2022

წლიური ანგარიში

ANNUAL REPORT

ბანკი ქართუ
CARTU BANK

ბანკი ქართუ
CARTU BANK

ANNUAL REPORT

წლიური ანგარიში

2022

შინაარსი
Content

სამეთვალყურეო საბჭოს თავმჯდომარის მიმართვა

ADDRESS OF THE CHAIRPERSON OF THE SUPERVISORY BOARD

ქალბატონებო და ბატონებო!

მოხარული ვარ, რომ პანდემიის რთული პერიოდი დასასრულს მიუახლოვდა.

იწყება პერიოდი, როდესაც უნდა არა მარტო დავუბრუნდეთ პანდემიამდელ მაჩვენებლებს, არამედ გავაუმჯობესოთ კიდეც.

იქნება ახალი გამოწვევები, საჭიროა დაუღალავი შრომა, რომ უფრო ძლიერები და წარმატებულები გავხდეთ.

მე ვხედავ, რომ სს „ბანკი ქართუს“ დირექტორატი, ბანკის თითოეული თანამშრომელი არ აკლებს ძალისხმევას, რომ ერთიანად მეტად განვვითარდეთ და მეტს მივაღწიოთ.

„ბანკი ქართუს“ მისია უცვლელია, ჩვენ ყველაფერს ვაკეთებთ და მომავალშიც გავაკეთებთ, რომ ჩვენი საქმიანობით საკუთარი წვლილი შევიტანოთ ქვეყნის განვითარებაში.

„ბანკ ქართუს“ ვუსურვებ წარმატებას ახალ 2023 წელს!

ნიკოლოზ ჩხეტიანი
სამეთვალყურეო საბჭოს
თავმჯდომარე

LADIES AND GENTLEMEN!

We are glad that the pandemic period has come to an end.

It's time to not only return to pre-pandemic indicators, but to improve them.

New challenges are forthcoming, we need to become stronger and more successful.

I see that the management and each employee of Cartu Bank are doing their best to develop and achieve more together.

Our mission after years is still the same – we do everything possible and will continue to make substantial contribution for development of our country.

Best wishes to Cartu Bank in 2023!

MR. NIKOLOZ CHKHETIANI
Chairperson of the
Supervisory Board

გენერალური დირექტორის მიმართვა

CEO

ქალბატონებო და ბატონებო!

მოგესალმებით,
ბანკის დირექტორატის სახელით მინდა მადლობა გადავუხადო ბანკის თითოეულ თანამშრომელს წლევანდელი წლისთვის. ძალიან მნიშვნელოვანია ჩვენს კლიენტებთან პარტნიორული ურთიერთობა.
ჩვენ ერთად ღირსეულად გავიარეთ გამოწვევებით სავსე პანდემიის პერიოდი და ახლა აქტიურად ვმუშაობთ განვითარებისა და წინსვლისთვის.

2023 წელს „ბანკი ქართუ“ გეგმავს უფრო მრავალფეროვანი პროდუქტებისა და მომსახურების შეთავაზებას თავის არსებული და პოტენციური კლიენტებისთვის. იგეგმება სტრუქტურული ცვლილებებიც.

მოხარული ვართ, რომ S&P Global Ratings-ის მიერ წელსაც დადასტურდა ჩვენი რეიტინგი: სტაბილური პერსპექტივა, მოკლე და გრძლევადიანი საკრედიტო რეიტინგი B.

რაც შეეხება ბანკის ფინანსურ მონაცემებს, გაზრდილია მთლიანი აქტივების მაჩვენებელი და შეადგინა 1.6 მლრდ ლარი, ხოლო კლიენტებიდან მოზიდული სახსრები კი 1.1 მლრდ ლარია. აღსანიშნავია, რომ 2020 წელთან შედარებით (9.8 მლნ ლარი) წმინდა მოგება არის გასამმაგებული, 1.3 მლნ ლარიანი ზრდა არის 2021 წლის მონაცემთან (26.7 მლნ ლარი) შედარებით და შეადგენს 28 მილიონ ლარს.
2023 წელი მნიშვნელოვანი წელი იქნება „ბანკი ქართუსთვის“, გვექნება ბევრი გამოწვევა და ბევრი მიღწევა.
წარმატებას ვუსურვებ ჩვენს გუნდს!

ნატო ხაინდრავა
გენერალური დირექტორი

LADIES AND GENTLEMEN!

On behalf of the management of Cartu Bank, I'd like to thank each employee of our Bank for this year. Partnership with our loyal clients is significant for us.
We've successfully passed through the pandemic period full of challenges and now we are fully concentrated on the development.

In 2023 our Bank is going to offer to its loyal and potential clients a more diverse range of products and services. Structural changes are also planned.

We are glad that in 2022 the S&P Global Rating has confirmed our rating: Stable perspective, short- and long-term credit rating B.

This year the Bank had positive changes is financial data: Total Assets has risen and amounted 1.5 billion Gel, while the Deposit Portfolio is 1.1 billion Gel. It is noteworthy to mention that the Net Income has almost tripled from 2020 (9.8 M Gel), increased by - 1.3 M Gel compared to 2021 year and amounted 28 M GEL.
2023 is going to be important year for Cartu Bank. We'll have many challenges and achievements.
Good luck to our team in 2023!

NATO KHAINDRAVA
CEO

2022
წლის სიახლეები

- 2022 წელს არსებული საზედამხედველო ანგარიშგებების პარალელურად ფასს სტანდარტებით ანგარიშგების ყოველთვიურად წარდგენის მიზნით, ბანკმა უზრუნველყო შიდა პროცედურების, საინფორმაციო ტექნოლოგიების ინფრასტრუქტურისა და ანგარიშგებების წარმოების წესების დახვეწა.

- ბანკის VISA პლასტიკური ბარათების მფლობელებისთვის დაინერგა ახალი პროდუქტი, Apple Pay გადახდის სერვისი, რომელიც უზრუნველყოფს ვიზა ბარათების მობილური ტელეფონის Apple Pay საფულეში გააქტიურებას და მათ გამოყენებას ნებისმიერი სავაჭრო და მომსახურების ობიექტის POS ტერმინალზე.

- 2022 წლიდან ბანკის ყველა მომხმარებელს შესაძლებლობა აქვს, „ბანკი ქართუს“ ინტერნეტ ბანკის საშუალებით მიიღოს გაუმჯობესებული პირობები უცხოური ვალუტის კონვერტირებისას და დამოუკიდებლად აწარმოოს ოპერაციები საშეღავათო პირობებით.

- ბანკმა დაიწყო USD Libor-ის განაკვეთის გამოქვეყნების შეწყვეტასთან დაკავშირებული ღონისძიებების გატარება, მათ შორის, დაიწყო სამუშაოები The Secured Overnight Financing Rate-ის მიღებასა და აქტივების მართვაში გამოყენებასთან დაკავშირებით.

INNOVATIONS OF 2022

- In 2022, along with the regulatory reports in place, for the purpose of monthly submission of the IFRS-standard reports, the Bank streamlined its internal procedures, IT infrastructure and reporting.

- Apple Pay Service, a new product for Visa card holders of the Bank allowing activation of the cards in the mobile phone wallet for their use at the POS terminals was introduced;

- From 2022, all the Bank clients were offered better currency exchange terms and effected own transactions by the Cartu Internet Bank with favorable conditions;

- The Bank started taking measures relevant to the termination of publication of USD Libor interest rate, including introduction and application of the Secured Overnight Financing Rate in its asset management.

2023
წლის გეგმები

- 2023 წელს ბანკი გეგმავს ახალი საბანკო პროდუქტების დამატებას და არსებულის განვითარებას.

- მოგეხსენებათ, რომ 2022 წელს მოხდა საგადახდო სისტემა Apple Pay-ში ბანკის Visa ბარათების დამატება, 2023 წლისთვის კი იგეგმება Apple Pay-ს გადახდის სერვისის გააქტიურება Mastercard ბარათებისთვისაც.

- ასევე დაგეგმილია ბანკის Visa და Mastercard ბარათებისთვის Google Pay - გადახდის სერვისის გააქტიურება. შესაბამისად, ბანკის მომხმარებლებს შესაძლებლობა ექნებათ ისარგებლონ მათთვის სასურველი ელექტრონული საფულით, რაც ბარათით ანგარიშსწორების პროცესს გახდის უფრო მარტივს, სწრაფსა და კომფორტულს.

- „ბანკი ქართუ“ იყო პირველი ბანკი საქართველოში, რომელმაც დანერგა ელექტრონული კომერცია (2005-2007 წლებში) და მას შემდეგ თავის მომხმარებლებს სთავაზობს მაღალი ხარისხის მომსახურებას, 2023 წელს კი იგეგმება აღნიშნული პროდუქტის კიდევ მეტად განვითარება და დახვეწა.

- დაწყებულია მუშაობა ბანკის ოფიციალური ვებგვერდის განახლებაზე, მოხდება მისი ცვლილება თანამედროვე მოთხოვნების გათვალისწინებით, როგორც ვიზუალურად, ისე ტექნიკურად, უსაფრთხოების მაღალი სტანდარტების გათვალისწინებით.

- ვგეგმავთ ინტერნეტ ბანკის ფუნქციონალის გაფართოებას, მომხმარებელს შესაძლებლობა ექნება, ბანკში მიუსვლელად, დისტანციურად მართოს თავისი ფინანსები 24/7 და განახორციელოს მეტი საბანკო ოპერაცია.

- 2023 წელს ბანკი გეგმავს ცენტრალური სერვისცენტრის განყოფილების გახსნას ქ. თბილისში, ლ. გუდიაშვილის ქ. # 2-ში მდებარე სასტუმრო „პარაგრაფ თბილისში“.

- მომავალ წელს სს ,,ბანკ ქართუში’’ დაგეგმილია სტრუქტურული ცვლილებები.

2023
PLANS

- In 2023, the Bank is going to add new banking products and develop the ones in place.

- You will know that in 2022, the Bank’s Visa cards were added to Apple Pay Payment System to be joined by Mastercards in 2023;

- We are also planning to activate Google Pay Payment Service for Visa and Mastercards of the Bank. Consequently, the Bank customers will be able to use the desired e-wallet to make the card payments simpler, faster and more comfortable;

- “Cartu Bank” JSC was the first in Georgia to introduce high quality e-commerce in 2005-2007, which were planning to upgrade in 2023;

- We are developing on a new official website of the Bank to make it more adequate to the requirements of the day in terms of its graphics, technical aspect and safety standards;

- We are going to broaden the functionalities of our Internet Bank to make remote management of the customers’ finances and more transactions possible 24/7;

- In 2023, the Bank is going to open a new branch of its Central Service Center at “Paragraph Tbilisi” located in #2 L. Gudiashvili St., Tbilisi.

- For the next year some structural changes are planned.

ბანკის მისია, ხედვა, ძირითადი ფასეულობები
Mission, Vision and Core Values of the Bank

მისია
MISSION

ჩვენი მისიაა უმაღლესი ხარისხის ექსკლუზიური საფინანსო მომსახურების გზით განსაკუთრებული წვლილი შევიტანოთ ქვეყნის მნიშვნელოვანი დარგების განვითარებაში.

Our mission is to make substantial contribution to the strategic fields of Georgian economy, by providing leading companies with superior quality and exclusive financial services.

ხედვა
VISION

სს „ბანკი ქართუ" გახდება გამორჩეული საფინანსო ინსტიტუტი, რომელიც:
Cartu Bank aims to become an outstanding financial institution that will:

- საქართველოში ქმნის კორპორატიული კლიენტების ექსკლუზიური მომსახურების სტანდარტს;
- აქტივების მოცულობით სტაბილურ ადგილს დაიკავებს საბანკო სისტემის ლიდერთა შორის;
- დაკომპლექტებული იქნება მაღალკვალიფიციური და მოტივირებული კადრებით;
- განსაკუთრებულ წვლილს შეიტანს ჩვენი ქვეყნის ეკონომიკის ზრდასა და ბიზნესის განვითარებაში;
- სტაბილურად გაზრდის საკუთარ ღირებულებებს როგორც აქციონერთათვის, ასევე კლიენტებისთვის, რაც დადებითად იმოქმედებს ზოგადად ქვეყნის მოსახლეობის ცხოვრების დონის ამაღლებაზე.

- Set exclusive standards for financial services for the leading corporate clients in Georgia
- Gain strong position among the top three players of Georgian Banking Sector;
- Have highly qualified, motivated and committed team;
- Make substantial contribution to the growth of Georgian economy, development of businesses and improvement of living standards for the community;
- As the result, Bank will significantly increase its value for its shareholders as well as for the customers, employees and the whole society.

ძირითადი ფასეულობები
CORE VALUES

- მაღალი ხარისხის მომსახურება და თითოეული კლიენტისადმი ლოიალური დამოკიდებულება;
- საბანკო პროდუქტების სრულყოფილი და მრავალფეროვანი პაკეტი;
- მომხმარებელზე მორგებული თანამედროვე და ინოვაციური ფინანსური გადაწყვეტილებები;
- პროფესიონალი კადრები

- Prime quality services and full range of proficient banking products;
- Customer's high loyalty;
- Customer oriented modern and innovative financial solutions;
- Highly qualified, motivated and success-oriented team.

ბანკის მმართველობა
STRUCTURE OF THE BANK

სამეთვალყურეო საბჭო
SUPERVISORY BOARD

ნიკოლოზ ჩხეტიანი სამეთვალყურეო საბჭოს თავმჯდომარე	**NIKOLOZ CHKHETIANI** Chairman of the Supervisory Board
ბესიკ დემეტრაშვილი სამეთვალყურეო საბჭოს წევრი	**BESIK DEMETRASHVILI** Member of the Supervisory Board
თეა ჯოხაძე სამეთვალყურეო საბჭოს წევრი	**TEA JOKHADZE** Member of the Supervisory Board
ზაზა ვერძეული სამეთვალყურეო საბჭოს დამოუკიდებელი წევრი	**ZAZA VERDZEULI** Independent Member of the Supervisory Board

აღმასრულებელი მენეჯმენტი
BOARD OF DIRECTORS

ნატო ხაინდრავა გენერალური დირექტორი	**MS. NATO KHAINDRAVA** Chief Executive Officer (CEO)
გრიგოლ კაცია გენერალური დირექტორის მოადგილე	**MR. GRIGOL KATSIA** Deputy CEO
გივი ლებანიძე ფინანსური დირექტორი	**MR. GIVI LEBANIDZE** Chief Financial Officer
ზურაბ გოგუა კომერციული დირექტორი	**MR. ZURAB GOGUA** Chief Commercial Officer
დავით გალუაშვილი ოპერაციების დირექტორი	**MR. DAVID GALUASHVILI** Chief Operating Officer
ბექა კვარაცხელია რისკების დირექტორი	**MR. BEKA KVARATSKHELIA** Chief Risks Officer
გიორგი სულამანიძე ციფრული საბანკო საქმიანობის დირექტორი	**MR. GIORGI SULAMANIDZE** Chief of Digital Banking

ბანკის გენერალური დირექტორი, ნატო ხაინდრავა

ქ-ნი ნატო 1982 წლიდან მუშაობს საბანკო სფეროში.

მისი კარიერა დაიწყო შემნახველი ბანკის ნაძალადევის ფილიალში, სადაც იყო ჯერ უფროსი კონტროლიორი, შემდეგ კი ფილიალის ხელმძღვანელი. მოგვიანებით სხვადასხვა კომერციულ ბანკში იკავებდა უფროსი ბუღალტრის თანამდებობას. საქართველოს ეროვნულ ბანკში იყო ბანკების ზედამხედველობის განყოფილების ლიკვიდატორი.

2003 წლიდან ქ-ნი ნატო თავის კარიერას აგრძელებს „ბანკ ქართუში", სადაც წლების განმავლობაში იკავებს შიდა აუდიტის დეპარტამენტის დირექტორის, ფინანსური დეპარტამენტის დირექტორისა და გენერალური დირექტორის მოადგილის თანამდებობებს. შემდგომ პერიოდში იგი გახდა ჯერ ფინანსური დირექტორი და სს „ბანკი ქართუს" გენერალური დირექტორი, პარალელურად კი სს "ქართუ ჯგუფის" გენერალური დირექტორი.

ნატო ხაინდრავას 1988 წელს დამთავრებული აქვს ივ. ჯავახიშვილის სახელობის თბილისის სახელმწიფო უნივერსიტეტის ეკონომიკის ფაკულტეტი.

Ms. Nato Khaindrava, Chief Executive Officer (CEO)

Ms. Khaindrava has been engaged in the banking industry since 1982.

Her career started at the Nadzaladevi district Branch Saving Bank, where she was first the senior controller and afterwards, head of the branch. Later, he held the position of senior accountant at various commercial banks. At the National Bank of Georgia, she was the liquidator of the Bank Supervision Division.

