes	2023	2022	2021
Cash flows from operating activities				
Interest received		2,692,111	2,286,511	1,826,656
Interest paid		(1,074,119)	(1,012,989)	(885,881)
Fees and commissions received		575,226	511,899	372,057
Fees and commissions paid		(291,356)	(287,362)	(194,294)
Net realised gain from foreign currencies		355,436	453,871	134,819
Recoveries of loans to customers previously written off	9	47,029	84,542	81,329
Cash paid for derivatives		-	-	(235)
Other income received		14,006	16,933	33,687
Salaries and other employee benefits paid		(308,746)	(249,421)	(209,709)
General and administrative and operating expenses paid		(186,357)	(157,350)	(128,496)
Cash flows from operating activities before changes in operating assets and liabilities		**1,823,230**	**1,646,634**	**1,029,933**
Net (increase) decrease in operating assets				
Amounts due from credit institutions		608,407	(899,984)	89,925
Loans to customers and finance lease receivables		(3,697,647)	(2,477,673)	(2,172,141)
Prepayments and other assets*		14,692	(51,870)	(55,536)
Foreclosed assets*		159,204	11,700	5,907
Net increase (decrease) in operating liabilities				
Amounts due to credit institutions		(51,309)	1,143,916	991,565
Debt securities issued		(45,673)	(15,142)	(36,225)
Client deposits and notes		2,455,281	5,478,689	33,553
Other liabilities		(44,500)	46,441	31,100
Net cash flows from operating activities before income tax		**1,221,685**	**4,882,711**	**(81,919)**
Income tax paid		(159,043)	(202,514)	(4,640)
Net cash flows from operating activities		**1,062,642**	**4,680,197**	**(86,559)**
Cash flows (used in) from investing activities				
Net (purchases) sales of investment securities		(497,814)	(1,832,499)	(86,195)
Proceeds from sale of investment properties and assets held for sale		47,950	92,860	124,805
Proceeds from sale of property and equipment and intangible assets		195	3,157	870
Purchase of property and equipment and intangible assets		(139,623)	(108,052)	(86,703)
Dividends received		696	-	401
Net cash flows (used in) from investing activities		**(588,596)**	**(1,844,534)**	**(46,822)**
Cash flows (used in) from financing activities				
Repurchase of debt securities issued	18	(20,980)	(617,194)	(28,825)
Repayment of the principal portion of the debt securities issued	18	(230,995)	(31,581)	(46,706)
Proceeds from Tier 2 notes issued	18	78,921	-	-
Proceeds from Additional Tier 1	17	-	148,120	-
Cash payments for the principal portion of the lease liability	18	(31,606)	(25,020)	(28,672)
Dividends paid		(606,779)	(274,345)	(70,222)
Contributions under share-based payment plan	26	(109,667)	(71,891)	(80,449)
Purchase of treasury shares		(1)	-	-
Net cash (used in) from financing activities		**(921,107)**	**(871,911)**	**(254,874)**
Effect of exchange rates changes on cash and cash equivalents		(5,653)	37,858	(100,529)
Effect of expected credit losses on cash and cash equivalents		(182)	(334)	48
Net (decrease) increase in cash and cash equivalents		**(452,896)**	**2,001,276**	**(488,736)**
Cash and cash equivalents, beginning of the year	6	**3,495,728**	**1,494,452**	**1,983,188**
Cash and cash equivalents, end of the year	6	**3,042,832**	**3,495,728**	**1,494,452**

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

The accompanying Notes on pages 6 to 105 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 2023, the Bank has 189 operating outlets in all major cities of Georgia (31 December 2022: 211, 31 December 2021: 211). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia. The Bank's identification number is 204378869.

As at 31 December 2023 Bank of Georgia Group PLC ("BOGG") represented the ultimate parent company of the Bank. In 2023 the ultimate parent of the Group undertook internal reorganization process intended to optimise its subsidiaries holding structure. As a result, 99.56% shareholding of the Group was consolidated under JSC BGEO. There was no change in the Group's ultimate parent as a result of the reorganization.

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

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

* *Shares listed on the Georgian Stock Exchange.*

2. Basis of preparation

General

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2023 reporting.

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 27 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 (less than 2 years) to medium (2 to 5 years) term impact of climate change expected. The Group continues to refine its assessment of such risks and will re-assess whether the impact of climate-related risks on its financial position and performance need to be considered in future reporting periods.

Subsidiaries, associates and corporate shares with shareholdings above 10%

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

Subsidiaries	*Proportion of voting rights and ordinary share capital held*			*Investments*			Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition	Legal form / Status
	31 December 2023	31 December 2022	31 December 2021	31 December 2023	31 December 2022	31 December 2021						
Bank of Georgia Representative Office UK Limited	100.00%	100.00%	100.00%	-	-	-	United Kingdom	42 Brook Street, London, W1K 5DB	Information Sharing and Market Research	17/8/2010	–	Limited Liability Company
Tree of Life Foundation NPO (formerly known as Bank of Georgia Future Foundation, NPO)	100.00%	100.00%	100.00%	-	-	-	Georgia	3 Pushkin Street, Tbilisi 0105	Charitable activities	25/8/2008	–	Non-profit Organization
Bank of Georgia Representative Office Hungary (a)	100.00%	100.00%	100.00%	7,314	7,235	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
Þ JSC Belarusky Narodny Bank (b)	99.98%	99.98%	99.98%	102,828	102,998	109,173	Belarus	Nezavisimosty Ave. 87A, Minsk, 220012	Banking	16/4/1992	3/6/2008	Joint Stock Company
Þ BNB Leasing, LLC	99.90%	99.90%	99.90%	6	8	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
Þ Prime Leasing	100.00%	100.00%	100.00%	2	2	2	Georgia	Didube-Chughureti district, №114, Ak. Tsereteli Ave., Tbilisi	Leasing	27/1/2012	21/1/2015	Limited Liability Company

Associates	*Proportion of voting rights and*			*Investments*			*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
	31 December 2023	*31 December 2022*	*31 December 2021*	*31 December 2023*	*31 December 2022*	*31 December 2021*						
JSC Credit info (c)	21.08%	21.08%	21.08%	9,538	9,249	8,918	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*			*Investments*			*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
	31 December 2023	*31 December 2022*	*31 December 2021*	*31 December 2023*	*31 December 2022*	*31 December 2021*						
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 2023 and 31 December 2022.*

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

(c) *JSC Credit info initial investment amounted to GEL 95, which has been increased to GEL 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 recognized 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 2023. 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)

Basis of consolidation (continued)

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

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. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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.

Fair value measurement

The Group measures financial instruments, such as trading and investment securities, derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 28.

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.

3. Summary of significant accounting policies (continued)

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;
- 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.

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 FVTPL, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the 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 amounts-due from credit institutions, loans to customers and other financial assets at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

3. Summary of significant accounting policies (continued)

Subsequent measurement of financial instruments (continued)

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.

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

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

In assessing whether the contractual cash flows are SPPI, the 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.

3. Summary of significant accounting policies (continued)

Subsequent measurement of financial instruments (continued)

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.

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

Financial assets at FVTPL

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

Derivatives recorded at FVTPL

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 other gains/(losses), 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.

Financial guarantees, letter of credits and other financial commitments

The Group enters into the financial guarantee contracts 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.

Cash and cash equivalents

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

3. Summary of significant accounting policies (continued)

Borrowings

The Group classifies issued financial instruments or their components 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). The Group initially recognises these liabilities at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost, using the effective interest rate (EIR) method. Gains and losses are recognised in the consolidated income statement when the borrowings are derecognised as well as through the amortisation process.

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

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

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

The lease liability is initially measured at the present value of the future lease payments excluding payments for VAT, discounted using the 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 occupancy and rent expense on a straight-line basis over the lease term and present them as part of general and administrative expenses.

Modifications of lease contracts

If the lease contract is modified by either changing the scope of the lease, or the consideration for a lease that was not part of the original terms and conditions of the lease, the 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.

3. Summary of significant accounting policies (continued)

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

The Group classifies leases that transfer substantially all the risks and benefits incidental to ownership of the lease item to the lessee 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 Group uses the interest rate implicit in the lease as a discount factor. Initial direct costs are included in the initial measurement of the finance lease receivables. Lease payments received are apportioned between the finance income and the reduction of the outstanding lease receivable. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

Operating lease

The 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.

Impairment of financial assets

Overview of the ECL principles

The Group records an allowance for (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'.

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

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

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

Staged approach to the determination of ECLs

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 ECL. This represents the portion of lifetime ECL 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 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 PD 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 ECL, reflecting a PD of 100% for those financial instruments that are credit-impaired.

3. Summary of significant accounting policies (continued)

Staged approach to the determination of ECLs (continued)

Unless POCI, 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.

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 ECLs. ECLs are only recognised or released to the extent that there is a subsequent change in the ECLs where ECLs are calculated based on lifetime ECL. Once the financial asset is recognised as POCI, it retains this status until derecognised.

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

Derecognition of financial assets and liabilities

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the 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.

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 in 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)

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

- Change in currency of the loan.
- Change in interest rate type.
- Introduction of an equity feature.
- Change in counterparty.

If the terms are not substantially different, or the renegotiation is due to the financial difficulties of the borrower, such renegotiation or modification does not result in derecognition, and the 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 EIR.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

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

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

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

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. Realisation gain/loss from above assets are included under Net other gains/(losses) in the Group's consolidated income statement.

Non-current assets held for sale

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.

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

Taxation

The Group calculates the current income tax expense 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.

3. Summary of significant accounting policies (continued)

Taxation (continued)

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

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

Georgia 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

The Group recognises investment property initially 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.

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

Property and equipment

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

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

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

3. Summary of significant accounting policies (continued)

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 initially measured at cost and subsequently 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.

Provisions

The Group recognises a provisions when 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 BOGG ('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 subsequent holding period does not imply any employment service provision from the share recipient side, therefore it does not affect the expense recognition period. 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.

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

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

3. Summary of significant accounting policies (continued)

Share-based payment transactions (continued)

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

Equity

Share capital

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

Additional paid-in capital

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

Treasury shares

Where the Group purchase its own shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. 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.

Dividends

The Group recognises dividends as liabilities and deducts them 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

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

Income and expense recognition

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

Interest and similar income and expense

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

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.

3. Summary of significant accounting policies (continued)

Income and expense recognition (continued)

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:

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

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

Customer loyalty 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.

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 the functional currency rate of exchange ruling at the reporting date.

Gains and losses resulting from the translation of foreign currency transactions are recognised in the 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 (continued)

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

	Lari to GBP	*Lari to USD*	*Lari to EUR*	*Lari to BYN*
31 December 2023	3.4228	2.6894	2.9753	0.8162
31 December 2022	3.2581	2.7020	2.8844	1.0730
31 December 2021	4.1737	3.0976	3.5040	1.2101

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.

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

Adoption of new or revised standards and interpretations

Amendments effective from 1 January 2023

IFRS 17 Insurance Contracts

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

The amendment had no material impact on the Group's 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 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendment had no material impact on the 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 amendment had no material impact on the Group's consolidated financial statements.

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

(Thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations (continued)

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

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

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

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

Interest Rate Benchmark Reform

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

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

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

Reclassifications

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

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

(Thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Reclassifications (continued)

Consolidated statement of financial position for the year ended 31 December 2022	*As previously reported*	*Reclassification*	*As reclassified*
Foreclosed Assets	-	119,924	119,924
Inventory	11,441	(11,441)	-
Other assets	362,828	(108,483)	254,345

Consolidated statement of cash flows for the year ended 31 December 2022	*As previously reported*	*Reclassification*	*As reclassified*
Net (increase) decrease in operating assets			
Prepayments and other assets	(40,170)	(11,700)	(51,870)
Foreclosed assets	-	11,700	11,700

Consolidated statement of financial position for the year ended 31 December 2021	*As previously reported*	*Reclassification*	*As reclassified*
Foreclosed Assets	-	3,216	3,216
Inventory	6,243	(6,243)	-
Other assets	241,200	3,027	244,227

Consolidated statement of cash flows for the year ended 31 December 2021	*As previously reported*	*Reclassification*	*As reclassified*
Net (increase) decrease in operating assets			
Prepayments and other assets	(49,629)	(5,907)	(55,536)
Foreclosed assets	-	5,907	5,907

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, 2024 with early adoption permitted.

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

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

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

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

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

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

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

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

Lack of Exchangeability - Amendments to IAS 21

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

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

N*on-current Liabilities with Covenants - Amendments to IAS 1*

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

The amendments are not expected to have a material impact on the Group's 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 28. 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 27)

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.

4. Significant accounting judgements and estimates (continued)

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)

SICR is not a defined term per IFRS 9, and is determined by management, based on their experience and judgement. In assessing whether the credit risk has significantly increased, the 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. The threshold applied depends on the original credit quality of the borrowers. Higher threshold is set for those instruments with a low PD at origination.
- Existence of forecast of adverse changes in commercial, financial or economic conditions that adversely affect the creditworthiness of the borrower.

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

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

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

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

4. Significant accounting judgements and estimates (continued)

Measurement of ECLs

ECL reflects an unbiased, probability-weighted estimate based on a combination of the following principal factors: 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 PD in this case is equal to 100%.

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 EAD is considered for events over the lifetime of the instruments. The Group determines EAD differently for products with 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.

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.

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 in 2022.

(Thousands of Georgian Lari)

4. Significant accounting judgements and estimates (continued)

Forward-looking information

Under IFRS 9, the allowance for expected 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 expected credit losses, the Group uses the macroeconomic forecasts provided by the 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 the NBG.

