



BANK OF GEORGIA
GROUP PLC

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2023

In 2023 Georgia gained
EU candidate status





BANK OF GEORGIA
GROUP PLC

2023

Helping people achieve more of their potential

Bank of Georgia Group PLC is a FTSE 250 holding company whose subsidiaries provide banking and financial services focused in the high-growth Georgian and Armenian markets through leading, customer-centric, universal banks – Bank of Georgia in Georgia and Ameriabank in Armenia. By building on our competitive strengths, we are committed to driving business growth, sustaining high profitability, and generating strong returns, while creating opportunities for our stakeholders and making a positive contribution in the communities where we operate.

Contents

Strategic Report 1-183

Overview		Sustainable Business	
History	5	Empowering people by creating sustainable opportunities	61
Track record of strong performance since demerger	6	Governance and integrity	66
Track record of capital distribution	7	Financial inclusion	86
Financial highlights	8	Sustainable finance	92
Strategic and ESG highlights	8	TCFD	99
Georgia in key figures	9	Empowering employees	119
Acquisition of Ameriabank CJSC	13	Empowering communities	133
Chairman's statement	15	Non-financial and sustainability information statement	141
Chief Executive Officer's statement	16		
Strategy and Performance		Risk Management	
Our purpose and strategy framework	18	Risk management	144
Key performance indicators	21	Principal risks and uncertainties	150
Addressing financial and lifestyle needs of our customers	25		
Fulfilling business customer needs	40	Going Concern and Viability Statements	
Digital Area snapshot	50	Going concern	170
Section 172(1) statement	52	Viability statement	170
		Overview of Financial Results	
		Overview of financial results	172

Governance 184-253

Governance at a Glance	185
Board Independence	187
Directors' Governance Statement	188
Board of Directors	198
Management Team	201
Nomination Committee Report	206
Audit Committee Report	214
Risk Committee Report	224
Directors' Remuneration Report	229
Statement of Directors' Responsibilities	248
Directors' Report	249

Financial Statements 254-362

Independent Auditor's Report	255
Consolidated Statement of Financial Position	263
Consolidated Income Statement	264
Consolidated Statement of Comprehensive Income	265
Consolidated Statement of Changes in Equity	266
Consolidated Statement of Cash Flows	267
Separate Statement of Financial Position	268
Separate Statement of Changes in Equity	269
Separate Statement of Cash Flows	270
Notes to Consolidated Financial Statements	271

Additional Information 363-371

GRI Index	364
References	368
Glossary	369
Shareholder Information	371

OVERVIEW

History

Before IPO

1994	1996	1998	2004
Bank of Georgia is established	Bank of Georgia issues the first plastic card	Bank of Georgia installs the first ATM in Georgia The European Bank for Reconstruction and Development (EBRD) becomes a shareholder of the Group	Bank of Georgia acquires TbilUniversalBank, the ninth largest bank, and Georgian Card, a card processing platform

Listing on LSE

2012	2009	2007	2006
BGEO moves to the premium listing on the LSE and becomes part of the FTSE 250, being the first public company from the Caucasus region in the list	Bank of Georgia launches SOLO, a premium banking brand to serve the mass affluent customer base	Bank of Georgia issues US\$ 200 million Eurobond, the first international bond offering from Georgia	Bank of Georgia is listed on the London Stock Exchange (LSE), in the form of Global Depository Receipts (GDRs) Bank of Georgia launches internet banking (iBank) and mobile banking (mBank)

After demerger

2018	2019	2021	2022
BGEO demerges into two separately listed and independently managed public companies – Bank of Georgia Group PLC, the banking business, and Georgia Capital PLC, the investment business	Bank of Georgia Group PLC has a new management and develops a new strategy – focused on accelerating digitalisation and embedding customer-centricity across the business	The Group successfully recovers from the pandemic Bank of Georgia launches PLUS card – the first debit card project with American Express in the EMEA region The Group redefines its Environmental, social and governance (ESG) strategy and produces its first Task Force on Climate-related Financial Disclosures (TCFD) report	Bank of Georgia rolls out sCoolApp, the first financial mobile application for school students in Georgia Bank of Georgia's digital monthly active users (Digital MAU) exceed one million retail customers

Track record of strong performance since Demerger in 2018

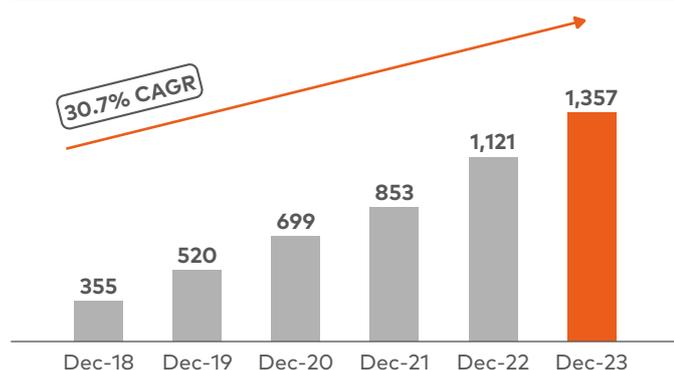
When describing the development of the Group over the past few years, two adjectives come to mind: digital and customer-centric. The Group has achieved significant progress in becoming

a digital banking leader in Georgia and a truly customer-centric organisation with a high-level Net Promoter Score (NPS). This progress has translated into loan and deposit portfolio growth and

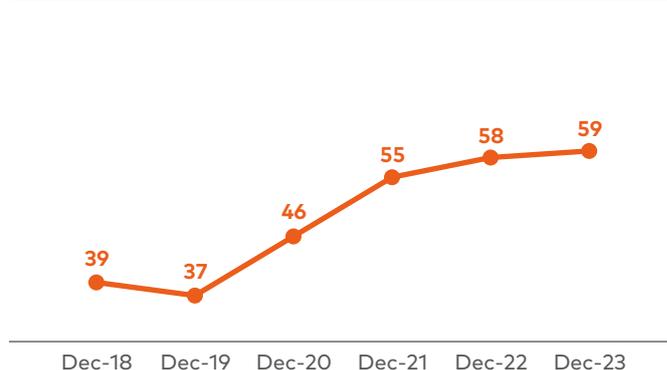
ultimately into strong profit generation and profitability. This strong foundation will support ongoing growth and value-creation by the Group.