Since 2003, Mrs. Khaindrava has been with "Cartu Bank" JSC. Over the years, she has held the position of Director of Internal Audit Department, Director of Financial Department and Deputy CEO. Afterwards, Ms. Khaindrava was appointed first the Chief Financial Officer and then the CEO of "Cartu Bank" JSC. At the same time, she was Director General of "Cartu Group" JSC.

In 1988, Ms. Khaindrava graduated from Iv. Javakhishvili Tbilisi State University, Faculty of Economics.

გენერალური დირექტორის მოადგილე, გრიგოლ კაცია

გრიგოლ კაცია 2022 წლიდან არის სს „ბანკი ქართუს"გენერალური დირექტორის მოადგილე.

ბ-ნ გრიგოლს აქვს საბანკო სფეროში მუშაობის დიდი გამოცდილება. მან სს „ბანკ რესპუბლიკაში" საქმიანობა დაიწყო საოპერაციო ოფიცრის თანამდებობიდან და გახდა გენერალური დირექტორი/დირექტორთა საბჭოს თავმჯდომარე. იყო EBRD-ის მთავარი ბანკირი, სს „ვითიბი ბანკის" ვიცე-პრეზიდენტი, სხვადასხვა წლებში სს „ბანკი რესპუბლიკის"/Société Générale Group-ისა და სს „თიბისის ბანკის" გენერალური დირექტორის მრჩეველი.

საბანკო სფეროს გარდა, იგი წარმატებით მოღვაწეობდა საქართველოს რეგიონული განვითარებისა და ინფრასტრუქტურის მინისიტრის მოადგილის თანამდებობაზეც. „ბანკ ქართუში" გადმოსვლამდე კი იყო შპს „ჯორჯიან მანგანეზის" ფინანსური დირექტორი/მრჩეველი.

ბ-ნ გრიგოლს დამთავრებული აქვს თბილისის სახელმწიფო უნივერსიტეტის მაკროეკონომიკის და იურიდიული ფაკულტეტები, თბილისის სახელმწიფო უნივერსიტეტის მაკროეკონომიკის მაგისტრატურა და კორპორაციული საბანკო საქმე - შპარკასეს საბანკო სასწავლებელი.

Mr. Grigol Katsia, Deputy CEO

Deputy CEO of "Cartu Bank" JSC since 2022.

Ms. Katsia has a substantial work experience in the banking industry. He launched his career as an operations officer with "Republic Bank" JSC and worked his way to the office of the Director General/Chairperson of the Board. At various times he was the chief banker with EBRD, Vice-President of "VTB Bank" JSC, adviser to the Director General of "Republic Bank" JSC/Société Générale Group and "TBC Bank" JSC.

Apart from the banking industry, he was Deputy Minister in the Ministry of Regional Development and Infrastructure of Georgia. Prior to joining "Cartu Bank", he was the Chief Financial Officer /advisor to "Georgian Manganese" LTD.

Mr. Katsia graduated from Tbilisi State University, Faculties of Macroeconomics and Law. He holds Master's degree in macroeconomics awarded by the Tbilisi State University, he studied corporate banking at Schparkasse Banking School.

ფინანსური დირექტორი, გივი ლებანიძე

2007 წლიდან ბ-ნი გივი მუშაობს „ბანკ ქართუში" , სადაც კარიერა დაიწყო მცირე და საშუალო ბიზნესის დაკრედიტების განყოფილების საკრედიტო ექსპერტის თანამდებობიდან, შემდგომ პერიოდში კი დაწინაურდა - იყო კორპორატიული ბანკირი, საინვესტიციო განყოფილების უფროსი, რისკების მართვის დეპარტამენტის დირექტორის მოადგილე/ფინანსური რისკების მართვის განყოფილების უფროსი, შემდეგ კი - რისკების მართვის დეპარტამენტის დირექტორი.

2016 წლიდან არის სს „ბანკი ქართუს" გენერალური დირექტორის მოადგილე/ფინანსური დირექტორი, ამავე დროს, 2018 წლიდან - სს „დაზღვევის კომპანია ქართუს" ფინანსური დირექტორი.

ბ-ნ გივის დამთავრებული აქვს ივ. ჯავახიშვილის სახელობის თბილისის სახელმწიფო უნივერსიტეტის ეკონომიკისა და ბიზნესის ფაკულტეტი. 2019 წელს მიიღო მაგისტრის ხარისხი ფინანსებში საქართველოს ტექნიკურ უნივერსიტეტში.

Mr. Givi Lebanidze, Chief Financial Officer

Mr. Lebanidze has been working in "Cartu Bank" from 2007. He started as a credit expert with the Small and Mid-Size Business Crediting Division. Afterwards, he was a corporate banker, head of the Investment Division, Deputy Director of the Risk Management Department/Head of the Financial Risk Management Division and then the Director of Risk Management Department.

Since 2016, he has been the Deputy CEO/CFO of "Cartu Bank" JSC and since 2018, CFO of "Cartu Insurance Company " JSC.

Mr. Lebanidze graduated from Iv. Javakhishvili Tbilisi State University, Faculty of Economics and Business. In 2019, he was granted master's degree in finances by the Tbilisi Technical University.

კომერციული დირექტორი, ზურაბ გოგუა

ზურაბ გოგუა 26 წელია მუშაობს სს „ბანკ ქართუში“, სადაც საქმიანობა დაიწყო ბანკის ეკონომისტის თანამდებობიდან. სხვადასხვა დროს იყო საკრედიტო ოფიცერი, მონიტორინგისა და ანალიზის განყოფილების ხელმძღვანელი, საკრედიტო განყოფილების უფროსის მოადგილე, უფროსი და საკრედიტო დეპარტამენტის დირექტორი.

2013 წლიდან ბ-ნი ზურაბი იკავებს სს „ბანკი ქართუს“ კომერციული დირექტორის თანამდებობას.

ზურაბ გოგუას დამთავრებული აქვს ივ. ჯავახიშვილის სახელობის თბილისის სახელმწიფო უნივერსიტეტის ეკონომიკის ფაკულტეტი და საქართველოს ეკონომიკური და სოციალური პრობლემების სამეცნიერო-კვლევითი ინსტიტუტის ასპირანტურა.

Mr. Zurab Gogua, Chief Commercial Officer

Mr. Gogua has been with “Cartu Bank” JSC for 26 years. He started as a bank economist; at various times he was a credit officer, Head of the Monitoring and Analysis Division, Deputy Head of the Credit Division, Head and later a Director of the Credit Department.

Since 2013, Mr. Gogua has held the position of the Chief Commercial Officer of “Cartu Bank” JSC.

Mr. Gogua graduated from Iv. Javakhishvili Tbilisi State University, Faculty of Economics and did postgraduate studies at the Scientific-research Institute of Economic and Social Problems.

ოპერაციების დირექტორი, დავით გალუაშვილი

ოპერაციების დირექტორი, დავით გალუაშვილი 1994 წლიდან მუშაობს საბანკო სფეროში, კარიერის დასაწყისი მან გაატარა ბანკ „ნარიყალასა“ და „საქართველოს ბანკში“, 1997 წლიდან კი არის სს „ბანკი ქართუს“ თანამშრომელი.
სხვადასხვა დროს იყო მთავარი ბუღალტრის პირველი მოადგილე/უფროსი ბუღალტერი, კონტროლის ჯგუფის უფროსი და ბუღალტერი,
2013 წლიდან არის სს „ბანკი ქართუს“ ოპერაციების დირექტორი.

ბ-ნ დავითს დამთავრებული აქვს ივ. ჯავახიშვილის სახელობის თბილისის სახელმწიფო უნივერსიტეტის ეკონომიკის ფაკულტეტი.

Mr. Davit Galuashvili, Chief Operating Officer

Mr. Davit Galuashvili, Operations Director – has been working in the banking sector since 1994. In the beginning he worked in “Narikhala” commercial bank and Bank of Georgia.
From 1997 he has been an employee of Cartu Bank JSC.
At various times he was the First Deputy Chief Accountant, Chief Accountant, Head and Accountant of Control Group.
From 2023 he is the Deputy CEO/ Chief Operations Officer in Cartu Bank.
Mr. David Galuashvili, graduated from Iv. Javakhishvili Tbilisi State University, faculty of Economics.

რისკების დირექტორი, ბექა კვარაცხელია

ბექა კვარაცხელია ფაქტობრივად დაარსებიდან არის „ბანკი ქართუს“ თანამშრომელი.

მისი კარიერა დაიწყო კრედიტ ოფიცრის პოზიციიდან, შემდგომ წლებში კი დაწინაურდა - გახდა უფროსი საკრედიტო ოფიცერი, საკრედიტო დეპარტამენტის დირექტორის მოადგილე/ კორპორატიული ბიზნესის დაკრედიტების განყოფილების უფროსი. 2006 წლიდან მუშაობს რისკების მიმართულებით - იყო რისკების მართვის განყოფილების უფროსი, შემდგომ რისკების მართვის დეპარტამენტის დირექტორი, ხოლო 2013 წლიდან დღემდე იკავებს ბანკის რისკების დირექტორის თანამდებობას.

ბექა კვარაცხელიას დამთავრებული აქვს ივ. ჯავახიშვილის სახელობის თბილისის სახელმწიფო უნივერსიტეტის ეკონომიკის ფაკულტეტი, სპეციალობით საერთაშორისო ეკონომიკური ურთიერთობები.

Mr. Beka Kvaratskhelia, Chief Risks Officer

Mr. Kvaratskhelia has been with "Cartu Bank" JSC since its foundation.

His career started from the position of credit officer and was promoted to the position of a senior credit officer, Deputy Director of the Credit Department/ Head of the Corporate Business Credit-ing Division. Since 2006, he has been the Head of Risk Management Division, afterwards, the Direcot of Risk Management Department and, finally, since 2013, he has held the possition of the Bank's Chief Risks Officer.

Mr. Kvaratskhelia graduated from Iv. Javakhishvili Tbilisi State University, Faculty of Economics, major – International Economic Relations.

ᲪᲘᲤᲠᲣᲚᲘ ᲡᲐᲑᲐᲜᲙᲝ ᲡᲐᲥᲛᲘᲐᲜᲝᲑᲘᲡ ᲓᲘᲠᲔᲥᲢᲝᲠᲘ, ᲒᲘᲝᲠᲒᲘ ᲡᲣᲚᲐᲛᲐᲜᲘᲫᲔ

ბ-ნი გიორგის საბანკო სფეროში მუშაობის დიდი გამოცდილება აქვს. 1999 წლიდან იგი წარმატებით მოღვაწეობდა არაერთ ქართულ ბანკში, მ.შ. - „გაერთიანებული ქართული ბანკი“, ახლა წარმოდგენილი სს VTB საქართველო – VTB ჯგუფის სახით (პლასტიკური ბარათების დეპარტამენტის დირექტორი), სს „რესპუბლიკა ბანკი“, ჯგუფი სს „სოსიეტე ჟენერალი“ (სხვადასხვა დროს იყო პლასტიკური ბარათების დეპარტამენტის, დისტანციური საბანკო მომსახურების და ცენტრალიზებული ბექ ოფისის სამსახურის ხელმძღვანელი), პარალელურად იყო ბარათების საპროცესინგო ცენტრ „ჯორჯიან ქარდის“ სამეთვალყურეო საბჭოს წევრი.

სს „ბანკ ქართუში“ გადმოსვლამდე ბ-ნ გიორგის უმაღლესი თანამდებობები ეკავა სადაზღვევო კომპანია “EUROINS GEORGIA”-ში.

2022 წლიდან გიორგი სულამანიძე შემოუერთდა „ბანკი ქართუს“ გუნდს. იყო ციფრული საბანკო საქმიანობის დირექტორი.

ბ-ნ გიორგის მიღებული აქვს ფილოსოფიის დოქტორის ხარისხი საბანკო საქმეში, საქართველოს ტექნიკურ უნივერსიტეტში. დამთავრებული აქვს ეკონომიკის მაგისტრატურა უნივერსიტეტში და ბაკალავრიატი საქართველოს ტექნიკური უნივერსიტეტში, ფაკულტეტი - ეკონომიკა და მართვა მანქანათმშენებლობა.

Mr. Giorgi Sulamanidze, Chief of Digital Banking

Mr. Sulamanidze has extensive experience in banking. Since 1999, he has successfully worked in several Georgian banks, including - "United Georgian Bank", “VTB Georgia: JSC, now “VTB Group” (Plastic Cards Department Director), "Republic Bank" JSC/Société Générale Group (at various times he headed the Plastic Cards Department, Remote Banking Services and Centralized Back Office). At the same time, Mr. Sulamanidze was a member of Supervisory Board of "Georgian Card", the card processing center.

Before joining "Cartu Bank" JSC, Mr. Sulamanidze held the top positions with "EUROINS GEORGIA", insurance company.

In 2022, Mr. Sulamanidze joined "Cartu Bank" JSC first as a Director of Digital Banking and since January 2023, the Chief Operating Officer and Deputy CEO.

Mr. Sulamanidze holds PhD in banking awarded by the Technical University of Georgia. He did his postgraduate studies at the University and in 1996, was granted bachelor's degree at the Technical University of Georgia, Faculty of Economics and Management in Engineering.

ბანკის რეიტინგები
Bank Ratings

S&P Global Ratings

2022 წლის 23 სექტემბერს ბანკს S&P Global Ratings-ის მიერ მიენიჭა:

- პერსპექტივა: სტაბილური
- გრძელვადიანი საკრედიტო რეიტინგი: B
- მოკლევადიანი საკრედიტო რეიტინგი: B
- ქვეყნის "ზედა ზღვარი": BB

On 23 September 2022, S&P Global Ratings granted the Bank:

- Prospects: stable
- Long-term credit rating: B
- Short-term credit rating: B
- "upper limit" of the country: BB

მოკლე ფინანსური ანგარიში
Brief Financial Statement

ბანკი ქართუს ბოლო 3 წლის ძირითადი ფინანსური მონაცემები არის შემდეგი:
Over the last 3 years, the main financial data of "Cartu Bank" JSC are as follows :

ათას ლარებში/In Gel '000	2020	2021	2022
მთლიანი აქტივები/Total Assets	1,543,470	1,352,134	1,591,906
წმინდა სესხები/Net Loans	1,031,840	917,931	746,011
მთლიანი ვალდებულებები/Total Liabilities	1,204,787	999,249	1,210,825
კლიენტებიდან მოზიდული სახსრები/ Funds raised from clients	976,190	877,321	1,104,659
საკუთარი კაპიტალი/Equity Capital	338,683	352,885	381,081
წმინდა საპროცენტო შემოსავალი / Net Interest Income	59,557	59,214	53,770
დასაბეგრი მოგება / Profit Before Tax	8,598	30,023	42,557
წმინდა მოგება / Net Profit	9,832	26,657	28,033
თანამშრომელთა რაოდენობა / Number of Staff	330	322	318
უკუგება კაპიტალზე/ROE	2.97%	7.71%	7.64%
უკუგება აქტივებზე/ROA	0.68%	1.84%	1.90%

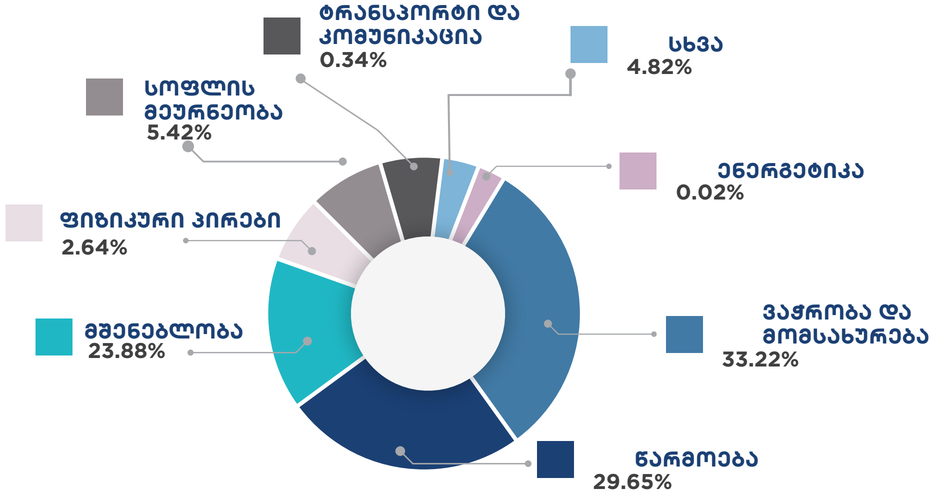
საკრედიტო მაჩვენებლები

საკრედიტო კუთხით ბანკი 2022 წლის განმავლობაშიც აქტიურად თანამშრომლობდა თავის კლიენტებთან, განიხილავდა და აფინანსებდა მათ მნიშვნელოვან და პერსპექტიულ პროექტებს, ასევე, ხდებოდა ახალი კლიენტებისა და საინტერესო პროექტების მოძიება საშუალო და მსხვილი ბიზნესის სფეროში და მათი დაფინანსება.
სს „ბანკი ქართუსთვის" ყოველთვის მნიშვნელოვანი იყო ადგილობრივი წარმოების განვითარება და აქტიურად უჭერდა მას მხარს. აღნიშნული ტენდენცია ფიქსირდება 2022 წლის საკრედიტო პორტფელის სტრუქტურაშიც. დაფინანსების ყველაზე დიდი წილი მოდის წარმოებაზე - 29.65%, ვაჭრობასა და მომსახურებას ერთად აქვს - 33.22%, ხოლო მშენებლობას - 23.88%.