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 2023 per geographical segments are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

Georgia

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

Belarus

Key drivers	ECL scenario	Assigned weight	As at 31 December 2023		Assigned weight	As at 31 December 2022		Assigned weight	As at 31 December	
			2024	2025		2023	2024		2022	2023
GDP growth in %										
	Upside	25.00%	3.77%	3.13%	10%	2.66%	4.26%	25%	2.92%	5.01%
	Base case	50.00%	1.95%	0.49%	50%	0.31%	0.50%	50%	0.56%	1.24%
	Downside	25.00%	0.14%	-2.15%	40%	-2.05%	-3.26%	25%	-1.80%	-2.52%
BYN/USD exchange rate %										
	Upside	25.00%	0.66%	0.62%	10%	0.71%	0.65%	25%	0.56%	0.52%
	Base case	50.00%	1.00%	1.23%	50%	2.53%	1.65%	50%	2.44%	1.37%
	Downside	25.00%	1.31%	1.77%	40%	4.09%	2.41%	25%	4.05%	1.98%
CPI inflation rate in %										
	Upside	25.00%	-0.09%	-0.52%	10%	0.38%	-0.58%	25%	-0.07%	-0.85%
	Base case	50.00%	1.94%	1.82%	50%	2.20%	1.66%	50%	1.83%	1.38%
	Downside	25.00%	3.86%	4.01%	40%	3.93%	3.76%	25%	3.63%	3.46%

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.

(Thousands of Georgian Lari)

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

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 2023				
	Reported	*Reported*	*ECL coverage by scenarios*		
Key drivers	*ECL*	*ECL coverage*	*Upside*	*Base case*	*Downside*
Commercial loans	98,379	1.40%	1.37%	1.40%	1.44%
Residential mortgage loans	22,748	0.50%	0.49%	0.50%	0.51%
Micro and SME loans	71,661	1.76%	1.74%	1.76%	1.78%
Consumer loans	131,633	2.80%	2.75%	2.79%	2.86%
Gold – pawn loans	1,389	0.92%	0.92%	0.92%	0.93%

	As at 31 December 2022				
	Reported	*Reported*	*ECL coverage by scenarios*		
Key drivers	*ECL*	*ECL coverage*	*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	*Reported*	*ECL coverage by scenarios*		
Key drivers	*ECL*	*ECL coverage*	*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%

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. The need for write-off of corporate loans is assessed individually, for mortgages and other loans secured by real estate, the number of overdue days after which the balances are considered to be irrecoverable and are to be written off comprised 1,460 days, while other non-secured portfolio is written-off after 150 days overdue. If the amount to be written off is greater than the accumulated loan loss allowance, the difference is first treated as an ECL expense. Any subsequent recoveries are credited to ECL expense.

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

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

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

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

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

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

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

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

5. Segment information

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

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

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

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

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

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

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

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

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

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

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

(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 2023:

	Retail Banking	*SME*	*Corporate Investment Banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	788,734	256,014	492,691	48,486	75	1,586,000
Net fee and commission income	244,118	40,574	48,601	7,379	-	340,672
Net foreign currency gain	197,596	38,357	93,288	41,606	-	370,847
Net gains/(losses) on extinguishment of debt	184	52	107	221	-	564
Net other gains/(losses)	14,357	6,931	91,553	1,788	(83)	114,546
Operating income	**1,244,989**	**341,928**	**726,240**	**99,480**	**(8)**	**2,412,629**
Operating expenses	(408,588)	(97,731)	(107,130)	(65,514)	8	(678,955)
Profit from associates	919	65	-	-	-	984
Operating income before cost of risk	**837,320**	**244,262**	**619,110**	**33,966**	**-**	**1,734,658**
Cost of risk	(83,840)	(32,316)	(28,463)	2,648	-	(141,971)
Net operating income before non-recurring items	**753,480**	**211,946**	**590,647**	**36,614**	**-**	**1,592,687**
Net non-recurring expense/loss	-	-	-	-	-	-
Profit before income tax	**753,480**	**211,946**	**590,647**	**36,614**	**-**	**1,592,687**
Income tax expense	(121,120)	(34,094)	(95,277)	(8,477)	-	(258,968)
Profit for the year	**632,360**	**177,852**	**495,370**	**28,137**	**-**	**1,333,719**
Assets and liabilities						
Total assets	14,090,429	5,969,054	10,078,157	1,280,167	(23,697)	31,394,110
Total liabilities	12,460,818	5,137,241	8,236,256	1,131,442	(23,697)	26,942,060
Other segment information						
Property and equipment	75,602	8,392	2,542	5,273	-	91,809
Intangible assets	32,577	5,919	2,399	7,031	-	47,926
Capital expenditure	**108,179**	**14,311**	**4,941**	**12,304**	**-**	**139,735**
Depreciation, amortisation and impairment	(84,383)	(12,206)	(4,891)	(9,260)	-	(110,740)

(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 2022:

	Retail Banking	*SME*	*Corporate Investment banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	563,853	202,004	371,159	37,510	85	1,174,611
Net fee and commission income	171,715	34,790	43,415	11,500	-	261,420
Net foreign currency gain	234,615	43,177	120,917	64,493	-	463,202
Net gains/(losses) on extinguishment of debt	(1,886)	(708)	(5,564)	(304)	-	(8,462)
Net other gains/(losses)	17,673	3,235	18,171	1,477	-	40,556
Operating income	**985,970**	**282,498**	**548,098**	**114,676**	**85**	**1,931,327**
Operating expenses	(337,502)	(92,835)	(95,899)	(55,347)	(85)	(581,668)
Profit from associates	765	54	-	-	-	819
Operating income before cost of risk	**649,233**	**189,717**	**452,199**	**59,329**	**-**	**1,350,478**
Cost of risk	(164,820)	(8,606)	31,591	(25,829)	-	(167,664)
Net operating income before non-recurring items	**484,413**	**181,111**	**483,790**	**33,500**	**-**	**1,182,814**
Net non-recurring expense/loss	1	-	-	(204)	-	(203)
Profit before income tax	**484,414**	**181,111**	**483,790**	**33,296**	**-**	**1,182,611**
Income tax expense	(76,928)	(28,824)	(77,171)	(7,684)	-	(190,607)
Profit for the year	**407,486**	**152,287**	**406,619**	**25,612**	**-**	**992,004**
Assets and liabilities						
Total assets	13,129,291	5,435,568	8,504,530	1,381,366	(83,697)	28,367,058
Total liabilities	11,669,114	4,691,613	7,072,733	1,229,928	(83,698)	24,579,690
Other segment information						
Property and equipment	60,250	6,133	2,112	2,241	-	70,736
Intangible assets	21,883	5,567	1,788	4,886	-	34,124
Capital expenditure	**82,133**	**11,700**	**3,900**	**7,127**	**-**	**104,860**
Depreciation, amortisation and impairment	(72,113)	(13,173)	(4,633)	(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 (expense) 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 (loss) before non-recurring items	**379,589**	**421,310**	**18,337**	**-**	**819,236**
Net non-recurring expense/loss	1	(78)	(533)	-	(610)
Profit (loss) before income tax	**379,590**	**421,232**	**17,804**	**-**	**818,626**
Income tax expense	(33,692)	(37,729)	(3,394)	-	(74,815)
Profit (loss) 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)

6. Cash and cash equivalents

	2023	2022	2021
Cash on hand	966,670	1,000,596	774,253
Current accounts with credit institutions	650,630	927,388	364,912
Current accounts with central banks, excluding obligatory reserves	713,212	805,503	126,627
Time deposits with credit institutions with maturities of up to 90 days	712,786	762,592	228,685
Cash and cash equivalents, gross	**3,043,298**	**3,496,079**	**1,494,477**
Less – Allowance for expected credit loss	(466)	(351)	(25)
Cash and cash equivalents, net	**3,042,832**	**3,495,728**	**1,494,452**

As at 31 December 2023, GEL 974,224 (2022: GEL 1,453,123, 2021: GEL 417,228) 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%-10.35% interest per annum on these deposits (2022: up to 11.10%, 2021: up to 0.07%). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

7. Amounts due from credit institutions

	2023	2022	2021
Obligatory reserves with central banks	1,746,289	2,354,470	1,898,052
Time deposits with maturities of more than 90 days	-	-	15,488
Restricted cash	7,263	68,154	4,730
Amounts due from credit institutions, gross	**1,753,552**	**2,422,624**	**1,918,270**
Less – Allowance for expected credit loss	(894)	(5,318)	(331)
Amounts due from credit institutions, net	**1,752,658**	**2,417,306**	**1,917,939**

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 2023 (2022: 0.00%, 2021: 0.00%).

8. Investment securities

	2023	2022	2021
Investment securities measured at FVOCI - debt instruments	4,349,609	3,960,300	2,558,542
Investment securities designated as at FVOCI - equity investments	7,098	4,912	5,419
Investment securities measured at FVOCI	**4,356,707**	**3,965,212**	**2,563,961**

	2023	2022	2021
Investment securities measured at amortized cost	524,433	381,735	-
Less: allowance for credit losses	(325)	(3,198)	-
Investment securities measured at amortized cost, net	**524,108**	**378,537**	**-**

(Thousands of Georgian Lari)

8. Investment securities (continued)

	2023	*2022*	*2021*
Ministry of Finance of Georgia treasury bonds	1,891,684	1,470,473	1,312,001
Ministry of Finance of Georgia treasury bills	155,955	176,483	82,196
Foreign treasury bills	1,621,219	1,062,095	-
Foreign treasury bonds	54,151	92,816	79,156
Certificates of deposit of central banks	10,855	17,675	39,410
Other debt instruments	615,745	1,140,758	1,045,779
Investment securities measured at FVOCI - debt instruments	**4,349,609**	**3,960,300**	**2,558,542**

	2023	*2022*	*2022*
Ministry of Finance of Georgia treasury bonds	-	119,918	
Certificates of deposit of central banks			
Other debt instruments	524,433	261,817	-
Investment securities measured at amortized cost - debt instruments, gross	**524,433**	**381,735**	**-**
Less: allowance for credit losses	(325)	(3,198)	-
Investment securities measured at amortized cost, net	**524,108**	**378,537**	**-**

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

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

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

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

Foreign treasury bills and bonds measured at FVOCI – debt instruments comprise of US Treasury Notes in amount of GEL 1,621,219 (2022: GEL 1,062,095, 2021: GEL Nil), Ministry of Finance of the Republic of Lithuania treasury bonds in amount of GEL Nil (2022: GEL Nil, 2021: GEL 15,992), United Kingdom treasury bonds in the amount of GEL Nil (2022: GEL 32,516, 2021: GEL Nil) and Ministry of Finance of the Republic of Belarus treasury bonds in amount of GEL 54,151 (2022: GEL 60,300, 2021: GEL 63,164).

For the period ended 31 December 2023 net gains on derecognition of investment securities comprised GEL 18,512 (2022: GEL 7,528, 2021: GEL 30,044) which is included in net other income.

As at 31 December 2023, allowance for expected credit loss on investment securities measured at FVOCI comprised GEL 7,673 (2022: GEL 7,068, 2021: GEL 3,156).

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables

	2023	*2022*	*2021*
Commercial loans	7,030,961	5,293,611	5,380,396
Consumer loans	4,699,969	3,602,054	2,981,305
Residential mortgage loans	4,557,525	4,193,204	4,022,058
Micro and SME loans	4,073,022	3,825,663	3,731,756
Gold – pawn loans	150,228	164,554	165,417
Loans to customers at amortised cost, gross	**20,511,705**	**17,079,086**	**16,280,932**
Less – Allowance for expected credit loss	(325,810)	(324,053)	(401,823)
Loans to customers at amortised cost, net	**20,185,895**	**16,755,033**	**15,879,109**
Finance lease receivables, gross	**73,487**	**95,348**	**124,952**
Less – Allowance for expected credit loss	(11,315)	(8,778)	(5,895)
Finance lease receivables, net	**62,172**	**86,570**	**119,057**
Total loans to customers and finance lease receivables	**20,248,067**	**16,841,603**	**15,998,166**

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

Expected credit loss

Movements of the gross loans and respective allowance for expected credit loss / impairment of loans to customers by class are provided in the table below, within which the new financial asset originated or purchased and the assets repaid during the year include the effects from revolving loans and increase of exposure to clients, where existing loans have been repaid with new contracts issued during the year. All new financial assets are originated either in Stage 1 or POCI category. Utilisation of additional tranches on existing financial assets are reflected in Stage 2 or Stage 3 if the credit risk of the borrower has deteriorated since initiation. 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 2022	**4,493,371**	**611,307**	**172,983**	**15,950**	**5,293,611**
New financial asset originated or purchased	6,382,411	62,180	8	15,820	6,460,419
Transfer to Stage 1	218,262	(218,262)	-	-	-
Transfer to Stage 2	(408,616)	413,869	(5,253)	-	-
Transfer to Stage 3	(9,314)	(35,720)	45,034	-	-
Assets derecognised due to pass-through arrangement	(165,947)	(418)	(164)	-	(166,529)
Assets repaid	(4,244,904)	(318,744)	(96,967)	(10,324)	(4,670,939)
Resegmentation	76,352	(56)	2,959	-	79,255
Impact of modifications	(755)	733	(143)	9	(156)
Write-offs	-	-	(11,502)	-	(11,502)
Recoveries of amounts previously written off	-	-	8,723	957	9,680
Unwind of discount	-	-	(2,224)	416	(1,808)
Currency translation differences	(113,669)	(3,701)	(4,516)	-	(121,886)
Foreign exchange movement	105,029	4,490	(365)	83	109,237
Net other changes	61,656	111	(10,852)	664	51,579
Balance at 31 December 2023	**6,393,876**	**515,789**	**97,721**	**23,575**	**7,030,961**
Individually assessed	-	-	89,158	21,497	110,655
Collectively assessed	6,393,876	515,789	8,563	2,078	6,920,306
Balance at 31 December 2023	**6,393,876**	**515,789**	**97,721**	**23,575**	**7,030,961**