Digital MAU

(thousands)

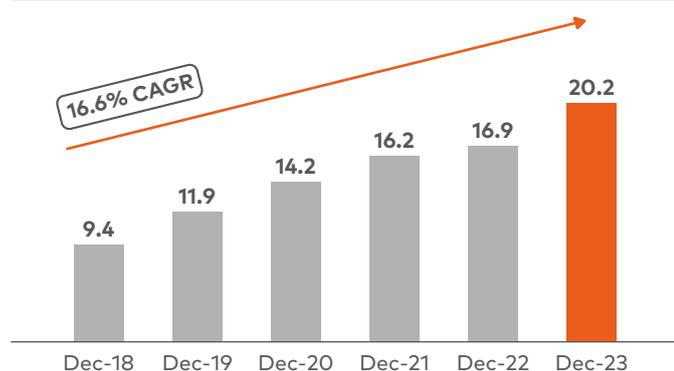


NPS



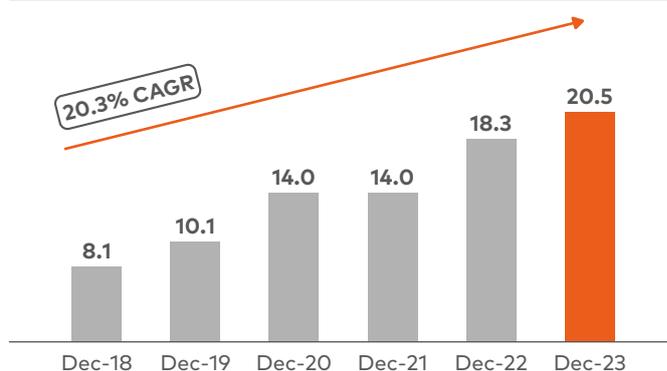
Loan portfolio

(GEL billions)



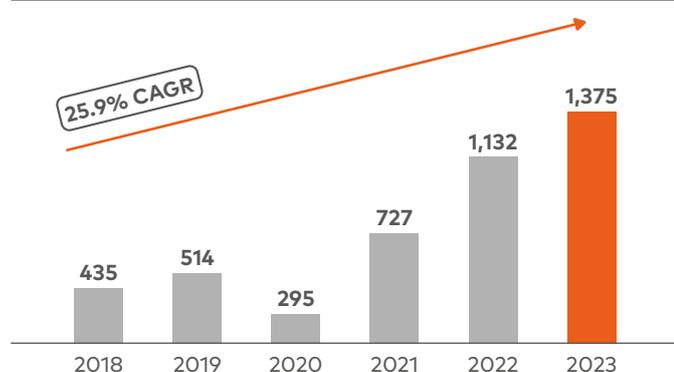
Deposit portfolio

(GEL billions)

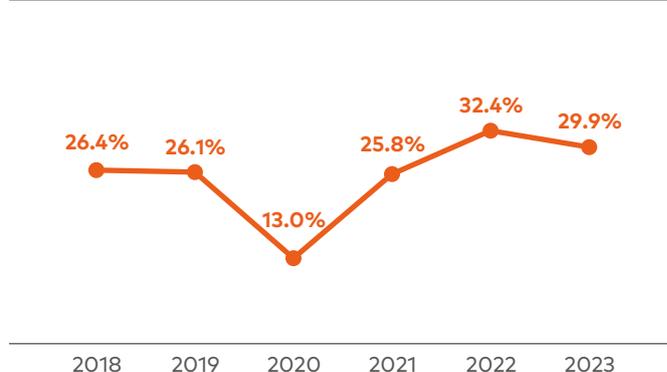


Profit (adjusted for one-off items)¹

(GEL millions)