Credit indicators

In terms of crediting, in 2022, the Bank actively cooperated with its clients, studied and funded their major and promising projects, looked for new clients and medium and large businesses projects to fund them.
Support to the local production has always been a priority for "Cartu Bank" JSC, the trend, which among others is made evident by the 2022 credit portfolio structure. The share of production funding was the largest - 29.65%, trade and services jointly - 33.22%, and development - 23.88%.

საკრედიტო პორტფელის სტრუქტურა
Credit Portfolio Structure



2022 წლის 31 დეკემბრის მდგომარეობით გვაქვს შემდეგი მაჩვენებლები:

- წმინდა სესხები: 746 მლნ. ლარი
- დოკუმენტური ოპერაციები: 50.9 მლნ ლარი
- ობლიგაციების პორტფელი: 37 მლნ ლარი

On 23 September 2022, S&P Global Ratings granted the Bank:

- Net loans: 746 M GEL
- Documentary operations: 50.9 M GEL
- Bond Portfolio: 37 M GEL

2022 წელს ბანკი აქტიურად იყო ჩართული, გასცემდა სესხებს და აფინანსებდა საინტერესო პროექტებს სახელმწიფო პროგრამების ფარგლებში:

In 2022, the Bank regularly issued credits and funded interesting projects within the State-run programs:

- **„შეღავათიანი აგროკრედიტი“** - პროექტის ჯამური პორტფელი 31.12.2022 წლის მდგომარეობით შეადგენს 54.2 მლნ ლარს.

  "Preferential Agrocredit" - as of 31.12.2022, the total portfolio of the project amounted to 54.2 M GEL.

- **„აწარმოე საქართველოში“** - პროექტის ჯამური პორტფელი 31.12.2022 წლის მდგომარეობით შეადგენს 11.5 მლნ. ლარს. (მ.შ. ინდუსტრიული მიმართულება, სასტუმრო ინდუსტრია "უმასპინძლე საქართველოში“, ბიზნეს უნივერსალი და საკრედიტო-საგარანტიო მექანიზმი).

  "Produce in Georgia" - as of 31.12.2022, the total portfolio of the project amounted to 11.5 M GEL. (including industry, “"Host in Georgia"” hotel business, business universal and credit-guarantee tool).

ამ ეტაპისთვის საინვესტიციო ბაზარზე „ბანკი ქართუ“ ფლობს 2 კომპანიის კორპორაციულ ობლიგაციებს - 3 მლნ ლარისა და 5 მლნ ლარის ოდენობით.

Today, at the investment market, “Cartu Bank” JSC holds corporate bonds of 2 companies 3 million GEL and 5 million GEL (respectively).

რისკების მართვა
Risk Management

- რისკების მართვის დეპარტამენტში შეიქმნა აქტივების შეფასების მონიტორინგის განყოფილება, რომელიც ადგენს უზრუნველყოფის სახით დატვირთული ქონებების და ბანკის მიერ დასაკუთრებული ქონებების შეფასების საერთაშორისო სტანდარტებთან (IVS) შესაბამისობას, რაც მნიშვნელოვნად აუმჯობესებს როგორც სასესხო აქტივებზე შესაქმნელი რეზერვის, ისე დასაკუთრებული ქონებების ღირებულების სიზუსტეს.

  The Asset Evaluation Monitoring Unit within the Risk Management Department determines whether valuation of the pledged properties and that of the properties appropriated by the Bank complies with the International Valuation Standards (IVS). It helps to increase the loan loss provisions and also makes evaluation of the appropriated properties more accurate.

- მოხდა პროგრამული ცვლილების დანერგვა, რომელიც შესაძლებლობას იძლევა ბანკის შიდა სისტემებში, პროგრამულად მოხდეს მსესხებლებზე დეტალური ფინანსური ინფორმაციის აღრიცხვა სესხის რეგისტრაციის მომენტში და შემდგომი პერიოდული განახლება. აღნიშნული საშუალებას აძლევს ბანკს, უმოკლეს დროში შეაფასოს საკრედიტო პორტფელის ხარისხზე პოტენციურად მოქმედი სხვადასხვა რისკ სცენარების ზეგავლენა როგორც შიდა, ისე საზედამხედველო მიზნებისათვის.

  The software in place was upgraded so that at the time of registration of a credit, detailed information on borrowers could be recorded and regularly updated. The aforesaid makes it possible for the Bank to define the impact of potential risk scenarios on the quality of its credit portfolio, which is important for both internal operation and supervisory purposes.

კორესპონდენტი ბანკები (31.12.2022)

JSC BANK OF GEORGIA
Tbilisi, Georgia

AKTIF YATIRIM BANKASI A.S.
Istanbul, Turkey

ARARATBANK OJSC
Yerevan, Armenia

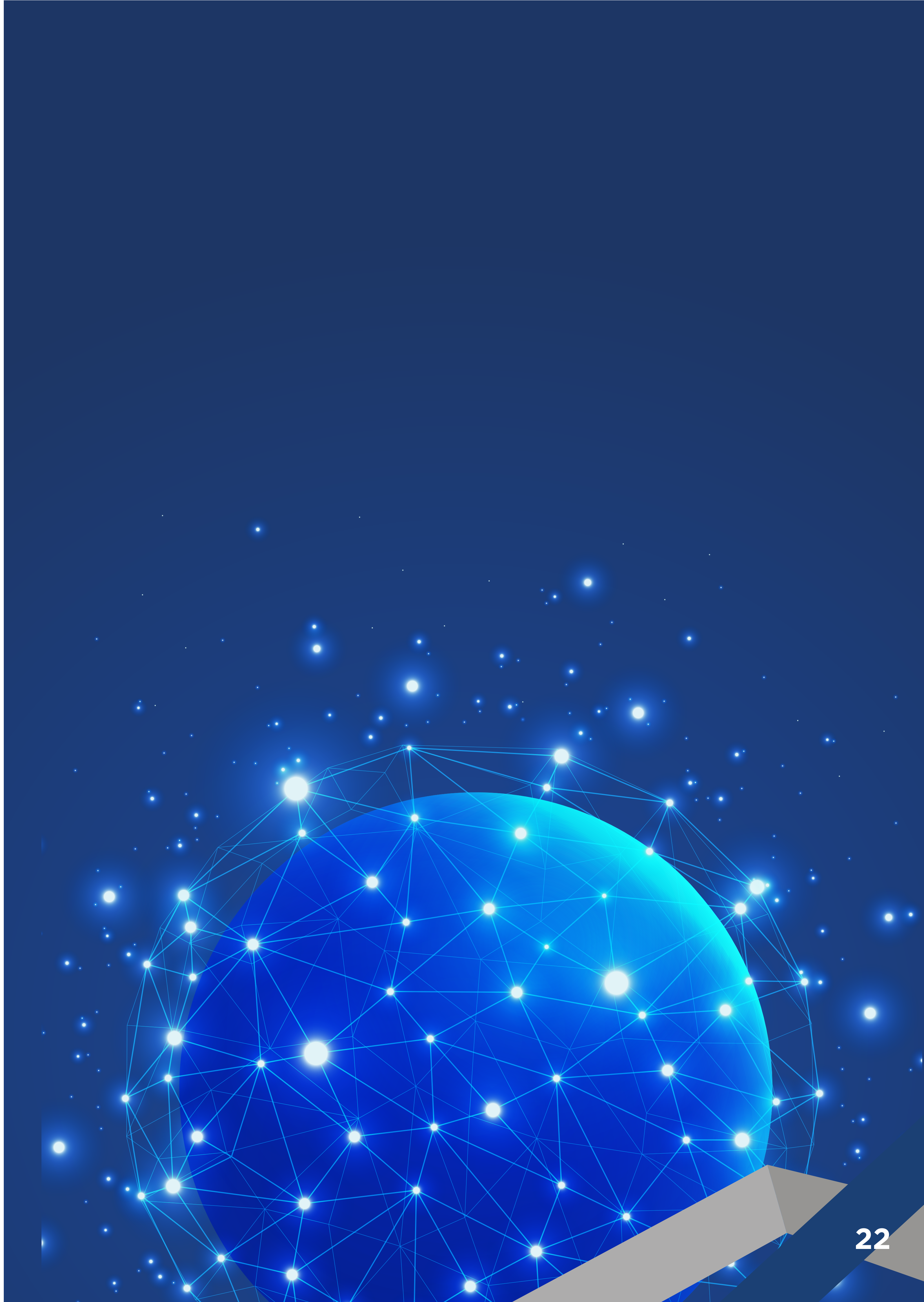
OTP BANK PLC
Budapest, Hungary

LANDESBANK BADEN-WUERTTEMBERG
Stuttgart, Germany

KT BANK AG,
Frankfurt, Germany

ARDSHINBANK CJSC
Yerevan, Armenia

JSC RAIFFEISENBANK
Moscow, Russia



ბანკის ოფისები
BANK OFFICES

თბილისი TBILISI

ცენტრალური სერვისცენტრი
Central Service Center

ი. ჭავჭავაძის გამზ., N39ა
39a I. Chavchavadze Ave

ვაკის სერვისცენტრი
Vake Service Center

ი. აბაშიძის ქ., N24
24 I. Abashidze Str.

საბურთალოს სერვისცენტრი
Saburtalo Service Center

პეკინის ქ., N14ბ
14b Pekini Str

მთაწმინდის სერვისცენტრი
Mtatsminda Service Center

ვ. ვეკუას ქ., N1
N1 V. Vekua Str

ისნის სერვისცენტრი
Isani Service Center

წმინდა ქეთევან დედოფლის გამზირი
59/ ლეხ კაჩინსკის 4, 0144
59/4 St.Queen Ketevan Ave./Lech Kaczynski Str, 0144

რეგიონები REGIONS

ბათუმის სერვისცენტრი
Batumi Service Centerr

ა. გრიბოედოვის ქ., N2
2 A. Griboedov Str

ბათუმის სერვისცენტრის შეკვეთილის განყოფილება
Batumi Service Center Shekvetili Section

Paragraph resort & spa Shekvetili
Autograph Collection Hotels

ქუთაისის სერვისცენტრი
Kutaisi Service Center

ზ. ფალიაშვილის ქ., N4
4 Z. Paliashvili Str

გორის სერვისცენტრი
Gori Service Center

სტალინის გამზ., N10
10 Stalini Ave.

თელავის სერვისცენტრი
Telavi Service Center

ი. ჭავჭავაძის მოედანი
I. Chavchavadze Sq

JSC Cartu Bank

Consolidated financial statements

Year ended 31 December 2022

Contents

Independent auditor's report

Selected explanatory notes to the Consolidated financial statements

Building a better working world

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

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

Independent auditor's report

To the Shareholders and the Supervisory Board of JSC Cartu Bank

Opinion

We have audited the consolidated financial statements of JSC Cartu Bank and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Other information included in the Group's 2022 Management Report

Other information consists of the information included in the Group's 2022 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 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.

Building a better working world

Responsibilities of management and the Supervisory Board for the consolidated financial statements

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

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

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

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

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

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

Building a better working world

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

We communicate with the Supervisory Board 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.

Ruslan Khoroshvili

On behalf of EY LLC

11 May 2023

Tbilisi, Georgia

Consolidated statement of financial position

As at 31 December 2022

(thousands of Georgian lari)

	Notes	*2022*	*2021*
Assets			
Cash and cash equivalents	5	454,584	82,904
Amounts due from credit institutions	6	236,949	195,855
Loans to customers	7	746,011	917,931
Investment securities	8	37,174	51,266
Property and equipment	9	12,717	12,934
Right of use assets	10	1,518	2,767
Intangible assets	11	5,447	3,913
Deferred income tax asset	15	7	9
Other assets	12	97,499	84,555
Total assets		**1,591,906**	**1,352,134**
Liabilities			
Amounts due to credit institutions		6	15
Amounts due to customers	13	1,104,659	877,321
Provisions	17	201	2,335
Current income tax liability		4,830	3,211
Deferred income tax liability	15	9,289	5,579
Lease liabilities	10	1,801	3,171
Other liabilities	12	8,489	10,636
Subordinated debt	14	81,550	96,981
Total liabilities		**1,210,825**	**999,249**
Equity			
Share capital	16	114,430	114,430
Additional paid–in capital	16	25,764	25,764
Retained earnings	16	239,831	211,766
Total equity attributable to shareholders of the Bank		**380,025**	**351,960**
Non–controlling interests		1,056	925
Total equity		**381,081**	**352,885**
Total equity and liabilities		**1,591,906**	**1,352,134**

Signed and authorized for release on behalf of the Board of Directors of the Bank on 11 May 2023:

Grigol Katsia General Director

Givi Lebanidze Chief Financial Officer

The accompanying selected explanatory notes on pages 5 to 51 are an integral part of these Consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2022

(thousands of Georgian lari)

	Notes	***2022***	***2021***
Assets			
Cash and cash equivalents	5	454,584	82,904
Amounts due from credit institutions	6	236,949	195,855
Loans to customers	7	746,011	917,931
Investment securities	8	37,174	51,266
Property and equipment	9	12,717	12,934
Right of use assets	10	1,518	2,767
Intangible assets	11	5,447	3,913
Deferred income tax asset	15	7	9
Other assets	12	97,499	84,555
Total assets		**1,591,906**	**1,352,134**
Liabilities			
Amounts due to credit institutions		6	15
Amounts due to customers	13	1,104,659	877,321
Provisions	18	201	2,335
Current income tax liability		4,830	3,211
Deferred income tax liability	15	9,289	5,579
Lease liabilities	10	1,801	3,171
Other liabilities	12	8,489	10,636
Subordinated debt	14	81,550	96,981
Total liabilities		**1,210,825**	**999,249**
Equity			
Share capital	16	114,430	114,430
Additional paid–in capital	16	25,764	25,764
Retained earnings	16	239,831	211,766
Total equity attributable to shareholders of the Bank		**380,025**	**351,960**
Non–controlling interests		1,056	925
Total equity		**381,081**	**352,885**
Total equity and liabilities		**1,591,906**	**1,352,134**

Signed and authorized for release on behalf of the Board of Directors of the Bank on 11 May 2023:

Grigol Katsia General Director

Givi Lebanidze Chief Financial Officer

The accompanying selected explanatory notes on pages 5 to 51 are an integral part of these Consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

(thousands of Georgian lari)

	Notes	*2022*	*2021*
Interest revenue calculated using effective interest rate			
Loans to customers		73,491	86,980
Investment securities		3,256	5,942
Amounts due from credit institutions		5,494	1,542
Other interest income		–	103
		82,241	**94,567**
Interest expense			
Amounts due to credit institutions		(54)	(14)
Amounts due to customers		(21,927)	(25,674)
Subordinated debt		(6,254)	(9,291)
Lease liabilities		(236)	(374)
		(28,471)	**(35,353)**
Net interest income		**53,770**	**59,214**
Credit loss recovery/(expense) on interest bearing assets	18	19,232	(378)
Net interest income after credit losses		**73,002**	**58,836**
Fee and commission income	19	15,058	7,129
Fee and commission expense	19	(12,516)	(5,335)
Net gains/(losses) from foreign currencies			
- *dealing*		8,122	5,676
- *translation differences*		(15,587)	(10,876)
Other income, net	20	11,944	13,165
- Of which net insurance revenue		4,149	3,395
- Of which net insurance claims		(1,697)	(1,491)
Non–interest income		**7,021**	**9,759**
Personnel expenses	21	(17,732)	(14,298)
Other operating expenses	21	(19,513)	(16,024)
Depreciation and amortisation	9,10,11	(4,287)	(4,415)
Other reversal of impairment/(Impairment and provisions)	18	4,066	(3,835)
Non–interest expenses		**(37,466)**	**(38,572)**
Profit before income tax		**42,557**	**30,023**
Income tax expense	15	(14,524)	(3,366)
Net profit for the period		**28,033**	**26,657**
Attributable to:			
shareholders of the Parent		27,902	26,539
non–controlling interests		131	118
		28,033	**26,657**
Other comprehensive income/(loss) that will be reclassified to the income statement	8	**163**	**(375)**
Total comprehensive income for the year		**28,196**	**26,282**

Consolidated statement of changes in equity

For the year ended 31 December 2022

(thousands of Georgian lari)