Commercial loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2022	**19,219**	**23,530**	**42,292**	**4,567**	**89,608**
New financial asset originated or purchased	31,952	697	1	-	32,650
Transfer to Stage 1	3,811	(3,811)	-	-	-
Transfer to Stage 2	(5,004)	6,393	(1,389)	-	-
Transfer to Stage 3	(994)	(1,406)	2,400	-	-
Impact on ECL of exposures transferred between stages during the year	(1,777)	4,522	17,549	-	20,294
Assets derecognised due to pass-through arrangement	(529)	(9)	-	-	(538)
Assets repaid	(13,364)	(12,030)	(29,709)	(1,325)	(56,428)
Resegmentation	1,102	(1,224)	870	-	748
Impact of modifications	(1)	17	(149)	3	(130)
Foreign exchange movement	(14)	103	(641)	127	(425)
Net other measurement of ECL	(20,005)	16,327	16,960	4,195	17,477
Income statement (releases)/charges	(4,823)	9,579	5,892	3,000	13,648
Write-offs	-	-	(11,502)	-	(11,502)
Recoveries of amounts previously written off	-	-	8,723	957	9,680
Unwind of discount	-	-	(2,224)	416	(1,808)
Currency translation differences	(278)	84	(1,054)	1	(1,247)
Balance at 31 December 2023	**14,118**	**33,193**	**42,127**	**8,941**	**98,379**
Individually assessed	-	-	37,559	8,936	46,495
Collectively assessed	14,118	33,193	4,568	5	51,884
Balance at 31 December 2023	**14,118**	**33,193**	**42,127**	**8,941**	**98,379**

(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 2022	**3,925,906**	**169,566**	**69,657**	**28,075**	**4,193,204**
New financial asset originated or purchased	1,527,164	32	-	14,796	1,541,992
Transfer to Stage 1	268,798	(268,798)	-	-	-
Transfer to Stage 2	(320,140)	352,400	(32,260)	-	-
Transfer to Stage 3	(17,355)	(33,670)	51,025	-	-
Assets repaid	(1,081,098)	(45,148)	(37,682)	(11,487)	(1,175,415)
Impact of modifications	530	137	(83)	(185)	399
Write-offs	-	-	(2,534)	(263)	(2,797)
Recoveries of amounts previously written off	-	-	1,385	543	1,928
Unwind of discount	-	-	215	94	309
Currency translation differences	(6,950)	(170)	(85)	-	(7,205)
Foreign exchange movement	11,210	(150)	(263)	165	10,962
Net other changes	(7,727)	(147)	1,571	451	(5,852)
Balance at 31 December 2023	**4,300,338**	**174,052**	**50,946**	**32,189**	**4,557,525**
Individually assessed	-	-	168	2,092	2,260
Collectively assessed	4,300,338	174,052	50,778	30,097	4,555,265
Balance at 31 December 2023	**4,300,338**	**174,052**	**50,946**	**32,189**	**4,557,525**

Residential mortgage loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2022	**8,860**	**2,601**	**14,085**	**4,507**	**30,053**
New financial asset originated or purchased	8,396	-	-	-	8,396
Transfer to Stage 1	4,415	(4,415)	-	-	-
Transfer to Stage 2	(2,766)	9,962	(7,196)	-	-
Transfer to Stage 3	(3,612)	(1,152)	4,764	-	-
Impact on ECL of exposures transferred between stages during the year	(1,133)	(5,845)	5,016	-	(1,962)
Assets repaid	(1,516)	(747)	(8,701)	(3,395)	(14,359)
Impact of modifications	19	5	1,049	43	1,116
Foreign exchange movement	(1)	(3)	(46)	28	(22)
Net other measurement of ECL	(8,690)	1,632	3,842	3,318	102
Income statement (releases)/charges	(4,888)	(563)	(1,272)	(6)	(6,729)
Write-offs	-	-	(2,534)	(263)	(2,797)
Recoveries of amounts previously written off	-	-	1,385	543	1,928
Unwind of discount	-	-	215	94	309
Currency translation differences	(2)	(2)	(12)	-	(16)
Balance at 31 December 2023	**3,970**	**2,036**	**11,867**	**4,875**	**22,748**
Individually assessed	-	-	50	271	321
Collectively assessed	3,970	2,036	11,817	4,604	22,427
Balance at 31 December 2023	**3,970**	**2,036**	**11,867**	**4,875**	**22,748**

(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 2022	**3,475,839**	**200,463**	**146,517**	**2,844**	**3,825,663**
New financial asset originated or purchased	2,729,133	606	1,502	1,685	2,732,926
Transfer to Stage 1	147,013	(147,013)	-	-	-
Transfer to Stage 2	(308,580)	333,045	(24,465)	-	-
Transfer to Stage 3	(20,855)	(115,231)	136,086	-	-
Assets repaid	(2,273,519)	(81,401)	(65,161)	(1,572)	(2,421,653)
Resegmentation	(75,858)	88	(3,141)	-	(78,911)
Impact of modifications	(86)	616	(2,971)	(7)	(2,448)
Write-offs	-	-	(36,568)	(70)	(36,638)
Recoveries of amounts previously written off	-	-	7,998	124	8,122
Unwind of discount	-	-	2,316	56	2,372
Currency translation differences	(15,785)	(1,998)	(2,369)	-	(20,152)
Foreign exchange movement	27,031	1,678	2,494	7	31,210
Net other changes	25,537	677	6,187	130	32,531
Balance at 31 December 2023	**3,709,870**	**191,530**	**168,425**	**3,197**	**4,073,022**
Individually assessed	-	-	29,131	-	29,131
Collectively assessed	3,709,870	191,530	139,294	3,197	4,043,891
Balance at 31 December 2023	**3,709,870**	**191,530**	**168,425**	**3,197**	**4,073,022**

Micro and SME loans at amortised cost, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2022	**20,078**	**5,448**	**37,317**	**659**	**63,502**
New financial asset originated or purchased	16,897	-	128	-	17,025
Transfer to Stage 1	4,627	(4,627)	-	-	-
Transfer to Stage 2	(5,665)	11,372	(5,707)	-	-
Transfer to Stage 3	(2,902)	(6,647)	9,549	-	-
Impact on ECL of exposures transferred between stages during the year	(754)	(4,692)	29,591	-	24,145
Assets repaid	(7,515)	(3,001)	(18,747)	(524)	(29,787)
Resegmentation	(1,093)	1,226	(868)	-	(735)
Impact of modifications	2	19	(1,241)	(7)	(1,227)
Foreign exchange movement	129	149	1,179	(1)	1,456
Net other measurement of ECL	(12,661)	6,463	30,543	596	24,941
Income statement (releases)/charges	(8,935)	262	44,427	64	35,818
Write-offs	-	-	(36,568)	(70)	(36,638)
Recoveries of amounts previously written off	-	-	7,998	124	8,122
Unwind of discount	-	-	2,316	56	2,372
Currency translation differences	(139)	(172)	(1,204)	-	(1,515)
Balance at 31 December 2023	**11,004**	**5,538**	**54,286**	**833**	**71,661**
Individually assessed	-	-	14,564	-	14,564
Collectively assessed	11,004	5,538	39,722	833	57,097
Balance at 31 December 2023	**11,004**	**5,538**	**54,286**	**833**	**71,661**

(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 2022	**3,243,192**	**213,875**	**121,992**	**22,995**	**3,602,054**
New financial asset originated or purchased	4,547,920	5,818	833	17,964	4,572,535
Transfer to Stage 1	289,459	(289,423)	(36)	-	-
Transfer to Stage 2	(473,300)	524,075	(50,775)	-	-
Transfer to Stage 3	(72,199)	(110,688)	182,887	-	-
Assets repaid	(3,179,954)	(107,858)	(69,753)	(12,030)	(3,369,595)
Resegmentation	(494)	(32)	517	-	(9)
Impact of modifications	699	(11)	(12,180)	(600)	(12,092)
Write-offs	-	-	(113,820)	(2,408)	(116,228)
Recoveries of amounts previously written off	-	-	25,870	1,376	27,246
Unwind of discount	-	-	4,199	530	4,729
Currency translation differences	(34,164)	(259)	(355)	-	(34,778)
Foreign exchange movement	5,109	65	524	89	5,787
Net other changes	(508)	(1,333)	21,566	595	20,320
Balance at 31 December 2023	**4,325,760**	**234,229**	**111,469**	**28,511**	**4,699,969**
Individually assessed	-	-	2,464	-	2,464
Collectively assessed	4,325,760	234,229	109,005	28,511	4,697,505
Balance at 31 December 2023	**4,325,760**	**234,229**	**111,469**	**28,511**	**4,699,969**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**40,598**	**19,309**	**67,956**	**7,587**	**135,450**
New financial asset originated or purchased	128,968	702	380	-	130,050
Transfer to Stage 1	19,103	(19,094)	(9)	-	-
Transfer to Stage 2	(23,869)	54,205	(30,336)	-	-
Transfer to Stage 3	(49,393)	(21,319)	70,712	-	-
Impact on ECL of exposures transferred between stages during the year	(2,120)	(24,929)	26,592	-	(457)
Assets repaid	(41,913)	(8,393)	(41,821)	(4,886)	(97,013)
Resegmentation	(9)	(2)	(2)	-	(13)
Impact of modifications	13	(7)	(5,235)	(122)	(5,351)
Foreign exchange movement	13	4	34	(4)	47
Net other measurement of ECL	(29,175)	17,623	59,529	5,681	53,658
Income statement (releases)/charges	1,618	(1,210)	79,844	669	80,921
Write-offs	-	-	(113,820)	(2,408)	(116,228)
Recoveries of amounts previously written off	-	-	25,870	1,376	27,246
Unwind of discount	-	-	4,199	530	4,729
Currency translation differences	(269)	(55)	(161)	-	(485)
Balance at 31 December 2023	**41,947**	**18,044**	**63,888**	**7,754**	**131,633**
Individually assessed	-	-	1,062	-	1,062
Collectively assessed	41,947	18,044	62,826	7,754	130,571
Balance at 31 December 2023	**41,947**	**18,044**	**63,888**	**7,754**	**131,633**

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

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

(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
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)
Income statement (releases)/charges	7,017	17,716	(72,812)	(1,582)	(49,661)
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)
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
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
Income statement (releases)/charges	(839)	(1,202)	(2,628)	2,278	(2,391)
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)
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)
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
Income statement (releases)/charges	(7,956)	(1,012)	22,989	496	14,517
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)
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)
Foreign exchange movement	(191)	(60)	(763)	(63)	(1,077)
Net other measurement of ECL	(32,188)	29,344	90,779	8,785	96,720
Income statement (releases)/charges	(16,449)	(90)	154,242	9,406	147,109
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)
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)
Net other measurement of ECL	756	(89)	3,412	-	4,079
Income statement (releases)/charges	(1,753)	21	5,757	-	4,025
Write-offs	-	-	(635)	-	(635)
Recoveries of amounts previously written off	-	-	(25)	-	(25)
Unwind of discount	-	-	1	-	1
Balance at 31 December 2022	**69**	**32**	**5,339**	**-**	**5,440**
Individually assessed	-	-	4,337	-	4,337
Collectively assessed	69	32	1,002	-	1,103
Balance at 31 December 2022	**69**	**32**	**5,339**	**-**	**5,440**

(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
Foreign exchange movement	(498)	(141)	(5,254)	10	(5,883)
Net other measurement of ECL	(22,754)	(648)	19,943	(551)	(4,010)
Income statement (releases)/charges	(15,057)	(1,188)	(48,341)	2,846	(61,740)
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)
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
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
Income statement (releases)/charges	9,701	3,803	21,552	2,832	37,888
Write-offs	-	-	(5,750)	(561)	(6,311)
Recoveries of amounts previously written off	-	-	993	205	1,198
Unwind of discount	-	-	244	17	261
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)
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)
Income statement (releases)/charges	28,239	6,590	67,154	(371)	101,612
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)
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)
Foreign exchange movement	(153)	(37)	(643)	(29)	(862)
Net other measurement of ECL	(27,338)	15,067	30,779	925	19,433
Income statement (releases)/charges	57,093	19,413	111,776	733	189,015
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)
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
Net other measurement of ECL	936	(281)	447	-	1,102
Income statement (releases)/charges	1,822	11	492	-	2,325
Write-offs	-	-	(253)	-	(253)
Recoveries of amounts previously written off	-	-	3	-	3
Unwind of discount	-	-	(1)	-	(1)
Balance at 31 December 2021	**1,822**	**11**	**241**	**-**	**2,074**
Collectively assessed	1,822	11	241	-	2,074
Balance at 31 December 2021	**1,822**	**11**	**241**	**-**	**2,074**

The contractual amounts outstanding on loans to customers that have been written off during the reporting period but are still subject to enforcement activity was GEL 138,972 (2022: GEL 188,545, 2021: GEL 95,469).

(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:

2023	***ECL for credit-impaired loans***	***ECL without taking into account the discounted value of collateral***
Commercial loans	51,068	116,365
Residential mortgage loans	16,742	56,851
Micro and SME loans	55,119	152,430
Consumer loans	71,642	105,437
Gold – pawn loans	1,322	3,290
Total	**195,893**	**434,373**

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**

Without taking into account the discounted value of collateral, the allowance for expected credit loss/impairment of loans would be GEL 238,480 higher as at 31 December 2023 (2022: GEL 310,874 higher, 2021: GEL 299,387 higher).