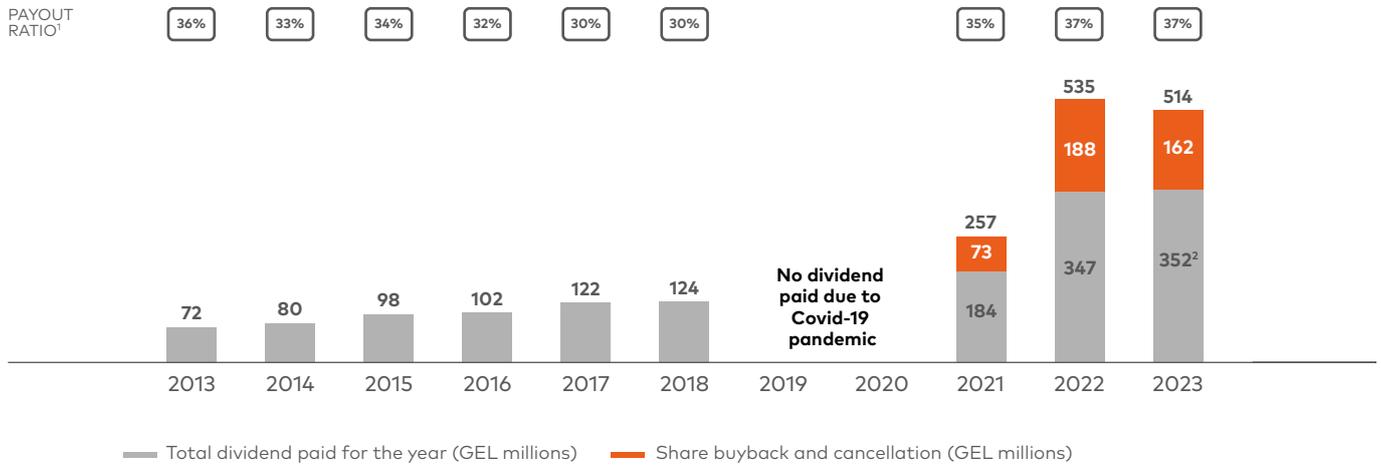


Adjusted return on average equity (ROAE)¹



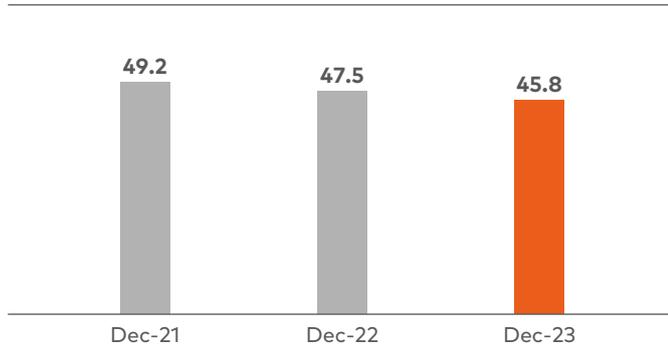
1. 2023 figures have been adjusted for a one-off GEL 22.6 million other income due to the fair value revaluation of the receivable as part of the settlement of a legacy claim. 2022 figures have been adjusted for a one-off GEL 391.1 million other income due to the settlement of a legacy claim, and a one-off GEL 79.3 million tax expense due to an amendment to the corporate taxation model applicable to financial institutions in Georgia. 2019 figures have been adjusted for GEL 14.2 million (net of income tax) termination costs of a former CEO and executive management. 2018 figures have been adjusted for GEL 30.3 million demerger-related costs, GEL 8.0 million demerger-related corporate income tax gain, GEL 30.3m one-off impact of remeasurement of deferred tax balances and GEL 3.9 million (net of income tax) termination costs of a former CEO.

Track record of capital distribution



Share buyback and cancellation programme

Number of shares outstanding
(period-end)³
(millions)



6.9%

The Company's issued share capital cancelled as of 31 December 2023

Since the beginning of the first share buyback and cancellation programme in 2022, the Company has cancelled 3,403,135 ordinary shares, representing 6.9% of ordinary shares before the start of the programme.

Capital distribution for 2023

Interim dividend and buyback

GEL 3.06

dividend per share

GEL 62M

share buyback
programme

Final dividend and buyback³

GEL 4.94

dividend per share

GEL 100M

share buyback
programme

1. For the purpose of total payout ratio calculation, total buyback amount is divided by outstanding shares before the beginning of the respective programme.
2. This includes a final dividend of GEL 4.94 per share that the Board intends to recommend at the 2024 AGM.
3. The final dividend of GEL 4.94 per share that the Board intends to recommend at the 2024 AGM.

Financial highlights 2023

Profit (adjusted)¹

GEL 1,374.7M

+21.4% y-o-y

Profit (reported)

GEL 1,397.3M

-3.2% y-o-y

Net loans²

GEL 20,232.7M

+20.0% y-o-y

Client deposits

GEL 20,522.7M

+12.4% y-o-y

ROAE (adjusted)¹

29.9%

-2.5 ppts y-o-y

ROAE (reported)

30.4%

-11.0 ppts y-o-y

Strategic and ESG highlights 2023

Figures given for JSC Bank of Georgia standalone

Monthly active individual clients

1,808.9K

+10.8% y-o-y

Digital MAU

1,357.2K

+21.0% y-o-y

Share of products activated through digital channels³ (4Q23)

70.3%

+25.1 ppts y-o-y

Acquiring market share (Dec-23)

54.9%

+3.7 ppts y-o-y

NPS⁴

59

58 in 4Q22

Employee Net Promoter Score (eNPS)⁵

56

53 in 4Q22

Self-employed borrowers⁶

54.7K

+14.9% y-o-y

sCoolApp MAU

89.6K

+170.3% y-o-y

- 2023 figures have been adjusted for a one-off GEL 22.6 million other income due to the fair value revaluation of the receivable as part of the settlement of a legacy claim. The comparatives are also adjusted for one-off items.
- Throughout the Strategic Report, gross loans to customers and respective allowance for impairment are presented net of expected credit loss (ECL) on contractually accrued interest income. These do not have an effect on the net loans to customers balance. Management believes that netted-off balances provide the best representation of the Group's loan portfolio position.
- In 2Q23, we changed the methodology of calculating the share of products sold digitally and currently include all types of products sold by Bank of Georgia. The previous periods have been restated.
- Based on external research by IPM Georgia.
- Based on internal survey.
- Individuals whose share of income from self-employment exceeds 50% and who do not own a business/are not registered as individual entrepreneurs.

Georgia in key figures

Business friendly environment

Economic freedom ranking
(2023)

#35

Out of 176 countries

Source: The Heritage Foundation

Business bribery ranking
(2023)

#35

Out of 194 countries

Source: TRACE Association

Corruption perception ranking
(2023)

#49

Out of 180 countries

Source: Transparency International

Steady ratings with improved outlook from global rating agencies

Agency: **Fitch**

Rating: **BB**

Outlook: **Positive**

Date: **January 2024**

Agency: **S&P**

Rating: **BB**

Outlook: **Stable**

Date: **February 2024**

Agency: **Moody's**

Rating: **Ba2**

Outlook: **Stable**

Date: **March 2024**

Prudent macroeconomic policy

Estimated fiscal deficit as %
of GDP in 2023

2.4%

-0.6 ppts y-o-y

Source: Ministry of Finance of Georgia

Estimated public debt as %
of GDP in 2023

39.0%

-0.2 ppts y-o-y

Source: Ministry of Finance of Georgia

Gross international reserves
in months of goods and
services imports in 2023

3.4 months

+29.3% y-o-y growth in net reserves

Source: National Bank of Georgia, Geostat

Duty-free access to 2.3 billion-person market: Free Trade Agreements with the European Union (EU), China, Turkey, EFTA, the UK, Ukraine and CIS



Macro overview

The Georgian economy continued to demonstrate resilience in 2023 amid the turbulent macroeconomic environment of tighter global financial conditions and unresolved regional conflicts.