	Attributable to shareholders of the Group					
	Share capital	***Additional paid–in capital***	***Retained earnings***	***Total***	***Non–controlling interests***	***Total equity***
1 January 2021	**114,430**	**17,845**	**205,602**	**337,877**	**806**	**338,683**
Profit for the year	–	–	26,539	**26,539**	118	**26,657**
Other comprehensive income for the year (Note 8)	–	–	(375)	**(375)**	–	**(375)**
Total comprehensive income for the year	**–**	**–**	**26,164**	**26,164**	**118**	**26,282**
Dividends declared and disbursed (Note 16)	–	–	(20,000)	**(20,000)**	–	**(20,000)**
Additional paid–in capital (Note 14)	–	7,919	–	**7,919**	–	**7,919**
31 December 2021	**114,430**	**25,764**	**211,766**	**351,960**	**925**	**352,885**
Profit for the year	–	–	27,902	**27,902**	131	**28,033**
Other comprehensive income for the year (Note 8)	–	–	163	**163**	–	**163**
Total comprehensive income for the year	–	–	**28,065**	**28,065**	**131**	**28,196**
31 December 2022	**114,430**	**25,764**	**239,831**	**380,025**	**1,056**	**381,081**

The accompanying selected explanatory notes on pages 5 to 51 are an integral part of these Consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

(thousands of Georgian lari)

	Notes	*2022*	*2021*
Cash flows from operating activities:			
Profit before income tax		**42,557**	**30,023**
Adjustments for non–cash Items:			
(Recovery)/Provision for impairment losses on interest bearing assets	18	(19,232)	378
(Recovery)/Provision for impairment losses on non−interest bearing assets	18	(587)	274
(Recovery)/Provision on other operations	18	(768)	136
(Reversal)/Impairment of repossessed assets	18	(2,711)	3,425
Modification loss	7	1,631	424
Net gain on disposal of property and equipment	20	(11)	(13)
Net gain on disposal of repossessed assets	20	(6,289)	(10,167)
Gain on sale of Investment securities	20	(1,083)	−
Depreciation and amortization expense	9,10,11	4,287	4,415
Change in interest accruals, net		(126)	(533)
Gain on foreign exchange operations from translation differences		15,587	10,876
Cash inflow from operating activities before changes in operating assets and liabilities		**33,255**	**39,238**
Changes in operating assets and liabilities			
Amounts due from credit institutions		(73,177)	2,408
Loans to customers		113,136	84,323
Other assets		(33,983)	(45,026)
Amounts due to credit institutions		(8)	8
Amounts due to customers		361,969	(50,792)
Other liabilities		(2,149)	(5,513)
Cash inflow from operating activities before taxation		**399,043**	**24,646**
Income tax paid		(5,929)	–
Net cash inflow/(outflow) from operating activities		**393,114**	**24,646**
Cash flows from investing activities:			
Purchase of property and equipment	9	(1,577)	(2,593)
Purchase of intangible assets	11	(2,751)	(1,743)
Proceeds from sale of property and equipment	9	177	14
Proceeds from sale of repossessed assets	12	25,164	18,028
Proceeds from investments securities at amortised cost	8	21,510	10,060
Acquisition of investments securities at amortised cost	8	(8,000)	(60)
Proceeds from investments securities at FVOCI	8	2,000	6,054
Acquisition of investments securities at FVOCI	8	(7)	(6,054)
Net cash inflow from investing activities		**36,516**	**23,706**
Cash flows from financing activities:			
Payment of dividends	16	–	(20,000)
Repayment of subordinated debt	14	–	(86,631)
Payment of lease liabilities	10	(1,565)	(1,414)
Net cash outflow from financing activities		**(1,565)**	**(108,045)**
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(56,385)	4,196
Net increase/(decrease) in cash and cash equivalents		**371,680**	**(55,497)**
Cash and cash equivalents, beginning	5	82,904	138,401
Cash and cash equivalents, ending	5	**454,584**	**82,904**

Material non−cash transactions:

- In 2022 change in other assets includes repossession of collaterals in amount of GEL 36,469 (2021: GEL 20,488).
- In 2022 there is no change in subordinated debt balance except for foreign exchange movement (2021: change in subordinated debt balance includes GEL 7,919 recorded as increase of additional paid in capital).

The accompanying selected explanatory notes on pages 5 to 51 are an integral part of these Consolidated financial statements.

(thousands of Georgian lari)

1. Principal activities

Joint Stock Company Cartu Bank (the "Bank") was incorporated in Georgia in 1996. The Bank is regulated by the National Bank of Georgia (the "NBG") and conducts its business under general license number 229. The Bank's primary business consists of commercial activities, originating loans and guarantees, investing in securities, trading foreign currencies and taking deposits.

The registered office of the Bank is located on 39a Chavchavadze Avenue, Tbilisi, Georgia.

As at 31 December 2022 and 2021, the Bank had five service centres operating in Tbilisi, division in Shekvetili and service centres in Gori, Telavi, Kutaisi and Batumi.

The Bank is the parent company of the group (the "Group"), which consists of the following entities:

		Ownership interest (%)		
Name	***Country of operation***	***2022***	***2021***	***Type of operation***
Cartu Broker LLC	Georgia	100.00%	100.00%	Brokerage
Insurance Company Cartu JSC	Georgia	91.39%	91.39%	Insurance
Investment Company Cartu Invest LLC	Georgia	100.00%	100.00%	Dormant
Geoplast LLC	Georgia	100.00%	100.00%	Dormant

As at 31 December 2022 and 2021 International Charity Foundation Cartu (the "Parent" or the "Shareholder") owned 100% of the Group's shares. The Group is ultimately controlled by Uta Ivanishvili, the son of Bidzina Ivanishvili.

These consolidated financial statements have not yet been approved by the Parent on the general meeting of shareholders of the Group. The shareholders have the power and authority to amend the financial statements after the issuance.

2. Basis of preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

These consolidated financial statements are presented in Georgian lari ("GEL"), all values are rounded to the nearest thousand GEL, except when otherwise indicated.

The Group has prepared its consolidated financial statements on the basis that it will continue to operate as a going concern.

(thousands of Georgian lari)

3. Summary of accounting policies

Changes in accounting policies

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

The following amendments to standards were applied for the first time in the 2022 year, resulting in consequential changes to the accounting policies and other note disclosures:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First−time Adoption of International Financial Reporting Standards – Subsidiary as a first−time adopter
- IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

The amendments effective since 1 January 2022 do not have an impact on consolidated financial statements of the Bank.

Basis of consolidation

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. 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;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra–group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non–controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non–controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss

Fair value measurement

Fair values of financial instruments measured at amortised cost are disclosed in Note 23.

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

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

(thousands of Georgian lari)

3. Summary of accounting policies (continued)

Fair value measurement (continued)

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are 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 consolidated financial statements are categorized 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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re−assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of 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:

- Amortised cost;
- FVOCI;
- FVPL.

The Group classifies and measures its derivative portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers, investments securities at amortised cost

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

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

(thousands of Georgian lari)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

The details of these conditions are outlined below:

Business model assessment

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 Group's business model is not assessed on an instrument−by−instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- 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);
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the 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.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Group measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

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

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments 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.

(thousands of Georgian lari)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Letters of credit and undrawn loan commitments

The Group issues letters of credit and loan commitments. Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre−specified terms to the customer. These contracts are in the scope of the ECL requirements.

Guarantees

The Group enters into guarantee contracts whereby it's required to compensate to the holder in case another party fails to meet its contractual obligations. Guarantees are initially recognized in consolidated 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 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 recognized in the consolidated income statement as part of other expected credit loss and provision for performance guarantees.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets in 2022.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral or begin enforcement procedures. This may involve extending the payment arrangements and the agreement of new loan conditions.

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, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit−impaired (POCI). When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, presented within interest revenue calculated using EIR in the statement of profit or loss, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Group also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit−impaired.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the National Bank of Georgia, excluding mandatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

(thousands of Georgian lari)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Write−off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write−off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or 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 profit or loss.

Mandatory reserve deposit with the NBG

Mandatory reserve deposits with the NBG are carried at amortised cost and represent interest bearing mandatory reserve deposits which are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Mandatory reserve is included in amounts due from credit institutions.

Offsetting of financial instruments

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

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

Taxation

The current income tax expense is calculated in accordance with the regulations of Georgia.

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

(thousands of Georgian lari)

3. Summary of accounting policies (continued)

Taxation (continued)

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (applicable to undistributed profits)and tax laws, that have been enacted or substantively enacted by the end of the reporting period.

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

Leases

i. Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short−term leases and leases of low−value assets. The Group recognises lease liabilities to make lease payments and right−of−use assets representing the right to use the underlying assets.

Right−of−use assets

The Group recognises right−of−use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right−of−use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right−of−use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right−of−use assets are depreciated on a straight−line basis over the shorter of its estimated useful life and the lease term. Right−of−use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in−substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in−substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short−term leases and leases of low−value assets

The Group applies the short−term lease recognition exemption to its short−term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low−value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short−term leases and leases of low−value assets are recognised as expense on a straight−line basis over the lease term.

ii. Operating − Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight−line basis over the lease terms and is included in other income, in the consolidated statement of profit or loss due to its operating nature, that is disclosed in Note 20.

(thousands of Georgian lari)

3. Summary of accounting policies (continued)

Property and equipment

Property and equipment are carried at cost, excluding the costs of day−to−day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

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

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight−line basis using the following annual depreciation rates:

Buildings and other real estate	2−3%
Furniture and office fixtures	10−20%
Computers and office equipment	10−33%
Other	5−20%

The asset’s residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year−end.

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

Intangible assets

Intangible assets include computer software and licenses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic lives of 5−10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year−end.

Repossessed Assets

Repossessed assets are initially recognized at cost (net book value of the derecognized loan) and subsequently measured at the lower of carrying amount and fair value less costs to sell.

Provisions

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

Contingencies

Contingent liabilities are not recognised in the 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 statement of financial position but disclosed when an inflow of economic benefits is probable.

Share capital

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

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. 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.

(thousands of Georgian lari)

3. Summary of accounting policies (continued)

Recognition of income and expenses

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 is recognised:

Interest and similar income and expense

The Group calculates interest revenue on debt financial assets measured at amortized cost by applying the effective interest rate (EIR) to the gross carrying amount of financial assets other than credit−impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit−impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit−impaired, the Group reverts to calculating interest revenue on a gross basis.

Fee and commission income

The Group earns fee and commission income from several types of services it provides to its customers. Fee income can be divided into the following categories:

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

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income on guarantees and letters of credit. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income earned at a point in time

Fees arising from settlement and cash operations are recognized upon completion of the underlying transactions. Each cash operation and settlement operation is treated as a consolidated performance obligation.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party − such as where the Group's performance obligation is the arrangement of the acquisition of shares or other securities − are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Foreign currency translation

These consolidated financial statements are presented in thousands of Georgian lari ("GEL"), which is the Group's functional and presentation 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 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 statement of profit or loss 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.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBG exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official GEL exchange rates at 31 December 2022 and 2021 were 2.7020 GEL and 3.0976 GEL to 1 USD, respectively, 2.8844 GEL and 3.5040 GEL to 1 EUR, respectively.

(thousands of Georgian lari)

3. Summary of accounting policies (continued)

Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non−life, direct insurance and re−insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it
- Apply other applicable standards (such as IFRS 9, IFRS 15 Revenue from Contracts with Customers or IAS 37 Provisions, Contingent Liabilities and Contingent Assets) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non−current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non−current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

(thousands of Georgian lari)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Definition of Accounting Estimates − Amendments to IAS 8

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

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

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

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non−mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Group’s accounting policies, management has used its judgments and made estimates in determining the amounts recognized in consolidated financial statements. The most significant use of judgments and estimates are as follows:

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires, judgement, in particular the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group’s model which assigns PDs to the individual grades;
- The Group’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of relationship between borrowers’ financials and, macroeconomic inputs, such as GDP growth rate, foreign exchange rates and inflation rate, and the effect on PDs, EADs and LGDs;
- Selection of forward−looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models,
- Assessing values of collaterals, including the assessment of timing of cash inflows from collaterals.

(thousands of Georgian lari)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

The Group calculates impairment losses on cash and cash equivalents, amounts due from credit Institutions, loans to customers, Investment Securities, and other financial assets, which are disclosed in Notes 5, 6, 7, 8, 12, respectively.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded or disclosed in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 23.

Valuation of repossessed assets

The valuation of repossessed assets is carried out on regular basis by an independent firm of valuators which holds a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The values of most of the assets have been estimated using the market approach. Additional details are provided in Note 12.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2022	***2021***
Cash on hand	27,978	26,988
Current accounts with the NBG	97,042	13,498
Current accounts with other credit institutions	264,955	32,706
Time deposits with credit institutions up to 90 days	64,634	9,721
Less: allowance for impairment	(25)	(9)
Cash and cash equivalents	**454,584**	**82,904**

As at 31 December 2022, current accounts and time deposit accounts with credit institutions denominated in USD, GEL and EUR represent 68%, 20% and 12% of total current and time deposit accounts respectively (31 December 2021: USD 69%, GEL 25%, EUR 5%).

As at 31 December 2022, 77% out of the current accounts with credit institutions is held in 2 banks.
All balances of cash equivalents are held at amortized cost and are allocated to Stage 1.

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2022	***2021***
Mandatory reserve with the NBG	233,292	189,170
Time deposits for more than 90 days	3,709	6,730
Less: allowance for impairment	(52)	(45)
Amounts due from credit institutions	**236,949**	**195,855**

In 2022 the credit institutions are required to maintain a mandatory interest earning cash deposit with the NBG at the level of 5% and 25% (2021: 5% and 25%) of the average of funds attracted from customers and non−resident financial institutions for the appropriate two−week period in GEL and foreign currencies, respectively.

(thousands of Georgian lari)

6. Amounts due from credit institutions (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to amounts due from credit institutions (excluding mandatory reserves with the NBG) during the year ended 31 December 2022 is as follows:

	Gross carrying value	*ECL*
As at 1 January 2022	**6,730**	**1**
New assets originated	–	–
Assets repaid	(2,481)	(1)
Foreign exchange and other movements	(540)	1
At 31 December 2022	**3,709**	**1**

An analysis of changes in the gross carrying value and corresponding ECL in relation to amounts due from credit institutions during the year ended 31 December 2021 is as follows:

	Gross carrying value	*ECL*
As at 1 January 2021	**7,807**	**2**
New assets originated	1,937	1
Assets repaid	(2,719)	(2)
Foreign exchange and other movements	(295)	–
At 31 December 2021	**6,730**	**1**

All balances of amounts due from credit institutions are held at amortized cost and are allocated to Stage 1.

7. Loans to customers

Loans to customers comprise:

	2022	*2021*
Corporate loans	794,227	1,033,582
Loans to individuals	21,531	28,972
Gross loans to customers at amortized cost	**815,758**	**1,062,554**
Less: allowance for impairment	(69,747)	(144,623)
Loans to customers at amortized cost	**746,011**	**917,931**

An analysis of changes in the gross carrying value in relation to corporate lending during the year ended 31 December 2022 is as follows:

Corporate loans at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2022	**596,729**	**41,193**	**359,937**	**35,723**	**1,033,582**
Resegmentation*	1,466	–	–	–	**1,466**
New assets originated or purchased	281,267	–	–	–	**281,267**
Assets repaid or derecognised	(273,607)	(31,130)	(81,975)	(3,398)	**(390,110)**
Transfers to Stage 1	30,137	(22,874)	(7,263)	–	–
Transfers to Stage 2	(33,829)	68,598	(34,769)	–	–
Transfers to Stage 3	(13,011)	(9,643)	22,654	–	–
Unwinding of discount	–	–	2,054	–	**2,054**
Changes to contractual cash flows due to modifications not resulting in derecognition	(1,289)	129	(465)	–	**(1,625)**
Recoveries	–	–	2,655	–	**2,655**
Amounts written off	–	–	(60,146)	–	**(60,146)**
Foreign exchange and other movements	(27,058)	(5,063)	(38,360)	(4,435)	**(74,916)**
At 31 December 2022	**560,805**	**41,210**	**164,322**	**27,890**	**794,227**

*During 2022 the Group revisited segmentation of a single loan to individual. The loan was recognized as loan to individual in the previous year, but as the borrower is a founder of a Company that has corporate loans from the Group and the debt was disbursed for business purposes. It was reclassified to corporate loans category.