(Thousands of Georgian Lari)

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

Concentration of loans to customers

As at 31 December 2023, the concentration of loans granted by the Group to the ten largest third-party borrowers comprised GEL 1,507,812 accounting for 7% of the gross loan portfolio of the Group (2022: GEL 1,017,629 and 6% respectively, 2021: GEL 1,187,521 and 7% respectively). An allowance of expected credit loss of GEL 13,524 (2022: GEL 8,209, 2021: GEL 1,424) was established against these loans.

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

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

	2023	*2022*	*2021*
Individuals	11,445,733	10,011,378	9,184,255
Real estate	1,608,487	1,024,364	1,025,298
Manufacturing	1,477,204	1,030,899	1,189,008
Trade	1,472,682	1,132,089	1,185,512
Hospitality	975,621	828,577	946,224
Electricity, gas and water supply	665,454	458,415	384,554
Financial intermediation	418,103	308,121	261,965
Construction	377,857	512,345	379,813
Service	306,465	302,442	307,602
Transport & communication	273,071	190,175	234,512
Mining and quarrying	160,261	148,489	183,270
Other	1,330,767	1,131,792	998,919
Loans to customers, gross	**20,511,705**	**17,079,086**	**16,280,932**
Less – Allowance for expected credit loss	(325,810)	(324,053)	(401,823)
Loans to customers, net	**20,185,895**	**16,755,033**	**15,879,109**

Loans have been extended to the following types of customers:

	2023	*2022*	*2021*
Individuals	11,445,733	10,011,378	9,184,255
Private companies	9,063,405	7,064,014	7,084,205
State-owned entities	2,567	3,694	12,472
Loans to customers, gross	**20,511,705**	**17,079,086**	**16,280,932**
Less – Allowance for expected credit loss	(325,810)	(324,053)	(401,823)
Loans to customers, net	**20,185,895**	**16,755,033**	**15,879,109**

Finance lease receivables

	2023	*2022*	*2021*
Minimum lease payments receivable	91,182	120,740	168,508
Less – Unearned finance lease income	(17,695)	(25,392)	(43,556)
	73,487	**95,348**	**124,952**
Less – Allowance for expected credit loss / impairment loss	(11,315)	(8,778)	(5,895)
Finance lease receivables, net	**62,172**	**86,570**	**119,057**

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 (continued)

As at 31 December 2023**,** no finance lease receivables were pledged for inter-bank loans received from several credit institutions (2022: GEL 16,965, 2021: GEL 67,556).

As at 31 December 2023, the concentration of investment in the five largest lease receivables comprised GEL 18,436 or 25% of total finance lease receivables (2022: GEL 20,273 or 21%, 2021: GEL 22,417 or 18%) and finance income received from them for the year ended 31 December 2023 comprised GEL 2,857 or 20% of total finance income from lease (2022: GEL 793 or 4%, 2021: GEL 1,706 or 6%).

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

	2023	*2022*	*2021*
Within 1 year	48,985	51,944	76,407
From 1 to 2 years	10,136	22,480	35,929
From 2 to 3 years	7,639	18,109	24,390
From 3 to 4 years	2,053	7,613	14,996
From 4 to 5 years	3,169	3,036	3,159
More than 5 years	19,200	17,559	13,627
Minimum lease payment receivables	**91,182**	**120,740**	**168,508**

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

Finance lease receivables, gross	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2022	**59,531**	**6,451**	**14,156**	**15,210**	**95,348**
New financial asset originated or purchased	28,851	-	-	10,525	39,376
Transfer to Stage 1	9,296	(8,702)	(594)	-	-
Transfer to Stage 2	(17,459)	21,451	(3,992)	-	-
Transfer to Stage 3	(1,597)	(10,139)	11,736	-	-
Assets repaid	(37,236)	(3,603)	(5,285)	(6,389)	(52,513)
Impact of modifications	(221)	-	138	-	(83)
Write-offs	-	-	(3,429)	313	(3,116)
Recoveries of amounts previously written off	-	-	66	-	66
Unwind of discount	-	-	23	284	307
Currency translation differences	(7,420)	(426)	(626)	-	(8,472)
Foreign exchange movement	2,285	198	117	(804)	1,796
Net other changes	987	(2)	(148)	(59)	778
Balance at 31 December 2023	**37,017**	**5,228**	**12,162**	**19,080**	**73,487**
Individually assessed	-	-	384	-	384
Collectively assessed	37,017	5,228	11,778	19,080	73,103
Balance at 31 December 2023	**37,017**	**5,228**	**12,162**	**19,080**	**73,487**

Finance lease receivables, ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2022	**852**	**258**	**3,587**	**4,081**	**8,778**
New financial asset originated or purchased	1,375	-	-	-	1,375
Transfer to Stage 1	275	(262)	(13)	-	-
Transfer to Stage 2	(663)	782	(119)	-	-
Transfer to Stage 3	(542)	(434)	976	-	-
Impact on ECL of exposures transferred between stages during the year	(142)	238	291	-	387
Assets repaid	(558)	(184)	(3,122)	(2,394)	(6,258)
Impact of modifications	(2)	-	-	-	(2)
Foreign exchange movement	51	37	3	-	91
Net other measurement of ECL	353	(56)	5,307	1,565	7,169
Income statement (releases)/charges	147	121	3,323	(829)	2,762
Write-offs	-	-	(316)	313	(3)
Recoveries of amounts previously written off	-	-	66	-	66
Unwind of discount	-	-	23	284	307
Currency translation differences	178	106	(879)	-	(595)
Balance at 31 December 2023	**1,177**	**485**	**5,804**	**3,849**	**11,315**
Individually assessed	-	-	158	-	158
Collectively assessed	1,177	485	5,646	3,849	11,157
Balance at 31 December 2023	**1,177**	**485**	**5,804**	**3,849**	**11,315**

(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 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)
Foreign exchange movement	64	(3)	5	-	66
Net other measurement of ECL	27	(487)	611	4,741	4,892
Income statement (releases)/charges	(292)	(487)	1,102	2,885	3,208
Write-offs	-	-	(480)	-	(480)
Unwind of discount	-	-	105	-	105
Currency translation differences	18	(18)	50	-	50
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)
Net other measurement of ECL	(207)	(78)	328	1,195	1,238
Income statement (releases)/charges	1,162	1,313	5,656	1,195	9,326
Write-offs	-	-	(2,704)	-	(2,704)
Unwind of discount	-	-	10	13	23
Currency translation differences	(36)	(550)	(152)	(12)	(750)
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**

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

(Thousands of Georgian Lari)

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

	2023	*2022*	*2021*
Right-of-use assets	134,422	115,404	77,676
Lease liability	137,554	112,624	85,098

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

	2023	*2022*	*2021*
Short-term leases	(4,601)	(4,413)	(3,595)
Leases of low-value assets	(1,665)	(1,385)	(1,553)
	(6,266)	**(5,798)**	**(5,148)**

Movement in liabilities arising from financing activities

	Movement in liabilities arising from financing activities
Carrying amount at 1 January 2021	**95,201**
Cash payments for the principal portion of the lease liability	(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 liability	(25,020)
Change in accrued interest	1,089
Additions	70,095
Other movements*	(18,638)
Carrying amount at 31 December 2022	**112,624**
Cash payments for the principal portion of the lease liability	(31,606)
Change in accrued interest	(743)
Additions	59,709
Other movements*	(2,430)
Carrying amount at 31 December 2023	**137,554**

**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 2022	**177,533**	**2,333**	**179,866**
Additions	59,974	-	59,974
Disposals	(14,548)	-	(14,548)
Currency translation differences	(5,284)	(559)	(5,843)
31 December 2023	**217,675**	**1,774**	**219,449**
Accumulated depreciation			
31 December 2022	**63,362**	**1,100**	**64,462**
Depreciation charge	31,782	315	32,097
Disposals	(10,164)	-	(10,164)
Currency translation differences	(1,052)	(316)	(1,368)
31 December 2023	**83,928**	**1,099**	**85,027**
Net book value			
31 December 2022	**114,171**	**1,233**	**115,404**
31 December 2023	**133,747**	**675**	**134,422**

	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**

(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 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**

The movements in property and equipment were as follows:

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improvements*	*Assets under construction*	*Total*
Cost							
31 December 2022	**229,184**	**190,730**	**219,231**	**6,063**	**26,574**	**1,346**	**673,128**
Additions	20,379	24,936	25,362	2,795	1,544	16,793	91,809
Transfers	2,557	-	-	-	8,507	(11,064)	-
Transfers to investment properties	(641)	-	-	-	-	-	(641)
Transfers to assets held for sale	(1,363)	-	-	-	-	-	(1,363)
Transfers from foredosed Assets	3,516	-	-	-	-	-	3,516
Transfers (to) from other assets	934	(1,421)	(7,714)	(207)	(29)	(243)	(8,680)
Disposals	-	(267)	(480)	(194)	(222)	-	(1,163)
Write-offs	-	-	(2)	(284)	(2,161)	(318)	(2,765)
Currency translation differences	(2,662)	(452)	(2,128)	(141)	(402)	(34)	(5,819)
31 December 2023	**251,904**	**213,526**	**234,269**	**8,032**	**33,811**	**6,480**	**748,022**
Accumulated impairment							
31 December 2022	**2,557**	**36**	**98**	**8**	**-**	**-**	**2,699**
31 December 2023	**2,557**	**36**	**98**	**8**	**-**	**-**	**2,699**
Accumulated depreciation							
31 December 2022	**29,859**	**119,721**	**141,695**	**3,556**	**11,992**	**-**	**306,823**
Depreciation charge	4,947	11,583	26,109	910	4,576	-	48,125
Transfers to investment properties	(225)	(1)	-	-	-	-	(226)
Transfers to assets held for sale	(1,065)	-	-	-	-	-	(1,065)
Transfers to other assets	-	(996)	(5,526)	(203)	-	-	(6,725)
Disposals	-	(194)	(445)	(112)	(217)	-	(968)
Write-offs	-	(354)	(745)	(85)	(1,147)	-	(2,331)
Currency translation differences	(1,239)	(198)	(985)	(25)	(166)	-	(2,613)
31 December 2023	**32,277**	**129,561**	**160,103**	**4,041**	**15,038**	**-**	**341,020**
Net book value							
31 December 2022	**196,768**	**70,973**	**77,438**	**2,499**	**14,582**	**1,346**	**363,606**
31 December 2023	**217,070**	**83,929**	**74,068**	**3,983**	**18,773**	**6,480**	**404,303**

(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 improvements*	*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 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**

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improvements*	*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 assets held for sale	-	-	-	-	-	-	-
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**

(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 2022	**212,765**	**26,253**	**239,018**
Additions	47,926	-	47,926
Disposals	(8,320)	-	(8,320)
Write-offs	-	-	-
Currency translation differences	(4,214)	-	(4,214)
31 December 2023	**248,157**	**26,253**	**274,410**
Accumulated impairment			
31 December 2022	**-**	**-**	**-**
Impairment charge	2,201	-	2,201
31 December 2023	**2,201**	**-**	**2,201**
Accumulated amortisation			
31 December 2022	**103,273**	**5,438**	**108,711**
Amortisation charge	28,302	15	28,317
Disposals	(7,814)	-	(7,814)
Write-offs	(4)	-	(4)
Currency translation differences	(1,358)	-	(1,358)
31 December 2023	**122,399**	**5,453**	**127,852**
Net book value			
31 December 2022	**109,492**	**20,815**	**130,307**
31 December 2023	**123,557**	**20,800**	**144,357**

	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)
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**

(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 2020	**152,019**	**26,254**	**178,273**
Additions	37,009	-	37,009
Disposals	(741)	-	(741)
Write-offs	-	-	-
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**

11. Investment properties

	2023	*2022*	*2021*
At 1 January	**170,629**	**231,707**	**234,835**
Additions	4,882	5,845	83,912
Disposals	(38,175)	(54,713)	(68,713)
Net gains (losses) from revaluation of investment	579	6,645	437
Transfers to assets held for sale	(10,756)	(16,955)	(28,390)
Transfers from (to) property and equipment	415	(924)	10,201
Transfers from foreclosed assets	3,428	-	-
Currency translation differences	(3,078)	(976)	(575)
At 31 December	**127,924**	**170,629**	**231,707**

Investment properties are stated at fair value. The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As at 31 December 2023, the fair values of the properties are based on valuations performed by accredited independent valuers. Refer to Note 28 for details on fair value measurements of investment properties.

(Thousands of Georgian Lari)

12. Foreclosed Assets

	2023	*2022*	*2021*
At 1 January	**119,924**	**3,216**	**5,989**
Additions	239,872	128,170	2,587
Disposals	(77,324)	(8,063)	(5,168)
Write-down	(2,114)	(3,399)	(192)
Transfers to property and equipment	(3,516)	-	-
Transfers to Investment property	(3,428)	-	-
Currency translation differences	(1,702)	-	-
At 31 December	**271,712**	**119,924**	**3,216**

13. Goodwill

Movements in goodwill were as follows:

	2023	*2022*	*2021*
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

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

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

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

Key assumptions used in value-in-use calculations

The recoverable amounts of the CGUs have been determined based on a value-in-use calculation, using cash flow projections based on financial budgets approved by senior management covering a one to three-year period. Discount rates were not adjusted for either a constant or a declining growth rate beyond the three-year periods covered in financial budgets. For the purposes of the impairment test, a 3% permanent growth rate has been assumed when assessing the future operating cash flows of the CGU 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*		
	2023, %	*2022, %*	*2021, %*	*2023, %*	*2022, %*	*2021, %*
Discount rate	5.3%	4.3%	3.9%	6.6%	8.4%	8.1%

Discount rates

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

(Thousands of Georgian Lari)

13. Goodwill (continued)

Discount rates (continued)

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

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

Sensitivity to changes in assumptions

Management believes that reasonable possible changes to key assumptions used to determine the recoverable amount for each CGU will not result in an impairment of goodwill. The excess of value-in-use over carrying value is determined by reference to the net book value as at 31 December 2023. Possible change was taken as +/-3% in discount rate and growth rate.