Georgia managed to navigate and adapt to the major changes in the region triggered by Russia's war in Ukraine. The surge in external sector inflows caused by relocation of capital and rerouting of

trade flows in 2022 started to stabilise in mid-2023, with a gradual slowdown afterwards. The slowing external sector inflows were swiftly substituted by robust domestic demand, enabling the economy

to maintain a strong growth momentum. Georgia's economy grew by 7.5% in 2023 after double-digit growth rates in 2021-2022.

External merchandise trade slowed in 2023 given the record-high base of the previous year and declining global commodity prices.

Export of services continued to deliver strong growth due to the ongoing recovery in international tourism and impressive gains in information and communication technology (ICT) and transport services benefiting from the relocation of international companies to Georgia and the rerouting of trade flows. Money transfers weakened, posting a 5.7% y-o-y decline in 2023, reflecting the conclusion of capital relocation from regional economies. The decline was partially offset by strong growth in remittances from EU countries and the US. Overall, the external balance improved further in 2023 with a historically low current account deficit of 4.3% of GDP. As the slowdown in external sector inflows was gradual and anticipated given the extraordinarily high numbers of the previous year, this has not caused any undue pressures on the exchange rate.

In 2023, the Georgian Lari strengthened against the US Dollar by an additional 0.5% on top of the 12.5% appreciation in 2022.

Strong domestic demand underpinned by consumption and investment spending balanced the slowing external sector inflows in 2023. As inflation eased, real incomes of households started to recover, boosting consumption expenditure. Meanwhile, investment spending remained robust due to the positive growth outlook and the proven track record in sound macroeconomic policies. Georgia's favourable geographical location in the Middle Corridor and business-friendly environment also contributed to its investment attractiveness with equity foreign direct investment (FDI) inflows increasing by 68.3% y-o-y in 2023. Transport and logistics, ICT and education sectors have demonstrated strong growth and export

potential. Investment activity was also supported by domestic bank lending with business loans issued to legal entities up 19.9% y-o-y in constant currency terms in 2023.

Overall, the current mix of Georgia's growth drivers, including consumption and investment spending coupled with service exports, provides a solid basis for sustaining the current growth momentum in the medium term.

The European Council granting Georgia EU candidate status in December 2023 is expected to provide an additional boost to the economy by improving sentiment among consumers and investors. Sustained geopolitical instability in the region and tight global financial conditions pose downside risks to the outlook. However, increased fiscal space and replenished international reserves cushion the economy from possible shocks.

Thanks to favourable macroeconomic conditions, the build-up of policy buffers continued in 2023.

The National Bank of Georgia (NBG) took advantage of strong external sector inflows in the first half of the year by purchasing record-high amounts of foreign currency. As a result, net international reserves reached US\$ 2.8 billion by end-2023, increasing by US\$

0.6 billion during the year. Meanwhile, the Government continued fiscal consolidation supported by strong tax revenue growth. In 2023, the estimated fiscal deficit improved by an additional 0.6 ppts versus 2022 to 2.4% of GDP, while the total public debt reached an

estimated 39.0% of GDP, decreasing by an additional 0.2 ppts throughout the year. The adequate level of international reserves, coupled with declining public-debt-to-GDP ratio, will help protect the economy against possible external shocks down the road.

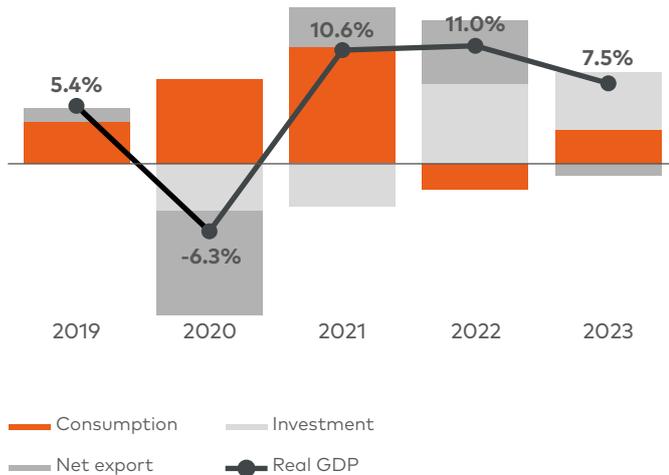
Amid strong economic growth in 2023, labour market conditions continued to improve with decreasing unemployment and rising participation rate, while nominal wage pressures subsided thanks to slower growth in consumer prices.

Inflation declined substantially throughout the year with a persistent decrease in import prices and a slowdown in domestic price growth. Headline Consumer Prices Index (CPI) inflation

retreated to 0.4% in December 2023 and averaged 2.5% for the full year, driven by falling global commodity prices, strong GEL and tight monetary policy. Given the improved inflation outlook, the

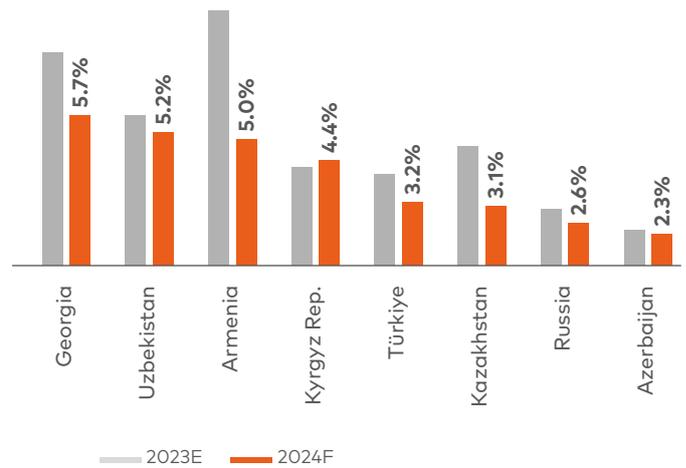
NBG started a gradual exit from tight monetary policy in mid-2023, cutting the refinancing rate by a total of 1.5 ppts throughout the year.