(thousands of Georgian lari)

7. Loans to customers (continued)

Corporate loans at amortized cost, allowance for ECL	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2022	**14,093**	**365**	**109,607**	**19,072**	**143,137**
Resegmentation	26			–	**26**
New assets originated or purchased	2,777			–	**2,777**
Assets repaid or derecognised	(2,674)	(301)	(13,551)	(300)	**(16,826)**
Transfers to Stage 1	1,760	(203)	(1,557)	–	–
Transfers to Stage 2	(1,169)	4,332	(3,163)	–	–
Transfers to Stage 3	(2,027)	(1,036)	3,063	–	–
Impact on period end ECL of exposures transferred between stages during the period	(2)	(1,048)	1,696	–	**646**
Unwinding of discount	–	–	2,054	–	**2,054**
Changes due to modifications not resulting in derecognition	(1,134)	25	(426)	–	**(1,535)**
Recoveries	–	–	2,655	–	**2,655**
Amounts written off	–	–	(60,146)	–	**(60,146)**
Foreign exchange and other movements	(3,966)	(896)	3,839	(2,740)	**(3,763)**
At 31 December 2022	**7,684**	**1,238**	**44,071**	**16,032**	**69,025**

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to individuals during the year ended 31 December 2022 is as follows:

Loans to individuals at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	**20,324**	**1,983**	**6,665**	**28,972**
Resegmentation	(1,466)	–	–	**(1,466)**
New assets originated	10,165	–	–	**10,165**
Assets repaid or derecognised	(11,514)	(324)	(1,346)	**(13,184)**
Transfers to Stage 1	1,524	(1,524)	–	–
Transfers to Stage 2	(443)	1,789	(1,346)	–
Transfers to Stage 3	(63)	(79)	142	–
Unwinding of discount	–	–	58	**58**
Changes to contractual cash flows due to modifications not resulting in derecognition	(6)	–	–	**(6)**
Recoveries	–	–	62	**62**
Amounts written off	–	–	(579)	**(579)**
Foreign exchange and other movements	(1,581)	(264)	(646)	**(2,491)**
At 31 December 2022	**16,940**	**1,581**	**3,010**	**21,531**

Loans to individuals at amortized cost, allowance for ECL	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**166**	**47**	**1,273**	**1,486**
Resegmentation	(26)	–	–	**(26)**
New assets originated	74	–	–	**74**
Assets repaid or derecognised	(93)	(8)	(56)	**(157)**
Transfers to Stage 1	8	(8)	–	–
Transfers to Stage 2	(7)	61	(54)	–
Transfers to Stage 3	–	(1)	1	–
Impact on period end ECL of exposures transferred between stages during the period	(6)	–	3	**(3)**
Unwinding of discount	–	–	58	**58**
Changes due to modifications not resulting in derecognition	2	–	(8)	**(6)**
Recoveries	–	–	62	**62**
Amounts written off	–	–	(579)	**(579)**
Foreign exchange and other movements	(58)	(53)	(76)	**(187)**
At 31 December 2022	**60**	**38**	**624**	**722**

(thousands of Georgian lari)

7. Loans to customers (continued)

An analysis of changes in the gross carrying value in relation to corporate lending during the year ended 31 December 2021 is as follows:

Corporate loans at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2021	**651,975**	**50,595**	**379,369**	**77,021**	**1,158,960**
New assets originated or purchased	421,322	731	48,287	102	**470,442**
Assets repaid or derecognised	(406,018)	(13,865)	(78,057)	(35,332)	**(533,272)**
Transfers to Stage 1	13,682	(7,901)	(5,781)	–	–
Transfers to Stage 2	(21,157)	43,905	(22,748)	–	–
Transfers to Stage 3	(43,931)	(29,031)	72,962	–	–
Unwinding of discount	–	–	3,410	–	**3,410**
Changes to contractual cash flows due to modifications not resulting in derecognition	(138)	(666)	380	–	**(424)**
Recoveries	–	–	812	–	**812**
Amounts written off	–	–	(17,694)	–	**(17,694)**
Foreign exchange and other movements	(19,006)	(2,575)	(21,003)	(6,068)	**(48,652)**
At 31 December 2021	**596,729**	**41,193**	**359,937**	**35,723**	**1,033,582**

Corporate loans at amortized cost, allowance for ECL	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL as at 1 January 2021	**9,774**	**239**	**112,586**	**33,805**	**156,404**
New assets originated or purchased	6,760	18	10,797	33	**17,608**
Assets repaid or derecognised	(4,616)	(228)	(8,749)	(11,101)	**(24,694)**
Transfers to Stage 1	34	(19)	(15)	–	–
Transfers to Stage 2	(544)	872	(328)	–	–
Transfers to Stage 3	(372)	(780)	1,152	–	–
Impact on period end ECL of exposures transferred between stages during the period	(15)	1,026	11,426	–	**12,437**
Unwinding of discount	–	–	3,410	–	**3,410**
Changes due to modifications not resulting in derecognition	(447)	(23)	38	–	**(432)**
Recoveries	–	–	812	–	**812**
Amounts written off	–	–	(17,694)	–	**(17,694)**
Foreign exchange and other movements	3,519	(740)	(3,828)	(3,665)	**(4,714)**
At 31 December 2021	**14,093**	**365**	**109,607**	**19,072**	**143,137**

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to individuals during the year ended 31 December 2021 is as follows:

Loans to individuals at amortized cost, gross	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**20,579**	**3,030**	**7,722**	**31,331**
New assets originated	21,577	57	667	**22,301**
Assets repaid or derecognised	(20,263)	(702)	(2,184)	**(23,149)**
Transfers to Stage 1	523	(523)	–	–
Transfers to Stage 2	(1,415)	1,652	(237)	–
Transfers to Stage 3	(142)	(1,289)	1,431	–
Unwinding of discount	–	–	93	**93**
Recoveries	–	–	7	**7**
Amounts written off	–	–	(435)	**(435)**
Foreign exchange and other movements	(535)	(242)	(399)	**(1,176)**
At 31 December 2021	**20,324**	**1,983**	**6,665**	**28,972**

(thousands of Georgian lari)

7. Loans to customers (continued)

Loans to individuals at amortized cost, allowance for ECL	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**101**	**82**	**1,864**	**2,047**
New assets originated	154	5	127	**286**
Assets repaid or derecognised	(116)	(21)	(250)	**(387)**
Transfers to Stage 1	6	(6)	–	–
Transfers to Stage 2	(22)	33	(11)	–
Transfers to Stage 3	(2)	(56)	58	–
Impact on period end ECL of exposures transferred between stages during the period	(5)	40	59	**94**
Unwinding of discount	–	–	93	**93**
Changes due to modifications not resulting in derecognition	1	(1)	(43)	**(43)**
Recoveries	–	–	7	**7**
Amounts written off	–	–	(435)	**(435)**
Foreign exchange and other movements	49	(29)	(196)	**(176)**
At 31 December 2021	**166**	**47**	**1,273**	**1,486**

Modified and restructured loans

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. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes Stage 2 and 3 assets that were modified during the period, with the related modification loss incurred by the Bank.

	2022	*2021*
Loans modified during the period		
Amortised cost before modification	42,036	161,075
Net modification loss	(336)	(424)
Loans modified since initial recognition		
Gross carrying amount at 31 December of loans for which loss allowance has changed to 12−month measurement during the period	23,558	11,780
Corresponding ECL	2,045	656

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 types of collateral normally obtained are charges over real estate properties, also cash covers and guarantees, provided by borrowers or third parties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

(thousands of Georgian lari)

7. Loans to customers (continued)

Collateral and other credit enhancements (continued)

The following table provides the analysis of the loan portfolio by collateral types. For loans where various type of collateral is pledged, the most significant one is taken as a major type of collateral for the purpose of this allocation:

Type of collateral	***Gross carrying amount at 31 December 2022***	***ECL as at 31 December 2022***	***Net carrying amount as at 31 December 2022***
Loans collateralized by pledge of real estate	598,055	(37,927)	560,128
Loans collateralized by pledge of cash	47,166	–	47,166
Loans collateralized by pledge of equipment	65,328	(10,972)	54,356
Loans collateralized by pledge of Inventory	19,497	(841)	18,656
Other collateral	2,576	(1,988)	588
Unsecured loans	83,136	(18,019)	65,117
Total	**815,758**	**(69,747)**	**746,011**

Type of collateral	***Gross carrying amount at 31 December 2021***	***ECL as at 31 December 2021***	***Net carrying amount as at 31 December 2021***
Loans collateralized by pledge of real estate	789,752	(90,873)	698,879
Loans collateralized by pledge of cash	39,458	–	39,458
Loans collateralized by pledge of equipment	94,148	(18,442)	75,706
Loans collateralized by pledge of Inventory	11,535	(1,429)	10,106
Other collateral	2,401	(1,760)	641
Unsecured loans	125,260	(32,119)	93,141
Total	**1,062,554**	**(144,623)**	**917,931**

According to Group's ECL methodology all stage 3 and POCI loans have 100% probability of default, thus the ECL calculation is solely based on collateral value. Without the collateral, all stage 3 and POCI loans would be impaired by 100%, which would translate to GEL 134,495 additional ECL as at 31 December 2022 (31 December 2021: GEL 272,373).

Management estimates that the fair value of collateral at the inception of the loans is at least equal to the carrying amounts of corresponding secured loans.

Concentration of loans to customers

As at 31 December 2022, the Group had a concentration of loans due from 6 major groups of borrowers in the total exposure of GEL 290,714 that represented 35.71% of the total gross loan portfolio (31 December 2021: GEL 316,418 with 29.8% of the gross loan portfolio). An allowance of GEL 23,419 (31 December 2021: an allowance of GEL 25,079) was recognised against these loans.

Loans are made within Georgia in the following industry sectors:

	2022	***2021***
Trade and services	270,959	421,132
Manufacturing	241,889	293,883
Construction	194,836	224,379
Agriculture	44,228	48,560
Individuals	21,531	28,972
Transport and communication	2,804	2,590
Energy	175	197
Other	39,336	42,841
	815,758	**1,062,554**

(thousands of Georgian lari)

8. Investment securities

Investment securities comprise:

	2022	*2021*
Debt securities at amortised cost		
Treasury notes of the Ministry of Finance of Georgia	21,943	23,599
Debt securities of non−financial corporations	8,073	19,001
	30,016	**42,600**
Less: allowance for impairment	(95)	(432)
Debt securities at amortised cost	**29,921**	**42,168**

Equity securities at FVOCI	*% of ownership*	*2022*	*2021*
Investment in OJSC United Clearing Center	6.25%	54	54
Investment in JSC GSCD	0.27%	3	3
Investment in JSC United finance corporation	0.47%	111	104
Equity securities at FVOCI		**168**	**161**

Debt securities at FVOCI	*2022*	*2021*
Treasury notes of the Ministry of Finance	7,085	8,937
Debt securities at FVOCI	**7,085**	**8,937**

An analysis of changes in the gross carrying value and associated ECL in relation to debt securities at amortized cost is as follows:

	Treasury bills of the Ministry of Finance of Georgia	*Treasury notes of the Ministry of Finance of Georgia*	*Debt securities of non−financial corporations*	*Total*
Gross carrying value as at 1 January 2022	**–**	**23,599**	**19,001**	**42,600**
New assets originated	–	–	8,000	**8,000**
Assets repaid	–	(1,614)	(3,000)	**(4,614)**
Assets sold	–	–	(15,259)	**(15,259)**
Foreign exchange and other movements	–	(42)	(669)	**(711)**
At 31 December 2022	**–**	**21,943**	**8,073**	**30,016**

	Treasury bills of the Ministry of Finance of Georgia	*Treasury notes of the Ministry of Finance of Georgia*	*Debt securities of non−financial corporations*	*Total*
ECL as at 1 January 2022	**1**	**61**	**370**	**432**
New assets originated	–	–	37	**37**
Assets repaid	–	(1)	(370)	**(371)**
Foreign exchange and other movements	(1)	(2)	–	**(3)**
At 31 December 2022	**–**	**58**	**37**	**95**

(thousands of Georgian lari)

8. Investment securities (continued)

	Treasury bills of the Ministry of Finance of Georgia	*Certificates of deposit of the National Bank of Georgia*	*Treasury notes of the Ministry of Finance of Georgia*	*Debt securities of non−financial corporations*	*Total*
Gross carrying value as at 1 January 2021	**7,864**	**–**	**25,667**	**19,912**	**53,443**
New assets originated	–	60	–	–	**60**
Assets repaid	(8,000)	(60)	(2,000)	–	**(10,060)**
Foreign exchange and other movements	136	–	(68)	(911)	**(843)**
At 31 December 2021	**–**	**–**	**23,599**	**19,001**	**42,600**

	Treasury bills of the Ministry of Finance of Georgia	*Certificates of deposit of the National Bank of Georgia*	*Treasury notes of the Ministry of Finance of Georgia*	*Debt securities of non−financial corporations*	*Total*
ECL as at 1 January 2021	**5**	**–**	**69**	**400**	**474**
New assets originated	–	–	–	–	**–**
Assets repaid	(1)	–	(1)	–	**(2)**
Foreign exchange and other movements	(3)	–	(7)	(30)	**(40)**
At 31 December 2021	**1**	**–**	**61**	**370**	**432**

All balances of investment securities that are held at amortized cost are allocated to Stage 1.

Changes in carrying value of debt securities at fair value through other comprehensive income consists of selling securities amounted GEL 2,000 and increase in fair value amounted to GEL 163. Gain on sale on debt securities of non−financial corporations was GEL 1,083 during 2022 (2021: nil).

(thousands of Georgian lari)

9. Property and equipment

The movements in property and equipment were as follows:

	Buildings and other real estate	*Furniture and fixtures*	*Computers and equipment*	*Leasehold improvements and other*	*Construction in progress*	*Total*
Cost						
1 January 2021	**9,910**	**6,476**	**7,140**	**1,664**	**50**	**25,240**
Additions	−	129	1,640	−	823	**2,592**
Reclassifications	(5)	(96)	262	(156)	(5)	−
Disposals and write−offs	−	(87)	(83)	(45)	−	**(215)**
31 December 2021	**9,905**	**6,422**	**8,959**	**1,463**	**868**	**27,617**
Additions	−	174	936	389	78	**1,577**
Disposals and write−offs	−	(334)	(146)	(16)	(222)	**(718)**
31 December 2022	**9,905**	**6,262**	**9,749**	**1,836**	**724**	**28,476**
Accumulated depreciation						
1 January 2021	**2,259**	**5,154**	**5,608**	**280**	−	**13,301**
Depreciation charge	253	337	836	171	−	**1,597**
Reclassifications	(62)	(427)	78	411	−	−
Disposals and write−offs	−	(87)	(85)	(43)	−	**(215)**
31 December 2021	**2,450**	**4,977**	**6,437**	**819**	**−**	**14,683**
Depreciation charge	252	308	900	168	−	**1,628**
Disposals and write−offs	−	(334)	(198)	(20)	−	**(552)**
31 December 2022	**2,702**	**4,951**	**7,139**	**967**	**−**	**15,759**
Net book value						
1 January 2021	**7,651**	**1,322**	**1,532**	**1,384**	**50**	**11,939**
31 December 2021	**7,455**	**1,445**	**2,522**	**644**	**868**	**12,934**
31 December 2022	**7,203**	**1,311**	**2,610**	**869**	**724**	**12,717**

As at 31 December 2022 fully depreciated items amounted GEL 9,724 (31 December 2021: GEL 6,433).

10. Leases

The movement in right−of−use assets and lease liabilities were as follows:

	Right of use assets − Buildings	*Lease liabilities*
As at 1 January 2022	**2,767**	**3,171**
Additions	195	195
Depreciation expense	(1,444)	−
Interest expense	−	236
Payments	−	(1,801)
As at 31 December 2022	**1,518**	**1,801**

The Group recognized rent expense of GEL 233 from short−term and low value operating leases for the period ended 31 December 2022 (2021: GEL 252). Total lease payment for the reporting period is GEL 2,034 (2021: GEL 2,038).