14. Taxation

The corporate income tax expense in income statement comprises:

	2023	*2022*	*2021*
Current income benefit (expense)	(324,449)	(137,386)	(111,643)
Deferred income tax benefit (expense)	65,481	(53,221)	36,828
Income tax expense	**(258,968)**	**(190,607)**	**(74,815)**

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% (2022: from 15% to 25%, 2021: from 15% to 25%).

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, which became effective from 1 January 2023, existing taxation rules for financial institutions, including banks, are to be maintained. At the same time, the existing corporate tax rate for banks increased from 15% to 20% from 2023 going forward. In addition, with effect from 2023, taxable interest income and deductible ECLs on loans to customers will be defined as per IFRS, instead of local NBG regulations. Transition differences in ECLs and interest income will be taxed one-off at 15% and 20% respectively.

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

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

	2023	*2022*	*2021*
Profit before income tax expense	**1,592,687**	**1,182,611**	**818,626**
Statutory tax rate in Georgia	20%	15%	15%
Theoretical income tax expense at average tax rate	**(318,537)**	**(177,392)**	**(122,794)**
Non-taxable income	61,739	47,610	51,571
Non-deductible expenses	(2,086)	(1,371)	(1,612)
Correction of prior year declarations	(2,342)	(2,846)	(15)
Tax at the domestic rates applicable to profits in each country	(965)	(3,585)	(2,108)
Effects from changes in tax legislation	110	(53,074)	-
Tax deductible expenses	7,030	-	-
Other	(3,917)	51	143
Income tax expense	**(258,968)**	**(190,607)**	**(74,815)**

(Thousands of Georgian Lari)

14. Taxation (continued)

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

	As at		
	2023	***2022***	***2021***
Current income tax assets	-	224	109
Deferred income tax assets	464	640	183
Income tax assets	**464**	**864**	**292**
Current income tax liabilities	185,440	20,258	85,270
Deferred income tax liabilities	13,618	79,275	25,598
Income tax liabilities	**199,058**	**99,533**	**110,868**

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

	2020	*Origination and reversal of temporary differences In the income statement*	*2021*	*Origination and reversal of temporary differences In the income statement*	*2022*	*Origination and reversal of temporary differences In the income statement*	*2023*
Tax effect of deductible temporary differences:							
Amounts due to credit institutions	-	-	-	193	193	(30)	163
Investment securities	-	-	-	294	294	(489)	(195)
Investment properties	59	108	167	1,954	2,121	(2,121)	-
Property and equipment	2,385	29	2,414	(182)	2,232	(1,072)	1,160
Intangible assets	-	-	-	-	-	24	24
Assets held for sale	-	-	-	465	465	(127)	338
Lease liability	6,006	(2,236)	3,770	19,389	23,159	5,012	28,171
Accruals and deferred income	7,205	12,539	19,744	18,388	38,132	5,393	43,525
Other assets and liabilities	67	368	435	3,845	4,280	1,415	5,695
Deferred tax assets	**15,722**	**10,808**	**26,530**	**44,346**	**70,876**	**8,005**	**78,881**
Tax effect of taxable temporary differences:							
Amounts due to credit institutions	2,228	59	2,287	1,660	3,947	(651)	3,296
Debt securities issued	1,624	(932)	692	1,259	1,951	(414)	1,537
Cash and cash equivalents	-	-	-	-	-	240	240
Loans to customers and finance lease	54,066	(24,192)	29,874	30,697	60,571	(57,006)	3,565
Client deposits and notes	176	(176)	-	-	-	104	104
Property and equipment	9,021	(3,121)	5,900	37,342	43,242	4,309	47,551
Right-of-use assets	5,510	(2,294)	3,216	20,606	23,822	3,719	27,541
Investment properties	340	625	965	7,822	8,787	(1,277)	7,510
Intangible assets	-	-	-	-	-	-	-
Assets held for sale	1,540	(1,055)	485	(485)	-	-	-
Accruals and deferred income	293	(180)	113	(113)	-	-	-
Other assets and liabilities	3,166	5,246	8,412	(1,221)	7,191	(6,500)	691
Deferred tax liabilities	**77,964**	**(26,020)**	**51,944**	**97,567**	**149,511**	**(57,476)**	**92,035**
Net deferred tax liabilities	**(62,242)**	**36,828**	**(25,414)**	**(53,221)**	**(78,635)**	**65,481**	**(13,154)**

(Thousands of Georgian Lari)

15. Other assets and other liabilities

Other assets comprise:

	2023	*2022*	*2021*
Receivables from remittance operations	138,833	86,701	34,996
Other receivables	70,538	69,907	18,463
Inventory	13,756	11,441	6,243
Derivatives margin	12,129	21,053	18,586
Derivative financial assets	10,942	39,270	135,079
Investments in associates	9,537	9,249	8,917
Operating tax assets	6,219	3,897	7,000
Assets purchased for finance lease purposes	2,019	2,140	13,093
Other	40,975	27,540	16,216
Other assets, gross	**304,948**	**271,198**	**258,593**
Less – Allowance for impairment of other assets	(14,796)	(16,853)	(14,366)
Other assets, net	**290,152**	**254,345**	**244,227**

Other liabilities comprise:

	2023	*2022*	*2021*
Payables for remittance operations	59,079	24,671	8,457
Creditors	36,878	32,381	28,447
Derivative financial liabilities	25,779	59,020	7,865
Provisions	6,304	5,127	5,793
Other taxes payable	3,926	5,619	10,093
Dividends payable	3,522	2,346	1,713
Accounts payable	1,469	2,131	3,423
Advances received	629	805	265
Derivatives margin	-	-	98,844
Other	12,261	21,491	12,144
Other liabilities	**149,847**	**153,591**	**177,044**

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

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

(Thousands of Georgian Lari)

15. Other assets and other liabilities (continued)

	2022			2021		
	Notional	*Fair value*		*Notional*	*Fair value*	
	amount	*Asset*	*Liability*	*amount*	*Asset*	*Liability*
Foreign exchange contracts						
Forwards and swaps – domestic	1,392,118	5,688	2,873	1,065,639	931	3,141
Forwards and swaps – foreign	4,615,758	33,234	56,147	5,678,727	131,321	3,339
Interest rate contracts						
Forwards and swaps – foreign	1,209	348	-	1,129	296	-
Options - foreign (IR)	-	-	-	7,434	2,531	1,385
Total derivative assets / liabilities	**6,009,085**	**39,270**	**59,020**	**6,752,929**	**135,079**	**7,865**

16. Client deposits and notes

The amounts due to customers include the following:

	2023	*2022*	*2021*
Current accounts	12,445,328	11,029,798	7,053,360
Time deposits	8,331,488	7,244,263	7,028,078
Client deposits and notes	**20,776,816**	**18,274,061**	**14,081,438**
Held as security against letters of credit and	**334,092**	**121,753**	**117,379**

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

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

	2023	*2022*	*2021*
Individuals	12,883,062	11,158,313	8,399,292
Private enterprises	7,399,436	6,424,514	5,060,010
State and state-owned entities	494,318	691,234	622,136
Client deposits and notes	**20,776,816**	**18,274,061**	**14,081,438**

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

	2023	*2022*	*2021*
Individuals	12,883,062	11,158,313	8,399,292
Financial intermediation	1,716,673	1,316,330	1,433,939
Trade	1,367,950	1,158,681	853,235
Construction	1,140,925	796,019	664,695
Service	862,354	734,205	361,158
Transport & communication	621,322	488,132	399,010
Manufacturing	492,516	758,774	443,864
Government services	445,880	682,809	613,710
Real estate	346,751	233,177	214,670
Hospitality	108,103	172,925	70,375
Electricity, gas and water supply	76,384	186,517	112,244
Other	714,896	588,179	515,246
Client deposits and notes	**20,776,816**	**18,274,061**	**14,081,438**

17. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	2023	*2022*	*2021*
Short-term loans from National Bank of Georgia	2,101,653	1,715,257	1,413,333
Borrowings from international credit institutions	1,771,716	1,500,037	1,667,915
Time deposits and inter-bank loans	130,382	777,638	198,037
Correspondent accounts	431,232	660,768	170,411
	4,434,983	**4,653,700**	**3,449,696**
Non-convertible subordinated debt	562,520	401,733	668,766
Additional Tier 1	135,526	136,061	-
Amounts due to credit institutions	**5,133,029**	**5,191,494**	**4,118,462**

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

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 2023, 31 December 2022 and 31 December 2021, the Group complied with all the Lender Covenants of the significant borrowings from international credit institutions.

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

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

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

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

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

Facility provider	**Commencement date**	**Maturity date**	**Interest rate**	**Currency**	**Original contractual value**	**Carrying value as at 31 December 2023**	**Carrying value as at 31 December 2022**	**Carrying value as at 31 December 2021**
FMO - Dutch entrepreneurial development ban	20-Dec-19	20-Dec-29	libor+5.65	USD	127,000	345,364	345,709	390,058
European Bank for Reconstruction and Develop	7-Jun-22	10-Jun-27	14.1%	USD	35,000	94,868	95,243	-
GREEN FOR GROWTH FUND, SOUTHEA	27-Dec-23	15-Dec-33	libor+5.3	EUR	25,000	74,459	-	-
Swedfund International AB	7-Jun-22	10-Jun-27	14.1%	USD	15,000	40,658	40,818	-
International Finance Corporation	29-Jun-15	15-Jun-25	libor+7.5	USD	70,000	-	-	215,732

18. Debt securities issued

Debt securities issued comprise:

	2023	*2022*	*2021*
Additional Tier 1 capital notes issued	267,113	267,702	306,239
Tier 2 notes issued	83,158	-	-
Eurobonds and notes issued	-	226,857	938,372
Certificates of deposit	64,278	107,022	128,484
Local bonds	6,810	44,556	87,384
Debt securities issued	**421,359**	**646,137**	**1,460,479**

(Thousands of Georgian Lari)

18. Debt securities issued (continued)

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	Additional Tier 1 capital notes issued	Tier 2 notes issued
Carrying amount at 31 December 2020	**1,020,428**	**323,320**	**-**
Repurchase of debt securities issued	(28,825)	-	-
Repayment of the principal portion of the debt securities issued	(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**	**-**
Repurchase of debt securities issued	(20,980)	-	-
Repayment of the principal portion of the debt securities issued	(230,995)	-	-
Proceeds from Tier 2 notes issued	-	-	78,921
Other movements	25,118	(589)	4,237
Carrying amount at 31 December 2023	**-**	**267,113**	**83,158**

19. Commitments and contingencies

Legal

Sai-invest

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

Financial commitments and contingencies

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

	2023	*2022*	*2021*
Credit-related commitments			
Financial and performance guarantees issued*	1,918,997	1,717,308	1,686,913
Letters of credit	77,545	116,309	71,676
Undrawn loan facilities	1,014,951	869,061	809,481
	3,011,493	**2,702,678**	**2,568,070**
Less – Cash held as security against letters of credit and guarantees (Note 16)	(334,092)	(121,753)	(117,379)
Less – Provisions	(6,304)	(5,127)	(5,793)
Operating lease commitments			
Not later than 1 year	1,808	1,975	1,875
Later than 1 year but not later than 5 years	2,293	2,592	2,486
Later than 5 years	-	451	986
	4,101	**5,018**	**5,347**
Capital expenditure commitments	**7,559**	**6,790**	**4,539**

* *Out of total guarantees issued as at 31 December 2023 financial and performance guarantees of the Group comprised GEL 1,162,825 (31 December 2022: GEL 988,094, 31 December 2021: GEL 1,030,122) and GEL 756,172 (31 December 2022: GEL 729,214, 31 December 2021: GEL 656,791), respectively.*

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

(Thousands of Georgian Lari)

20. Equity

Share capital

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

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

Treasury shares

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

Dividends

Shareholders are entitled to dividends in Georgian Lari.

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

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

On 16 August 2022, the Board of JSC Bank of Georgia declared an interim dividend for 2022 of Georgian Lari 4.65 per share. Payment of the total GEL 129,914 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.

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 2023, 31 December 2022 and 31 December 2021, are presented in the statements of other comprehensive income.