Composition of real GDP growth by types of expenditure in Georgia



Source: GeoStat, Bank of Georgia

Real GDP growth forecasts by IMF in regional economies



Source: Latest country reports by International Monetary Fund (IMF) as at 31 March 2024

A prudently managed banking sector

The banking sector is one of the main drivers of the Georgian economy – fully privately owned, with the two largest banks accounting for 76.9% of total

banking assets at 31 December 2023. Prudent supervision by the NBG ensured the resilience of the banking system to previous external shocks. Along with

strong economic activity in 2023, demand for credit remained robust. However, globally increasing interest rates resulted in higher cost of credit in foreign currency.

Changes in macroprudential regulations in 2023

To mitigate the adverse impact of global tightening and ensure uninterrupted access to credit, the NBG made several amendments to the macroprudential regulations in 2023:

Introduction of the minimum requirement for own funds and eligible liabilities (MREL) for systematically important commercial banks

Effective: **1-Jan-24**

Maturity limit on unsecured consumer loans increased back to four years (after reduction to three years in August 2022)

Effective: **1-Nov-23**

Minimum foreign exchange (FX) loan limit increased from GEL 200,000 (≈US\$ 74,000) to GEL 300,000 (≈US\$ 111,000)

Effective: **1-Jan-24**

Currency-hedged borrowers exempt from minimum FX loan limit

Effective: **1-Jan-24**

Extension of the accumulation period for neutral countercyclical buffer from one year to four years

Effective: **15-Mar-24**

Reduction in the upper limit of the minimum reserve requirement on short-term foreign currency liabilities from 25% to 20%

Effective: **7-Dec-23**

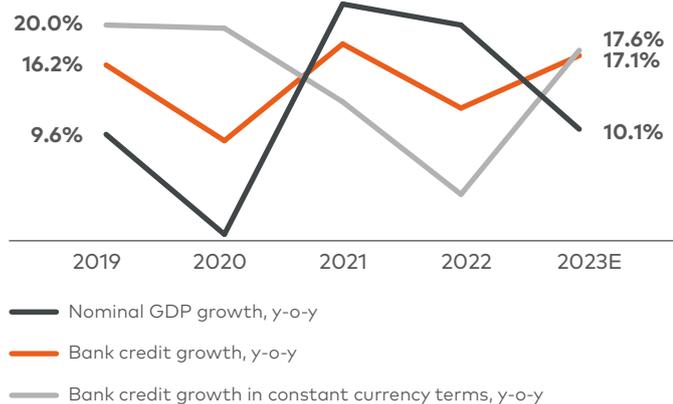
Thanks to the strong economic activity and recent easing of prudential regulations, bank lending growth remained healthy in 2023, accelerating to 17.1% y-o-y on a constant currency basis after a 12.1% y-o-y growth in the previous year. Local currency and foreign currency lending contributed equally to overall credit growth, leading to a roughly unchanged loan dollarisation of 45.2% as at 31 December 2023. In contrast,

deposit dollarisation continued to decrease to 50.7% (-5.4 ppts y-o-y). The banking sector maintained high profitability with a 24.7% return on equity (ROE) in 2023, while loan book quality remained sound with non-performing loan (NPL) ratio at 1.5%.

The Georgian banking sector remains committed to complying with relevant anti-money laundering (AML) regulations

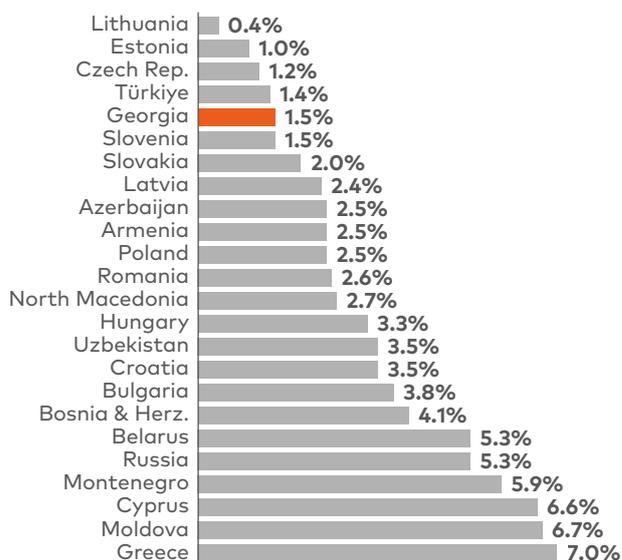
and the sanctions adopted by the UK, US, and EU against Russia. The international credibility and sound performance of the Georgian financial sector has made it one of the largest FDI recipients in recent years, according to Geostat.

Bank lending growth in Georgia



Source: GeoStat, NBG

NPLs to total gross loans in selected countries, end-2023 or latest available



Source: IMF

Macro outlook

We expect **strong economic growth** to be sustained in 2024, underpinned by robust consumption and investment spending

We expect that **inflation will remain close to the NBG's 3.0% target**, supported by the prudent monetary policy and stable GEL

We anticipate a **stable GEL/US\$ exchange rate**, supported by resilient external sector inflows and positive growth outlook

We do not rule out additional **interest rate cuts** throughout the year amid the improved inflation outlook

Acquisition of Ameriabank CJSC

On 19 February 2024, Bank of Georgia Group PLC announced that it and its subsidiary, JSC Bank of Georgia, had conditionally agreed to acquire 100% of the total issued share capital of Ameriabank, a leading universal bank in Armenia offering a broad suite of retail and corporate and investment banking services.