(thousands of Georgian lari)

10. Leases (continued)

	Right of use assets − Buildings	*Lease liabilities*
As at 1 January 2021	**4,184**	**4,575**
Additions	10	10
Depreciation expense	(1,427)	−
Interest expense	−	372
Payments	−	(1,786)
As at 31 December 2021	**2,767**	**3,171**

11. Intangible assets

The movements in intangible assets were as follows:

	Licenses	*Computer software*	*Total*
Cost			
1 January 2021	**6,885**	**2,236**	**9,121**
Additions	1,511	232	**1,743**
Reclassification	(256)	256	−
Disposals and write offs	(387)	(19)	**(406)**
31 December 2021	**7,753**	**2,705**	**10,458**
Additions	2,460	291	**2,751**
Disposals and write offs	(3,578)	(49)	**(3,627)**
31 December 2022	**6,635**	**2,947**	**9,582**
Accumulated amortization			
1 January 2021	**4,050**	**1,510**	**5,560**
Amortisation charge	1,234	157	**1,391**
Reclassification	(204)	204	−
Disposals and write offs	(387)	(19)	**(406)**
31 December 2021	**4,693**	**1,852**	**6,545**
Amortisation charge	1,070	145	**1,215**
Disposals and write offs	(3,578)	(47)	**(3,625)**
31 December 2022	**2,185**	**1,950**	**4,135**
Net book value			
1 January 2021	**2,835**	**726**	**3,561**
31 December 2021	**3,060**	**853**	**3,913**
31 December 2022	**4,450**	**997**	**5,447**

(thousands of Georgian lari)

12. Other assets and liabilities

Other assets comprise:

	2022	*2021*
Other non–financial assets		
Repossessed assets	91,640	69,807
Prepaid taxes other than income tax	575	3,825
Advances paid	2,389	1,695
Inventory	92	95
Other	110	117
	94,806	**75,539**
Other financial assets		
Accounts receivable	1,754	2,473
Claims for guarantees paid	–	1,624
Less: allowance for impairment of other assets	(775)	(2,033)
	979	**2,064**
Insurance assets		
Reinsurance receivable	540	5,920
Insurance premium receivable	1,174	1,032
	1,714	**6,952**
Total other assets	**97,499**	**84,555**

An analysis of changes in the ECLs for stage 3 other financial assets for the year ended 31 December 2022 and 2021 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Allowance for impairment of other assets*
ECL at 1 January 2021	**–**	**–**	**2,720**	**2,720**
ECL charge	–	–	274	274
Write−offs	–	–	(961)	(961)
At 31 December 2021			**2,033**	**2,033**
ECL charge	110	–	(158)	(48)
Payments	(70)	–	(469)	(539)
Write−offs	–	–	(671)	(671)
At 31 December 2022	**40**	**–**	**735**	**775**

An analysis of changes in the carrying value of repossessed assets for the year ended 31 December 2022 and 2021:

	2022	*2021*
Carrying value at the beginning of the year	**69,807**	**61,015**
Repossession	36,469	20,488
Assets sold	(18,875)	(7,861)
Improvements	2,893	–
Reversal/(Impairment)	1,346	(3,835)
Carrying value at the end of the year	**91,640**	**69,807**

Repossessed assets as at 31 December 2022 include land and buildings in amount of GEL 86,147 (31 December 2021: GEL 65,801) and movable properties in amounts of GEL 5,492 (31 December 2021: GEL 4,006), which are measured at the lower of its carrying amount and fair value less cost to sell. Repossessed assets amounted to GEL 25,382 is carried at fair value less cost to sell as at 31 December 2022 (31 December 2021: GEL 24,578). Gain on sale of repossessed assets during 2022 was GEL 6,289 (2021: GEL 10,167) (Note 20).

(thousands of Georgian lari)

12. Other assets and liabilities (continued)

Other liabilities comprise:

	2022	*2021*
Other financial liabilities		
Accounts payable	1,967	2,415
Derivative financial liabilities	–	111
	1,967	**2,526**
Other non–financial liabilities		
Taxes other than income tax	3,793	369
Other	354	195
	4,147	**564**
Insurance liabilities		
Payables for reinsurance liabilities	670	607
Liabilities from insurance contracts	1,705	6,939
	2,375	**7,546**
Total other liabilities	**8,489**	**10,636**

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, 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. As of 31 December 2022, the Group did not hold derivative financial instruments.

	2021			
	Notional amount		*Fair values*	
	Asset	*Liability*	*Asset*	*Liability*
Foreign exchange contracts				
Forwards and swaps − foreign	29,912	30,022	–	111
Total derivative assets/liabilities	**29,912**	**30,022**	–	**111**

13. Amounts due to customers

The amounts due to customers include the following:

	2022	*2021*
Current and demand accounts	493,201	375,665
Time deposits (including certificates of deposit)	611,458	501,656
Amounts due to customers	**1,104,659**	**877,321**

As at 31 December 2022, amounts due to customers included balances with ten largest customers of GEL 459,497 that constituted 41.6% of the total of customer accounts (31 December 2021: GEL 416,106 that constituted 47.4% of the total of customer accounts).

An analysis of customer accounts by economic sector follows:

	2022	*2021*
Trade and service	457,340	394,827
Individuals	460,154	314,505
Government Services	59,827	79,964
Construction	28,316	24,053
Manufacturing	4,786	2,785
Transport and communication	4,288	115
Agriculture	943	1,835
Other	89,005	59,237
Amounts due to customers	**1,104,659**	**877,321**

As at 31 December 2022 deposits by customers included balances classified in Trade and service and individual sectors amounting to GEL 185,504 (31 December 2021: GEL 213,011), that were frozen on the basis of a court decision dated as of 11 September 2015.

(thousands of Georgian lari)

14. Subordinated debt

All Subordinated loans are obtained from related parties and consisted of the following:

Facility provider	*Commencement date*	*Maturity date*	*Interest rate*	*Currency*	*Original contractual value in GEL*	*Carrying value as at 31 December 2022*
Fin Service XXI	31−Mar−11	31−Mar−28	5.50%	USD	8,530	13,510
Fin Service XXI	9−Oct−20	Perpetual	5.50%	USD	32,233	11,094
Fin Service XXI	19−Apr−21	Perpetual	5.50%	USD	34,363	19,101
Cartu Group	24−Jun−19	Perpetual	5.50%	USD	19,459	18,931
Inter Consulting Plus	17−Oct−05	17−Oct−27	5.50%	USD	12,642	18,914
						81,550

Facility provider	*Commencement date*	*Maturity date*	*Interest rate*	*Currency*	*Original contractual value in GEL*	*Carrying value as at 31 December 2021*
Fin Service XXI	31−Mar−11	31−Mar−28	5.50%	USD	8,530	15,488
Fin Service XXI	9−Oct−20	Perpetual	5.50%	USD	32,233	15,050
Fin Service XXI	19−Apr−21	Perpetual	5.50%	USD	34,363	23,057
Cartu Group	24−Jun−19	Perpetual	5.50%	USD	19,459	21,703
Inter Consulting Plus	17−Oct−05	17−Oct−27	5.50%	USD	12,642	21,683
						96,981

In the event of bankruptcy or liquidation of the Group, repayment of these debts is subordinate to the repayments of the Group's liabilities to all other creditors.

All subordinated debts are convertible to common equity. If the coefficient of common Tier 1 capital (CET1) falls below the trigger level, which is the greater of the regulatory requirement of CET1 and 5.125% of CET1, perpetual subordinated debts are converted into common equity. For long−term subordinated debts, the Group holds the option to convert the debt into common shares at their nominal value. However, the Group also retains the right to fully repay the subordinated debt instead of opting for the conversion into common equity

On 19 April 2021 the Group amended subordinated loan agreements with Fin Service XXI and Inter Consulting Plus. The loan agreement in the amount of USD 30,000 with Fin Service XXI has been split into USD 10,000 with perpetual maturity, that satisfies the terms of Tier 1 capital, and USD 20,000 with extended maturity to 31 March 2028, that remains in Tier 2 capital requirements. The market interest rate for USD 10,000 loan with perpetual maturity has been defined at 7.33%. Consequently, the effect of the changes has been accounted as an increase in paid in capital of GEL 7,919. The loan agreement in the amount of USD 7,000 with Inter Consulting Plus was extended to 17 October 2027 and it continues to satisfy the relevant terms and is included in Tier 2 regulatory capital.

On 19 April 2021 the Group repaid subordinated loan agreements with Inter Consulting Plus and Georgian Holding in the amount of USD 1,600 and USD 10,000, respectively.

On 24 August 2021 the Group repaid subordinated loan with Fin Service XXI in the amount of USD 15,000 out of contractual USD 20,000.

The table below details changes in the Group's subordinated debts arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2022	*Repayment*	*Additional paid in capital recognised at initial recognition*	*Interest accrual during 2022*	*Interest paid during 2022*	*Foreign exchange gain during 2022*	*31 December 2022*
Subordinated debt	**96,981**	−	−	6,254	(6,257)	(15,428)	**81,550**

(thousands of Georgian lari)

14. Subordinated debt (continued)

The table below details changes in the Group's subordinated debts arising from financing activities during 2021:

	1 January 2021	*Repayment*	*Additional paid in capital recognised at initial recognition*	*Interest accrual during 2021*	*Interest paid during 2021*	*Foreign exchange gain during 2021*	*31 December 2021*
Subordinated debt	**199,039**	(86,631)	(7,919)	9,291	(9,292)	(7,507)	**96,981**

The principal value of the subordinated loan qualified for the inclusion in the Tier 2 capital under the NBG Basel III requirements, was GEL 28,641 corresponding to GEL 28,641 under IFRS 9 (31 December 2021: GEL 37,171 corresponding to GEL 37,171 under IFRS 9). The principal value of the subordinated loan qualified for the inclusion in the additional Tier 1 capital under the NBG Basel III requirements, was GEL 72,954 corresponding to GEL 49,109 under IFRS 9 (31 December 2021: GEL 83,635 corresponding to GEL 59,810 under IFRS 9).

15. Taxation

In June 2016 amendments to the Georgian tax law in respect of corporate income tax became enacted. The amendments became effective from 1 January 2017 for all Georgian companies except the banks, insurance companies and microfinance organization, for which the effective date was initially set at January 2019. On 5 May 2018 amendment was made in tax code and the date was revised to January 2023.Therefore the Group had recognized those deferred tax asset and deferred tax liability which are estimated to be realised before 2023. Under the 2018−year amendment, corporate income tax should be levied on profit distributed as dividends, rather than on profit earned as under the current regulation. The amount of tax payable on a dividend distribution should be calculated as 15/85 of the amount of net distribution. The companies would be able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008−2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies would not be subject to corporate income tax. In December 2022 the amendment was abolished for commercial banks and for insurance companies effective date was revised to 1 January 2024.

According to the amendment, effective from 1 January 2023, existing taxation rules for financial institutions, including banks, will be maintained. At the same time, the existing corporate tax rate for banks will be increased from 15% to 20% from 2023 going forward. In addition, with effect from 2023, taxable interest income and deductible ECLs on loans to customers will be defined as per IFRS, instead of local NBG regulations.

Transition differences in ECLs will be taxed one−off at 15%. The amended law lacks clarification in treatment of transition differences in interest income. Management considers it reasonable that an approach similar to ECL on transition is applicable on interest income and calculates deferred tax respectively.

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

Georgian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant tax authorities. It is possible that transactions and activities that have not been challenged in the past may be challenged in the future. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation as at 31 December 2022 is appropriate and that the Group's tax, currency and customs positions will be sustained.

(thousands of Georgian lari)

15. Taxation (continued)

The corporate income tax expense for the years ended 31 December 2022 and 2021 comprised:

	2022	*2021*
Current tax expense	10,805	4,006
Deferred tax expense/(benefit)	3,719	(640)
Income tax expense	**14,524**	**3,366**

In 2022 and 2021 the income tax rate applicable to most of the Group's income is 15%. The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense on statutory rates with actual is as follows:

	2022	*2021*
Profit before income tax	**42,557**	**30,023**
Statutory tax rate	15%	15%
Theoretical income tax expense at the statutory rate	**6,384**	**4,503**
Tax exempt income	(736)	(924)
Non−deductible expenses	626	817
Effect from change in tax legislation	8,250	−
Unrecognized deferred taxes pertaining to years after 2023	−	(1,030)
Income tax expense	**14,524**	**3,366**

Deferred tax liabilities and assets as at 31 December 2022 and 31 December 2021 and their movements for the respective period.

	31 December 2020	*Through profit and loss*	*31 December 2021*	*Through profit and loss*	*31 December 2022*
Tax effect of temporary differences					
Other Assets	**2,651**	(1,451)	**1,200**	14	**1,214**
Amounts due to Customers	**191**	235	**426**	114	**540**
Lease liabilities	**571**	(189)	**382**	(61)	**321**
Amounts due from credit institutions	**6**	1,108	**1,114**	(1,024)	**90**
Provisions	**367**	(17)	**350**	(350)	**–**
Deferred tax asset	**3,786**	**(314)**	**3,472**	**(1,307)**	**2,165**
Loans to customers	**(10,193)**	3,417	**(6,776)**	(2,322)	**(9,098)**
Property and Equipment	**(767)**	310	**(457)**	(971)	**(1,428)**
Other Liabilities	**(1,333)**	(141)	**(1,474)**	891	**(583)**
Right of use assets	**(559)**	189	**(360)**	87	**(273)**
Amounts due to Credit Institutions	**(15)**	(7)	**(22)**	(5)	**(27)**
Intangible assets	**46**	(39)	**7**	(31)	**(24)**
Investment Securities	**143**	(103)	**40**	(61)	**(21)**
Tax losses carried forward	**2,672**	(2,672)	**–**	–	**–**
Deferred tax liability	**(10,006)**	**954**	**(9,042)**	**(2,412)**	**(11,454)**
Deferred tax (liability)/asset	**(6,220)**	**640**	**(5,570)**	**(3,719)**	**(9,289)**

16. Equity

As at 31 December 2022 and 2021, authorized, issued and fully paid capital amounted to GEL 114,430 comprising of 114,430,000 common shares with nominal value of GEL 1 each. Each share entitles one vote to the shareholder.

In 2022 the Group has not declared or paid any dividends. (2021: GEL 20,000 declared and paid, 0.175 per share). As at 31 December 2022 The Group's retained earnings includes GEL 31 fair value changes in investment securities (31 December 2021: GEL (133)).

Additional paid−in capital represents the difference between a fair value and a nominal amount at initial recognition, and modification, which were deemed non−substantial, of the subordinated loans received from the Parent and entities under common control.

(thousands of Georgian lari)

17. Commitments and contingencies

Commitments and contingencies

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

	2022	*2021*
Credit related commitments		
Unused credit lines	31,665	35,322
Guarantees issued	51,024	30,951
	82,689	**66,273**
Less: ECL for credit related commitments	(201)	(969)
Commitments and contingencies	**82,488**	**65,304**

An analysis of changes in the ECL allowances during the year ended 31 December 2022 is as follows:

Undrawn loan commitments	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECLs as at 1 January 2022	**408**	**71**	**137**	**616**
New exposures	611	5	364	**980**
Amounts paid	(750)	(6)	(534)	**(1,290)**
Transfers to Stage 1	1	(1)	–	**–**
Transfers to Stage 2	–	–	–	**–**
Transfers to Stage 3	–	(55)	55	**–**
POCI	–	–	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	(1)	3	8	**10**
Foreign exchange adjustments	(156)	(15)	(20)	**(191)**
At 31 December 2022	**113**	**2**	**10**	**125**

An analysis of changes in the ECLs during the year ended 31 December 2021 is as follows:

Undrawn loan commitments	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECLs as at 1 January 2021	**359**	**81**	**261**	**701**
New exposures	860	14	1,690	**2,564**
Amounts paid	(589)	(28)	(1,881)	**(2,498)**
Transfers to Stage 1	–	–	–	**–**
Transfers to Stage 2	(11)	13	(2)	**–**
Transfers to Stage 3	(144)	(39)	183	**–**
POCI	–	–	–	**–**
Impact on period end ECL of exposures transferred between stages during the period	–	47	(122)	**(75)**
Foreign exchange adjustments	(67)	(17)	8	**(76)**
At 31 December 2021	**408**	**71**	**137**	**616**

(thousands of Georgian lari)

18. Credit loss expense and other impairment and provisions

The table below shows the ECL charges on financial instruments recorded in t profit or loss for the year ended 31 December 2022:

	Notes	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	5	16	–	–	–	**16**
Amounts due from credit institutions	6	7	–	–	–	**7**
Loans to customers*	7	(6,515)	865	(10,290)	(3,040)	**(18,980)**
Debt securities measured at amortised cost	8	(337)	–	–	–	**(337)**
Debt securities measured at FVOCI	8	62	–	–	–	**62**
Credit loss charge/(reversal) on interest bearing assets		**(6,767)**	**865**	**(10,290)**	**(3,040)**	**(19,232)**
Other financial assets	12	40	–	(627)	–	**(587)**
Guarantees	17	(107)	1	(171)	–	**(277)**
Undrawn loan commitments	17	(294)	(70)	(127)	–	**(491)**
Charge/(reversal) of other impairment and provisions excluding repossessed assets		**(361)**	**(69)**	**(925)**	**–**	**(1,355)**
Impairment of repossessed assets	12					**(2,711)**
Other impairment and provisions						**(4,066)**

*The Group significantly reduced the stage 3 and POCI loan portfolio in 2022 which is mainly attributable to repayment of several large stage 3 loans as a result of the negotiation with these borrowers, where the Group forgave some portion of accrued penalty and interest in lieu of full repayment the whole remaining exposure. Also there were cases, where large loans were sold, collaterals were repossessed or loans were cured.