(Thousands of Georgian Lari)

20. Equity (continued)

The movements in foreign currency translation reserve were as follows:

	Foreign currency translation reserve
31 December 2020	**(832)**
Loss from currency translation differences	(4,544)
31 December 2021	**(5,376)**
Loss from currency translation differences	(9,372)
31 December 2022	**(14,748)**
Loss from currency translation differences	(8,376)
31 December 2023	**(23,124)**

Earnings per share

	2023	*2022*	*2021*
Basic and diluted earnings per share			
Profit for the year attributable to ordinary shareholders of the Bank	1,333,719	992,004	743,811
Weighted average number of ordinary shares outstanding during the year	27,983,526	27,983,827	27,983,827
Earnings per share	47.6609	35.4492	26.5800

21. Net interest income

	2023	*2022*	*2021*
Interest income calculated using EIR method	**2,715,232**	**2,223,455**	**1,796,788**
From loans to customers	2,315,430	1,906,884	1,593,053
From investment securities	339,520	296,517	197,240
From amounts due from credit institutions	74,662	46,192	16,949
Net gain (loss) on modification of financial assets	(14,380)	(26,138)	(10,454)
Other interest income	**14,053**	**20,573**	**28,737**
From finance lease receivable	13,962	20,573	28,727
From other assets	91	-	10
Interest income	**2,729,285**	**2,244,028**	**1,825,525**
On client deposits and notes	(811,254)	(573,148)	(499,279)
On amounts owed to credit institutions	(286,093)	(418,941)	(286,771)
On debt securities issued	(45,480)	(84,254)	(109,715)
Interest element of cross-currency swaps	25,276	29,402	30,632
On lease liability	(5,487)	(4,759)	(4,880)
Interest expense	**(1,123,038)**	**(1,051,700)**	**(870,013)**
Deposit insurance fees	(20,247)	(17,717)	(14,629)
Net interest income	**1,586,000**	**1,174,611**	**940,883**

(Thousands of Georgian Lari)

22. Net fee and commission income

	2023	2022	2021
Settlements operations	537,730	444,629	306,567
Currency conversion operations	49,370	34,546	15,783
Guarantees and letters of credit	45,323	35,283	34,402
Cash operations	27,935	28,230	18,409
Brokerage service fees	616	49	460
Other	8,562	6,045	7,009
Fee and commission income	**669,536**	**548,782**	**382,630**
Settlements operations	(291,105)	(248,530)	(176,329)
Cash operations	(19,473)	(26,426)	(8,826)
Currency conversion operations	(8,971)	(5,378)	(1,668)
Brokerage service fees	(1,600)	(1,152)	(1,208)
Guarantees and letters of credit	(239)	(323)	(724)
Other	(7,476)	(5,553)	(5,539)
Fee and commission expense	**(328,864)**	**(287,362)**	**(194,294)**
Net fee and commission income	**340,672**	**261,420**	**188,336**

Revenue from customers

In 2023, the Group recognised GEL 583,053 revenue from contracts with customers in the income statement, including fee and commission as well as net other income (2022: GEL 479,912, 2021: GEL 340,969).

Contract assets and liabilities

As at 31 December 2023, the Group has recognised GEL 60,151 revenue-related contract liabilities (2022: GEL 50,440, 2021: GEL 40,798). 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 2023, the Group recognised GEL 48,303 revenue (2022: GEL 38,495, 2021: GEL 10,619) 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 2023	55,724	2,425	1,324	593	87	**60,153**
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**

(Thousands of Georgian Lari)

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

Salaries and other employee benefits

	2023	*2022*	*2021*
Salaries and bonuses	(366,362)	(319,285)	(245,363)
Social security costs	(7,877)	(6,818)	(5,107)
Pension costs	(5,477)	(4,273)	(3,683)
Salaries and other employee benefits	**(379,716)**	**(330,376)**	**(254,153)**

In 2023, salaries and bonuses include GEL 70,970 of the Equity Compensation Plan costs (2022: GEL 80,955, 2021: GEL 44,445), associated with the existing share-based compensation scheme approved in the Group (Note 26).

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

	2023	*2022*	*2021*
The Bank	6,981	6,324	6,012
BNB	802	654	540
Other	32	187	104
Average total number of staff employed	**7,815**	**7,165**	**6,656**

Average number of employees for the year:	*2023*	*2022*	*2021*
Permanent employment:			
Top management	15	27	25
Middle management	148	112	104
Other employees	7,633	6,981	6,467
	7,796	**7,120**	**6,596**
Temporary employment:			
Other employees	19	45	60
	19	**45**	**60**
Total	**7,815**	**7,165**	**6,656**

General and administrative expenses

	2023	*2022*	*2021*
Repairs and maintenance	(53,374)	(44,543)	(37,655)
Marketing and advertising	(45,348)	(36,637)	(24,477)
Legal and other professional services	(19,447)	(12,088)	(10,111)
Operating taxes	(11,846)	(11,578)	(12,298)
Office supplies	(9,208)	(7,920)	(6,062)
Corporate hospitality and entertainment	(7,021)	(6,048)	(1,995)
Travel expenses	(7,005)	(5,298)	(3,711)
Personnel training and recruitment	(6,888)	(4,290)	(1,852)
Communication	(6,787)	(7,072)	(5,663)
Occupancy and rent	(6,266)	(5,798)	(5,148)
Security	(4,303)	(3,176)	(3,420)
Insurance	(3,242)	(3,727)	(3,496)
Other	(4,122)	(3,537)	(3,670)
General and administrative expenses	**(184,857)**	**(151,712)**	**(119,558)**

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

(Thousands of Georgian Lari)

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

Auditor remuneration

Auditor remuneration comprises:

	2023	*2022*	*2021*
Fees for the audit of the Bank's annual financial statements	771	634	592
Expenditures for other assurance services	471	386	517
Expenditures for other professional services	9	9	9
Total fees	**1,251**	**1,029**	**1,118**

The figures shown in the above table relate to fees of EY LLC ("EY") and its associates. In 2023, fees paid to other auditors not associated with EY in respect of the audit of the Parent and Group's subsidiaries were GEL 719 (2022: GEL 106, 2021: GEL 129), and in respect of other services of the Group were GEL 230 (2022: GEL 579, 2021: GEL 452).

24. Cost of risk

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

	Stage 1		Stage 2		Stage 3		POCI	
	Individual	Collective	Individual	Collective	Individual	Collective		Total
Cash and cash equivalents	-	(182)	-	-	-	-	-	(182)
Amounts due from credit institutions	-	4,260	-	-	-	-	-	4,260
Investment securities measured at amortised cost - debt instruments	-	3,766	-	-	-	-	-	3,766
Investment securities measured at FVOCI - debt instruments	-	(1,932)	-	-	-	-	-	(1,932)
Loans to customers at amortised cost		17,054	-	(8,060)	(157)	(129,119)	(3,727)	(124,009)
Finance lease receivables	-	(147)	-	(121)	(92)	(3,231)	829	(2,762)
Other financial assets	-	-	-	-	(3,855)	-	-	(3,855)
Financial guarantees	-	284	-	(2)	24	5	-	311
Letter of credit to customers	-	15	-	-	-	-		15
Other financial commitments	-	721	-	13	-	-	-	734
For the year ended 31 December 2023	**-**	**23,839**	**-**	**(8,170)**	**(4,080)**	**(132,345)**	**(2,898)**	**(123,654)**

	Stage 1		Stage 2		Stage 3		POCI	
	Individual	Collective	Individual	Collective	Individual	Collective		Total
Cash and cash equivalents	-	(334)	-	-	-	-	-	(334)
Amounts due from credit institutions	-	(5,179)	-	-	-	-	-	(5,179)
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		POCI	
	Individual	Collective	Individual	Collective	Individual	Collective		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**

(Thousands of Georgian Lari)

24. Cost of risk (continued)

In addition, in 2023 ECL charge includes GEL 500 (2022: 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 consolidated income statement.
Impairment charge on other assets and provisions comprise:

	2023	*2022*	*2021*
Litigation provision reversal/(charge)	(2,388)	341	(2,421)
Impairment (charge)/reversal on assets held for sale	(4,550)	(4,295)	(3,805)
Other impairment charge	(11,379)	(14,053)	(14,262)
Impairment charge on other assets and provisions	**(18,317)**	**(18,007)**	**(20,488)**

25. Net other gains/(losses)

	2023	*2022*	*2021*
Net real estate gains / (losses)	92,520	21,128	33,704
Net gains / (losses) on derecognition of financial assets measured at fair value through other comprehensive income	18,512	7,528	30,044
Net gains / (losses) on financial assets at fair value through profit or loss	-	(1,204)	760
Net gains / (losses) from revaluation of investment property	579	6,645	437
Net other gains / (losses)	2,935	6,459	5,458
Net other gains / (losses)	**114,546**	**40,556**	**70,403**

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

26. 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 2023, the Group contributed GEL 109,667 (2022: GEL 71,891, 2021: GEL 80,449) 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').

26. Share-based payments (continued)

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

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

In January 2022, BOGG's Remuneration Committee resolved to award 350,017 ordinary shares of Bank of Georgia Group PLC to the members of the Management Board and 54,851 ordinary shares of Bank of Georgia Group PLC to the 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 2023, Management Board members signed fixed contingent share-based compensation agreements, with fixed contract value of GEL 16,248. The Group considers 1 January 2023 as the grant dates for the awards. The Group estimated the value of the shares were Georgian Lari 82.91 per share respectively, based on the five working day average share price before the 25 December 2022, respectively. The awards will be subject to one-year vesting and three-year holding periods.

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

In 2022, Management Board members signed fixed contingent share-based compensation agreements, with fixed contract value of GEL 46,168. The 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.

The Bank grants share compensation to its non-executive employees. In February 2023, January 2022 and March 2021, the Supervisory Board of the Bank resolved to award 127,676, 189,382 and 169,605 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 09 February 2023, 31 January 2022 and 11 March 2021 as the grant dates of these awards, respectively. The Group estimates that the fair values of the shares awarded on 09 February 2023, 31 January 2022 and 11 March 2021 were Georgian Lari 87.65, 59.98 and 50.12 per share, respectively.

(Thousands of Georgian Lari)

26. Share-based payments (continued)

Summary

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

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

The Group's total share-based payment expenses for the year ended 31 December 2023 comprised GEL 70,970 (31 December 2022: GEL 80,955, 31 December 2021: GEL 44,445) and are included in "salaries and other employee benefits", as "salaries and bonuses". Below is the summary of the share-based payments-related data:

	2023	*2022*	*2021*
Total number of equity instruments awarded	694,826	1,382,444	415,681
– Among them, to Management Board	*437,461*	*1,071,053*	*30,100*
Weighted average value at grant date, per share (GEL in full amount)	88.47	62.28	50.70
Value at grant date, total (GEL)	**61,469**	**86,105**	**21,074**
Total expense recognised during the year (GEL)	**(70,970)**	**(80,955)**	**(44,445)**

27. 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.

Committees operating under the Supervisory Board:

Audit and Corporate Governance Committee

The Audit Committee assists the Supervisory Board in relation to the oversight of the 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.

Risk Committee

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.

27. Risk management (continued)

Introduction (continued)

Special Committee

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

Other risk management bodies:

Management Board

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

Bank Asset and Liability Management Committee

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

Internal Audit

The Internal Audit department is responsible for the audit of the 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.

27. Risk management (continued)

Introduction (continued)

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).

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.

27. Risk management (continued)

Credit risk (continued)

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.

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

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

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

(Thousands of Georgian Lari)

27. Risk management (continued)

Credit risk (continued)

The table below shows the credit quality by class of asset in the statement of financial position, presented in gross amounts, based on the 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	1,097,398	-	-	-	1,097,398
Standard grade	654,810	-	-	-	654,810
Low grade	32,372	-	-	-	32,372
Not rated	292,048	-	-	-	292,048
Balance at 31 December 2023	**2,076,628**	**-**	**-**	**-**	**2,076,628**

Amounts due from credit institutions	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,734,224	-	-	-	1,734,224
Not rated	19,328	-	-	-	19,328
Balance at 31 December 2023	**1,753,552**	**-**	**-**	**-**	**1,753,552**

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,202,596	-	-	-	2,202,596
Standard grade	2,058,495	-	-	-	2,058,495
Not rated	88,518	-	-	-	88,518
Balance at 31 December 2023	**4,349,609**	**-**	**-**	**-**	**4,349,609**

Investment securities measured at amortized cost - debt instruments	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	387,623	-	-	-	387,623
Standard grade	25,101	-	-	-	25,101
Not rated	111,709	-	-	-	111,709
Balance at 31 December 2023	**524,433**	**-**	**-**	**-**	**524,433**

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	4,388,581	68,175	-	339	4,457,095
Standard grade	1,389,821	58,796	-	755	1,449,372
Low grade	133,488	372,006	-	-	505,494
Not rated	481,986	16,812	-	-	498,798
Defaulted					
Non-performing	-	-	97,721	22,481	120,202
Balance at 31 December 2023	**6,393,876**	**515,789**	**97,721**	**23,575**	**7,030,961**

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	3,346,499	11,608	-	4,209	3,362,316
Standard grade	714,568	45,712	-	3,689	763,969
Low grade	86,008	116,000	-	6,839	208,847
Not rated	153,263	732	-	131	154,126
Defaulted					
Non-performing	-	-	37,771	16,214	53,985
Other	-	-	13,175	1,107	14,282
Balance at 31 December 2023	**4,300,338**	**174,052**	**50,946**	**32,189**	**4,557,525**

(Thousands of Georgian Lari)

27. Risk management (continued)

Credit risk (continued)

Micro and SME loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,480,970	29,931	-	316	2,511,217
Standard grade	1,012,833	73,925	-	228	1,086,986
Low grade	75,930	76,380	-	242	152,552
Not rated	140,137	11,294	48	-	151,479
Defaulted					
Non-performing	-	-	167,506	2,364	169,870
Other	-	-	871	47	918
Balance at 31 December 2023	**3,709,870**	**191,530**	**168,425**	**3,197**	**4,073,022**

Consumer loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,693,768	7,996	-	2,405	2,704,169
Standard grade	1,179,793	50,968	-	3,069	1,233,830
Low grade	233,382	173,992	-	4,607	411,981
Not rated	218,817	1,273	90	-	220,180
Defaulted					
Non-performing	-	-	91,584	16,090	107,674
Other	-	-	19,795	2,340	22,135
Balance at 31 December 2023	**4,325,760**	**234,229**	**111,469**	**28,511**	**4,699,969**

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

Finance lease receivables	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	5,832	80	-	4,274	10,186
Standard grade	2,731	381	-	1,697	4,809
Low grade	475	1,261	-	2,161	3,897
Not rated	27,979	3,506	-	-	31,485
Defaulted					
Non-performing	-	-	12,162	10,391	22,553
Other	-	-	-	557	557
Balance at 31 December 2023	**37,017**	**5,228**	**12,162**	**19,080**	**73,487**