Having received all necessary shareholder and regulatory approvals as of 29 March 2024, Bank of Georgia Group PLC acquired 60% and JSC Bank of Georgia acquired 30% of issued share capital. EBRD retained a 10% shareholding in Ameriabank's total issued share capital, subject to the Shareholders' Put and Call Option Agreement as disclosed in the

class 1 circular published by the Company on 19 February 2024.

We believe Ameriabank is a good strategic fit to the Group and that the Acquisition is attractive as it is expected to provide significant commercial and financial benefits.

Ameriabank at a glance

- A leading universal bank in Armenia with #1 rank by loans and #2 by deposits
- The leading corporate and investment banking franchise and #1 in mortgages in the retail segment
- Strong brand in the local market – the “top-of-mind” bank in Armenia
- Delivering double-digit ROAE in four out of five prior years
- Experienced management team and strong governance with focus on ESG principles

Ameriabank is one of the leading universal banks in Armenia and has an attractive franchise with significant upside potential from leveraging BOGG's customer focus and digital capabilities.

Key financial and non-financial highlights

19.6%/#1

Loans market share (Dec-23)

#1

Armenian bank by brand awareness¹

419K

Individual customers (Dec-23)

1,812

Employees (Dec-23)

GEL 9,378M

Total assets (Dec-23)

GEL 1,303M

Shareholder's equity (Dec-23)

GEL 309M

Net income (FY23)

24.9%

ROAE² (FY23)

36%

Share of Digital MAU in total individual customers (Dec-23)

Ameriabank is a highly attractive franchise displaying many complementary characteristics to the Group. Ameriabank is the market leader in Armenia by total loan portfolio (19.6% market share as at 31 December 2023) and the second largest bank by total deposits (17.3% market share as at December 2023), with a strong loan and deposit portfolio growth. Over the last few years Ameriabank has significantly expanded its loan portfolio, especially in retail,

with its mortgages and consumer loan portfolio exhibiting high growth rates (combined CAGR of 24.1% in 2020-2022). Ameriabank also has a particularly strong foothold in the corporate segment, being a market leader with a market position (22.5% market share) in loans to legal entities as at 31 December 2023. We believe that Ameriabank has significant growth potential and further scope to improve commercial performance, particularly in retail. This is expected to

be achieved by combining Ameriabank's existing franchise strengths with the Group's expertise, stemming from the Group's proven track record and leading digital products and payments capabilities. Although Ameriabank is a leading player in its own market, it had fewer than 420,000 individual customers as at 31 December 2023 (out of a population of approximately 3.0 million). We believe that there is a significant scope for growth in this area,

1. Based on 4Q23 research by Invia CJSC.

2. Calculated based on average shareholder's equity as at December 31, 2022 and as at December 31, 2023 based on IFRS financial statements of the bank converted to GEL.

and that the Group's existing assets and infrastructure will enable it to realise these potential growth benefits, as the Group has already proven in Georgia. Ameriabank is also one of the leading payments acquirers in Armenia, with further potential upside on the back of the Group's strong expertise in this area, as well as supported by favourable market fundamentals, as the Armenian

economy is predicted to become increasingly cashless over the next few years.

We believe the acquisition will create strong value for our shareholders. It is expected to provide immediate EPS and ROAE uplift, no dilution for shareholders as the acquisition was fully funded by cash³. In addition, the acquisition had

a limited negative impact of 1.0%-1.1% on Bank of Georgia's capital ratios, which remained comfortably above the minimum regulatory requirements. The Company's dividend and capital distribution policy and payout ratio of 30-50% has not changed following the acquisition.

Macroeconomic overview of Armenia

The Armenian economy and banking sector have certain attractive characteristics similar to those in our current principal operating country, Georgia.

Armenia is one of the fastest growing economies in the region distinguished by prudent macroeconomic policies, low inflation and stable exchange rate

In 2023, Armenia maintained strong growth momentum after a surge in economic growth in 2022 driven by increased inflows of capital, inbound migration, and relocation of businesses, particularly from Russia, triggered by Russia's invasion of Ukraine. These developments bolstered domestic demand and strengthened the local currency. The Armenian economy registered 8.7% real GDP growth in 2023,

on top of 12.6% expansion in the previous year, driven by trade, information and communication, and construction sectors. Armenia also benefited from increased transit trade resulting from rerouted trade flows in the region.

The elevated inflation in previous years receded in 2023 due to tight monetary policy, strong Armenian Dram and declining global commodity prices.

In the first half of 2023, the central bank of Armenia (CBA) maintained tight monetary policy with the historically high policy rate at 10.75%. As inflation eased, it gradually reduced rates by 1.5 ppts by end-2023. The Armenian currency remains stable after gaining by approximately 16% in value against the US dollar during 2022-2023.

Despite slowing inflows from Russia since the second half of 2023, Armenia is expected to maintain strong growth momentum supported by resilient private consumption coupled with government spending and investment.

Strong focus on the IT sector as well as ongoing reforms in the education system can help Armenia transform into a service-based and export-led economy. Sound macroeconomic policies and the fiscal reform agenda supported by the

ongoing IMF programme reinforce the growth outlook. Despite strong current performance, the Armenian economy remains constrained by structural challenges including low productivity in manufacturing and agriculture, narrow

export base and high dependence on inflows from Russia (40.6% of Armenian export proceeds and 65.9% of remittances were sourced from Russia in 2023).

The regional security risks have receded substantially at the end of 2023. However, the geopolitical landscape remains fragile in the region as border issues between Armenia and Azerbaijan are still unresolved.

In late 2023, Azerbaijan assumed full control of Nagorno-Karabakh, prompting approximately 100,000 ethnic Armenians to flee into Armenia. The government of Armenia swiftly implemented policy measures to address the refugees' urgent needs, which created short-lived fiscal pressures. In the medium term, however, the refugees can provide additional boost to the economy by integrating in the local labour market. Meanwhile, Armenia is actively seeking to negotiate a peace

agreement with Azerbaijan, which could unlock new opportunities for Armenia and for the overall region in terms of greater connectivity encouraging more trade and capital movements.