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2021:

	Notes	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	5	(45)	–	–	–	**(45)**
Amounts due from credit institutions	6	(6)	–	–	–	**(6)**
Loans to customers	7	4,384	92	10,238	(14,733)	**(19)**
Debt securities measured at amortised cost	8	(42)	–	–	–	**(42)**
Debt securities measured at FVOCI	8	490	–	–	–	**490**
Credit loss charge/(reversal) on interest bearing assets		**4,781**	**92**	**10,238**	**(14,733)**	**378**
Other financial assets	12	–	–	274	–	**274**
Guarantees	18	72	–	149	–	**221**
Undrawn loan commitments	18	50	(10)	(125)	–	**(85)**
Charge/(reversal) of other impairment and provisions excluding repossessed assets		**122**	**(10)**	**298**	**–**	**410**
Impairment of repossessed assets	12					**3,425**
Other impairment and provisions						**3,835**

(thousands of Georgian lari)

19. Fee and commission income and expense

Fee and commission income and expense comprise:

	2022	*2021*
Plastic card operations	11,665	3,443
Guarantees and letters of credits issued	871	1,300
Settlement operations	1,336	977
Cash operations	464	645
Documentary operations	35	31
Other	687	733
Fee and commission income	**15,058**	**7,129**
Plastic card operations	(11,832)	(4,465)
Settlement operations	(631)	(779)
Documentary operations	–	(7)
Other	(53)	(84)
Fee and commission expense	**(12,516)**	**(5,335)**

The Group's revenue from contracts with customers is mostly represented by fee and commission income. As at 31 December 2022 the Group recognized contract assets related to guarantees with amount of GEL 89 (31 December 2021: GEL 203), which is included in other financial assets (Note 12).

20. Other income, net

Other income/(expenses), net comprise:

	2022	*2021*
Net gain on disposal of repossessed assets	6,289	10,167
Income from operating lease	1,669	569
Gain on sale of investment securities	1,083	–
Fines and penalties received	321	26
Gain on disposal of property	11	13
Other	119	486
	9,492	**11,261**
Insurance income, net		
Net insurance revenue	4,149	3,395
Net insurance claims	(1,754)	(1,470)
Reinsurers' share of claims settled	–	(14)
Change in provisions for incurred but not reported claims	57	(7)
	2,452	**1,904**
Total other income, net	**11,944**	**13,165**

(thousands of Georgian lari)

21. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2022	*2021*
Salaries	14,968	13,570
Bonuses and other employee benefits	2,764	728
Personnel expenses	**17,732**	**14,298**
Communication	4,635	4,399
Charity costs	7,915	5,221
Taxes other than income tax	1,362	1,333
Security expenses	944	766
Professional services	793	684
Maintenance and exploitation	695	655
Utilities	604	580
Transportation and business trip expenses	301	308
Short term and low value leases	233	252
Deposit insurance fee	225	217
Office supplies	220	234
Membership fees	120	115
Insurance	97	100
Personnel training	41	17
Advertising costs	6	19
Other expenses	1,322	1,124
Other operating expenses	**19,513**	**16,024**

The average number of the Group's employees during 2022 was 314, including average 6 top management employees, average 25 middle management employees, and average 283 other full−time employees.and average temporary employees were 9 during 2022. (2021: average number of employees was 376, including average 7 top management employees, average 32 middle management employees, and average 337 other full−time employees, average temporary employees were 8)

Remuneration of the Group's auditor for the years ended 31 December 2022 and 2021 comprises (net of VAT):

	2022	*2021*
Fees for the audit of the Group's annual financial statements for the year ended 31 December	352	456
Expenditures for other professional service	17	17
Total fees and expenditures	**369**	**473**

Fees and expenditures payable to other auditors and audit firms in respect of other professional services comprised GEL 211 (2021: GEL 45).

22. 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. It is also subject to operating 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.

(thousands of Georgian lari)

22. Risk management (continued)

Risk management structure

Supervisory Board

Supervisory Board defines Group's risk appetite in cooperation with CRO and other members of Board of Directors. Board is responsible for the existence of the effective risk management, monitoring and internal controls within Group that corresponds to the risk appetite statement, policies and limits. Along with other functions, the Supervisory board members, together and individually, are responsible for maintaining strong risk culture that is necessary for business continuity within organization.

Risk Committee

Risk committee is responsible for reviewing effectiveness of risk strategies as on aggregate level, so on individual level, evaluates compliance with risk appetite and give recommendations to Supervisory Board. This committee also reviews all risk management related policies. Risk committee is comprised of three members, out of which two are independent.

Board of Directors

The Board of Directors is responsible for the implementing and maintaining of risk strategies and corresponding risk management processes. The Board of Directors is ultimately responsible for identifying and controlling risks and different departments and committees which are responsible for managing and monitoring risks.

Risk management

The Risk Management Department is responsible for implementing and maintaining risk management framework.

Asset and Liability Committee

Asset and Liability Committee (ALCO) is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding, liquidity, interest rate, and capital adequacy risks of the Group.

Internal Audit

Risk management processes throughout the Group are audited by the internal audit function on a constant basis, which examines the adequacy of the procedures, their design and operational effectiveness, and the Group's compliance both with the regulatory requirements and internal procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Audit Committee

The Audit Committee is responsible for the fundamental risk issues and manages and monitors relevant risk decisions and performance of control functions by other departments in the Group pertaining to general control environment, manual, IT dependent or application controls, intentional or unintentional misstatement risks, risk of fraud or misappropriation of assets, information security, anti−money laundering, etc. Audit committee is comprised of three members, out of which two are independent.

Risk measurement and reporting systems

Risk monitoring and controlling is 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. 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. The main body to which the risks are reported is a risk committee. The respective meetings are held once per quarter.

Credit risk

Credit risk is the risk that the Group will incur a loss because its borrowers or counterparties will fail to fulfill 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 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. 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.

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

Actual exposure per borrower against limits is monitored on loans granted. The Credit Committee may initiate a change in the limits. Where appropriate, the Group obtains collateral and corporate guarantees. The credit risks are monitored on a continuous basis and are subject to annual or more frequent reviews.

Credit−related commitments risks

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

Impairment assessment

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

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

The ECL allowance is based on the 12 months' expected credit loss (12mECL), unless there has been significant increase in credit risk since origination or other impairment indicators were identified, in which case the ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit−impaired. The Group records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit−adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit−impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or credit risk score of the borrower increases to the “high risk” category according to the internal credit risk assessment methodology. The Group considers amounts due from Banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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

The Group has defined certain criteria which should be met in order to consider asset as cured. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

PD model

To determine the PD rates for each group, the Group utilizes migration matrices based on “Markov chain” model. At the beginning of analysing 12−month period borrowers in each pool are grouped in 11 buckets by overdue days and per regulatory credit classification. The analysis is conducted on every 12−month period from December 2014 to the reporting date. The final PD used in the model represents the weighted average of the historical 12−month period PDs.

The Group has assessed the impact of the forward−looking information into collective assessment model as not material, thus, the results were not incorporated in ECLs.

As at 31 December 2022, 10% increase in average PD per each pool results in total ECL increase by 0.88% that represents GEL 612 and 10% decrease in average PD per each pool results in total ECL decrease by 1.67% that represents GEL 1,168 (31 December 2021: 10% increase in average PD per each pool results in total ECL increase by 0.64% that represents GEL 929 and 10% decrease in average PD per each pool results in total ECL decrease by 2.19% that represents GEL 3,155).

LGD model

Another component of impairment model is LGD (loss given default), that is an estimate of the loss arising on default. To measure it, defaulted exposures by segments is reduced by deposits pledged and the discounted liquidation value of properties pledged using 2.5 years of time to collect period and valuation haircut. Impact of LGD is very material and ECL of the Group is heavily depended on the value of collateral.

As at 31 December 2022, 10% increase in valuation haircut results in ECL increase by 1.98% that represents GEL 1,378 and 10% decrease in valuation haircut results in ECL decrease by 1.92% that represents GEL 1,336 (31 December 2021: 10% increase in valuation haircut results in ECL increase by 1.97% that represents GEL 2,846 and 10% decrease in valuation haircut results in ECL decrease by 1.97% that represents GEL 2,839).

As at 31 December 2022,10% (three month) increase in time to collect period results in ECL increase by 3.83% that represents GEL 2,712 and 10% (three month) decrease in time to collect period results in ECL decrease by 3.83% that represents GEL 2,670 (31 December 2021: 10% (three month) increase in time to collect period results in ECL increase by 4.19% that represents GEL 6,046 and 10% (three month) decrease in time to collect period results in ECL decrease by 4.14% that represents GEL 5,976).

EAD model

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client’s ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming restructured due to credit event. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Treasury and interbank relationships, investment securities measured at amortized cost

The Group's treasury and interbank relationships and counterparties comprise financial services institutions, banks. For these relationships, the Bank's risk management department analyses publicly available information such as financial information and other external data, e.g., the external ratings assigned by international rating agencies. The Group's investment securities measured at amortized cost include T−bills, T−Notes, and corporate bonds. The T−bills and T−notes are issued by the Ministry of Finance of Georgia, thus credit rating of the country is used in estimation of the ECLs for these instruments The ECL estimation for corporate bonds is based on the assigned credit ratings by international credit agencies.

Corporate lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment takes into account various historical, current and forward−looking information such as:

- ► Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention;
- ► Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles;
- ► Any macro−economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates;
- ► Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Retail lending

For retail loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment takes into account various historical, current and forward−looking information such as:

- ► Historical financial information together with forecasted monthly cash flows. This financial information includes realised and expected results, and any other relevant ratios (i.e. PTI, LGD) to measure the client's financial performance;
- ► Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies;
- ► Any other objectively supportable information on the abilities of the client to generate future cash flows.

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

Asset classes where the Group calculates ECL on an individual basis include stage 1 exposures that exceeds 1% of Tier 1 capital, and stage 2, stage 3 and POCI exposures that exceeds 0.5% of Tier 1 capital (.)

The Group calculates ECL on a collective basis for all other asset classes.

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example overdue bucket, product type, or borrower's industry.

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or 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 indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The group employs a rigorous methodology to evaluate the concentration of the largest borrowers, taking into account both the specific group and industry in which they operate.

Forward−looking information and multiple economic scenarios

In its ECL models, the Group relies on a range of forward looking information as economic inputs, such as:

- GDP growth;
- Inflation rate;
- GEL/USD foreign exchange rate change.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group obtains the forward−looking information from the sources published by the NBG and GeoStat. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long−term average and so are the same for each scenario as at 31 December 2025.

Key drivers	*ECL scenario*	*Assigned probabilities,%*	*2023*	*2024*	*2025*	*Subsequent years*
GDP growth, %						
	Upside	25%	6.00%	5.00%	5.00%	5.00%
	Base case	50%	4.00%	5.50%	5.00%	5.00%
	Downside	25%	2.00%	4.00%	5.00%	5.00%
USD/GEL exchange rate						
	Upside	25%	2.65	2.65	2.65	2.65
	Base case	50%	2.70	2.70	2.70	2.70
	Downside	25%	3.11	2.95	2.80	2.80
Inflation rate, %						
	Upside	25%	5.00%	3.00%	3.00%	3.00%
	Base case	50%	5.30%	3.10%	3.00%	3.00%
	Downside	25%	9.00%	6.00%	3.00%	3.00%

Key drivers	*ECL scenario*	*Assigned probabilities,%*	*2022*	*2023*	*2024*	*Subsequent years*
GDP growth, %						
	Upside	25%	6.00%	5.00%	4.50%	4.50%
	Base case	50%	5.00%	4.00%	4.50%	4.50%
	Downside	25%	2.00%	4.00%	5.00%	5.00%
USD/GEL exchange rate						
	Upside	25%	3.02	2.97	2.93	2.93
	Base case	50%	3.10	3.10	3.10	3.10
	Downside	25%	3.28	3.23	3.17	3.17
Inflation rate, %						
	Upside	25%	5.50%	3.00%	3.00%	3.00%
	Base case	50%	7.00%	2.50%	3.00%	3.00%
	Downside	25%	8.00%	4.00%	3.00%	3.00%

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

Predicted relationship between the economic indicators and default and loss rates on loan portfolios have been developed based on analysing historical data over the past 8 years. Based on the Group's macro−economic model, there is no significant dependency between macro−economic variables and loan portfolio quality.

Credit quality per class of financial asset

The following table shows internal and external grades used in ECL calculation and also the link between internal grades and credit quality categories disclosed in below tables:

	Internal grade	*NBG classification*
High grade	1	Standard
	2	
	3	
Standard grade	4	Standard
Sub−standard grade	5	Watch
Impaired	6	Substandard, Doubtful, Loss

The table below shows the credit quality by class of financial assets as at 31 December 2022:

31 December 2022	*Note*		*High grade*	*Standard grade*	*Sub−standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	5	Stage 1	426,606	−	−	−	**426,606**
Amounts due from credit institutions	6	Stage 1	236,949	−	−	−	**236,949**
Loans to customers at amortised cost	7						
		Stage 1	324,498	223,991	4,632	−	**553,121**
		Stage 2	−	8,579	31,393	−	**39,972**
		Stage 3	−	−	−	120,251	**120,251**
Corporate lending		POCI	−	−	−	11,858	**11,858**
		Stage 1	16,158	720	2	−	**16,880**
		Stage 2	−	−	1,543	−	**1,543**
Loans to individuals		Stage 3	−	−	−	2,386	**2,386**
Debt investment securities − measured at amortised cost	8	Stage 1	21,888	8,033	−	−	**29,921**
Debt investment securities − measured at FVOCI	8	Stage 1	7,085	−	−	−	**7,085**
	12	Stage 1	−	259	−	−	**259**
		Stage 2	−	−	−	−	−
Other financial assets		Stage 3	−	−	−	720	**720**
	18	Stage 1	26,118	4,820	−	−	**30,938**
		Stage 2	−	−	370	−	**370**
Undrawn loan commitments		Stage 3	−	−	−	232	**232**
	18	Stage 1	21,499	26,220	−	−	**47,719**
		Stage 2	−	−	44	−	**44**
Guarantees		Stage 3	−	−	−	3,185	**3,185**
Total			**1,080,801**	**272,622**	**37,984**	**138,632**	**1,530,039**

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

The table below shows the credit quality by class of financial assets as at 31 December 2021:

31 December 2021	*Note*		*High grade*	*Standard grade*	*Sub−standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	5	Stage 1	54,677	1,239	–	–	**55,916**
Amounts due from credit institutions	6	Stage 1	195,855	–	–	–	**195,855**
Loans to customers at amortised cost	7						
		Stage 1	284,747	198,433	89,975	9,481	**582,636**
		Stage 2	12,489	12,280	7,559	8,500	**40,828**
		Stage 3	3,064	–	7,883	239,383	**250,330**
Corporate lending		POCI	–	–	–	16,651	**16,651**
		Stage 1	17,376	410	1,911	461	**20,158**
		Stage 2	–	–	1,824	112	**1,936**
Loans to individuals		Stage 3	–	–	153	5,239	**5,392**
Debt investment securities − measured at amortised cost	8	Stage 1	23,539	18,629	–	–	**42,168**
Debt investment securities − measured at FVOCI	8	Stage 1	8,937	–	–	–	**8,937**
	12	Stage 1	–	220	–	–	**220**
		Stage 2	–	–	–	–	–
Other financial assets		Stage 3	–	–	–	1,844	**1,844**
	18	Stage 1	16,657	10,880	5,262	1,313	**34,112**
		Stage 2	202	–	24	55	**281**
Undrawn loan commitments		Stage 3	–	–	–	313	**313**
	18	Stage 1	8,513	9,295	8,493	–	**26,301**
		Stage 2	–	–	–	85	**85**
Guarantees		Stage 3	–	–	4,019	193	**4,212**
Total			**626,056**	**251,386**	**127,103**	**283,630**	**1,288,175**

See Note 7 for more detailed information with respect to the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

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

		2022				2021			
	Note	*Georgia*	*OECD*	*Other Non−OECD*	*Total*	*Georgia*	*OECD*	*Other Non−OECD*	*Total*
Assets									
Cash and cash equivalents	5	393,416	49,373	11,795	**454,584**	78,118	1,233	3,553	**82,904**
Amounts due from credit institutions	6	234,137	2,677	135	**236,949**	191,145	4,556	154	**195,855**
Loans to customers	7	719,606	2,570	23,835	**746,011**	900,862	1,021	16,048	**917,931**
Investment securities	8	37,174	−	−	**37,174**	51,266	–	–	**51,266**
Other financial assets	12	979	−	−	**979**	2,064	–	–	**2,064**
		1,385,312	**54,620**	**35,765**	**1,475,697**	**1,223,455**	**6,810**	**19,755**	**1,250,020**
Liabilities									
Amounts due to credit institutions		6	−	−	**6**	15	–	–	**15**
Amounts due to customers	13	839,956	39,925	224,778	**1,104,659**	655,784	17,077	204,460	**877,321**
Lease liabilities	10	1,801	−	−	**1,801**	3,171	–	–	**3,171**
Other financial liabilities	12	1,967	−	−	**1,967**	2,526	–	–	**2,526**
Subordinated debt	14	81,550	−	−	**81,550**	96,981	–	–	**96,981**
		925,280	**39,925**	**224,778**	**1,189,983**	**758,477**	**17,077**	**204,460**	**980,014**
Net assets/ (liabilities)		**460,032**	**14,695**	**(189,013)**	**285,714**	**464,978**	**(10,267)**	**(184,705)**	**270,006**

(thousands of Georgian lari)

22. Risk management (continued)

Insurance Risk Management

The risk of the insurance contract is the risk of occurrence of the insurance claim, which includes the risks of the volume and the risks of reporting period. The Group's main risk in this case is that the amount of the actual loss and insurance amount may exceed the carrying amount of the insurance liabilities. This is due of the fact that the frequency of losses and their volume may be larger than the initially estimated liability of losses.