Accounts receivable	Stage 1	Stage 3	Total
Not rated	8,277	-	8,277
Balance at 31 December 2023	**8,277**	**-**	**8,277**

Other financial assets	Stage 1	Stage 3	Total
Not rated	209,371	-	209,371
Balance at 31 December 2023	**209,371**	**-**	**209,371**

(Thousands of Georgian Lari)

27. Risk management (continued)

Credit risk (continued)

Financial and performance guarantees issued	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	997,529	-	-	997,529
Standard grade	347,015	257	-	347,272
Low grade	264,715	161,350	-	426,065
Not rated	140,467	8	-	140,475
Defaulted				
Non-performing	-	-	1,915	1,915
Other	-	-	5,741	5,741
Balance at 31 December 2023	**1,749,726**	**161,615**	**7,656**	**1,918,997**

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

Undrawn loan facilities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	668,644	215	12	668,871
Standard grade	240,974	1,203	-	242,177
Low grade	23,791	6,757	-	30,549
Not rated	71,305	278	-	71,583
Defaulted				
Non-performing	-	-	1,764	1,771
Balance at 31 December 2023	**1,004,714**	**8,453**	**1,776**	**1,014,951**

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Stage 3*	*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 3*	*Total*
High grade	2,396,898	-	2,396,898
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 3*	*Total*
High grade	2,337,630	-	2,337,630
Standard grade	1,546,899	-	1,546,899
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)

27. Risk management (continued)

Credit risk (continued)

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**

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**

(Thousands of Georgian Lari)

27. Risk management (continued)

Credit risk (continued)

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**

Financial and performance guarantees issued	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***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***	***POCI***	***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***	***POCI***	***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	-	1	87,219
Defaulted					
Non-performing	-	-	1,537	1	1,538
Other	-	-	199	-	199
Balance at 31 December 2022	**852,938**	**14,385**	**1,736**	**2**	**869,061**

Cash and cash equivalents, excluding cash on hand	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***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***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Standard grade	1,892,669	-	-	-	1,892,669
Not rated	25,601	-	-	-	25,601
Balance at 31 December 2021	**1,918,270**	**-**	**-**	**-**	**1,918,270**

(Thousands of Georgian Lari)

27. Risk management (continued)

Credit risk (continued)

Investment securities measured at FVOCI - debt instruments	Stage 1	Stage 2	Stage 3	POCI	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**

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**

(Thousands of Georgian Lari)

27. Risk management (continued)

Credit risk (continued)

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**

Accounts receivable	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Not rated	25,267	-	-	-	25,267
Balance at 31 December 2021	**25,267**	**-**	**-**	**-**	**25,267**

Other financial assets	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*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
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**

(Thousands of Georgian Lari)

27. 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 2023, up to 80.1% of the collateral held has been re-valued within the last two years (31 December 2022: 78.6%, 31 December 2021: 76.0%). For residential mortgage loans, in cases where the collateral for a loan may not be officially registered until its construction is complete, respective loan is shown as unsecured, even though it is usually secured by the corporate guarantee of the construction company.

	As at 31 December 2023									
	Total gross carrying amount	*Unsecured*	*Loan-to-value %*							
			Less than 50%	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	7,030,961	854,091	1,235,492	1,618,714	297,635	370,658	1,450,549	531,632	133,244	538,946
ECL Coverage	1.40%	0.61%	0.55%	0.42%	0.21%	2.63%	1.98%	4.45%	2.41%	2.54%
Residential mortgage loans	4,557,525	105,607	1,097,126	1,997,629	613,407	533,097	175,455	9,783	5,224	20,197
ECL Coverage	0.50%	2.22%	0.00%	0.24%	0.73%	0.78%	3.56%	1.23%	2.28%	2.09%
Micro and SME loans	4,073,022	241,068	885,575	1,131,643	358,909	314,671	981,784	82,058	26,254	51,060
ECL Coverage	1.76%	6.03%	0.01%	0.57%	0.79%	1.23%	3.85%	3.02%	4.57%	4.75%
Consumer loans	4,699,969	2,266,702	815,573	919,577	330,004	257,059	87,651	8,396	4,722	10,285
ECL Coverage	2.80%	5.16%	0.01%	0.38%	0.83%	1.10%	5.61%	3.85%	4.36%	1.62%
Gold – pawn loans	150,228	-	4,362	49,324	93,706	1,083	790	941	-	22
ECL Coverage	0.92%	N/A	0.00%	0.06%	0.24%	16.25%	27.72%	76.09%	N/A	81.82%
Loans to customers at amortised cost, gross	**20,511,705**	**3,467,468**	**4,038,128**	**5,716,887**	**1,693,661**	**1,476,568**	**2,696,229**	**632,810**	**169,444**	**620,510**

	As at 31 December 2022									
	Total gross carrying amount	*Unsecured*	*Loan-to-value %*							
			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
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
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
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
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
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**

(Thousands of Georgian Lari)

27. Risk management (continued)

Credit risk (continued)

	As at 31 December 2021									
	Total gross carrying amount		*Loan-to-value %*							
		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
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
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
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
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
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**

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 2023:	**Amortised cost before modification**	**Net gain (loss) arising from modification**
Commercial loans	710,073	599
Residential mortgage loans	44,848	(131)
Micro and SME loans	168,593	(2,362)
Consumer loans	287,667	(12,791)
Gold – pawn loans	-	-
Loans to customers	**1,211,181**	**(14,685)**
Finance lease receivables	839	138
Total loans to customers and finance lease receivables	**1,212,020**	**(14,547)**

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)**

(Thousands of Georgian Lari)

27. Risk management (continued)

Credit risk (continued)

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)**

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

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

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

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

(Thousands of Georgian Lari)

27. Risk management (continued)

Credit risk (continued)

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

	2023			
	Georgia	OECD	CIS and other foreign countries	Total
Assets:				
Cash and cash equivalents	1,465,026	974,224	603,582	3,042,832
Amounts due from credit institutions	1,733,899	-	18,759	1,752,658
Investment securities	2,194,483	2,258,203	428,129	4,880,815
Loans to customers and finance lease receivables	19,531,162	16,987	699,918	20,248,067
All other assets	1,246,815	146,974	75,949	1,469,738
	26,171,385	**3,396,388**	**1,826,337**	**31,394,110**
Liabilities:				
Client deposits and notes	15,083,091	1,189,517	4,504,208	20,776,816
Amounts owed to credit institutions	2,369,365	2,234,149	529,515	5,133,029
Debt securities issued	273,923	147,436	-	421,359
Lease Liability	124,345	-	13,209	137,554
All other liabilities	381,722	79,352	12,228	473,302
	18,232,446	**3,650,454**	**5,059,160**	**26,942,060**
Net balance sheet position	**7,938,939**	**(254,066)**	**(3,232,823)**	**4,452,050**

	2022				2021			
	Georgia	OECD	CIS and other foreign countries	Total	Georgia	OECD	CIS and other foreign countries	Total
Assets:								
Cash and cash equivalents	1,419,835	1,453,123	622,770	3,495,728	812,315	417,228	264,909	1,494,452
Amounts due from credit institutions	2,342,829	54,175	20,302	2,417,306	1,909,220	-	8,719	1,917,939
Investment securities	1,792,192	2,436,465	115,092	4,343,749	1,462,826	953,739	147,396	2,563,961
Loans to customers and finance lease receivables	16,303,440	16,340	521,823	16,841,603	15,335,870	17,750	644,546	15,998,166
All other assets	1,070,174	119,933	78,565	1,268,672	951,588	178,108	56,998	1,186,694
	22,928,470	**4,080,036**	**1,358,552**	**28,367,058**	**20,471,819**	**1,566,825**	**1,122,568**	**23,161,212**
Liabilities:								
Client deposits and notes	13,018,270	978,029	4,277,762	18,274,061	11,219,941	897,834	1,963,663	14,081,438
Amounts owed to credit institutions	2,622,788	2,066,922	501,784	5,191,494	1,581,588	2,447,879	88,995	4,118,462
Debt securities issued	312,258	333,879	-	646,137	386,295	1,066,857	7,327	1,460,479
Lease Liability	99,556	-	13,068	112,624	82,311	-	2,787	85,098
All other liabilities	268,425	79,321	7,628	355,374	305,609	48,919	9,984	364,512
	16,321,297	**3,458,151**	**4,800,242**	**24,579,690**	**13,575,744**	**4,461,489**	**2,072,756**	**20,109,989**
Net balance sheet position	**6,607,173**	**621,885**	**(3,441,690)**	**3,787,368**	**6,896,075**	**(2,894,664)**	**(950,188)**	**3,051,223**

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 2023 was 125.2% (2022: 132.4%, 2021: 124.0%).

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

The 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)

27. Risk management (continued)

Liquidity risk and funding management (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations, except for other liabilities, which are presented at carrying amounts due to the short-term nature of these liabilities. Repayments that are subject to notice are treated as if notice were to be given immediately. However, the 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 2023	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	8,744,192	10,559,751	1,964,484	73,382	21,341,809
Amounts owed to credit institutions	2,777,141	560,049	1,756,366	836,493	5,930,049
Debt securities issued	406	40,986	374,564	83,158	499,114
Lease liability	8,990	26,372	96,425	26,499	158,286
Other liabilities	134,313	13,032	2,369	133	149,847
Total undiscounted financial liabilities	**11,665,042**	**11,200,190**	**4,194,208**	**1,019,665**	**28,079,105**

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
Other liabilities	137,675	14,768	1,030	118	153,591
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
Other liabilities	171,819	3,192	2,015	18	177,044
Total undiscounted financial liabilities	**7,386,471**	**8,117,849**	**4,903,425**	**974,783**	**21,382,528**

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 2023	1,349,928	636,409	1,009,256	27,560	3,023,153
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

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 repaid earlier than that.

(Thousands of Georgian Lari)

27. 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 2023. Changes in basis points are calculated as standard deviations of daily changes in floating rates over the last month multiplied by respective floating rates. During the years ended 31 December 2023, 2022 and 2021**,** sensitivity analysis did not reveal any significant potential effect on the Group's equity.

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

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

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

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

(Thousands of Georgian Lari)

27. Risk management (continued)

Market risk (continued)

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)	-

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 2023 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian Lari, with all other variables held constant on the income statement. The reasonably possible movement of the currency rate against the Georgian Lari is calculated as a standard deviation of daily changes in exchange rates over the 12 months. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. During the year ended 31 December 2023, year ended 31 December 2022 and year ended 31 December 2021, sensitivity analysis did not reveal any significant potential effect on the 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
	2023		2022		2021	
EUR	8.8%	(400)	13.4%	1,179	8.6%	209
USD	4.9%	1,511	10.9%	4,018	6.4%	1,027

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)

27. Risk management (continued)

Market risk (continued)

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

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

Operational risk

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

Cyber risk, AML and compliance risk

Information-security threats have continued to increase over the past few years and the 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 that Georgia has 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.

27. Risk management (continued)

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 31.

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

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

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

(Thousands of Georgian Lari)

28. 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 2023	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Total investment properties	-	-	127,924	127,924
Land	-	-	*4,844*	*4,844*
Residential properties	-	-	*87,758*	*87,758*
Non-residential properties	-	-	*35,322*	*35,322*
Investment securities	6,944	4,349,655	108	4,356,707
Other assets – derivative financial assets	-	10,942	-	10,942
Assets for which fair values are disclosed				
Cash and cash equivalents	3,042,832	-	-	3,042,832
Amounts due from credit institutions	-	1,752,658	-	1,752,658
Investment securities measured at amortised cost - debt instruments	-	528,032	-	528,032
Loans to customers and finance lease receivables	-	-	19,491,361	19,491,361
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	25,779	-	25,779
Liabilities for which fair values are disclosed				
Client deposits and notes	-	20,796,389	-	20,796,389
Amounts owed to credit institutions	-	3,752,208	1,376,804	5,129,012
Debt securities issued	-	270,524	148,134	418,658
Lease liability	-	13,209	125,856	139,065

(Thousands of Georgian Lari)

28. Fair value measurements (continued)

Fair value hierarchy (continued)

At 31 December 2022	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	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
Investment securities measured at amortised cost - debt instruments	-	385,800	-	385,800
Loans to customers and finance lease receivables	-	-	16,246,726	16,246,726
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	59,020	-	59,020
Liabilities for which fair values are disclosed				
Client deposits and notes	-	18,241,016	-	18,241,016
Amounts owed to credit institutions	-	3,974,909	1,192,800	5,167,709
Debt securities issued	-	490,691	151,845	642,536
Lease liability	-	13,068	102,825	115,893

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

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)

28. Fair value measurements (continued)

Fair value hierarchy (continued)

Derivative financial instruments

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

Trading securities and investment securities

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

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

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

Movements in Level 3 financial instruments measured at fair value

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

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

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

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

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

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

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

In order to determine reasonably possible alternative assumptions, the 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)

28. 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:

	31 December 2023	Valuation technique	Significant unobservable inputs	MIN	MAX	Weighted average	Other key information	MIN	MAX	Weighted Average
Investment property	**127,924**									
Land	4,844									
Development land	4,505	Market approach	Price per square metre	0.012	2.220	1.033	Square metres, land	32	20,000	4,026
Agricultural land	339	Market approach	Price per square metre	0.001	0.709	0.337	Square metres, land	310	140,000	19,296
Residential properties	87,758	Market approach	Price per square metre	0.049	5.466	1.004	Square metres, building	18	3,170	225
Non-residential properties	35,322									
	35,322	Market approach	Price of the property	22.870	3,838.861	1,321.071	Square metres,Land	50	23,884	2,684
							Square metres,Building	32	3,000	984