In recent years, Armenia has intensified efforts to strengthen relations with the European Union, which has also been actively involved in the resolution of the conflict between Armenia and Azerbaijan.

In March 2024, European Parliament passed resolution proposing consideration of EU membership candidacy for Armenia. These developments reflect Armenia's attempts to reduce economic and security dependence on a single country, particularly Russia. Stronger integration in the EU can open up vast opportunities for Armenia resulting in improved medium-term growth prospects and more resilient economy.

Armenia's banking sector remains sound with robust credit growth, decent asset quality and high capitalisation

In 2023, bank lending growth accelerated to approximately 21% y-o-y in constant currency basis supported by favourable economic conditions. In the meantime, asset quality remained high with non-performing loans to total loans at 2.4% as of December 2023. This healthy credit growth resulted in robust profitability of

estimated 20% return on adjusted equity in 2023. Armenian banks maintained solid capital buffers with 19.9% capital adequacy ratio as at end-2023. Similar to Georgia, the Armenian banking sector is distinguished by relatively high, albeit decreasing, dollarisation. Loan and deposit dollarisation stood at 35.6%

and 50.5% at end-2023, respectively (vs. 36.3% and 55.1% at end-2022). Given the positive economic outlook and bank lending to GDP ratio below its long-term trend in Armenia, strong lending growth is expected to be sustained in the following years.

3. The sole instance of possible share issuance is previewed in Put and Call Option Agreement where BOGG has discretion to pay the Put and/or Call price either in cash or via issuance of shares in the Company.

Chairman's Statement



Mel Carvill
Board Chairman

2023 was a pivotal year in the Group's strategic development, as it laid the groundwork for the acquisition of Ameriabank in the first quarter of 2024, a significant and immediately earnings accretive transaction for the Group. I spoke about the attractiveness of Armenia and Ameriabank in my letter to shareholders ahead of the General Meeting and shareholder vote on the acquisition, but I want to reiterate a few points. Armenia and Georgia are neighbouring countries with significant cross-border links, and both are attractive high-growth economies in the EMEA region, pivoting towards the EU. Georgia has already made significant progress. A major leap forward was the achievement of EU candidacy status at the end of 2023, and Armenia is voicing its intentions to further deepen its relationship with the EU. Ameriabank is a leading banking franchise in the country, the largest bank by loans, with 20% market share as of year-end 2023, and the capacity to double down on its customer franchise growth, especially in the mass retail and SME segments. We expect it to deliver strong results and market share gains in the years to come. We believe Bank of Georgia's experience and best practices can be shared with Ameriabank to support its growth and development. The Board was very pleased to see 100.0% support for this transaction from our shareholders, and the very positive shareholder feedback.

In March 2024, in accordance with our succession planning, we announced a change to the composition of the Board. Al Breach, a Non-executive Director of the Company from 28 February 2018, stepped down. We are very grateful

for his substantial contributions to the Board during a significant period of change throughout his tenure. A new Non-executive Director, Andrew McIntyre, has been appointed. I am confident that Andrew's rich experience and range of skills will further strengthen the Board and support the Group's continued progress. You can read more about Andrew and the appointment process in the Nomination Committee Report on pages 206 to 213.

During 2023, the Board was focused on understanding the impact of new technologies and operating models in financial services, as well as on exploring potential new horizons for growth. The Group has continued to deliver on its strategic priorities, generating strong top- and bottom-line growth, maintaining high profitability levels, and rewarding shareholders with a robust capital distribution strategy. The Board has seen significant improvements in the quality of the organisation, with people-centricity – be it customer-centricity or employee-centricity – embedded throughout the business in policies and processes, and with relevant metrics meticulously monitored by the management team, which are regularly reported to, and discussed at, the Board. The substantial progress is visible in the figures, and you can read significantly more about this progress throughout this Report.

Throughout the year, the Board received regular updates on how the management continued to create opportunities for our different stakeholders. Overall, Bank of Georgia has taken great strides towards a truly customer-centric culture, focused on outcomes rather than processes, with the right systems in place to identify customer pain points, rectify any mistakes along the way, and improve the overall customer experience. The Board continued to hear first-hand from employees about their work experiences in Employee Voice meetings. We saw Employee NPS improve during 2023, and employee engagement scores remained at high levels during the year.

The Board also continued to be fully engaged in the ESG practices across the organisation, approving a number of new policies, including a Responsible Supply Chain and Environmental Policy, reflecting our commitment to sustainability across operations. The Group's approach to ESG has been informed by the views of our key stakeholders through a formal materiality assessment. In response to stakeholder feedback during the second formal ESG materiality assessment in 2023, the Board approved a revised ESG strategy, with Sustainable Finance added as one of the main pillars and green lending KPIs introduced for the first time. Climate change is a global challenge, and we understand that leading financial institutions have a lot to contribute to mitigate risks and support

sustainable economies alongside their customers, communities, governments, and regulators. The Group is making good progress on understanding and managing climate-related risks and opportunities and improving data collection and assessment capabilities. The Board will focus closely on the progress the Group is making in light of the external environment, emerging regulatory requirements, and, of course, the expectations of our key stakeholders. We remain committed to fostering diversity and inclusion on the Board as well as across the organisation and are pleased to see that the Group has been ranked #2 in the banking sector in the latest FTSE Women Leaders Review on female representation, with 49% of the Executive Committee and their direct reports being women. You can read more about diversity and our sustainability practices in the Sustainable Business section on pages 120 to 122.

In conclusion, I'd like to thank fellow Board members, the CEO and his team and all employees across the Group for their commitment and efforts throughout the year. I'm confident about the Group's strengths and its ability to maintain its strong track record of excellent performance.