In order to neutralize risks, the Group diversifies the portfolio of insurance contracts, thereby reducing the risk of the impact of non−recurring negative consequences on the portfolio. Neutralization of the Risks are also possible by carefully selecting and implementing an underwriting strategy, as well as by using reinsurance contracts. As part of underwriting, portfolio sensitivity analysis is carried out, which is significantly influenced by the loss rate of policies. Taking into consideration, the company establishes underwriting directives and restrictions in order to determine what kind of risks and restrictions can be accepted. Monitoring of the above−mentioned restrictions is implemented continuously.

In order to monitor the insurance risks, the Group uses “Loss Ratio”. The Ratio is determined by dividing the net insurance loss by net insurance revenue.

Company’s Loss Ratio is as following:

	2022	***2021***
Loss Ratio	36%	38%

Implemented insurance by the Group includes medicine, life, property, cargo, road and air transportation vehicles, insurance against accidents, traveling, legal responsibility or caused to third party insurance. In general, these types of insurances have 12−month duration.

The Group also uses a loss management and adjustment policy to reduce the negative impact of future non−recurring events on its activities and limits the level of risk by setting maximum loss limits for certain contracts, as well as using reinsurance mechanisms to reduce the risk associated with catastrophic events.

The management of the Group believes that due to the short−term nature of the business, the insurance portfolio is primarily sensitive to expected loss ratio volatility. The actual profit loss ratio of the company is considered along with other factors in the formation of insurance tariff in the future.

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.

On a monthly basis, the Assets and Liabilities Committee (“ALCO”) controls liquidity risks by means of maturity analysis, determining the Group’s strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients’ and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The liquidity position is assessed and managed by the Group primarily on a standalone basis, based on certain liquidity ratios established by the NBG including Liquidity Coverage Ratio and Net Stable Funding Ratio. The Liquidity Coverage Ratio is calculated for GEL as well as the Foreign Currency and for both, total amount. The minimum required rates are as following: GEL requirement is at least 75% or more, for USD the minimum required rate equals to 100% and the same is for the total ratio. As of 31 December, the LCR ratios were as following:

	2022, %			***2021, %***		
	GEL	***FC***	***Total***	***GEL***	***FC***	***Total***
Liquidity Coverage Ratio (Total Liquid Assets / Net Cashflow)	314%	157%	172%	237%	159%	**170%**

(thousands of Georgian lari)

22. Risk management (continued)

Liquidity risk and funding management (continued)

The Net Stable Funding Ratio is measuring Group's available stable funding and required stable funding. The minimum requirement for the ratio despite the currency equals to 100%. By the end of the financial year 2022, the ratio was as following:

	2022, %	*2021, %*
Net Stable Funding Ratio (NSFR) (Available Stable Funding / Required Stable Funding)	187%	124%

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which 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 Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history. Moreover, the table does not reflect cash flows for perpetual subordinated debts with the balance of GEL 49,126 as of 31 December 2022 (31 December 2022: GEL 59,809) and with the principal amount of GEL 49,109 amount 31 December 2022 (31 December 2021: GEL 59,790) (Note 14). The cash flow on these instruments is expected to be solely interest payments paid monthly. Interest payments during 2022 was GEL 4,330 (2021: GEL 4,235).

As at 31 December 2022	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to credit institutions	6	–	–	–	**6**
Amounts due to customers	513,681	234,393	268,937	169,615	**1,186,626**
Lease liabilities	449	1,347	87	–	**1,883**
Other financial liabilities	1,967	–	–	–	**1,967**
Subordinated debt	446	1,337	25,874	13,751	**41,408**
Total undiscounted financial liabilities	**516,549**	**237,077**	**294,898**	**183,366**	**1,231,890**

As at 31 December 2021	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to credit institutions	15	–	–	–	**15**
Amounts due to customers	192,723	272,638	343,489	139,705	**948,555**
Lease liabilities	450	1,350	1,709	–	**3,509**
Other financial liabilities	2,526	–	–	–	**2,526**
Subordinated debt	511	1,533	8,178	39,359	**49,581**
Total undiscounted financial liabilities	**196,225**	**275,521**	**353,376**	**179,064**	**1,004,186**

The table below shows the contractual expiry by maturity of the Group's financial commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

	Note	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
2022	18	39,436	21,129	20,101	2,023	**82,689**
2021	18	41,477	15,764	9,013	19	**66,273**

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments. 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 table above. These balances are included in amounts due in less than three months in the tables above.

(thousands of Georgian lari)

22. 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.

Currency risk

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

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the GEL, with all other variables held constant on the statement of profit or loss. The effect on equity does not differ from the effect on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss or equity, while a positive amount reflects a net potential increase.

Currency	*Change in currency rate 2022*	*Effect on profit before tax 2022*	*Change in currency rate 2021*	*Effect on profit before tax 2021*
USD	20%/(20%)	7,093/(7,093)	20%/(20%)	(1,198)/1,198
EUR	20%/(20%)	156/(156)	20%/(20%)	848/(848)

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.

The effect on profit before tax for one year assuming 10% of repayable financial instruments were to prepay at the beginning of the year, with all other variables held constant, is as follows:

	Decrease of net interest income
2022	7,340
2021	8,497

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 reasonable possible change in interest rates, with all other variables held constant, of the Group's statement of profit or loss.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non−trading financial assets and financial liabilities held at 31 December.

Currency	*Increase/(decrease) in basis points 2022*	*Sensitivity of net interest income 2022*
GEL	100/(100)	1,602/(1,602)
EUR	100/(100)	204/(204)
USD	100/(100)	824/(204)

Currency	*Increase/(decrease) in basis points 202*	*Sensitivity of net interest income 2021*
GEL	100/(100)	1,625/(1,625)
EUR	100/(100)	229/(229)
USD	100/(100)	557/(557)

(thousands of Georgian lari)

22. Risk management (continued)

Interest rate risk (continued)

The Group's exposure at the year end to significant IBORs subject to reform that have yet to transition to RFRs is limited to loans to customers with carrying value as at 31 December 2022 of GEL 51,437 linked to 6m LIBOR. These exposures will remain outstanding until the IBOR ceases, e.g., this amount excludes exposures to IBOR that will expire before transition is required.

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. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools 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.

23. Fair value measurements

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Fair value measurement using			
At 31 December 2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair values are disclosed				
Loans to customers	–	–	783,809	**783,809**
Investment securities at amortized cost	–	29,433	–	**29,433**
Assets measured at fair value				
Investment securities at FVOCI − equity security	–	–	168	**168**
Investment securities at FVOCI − debt security	–	7,085	–	**7,085**

	Fair value measurement using			
At 31 December 2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Liabilities for which fair values are disclosed				
Amounts due to customers	–	493,181	610,666	**1,103,847**
Subordinated debt	–	–	54,885	**54,885**

	Fair value measurement using			
At 31 December 2021	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair values are disclosed				
Loans to customers	–	–	996,697	**996,697**
Investment securities at amortized cost	16,892	24,032	–	**40,924**
Assets measured at fair value				
Investment securities at FVOCI − equity security	–	–	161	**161**
Investment securities at FVOCI − debt security	–	8,937	–	**8,937**

(thousands of Georgian lari)

23. Fair value measurements (continued)

Fair value hierarchy (continued)

At 31 December 2021	*Fair value measurement using* Level 1	Level 2	Level 3	*Total*
Liabilities for which fair values are disclosed				
Amounts due to customers	–	375,698	505,789	**881,487**
Subordinated debt	–	–	96,981	**96,981**

Fair value of financial assets and liabilities not carried 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 not carried at fair value in the statement of financial position. The table does not include the fair values of non−financial assets and non−financial liabilities.

	Carrying value 2022	*Fair value 2022*	*Unrecognised gain/(loss) 2022*	*Carrying value 2021*	*Fair value 2021*	*Unrecognised gain/(loss) 2021*
Financial assets						
Cash and cash equivalents	454,584	454,584	−	82,904	82,904	–
Amounts due from credit institutions	236,949	236,949	−	195,855	195,855	–
Loans to customers	746,011	783,809	37,798	917,931	996,697	78,766
Investment securities	29,921	29,433	(488)	42,168	40,924	(1,244)
Other financial assets	979	979	−	2,064	2,064	–
Financial liabilities						
Amounts due to credit institutions	6	6	−	15	15	–
Amounts due to customers	1,104,659	1,103,847	812	877,321	881,487	(4,166)
Other financial liabilities	1,967	1,967	−	2,415	2,415	–
Lease liabilities	1,801	1,801	−	3,171	3,171	–
Subordinated debt	81,550	54,885	26,665	96,981	96,981	–
Total unrecognised change in fair value			**64,787**			**73,356**

Valuation techniques and assumptions

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 having 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 and savings accounts without a specific maturity.

Financial assets and financial liabilities carried at amortised cost

The fair value of loans to customers, customer deposits, amounts due from/(to) credit institutions and other financial assets and liabilities, investment securities, obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

(thousands of Georgian lari)

24. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 22 "Risk management" for the Group's contractual undiscounted repayment obligations.

	2022			*2021*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	454,584	–	**454,584**	82,904	–	**82,904**
Amounts due from credit institutions	233,240	3,709	**236,949**	190,368	5,487	**195,855**
Loans to customers	388,881	357,130	**746,011**	454,482	463,449	**917,931**
Investment securities	7,085	30,089	**37,174**	13,617	37,649	**51,266**
Property and equipment	–	12,717	**12,717**	–	12,934	**12,934**
Right of use assets	–	1,518	**1,518**	–	2,767	**2,767**
Intangible assets	–	5,447	**5,447**	–	3,913	**3,913**
Deferred tax asset	–	7	**7**	–	9	**9**
Other assets	4,043	93,456	**97,499**	13,910	70,645	**84,555**
Total	**1,087,833**	**504,073**	**1,591,906**	**755,281**	**596,853**	**1,352,134**
Amounts due to credit institutions	6	–	**6**	15	–	**15**
Amounts due to customers	741,436	363,223	**1,104,659**	453,152	424,169	**877,321**
Provisions	138	63	**201**	654	1,681	**2,335**
Current income tax liability	4,830	–	**4,830**	3,211	–	**3,211**
Deferred income tax liability	–	9,289	**9,289**	–	5,579	**5,579**
Lease liabilities	1,717	84	**1,801**	1,547	1,624	**3,171**
Other liabilities	8,489	–	**8,489**	10,636	–	**10,636**
Subordinated debt	17	81,533	**81,550**	20	96,961	**96,981**
Total	**756,633**	**454,192**	**1,210,825**	**469,235**	**530,014**	**999,249**
Net	**331,200**	**49,881**	**381,081**	**286,046**	**66,839**	**352,885**

25. 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 effected on the same terms, conditions and amounts as transactions between unrelated parties.

(thousands of Georgian lari)

25. Related party disclosures (continued)

The outstanding balances of related party transactions are as follows:

	2022			
	The Parent	***Entities under common control***	***Other related parties***	***Key management personnel***
Loans to customers, gross	–	32,058	28,275	440
(Allowance for expected credit losses)	–	(165)	(143)	(1)
Amounts due to customers	(32,994)	(42,121)	(163,447)	(273)
Insurance and reinsurance receivables	–	–	63	–
Other assets	–	–	178	–
Subordinated debt (Note 14)	–	(81,550)	–	–
Commitments and guarantees issued	–	(1,278)	(31)	–
Right of use asset	–	1,274	148	–
Lease liabilities	–	(1,510)	(195)	–

	2021			
	The Parent	***Entities under common control***	***Other related parties***	***Key management personnel***
Loans to customers, gross	–	35,816	31,312	521
(Allowance for expected credit losses)	–	(368)	(322)	(4)
Amounts due to customers	(243)	(7,270)	(23,005)	(286)
Insurance and reinsurance receivables	–	–	89	–
Other assets	–	–	178	–
Subordinated debt (Note 14)	–	(96,981)	–	–
Commitments and guarantees issued	–	(1,278)	(236)	(1)
Right of use asset	–	2,418	296	–
Lease liabilities	–	(2,759)	(357)	–

As of 31 December 2022, 92% of amounts due to customers of other related parties included current accounts of 5 major related parties.

The income and expense arising from related party transactions are as follows:

	2022				2021			
	The Parent	***Entities under common control***	***Other related parties***	***Key manage-ment personnel***	***The Parent***	***Entities under common control***	***Other related parties***	***Key manage-ment personnel***
Interest income on loans to customers	–	3,625	2,931	64	444	3,109	3,132	62
Interest expense on amounts due to customers	–	(72)	(752)	(4)	–	(52)	(741)	(8)
Interest expense on subordinated debt	–	(6,254)	–	–	–	(9,291)	–	–
Charity and sponsorship	(7,700)	–	(203)	–	(5,000)	–	(200)	–
Gross written premiums on insurance contracts	–	–	1,166	–	–	–	1,061	–
Gross earned premiums	–	–	1,157	–	–	–	1,075	–
Insurance claims and loss adjustment expenses	–	–	(197)	–	–	–	(150)	–
Fee and commission income	1	117	136	1	4	90	180	1
Fee and commission expense	–	(5)	(2)	–	–	(5)	(2)	–
Other income	–	–	–	–	–	–	–	–
Other expenses	–	–	(149)	–	–	(251)	(35)	–
Interest expense on lease liabilities	–	(207)	(27)	–	–	(330)	(42)	–

(thousands of Georgian lari)

25. Related party disclosures (continued)

Compensation of key management personnel was comprised of the following:

	2022	*2021*
Salaries and other short−term benefits	2,049	1,484

Key management personnel as at 31 December 2022 and 2021 was 11 and 10, respectively and includes members of the Group's Supervisory board, Board of Directors and other key executives of the Group.

26. Capital adequacy

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

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

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements set by the NBG and that Group maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

NBG capital adequacy ratio

Regulatory capital consists of Common Tier 1 capital, which comprises common shares, reserve fund and retained earnings less amount of asset revaluation reserve transferred to authorized capital, and intangible assets. The other component of regulatory capital is Additional Tier 1 capital, which includes perpetual subordinated debts and Tier 2 capital, which includes general reserves (not more than 1.25% of risk weighted assets) and subordinated long−term debt.

In December 2017, the NBG adopted amendments to the regulations introduced amendment 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 II.

As at 31 December 2022 the NBG requires the Bank to maintain a minimum Total regulatory capital adequacy ratio, Tier 1 capital adequacy ratio and Common equity Tier 1 Capital Adequacy Ratio of 19.67%, 14.23%, and 11.29%. respectively (December 2021: Minimum regulatory capital adequacy ratio, Tier 1 capital coefficient and common Tier 1 coefficient of 20.29%, 13.19% and 10.51%, respectively).

As at 31 December 2022 and 2021 capital adequacy ratios based on the Group's reports prepared in accordance with the NBG accounting rules and capital adequacy framework were as follows:

	31 December 2022	*31 December 2021*
Common Equity Tier 1 Capital	**234,253**	**189,240**
Additional Tier 1 Capital	72,954	83,635
Tier 1 Capital	**307,207**	**272,875**
subordinated debt	28,641	37,171
General Loan Loss Provisions (up to 1.25% of Risk−Weighted Assets)	10,687	12,351
Tier 2 Capital	39,328	49,522
Total Regulatory Capital	**346,535**	**322,397**
Risk Weighted Assets	**1,404,710**	**1,299,144**
Common Equity Tier 1 Capital Adequacy Ratio	16.68%	14.57%
Tier 1 Capital Adequacy Ratio	21.87%	21.00%
Total Regulatory Capital Adequacy Ratio	**24.67%**	**24.82%**

During the years ended 31 December 2022 and 2021 the Group complied in full with all of its externally imposed capital requirements.

(thousands of Georgian lari)

27. Events after the reporting period

Starting from 1 January 2023 new NBG requirements came in effect which requires commercial banks to use IFRS for regulatory reporting purposes, replacing local GAAP. Furthermore the Regulation on Identifying Risk Categories of Financial Instruments and Expected Credit Losses were approved, and changes were made to the relevant decrees. The Regulation on Identifying Risk Categories of Financial Instruments and Expected Credit Losses is based on IFRS 9 and specifies the approach that commercial banks should follow when using IFRS 9 in supervisory reporting. The transition significantly improved Group's Common Equity Tier 1, Tier 2 and Regulatory Capital positions, mostly due to higher retained earnings, higher amount of repossessed assets, and lower amount of expected credit losses recognized under IFRS as compared to statutory provisions, although capital adequacy ratio requirements were also increased.

On 23 January 2023, several structural changes have occurred in the Board of Directors as well as in the Supervisory Board. Namely, former General Director, Nato Khaindrava, was assigned as the Chairman/Member of the Supervisory Board, while Deputy General Director, Grigol Katsia, was appointed as a General Director.