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

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

	At 31 December 2023		
	Amortised cost	*Fair value through OCI*	*Fair value through profit or loss*
Financial assets			
Loans to customers and finance lease receivables	20,248,067	-	-
Accounts receivable and other loans	3,530	-	-
Equity instruments	-	7,098	-
Debt instruments	524,108	4,349,609	-
Foreign currency derivative financial instruments	-	-	10,942
Total	**25,571,195**	**4,356,707**	**10,942**
Financial liabilities			
Client deposits and notes	20,776,816	-	-
Amounts owed to credit institutions	5,133,029	-	-
Debt securities issued	421,359	-	-
Lease liability	137,554	-	-
Trade and other payables (in other liabilities)	104,874	-	-
Foreign currency derivative financial instruments	-	-	25,779
Total	**26,573,632**	**-**	**25,779**

Financial instruments overview

	At 31 December 2022			*At 31 December 2021*		
	Amortised cost	*Fair value through OCI*	*Fair value through profit or loss*	*Amortised cost*	*Fair value through OCI*	*Fair value through profit or loss*
Financial assets						
Loans to customers and finance lease receivables	16,841,603	-	-	15,998,166	-	-
Accounts receivable and other loans	3,398	-	-	23,432	-	-
Equity instruments	-	4,912	-	-	5,419	-
Debt instruments	378,537	3,960,300	-	-	2,558,542	-
Interest rate contracts	-	-	348	-	-	2,827
Foreign currency derivative financial instruments	-	-	38,922	-	-	132,252
Total	**23,136,572**	**3,965,212**	**39,270**	**19,433,989**	**2,563,961**	**135,079**
Financial liabilities						
Client deposits and notes	18,274,061	-	-	14,081,438	-	-
Amounts owed to credit institutions	5,191,494	-	-	4,118,462	-	-
Debt securities issued	646,137	-	-	1,460,479	-	-
Lease liability	112,624	-	-	85,098	-	-
Trade and other payables (in other liabilities)	67,148	-	-	52,133	-	-
Interest rate contracts	-	-	-	-	-	1,385
Foreign currency derivative financial instruments	-	-	59,020	-	-	6,480
Total	**24,291,464**	**-**	**59,020**	**19,797,610**	**-**	**7,865**

(Thousands of Georgian Lari)

28. Fair value measurements (continued)

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

Set out below is a comparison by class of the carrying amounts and fair values of the 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 fair values of which are materially close to their carrying values.

	At 31 December 2023		
	Carrying value	Fair value	Unrecognised gain (loss)
Financial assets			
Investment securities measured at amortised cost - debt instruments	524,108	528,032	3,924
Loans to customers and finance lease receivables	20,248,067	19,491,361	(756,706)
Financial liabilities			
Client deposits and notes	20,776,816	20,796,389	(19,573)
Amounts owed to credit institutions	5,133,029	5,129,012	4,017
Debt securities issued	421,359	418,658	2,701
Lease liability	137,554	139,065	(1,511)
Total unrecognised change in unrealised fair value			**(767,148)**

	At 31 December 2022			At 31 December 2021		
	Carrying value	Fair value	Unrecognised gain (loss)	Carrying value	Fair value	Unrecognised gain (loss)
Financial assets						
Investment securities measured at amortised cost - debt instruments	378,537	385,800	7,263	-	-	-
Loans to customers and finance lease receivables	16,841,603	16,246,726	(594,877)	15,998,166	15,615,284	(382,882)
Financial liabilities						
Client deposits and notes	18,274,061	18,241,016	33,045	14,081,438	14,056,936	24,502
Amounts owed to credit institutions	5,191,494	5,167,709	23,785	4,118,462	4,118,462	-
Debt securities issued	646,137	642,536	3,601	1,460,479	1,532,709	(72,230)
Lease liability	112,624	115,893	(3,269)	85,098	91,805	(6,707)
Total unrecognised change in unrealised fair value			**(530,452)**			**(437,317)**

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)

29. 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 27 "Risk management" for the Group's contractual undiscounted repayment obligations.

	At 31 December 2023							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	2,358,521	684,311	-	-	-	-	-	3,042,832
Amounts due from credit institutions	1,733,899	-	-	-	-	-	18,759	1,752,658
Investment securities	1,492,313	2,587,018	374,800	227,208	165,913	31,111	2,452	4,880,815
Loans to customers and finance lease	1,190	2,870,703	1,353,016	2,771,695	5,370,552	2,964,992	4,915,919	20,248,067
Accounts receivable and other loans	463	2,963	13	91	-	-	-	3,530
Total	**5,586,386**	**6,144,995**	**1,727,829**	**2,998,994**	**5,536,465**	**2,996,103**	**4,937,130**	**29,927,902**
Financial liabilities								
Client deposits and notes	5,553,799	3,164,093	1,509,258	8,902,129	1,080,299	513,720	53,518	20,776,816
Amounts owed to credit institutions	476,646	2,297,284	84,200	420,567	795,241	554,167	504,924	5,133,029
Debt securities issued	-	406	25,135	13,388	294,075	5,197	83,158	421,359
Lease liability	-	8,783	8,535	16,287	53,705	29,335	20,909	137,554
Total	**6,030,445**	**5,470,566**	**1,627,128**	**9,352,371**	**2,223,320**	**1,102,419**	**662,509**	**26,468,758**
Net	**(444,059)**	**674,429**	**100,701**	**(6,353,377)**	**3,313,145**	**1,893,684**	**4,274,621**	**3,459,144**
Accumulated gap	**(444,059)**	**230,370**	**331,071**	**(6,022,306)**	**(2,709,161)**	**(815,477)**	**3,459,144**	

	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**	

(Thousands of Georgian Lari)

29. 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 2023, client deposits and notes amounted to GEL 20,776,816 (2022: GEL 18,274,061, 2021: GEL 14,081,438) and represented 77% (2022: 74%, 2021: 70%) 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 2023, amounts owed to credit institutions amounted to GEL 5,133,029 (2022: GEL 5,191,494, 2021: GEL 4,118,462) and represented 19% (2022: 21%, 2021: 20%) of total liabilities. As at 31 December 2023, debt securities issued amounted to GEL 421,359 (2022: GEL 646,137, 2021: GEL 1,460,479) and represented 2% (2022: 3%, 2021: 7%) of total liabilities.

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 2023		
	Less than 1 year	*More than 1 year*	*Total*
Cash and cash equivalents	3,042,832	-	3,042,832
Amounts due from credit institutions	1,733,899	18,759	1,752,658
Investment securities	4,681,339	199,476	4,880,815
Loans to customers and finance lease	6,996,604	13,251,463	20,248,067
Accounts receivable and other loans	3,530	-	3,530
Prepayments	25,154	6,878	32,032
Foreclosed Assets	-	271,712	271,712
Right-of-use assets	-	134,422	134,422
Investment properties	-	127,924	127,924
Property and equipment	-	404,303	404,303
Goodwill	-	33,453	33,453
Intangible assets	76	144,281	144,357
Income tax assets	464	-	464
Other assets	283,974	6,178	290,152
Assets held for sale	27,389	-	27,389
Total assets	**16,795,261**	**14,598,849**	**31,394,110**
Client deposits and notes	19,129,279	1,647,537	20,776,816
Amounts owed to credit institutions	3,278,697	1,854,332	5,133,029
Debt securities issued	38,929	382,430	421,359
Lease liability	33,605	103,949	137,554
Accruals and deferred income	85,809	38,588	124,397
Income tax liabilities	185,440	13,618	199,058
Other liabilities	149,847	-	149,847
Total liabilities	**22,901,606**	**4,040,454**	**26,942,060**
Net	**(6,106,345)**	**10,558,395**	**4,452,050**

(Thousands of Georgian Lari)

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

	At 31 December 2022			At 31 December 2021		
	Less than 1 year	*More than 1 year*	*Total*	*Less than 1 year*	*More than 1 year*	*Total*
Cash and cash equivalents	3,495,728	-	3,495,728	1,494,452	-	1,494,452
Amounts due from credit institutions	2,397,004	20,302	2,417,306	1,909,220	8,719	1,917,939
Investment securities	4,016,835	326,914	4,343,749	2,459,541	104,420	2,563,961
Loans to customers and finance lease	5,449,658	11,391,945	16,841,603	5,968,247	10,029,919	15,998,166
Accounts receivable and other loans	3,398	-	3,398	23,432	-	23,432
Prepayments	43,825	3,351	47,176	56,558	1,602	58,160
Foreclosed Assets	-	119,924	119,924	-	3,216	3,216
Right-of-use assets	-	115,404	115,404	-	77,676	77,676
Investment properties	-	170,629	170,629	-	231,707	231,707
Property and equipment	-	363,606	363,606	-	343,025	343,025
Goodwill	-	33,453	33,453	-	33,453	33,453
Intangible assets	-	130,307	130,307	-	124,775	124,775
Income tax assets	224	640	864	109	183	292
Other assets	248,856	5,489	254,345	236,835	7,392	244,227
Assets held for sale	29,566	-	29,566	46,731	-	46,731
Total assets	**15,685,094**	**12,681,964**	**28,367,058**	**12,195,125**	**10,966,087**	**23,161,212**
Client deposits and notes	16,504,116	1,769,945	18,274,061	12,521,786	1,559,652	14,081,438
Amounts owed to credit institutions	3,817,273	1,374,221	5,191,494	2,296,264	1,822,198	4,118,462
Debt securities issued	340,611	305,526	646,137	223,523	1,236,956	1,460,479
Lease liability	27,293	85,331	112,624	21,626	63,472	85,098
Accruals and deferred income	69,792	32,458	102,250	56,129	20,471	76,600
Income tax liabilities	20,258	79,275	99,533	85,270	25,598	110,868
Other liabilities	152,848	743	153,591	175,765	1,279	177,044
Total liabilities	**20,932,191**	**3,647,499**	**24,579,690**	**15,380,363**	**4,729,626**	**20,109,989**
Net	**(5,247,097)**	**9,034,465**	**3,787,368**	**(3,185,238)**	**6,236,461**	**3,051,223**

30. 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 2023			At 31 December 2022			At 31 December 2021		
	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	**16,343**	**-**	**9,819**	**17,750**	**-**	**12,050**	**10,701**	**-**	**10,646**
Loans issued during the year	50,092	-	5,666	-	-	7,090	7,127	-	8,944
Loan repayments during the year	(50,092)	-	(4,993)	-	-	(7,246)	-	-	(6,531)
Other movements	644	-	(407)	(1,407)	-	(2,075)	(78)	-	(1,009)
Loans outstanding at 31 December, gross	**16,987**	**-**	**10,085**	**16,343**	**-**	**9,819**	**17,750**	**-**	**12,050**
Less: allowance for impairment at 31 December	-	-	(110)	-	-	(67)	-	-	(27)
Loans outstanding at 31 December, net	**16,987**	**-**	**9,975**	**16,343**	**-**	**9,752**	**17,750**	**-**	**12,023**
Interest income on loans	868	-	557	928	-	745	858	-	644
Expected credit loss	-	-	(40)	-	-	(200)	-	-	-
Deposits at 1 January	**26,766**	**58,329**	**12,633**	**29,813**	**176,898**	**31,127**	**7,098**	**69,520**	**32,619**
Deposits received during the year	159,023	82,019	9,734	-	6,938	9,212	22,715	100,750	21,490
Deposits repaid during the year	-	(2,810)	(6,774)	(3,049)	(108,180)	(15,773)	-	(27,415)	(32,337)
Other movements	75	5,230	(1,284)	2	(17,327)	(11,933)	-	34,043	9,355
Deposits at 31 December	**185,864**	**142,768**	**14,309**	**26,766**	**58,329**	**12,633**	**29,813**	**176,898**	**31,127**
Interest expense on deposits	(12,437)	(4,623)	(864)	(2,436)	(1,270)	(959)	(547)	(1,669)	(1,368)
Debt securities at 1 January	**-**	**737**	**-**	**5,746**	**737**	**-**	**708**	**737**	**-**
Debt securities received during the period	-	-	-	-	-	-	5,746	-	-
Debt securities repaid during the period	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	(5,746)	-	-	(708)	-	-
Debt securities at 31 December	**-**	**737**	**-**	**-**	**737**	**-**	**5,746**	**737**	**-**
Interest expense on debt securities issued	-	-	-	(163)	-	-	(163)	-	-
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.*

(Thousands of Georgian Lari)

30. Related party disclosures (continued)

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

Compensation of key management comprised the following:

	2023	2022	2021
Salaries and other benefits	10,624	9,602	11,197
Share-based payments compensation	50,838	58,110	24,817
Total key management compensation	**61,462**	**67,712**	**36,014**

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based (Note 26). The number of key management personnel at 31 December 2023 was 22 (31 December 2022: 20, 31 December 2021: 20).

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

31. 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 2023, the Bank and the Group complied in full with all its externally imposed capital requirements.

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

IFRS-Based 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.

(Thousands of Georgian Lari)

31. Capital adequacy (continued)

IFRS-Based NBG (Basel III) capital adequacy ratio (continued)

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

IFRS-Based NBG (Basel III) capital adequacy ratio	***2023***
Tier 1 capital	4,603,352
Tier 2 capital	499,018
Total capital	**5,102,370**
Risk-weighted assets	**23,061,905**
Tier 1 capital ratio	**20.0%**
Total capital ratio	**22.1%**
Min. requirement for Tier 1 capital ratio	**16.7%**
Min. requirement for Total capital ratio	**19.6%**

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

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

32. Events after the reporting period

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

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