Mel Carvill
Chairman
24 April 2024

Section 172 Statement

In discharging its duty to act in good faith and in a way that is the most likely to promote the long-term success of the Company, Directors must take into consideration the interests of the various stakeholders of the Company. Throughout this report, we detail how we have identified and given consideration to our various stakeholders. See pages 52-59 for our Section 172 statement (which is incorporated to the Strategic Report by reference), and on how the Board has engaged with our stakeholders.

Chief Executive Officer's statement



Archil Gachechiladze

Chief Executive Officer

As I write this letter, the Group looks different to what it was at the end of 2023. With the acquisition of Ameriabank going through successfully, we now operate two leading, top-of-mind banks in two high-growth neighbouring economies, Georgia and Armenia. Both Georgia and Armenia are attractive emerging markets, of similar sizes and structures, delivering and expected to continue to deliver one of the highest, more than 5%, real GDP growth rates in EMEA. Both Georgia and Armenia are prudently managed, with distinguished fiscal discipline and effective monetary policy enabling them to navigate through the uncertain and volatile global environment. During the past two years, Georgia's role in the middle corridor between Europe and Asia has been amplified, and the entry of a number of multinational companies reflects increased investor interest which, I believe, will be sustained and reinforced, especially with the EU candidacy status granted to Georgia in December last year. I am very optimistic about Armenia as well, as we see increasing engagement with the EU and a strong focus on diversification, with geopolitical risks substantially reduced. From a banking sector perspective, lower credit penetration and a fragmented banking sector in Armenia present growth opportunities that we intend to capture in the coming years. You can read the Georgian and Armenian macroeconomic and banking sector highlights on pages 9 to 14.

Over the past few years, we have been significantly focused on elevating the

quality of our Georgian banking franchise, devoting significant resources to new product development, digital channels, and enhancing customer experience. Our efforts, which are always ongoing, contributed to Bank of Georgia's leadership in daily banking, and strong results across our key performance metrics. We ended 2023 with close to 1.4 million Digital MAU¹ among retail customers, representing 75.0% of our total monthly active retail customers, compared to 68.7% a year ago. Our customer Net Promoter Score of 59, which was broadly stable during the year, is an excellent score for a universal bank, and, with customer-centricity embedded in organisation's DNA, we will remain focused on our customers, anticipating their wants and needs and delivering an excellent customer experience. Our payments business continues to grow, with the volume of merchant acquiring transactions in Georgia up 46.5% year-on-year in 2023, achieving a 54.9% market share in December 2023. In addition, more than 1.2 million individuals used Bank of Georgia's cards to make a payment in-store or online at least once in December 2023, a 20.1% increase over the same period in 2022.

All of the above translated into strong core revenue growth in 2023, with net interest income up 36.6% year-on-year and net fee and commission income up 36.8% year-on-year, translating into full year profit (adjusted for one-off items) of GEL 1,374.7 million², up 21.4% year-on-year, and an adjusted ROAE of 29.9%². On the portfolio side, loan book growth increased 19.6% year-on-year on a constant currency basis in 2023, while deposit growth was 12.2% year-on-year on a constant currency basis, building on the significant inflows during 2022. Going forward, we expect our double-digit balance sheet growth to more than offset any margin impact of deposit re-pricing and lower policy rates.

We acquired Ameriabank with our surplus capital and cash resources, with no significant effect on Bank of Georgia's capital ratios, no dilution for existing shareholders and no change to our dividend and capital distribution policy and payout range of 30-50% of earnings. Considering the Group's strong performance during 2023 and robust capital and liquidity positions, the Board intends to recommend, at the 2024 Annual General Meeting, a final dividend for 2023 of GEL 4.94 per share, making a total dividend for 2023 of GEL 8.00 per share. This is a 5% increase on the dividend for 2022 – a year boosted by significant one-offs and FX income which broadly normalised in 2023. In addition, the total buyback and cancellation programme for 2023 totalled GEL 162

million, bringing the total dividend and buyback payout ratio 2023 of 37%, the same as in 2022.

Having acquired Ameriabank, the Group has turned a new page. We are no longer Georgia-focused only, as we used to say, but we remain focused on delivering strong growth and high profitability in Georgia. In Armenia, we will work with the local management team to build on the existing strengths of Ameriabank to drive strong customer franchise growth. No matter where we are, we aim to grow strongly and profitably. We expect Ameriabank to deliver higher lending growth, above 20%, over the next few years as the market presents opportunities for both strong systemic growth and further market share gains for the leading player. In light of this expectation, we are revising our medium-term lending growth target for the whole Group from c.10% to 15%+.

Great customer experience starts with engaged and empowered employees. Our people are critical enablers of the Group's enduring success, and we continue to listen to our employees to improve the organisation together and deliver better outcomes for all. Bank of Georgia's employee net promoter score (eNPS) was 56 at year-end, higher than throughout 2022-2023. The dynamics of work continue to evolve globally, with younger generations coming with different expectations and needs. We may not always get everything right, but the whole organisation is committed to being a great place to work for top talent, creating equal opportunities that help our employees achieve more of their potential. I want to thank all of our employees for constantly supporting our customers and each other.

We have an interesting year ahead, with new upsides and goals. I am confident we have the necessary capabilities to manage the challenges we may face on our way and continue creating opportunities and value for our stakeholders.

Archil Gachechiladze
Chief Executive Officer
24 April 2024

This Strategic Report, as set out on pages 5 to 183, was approved by the Board of Directors on 24 April 2024 and signed on its behalf by

Archil Gachechiladze
Chief Executive Officer
24 April 2024

1. Digital monthly active users – individuals who logged in to Bank of Georgia's retail mobile application (BOG APP), internet banking platform (iBank) or mobile application for school students (sCoolApp) at least once within the past month.
2. 2023 figures were adjusted for a one-off GEL 22.6 million other income related to the fair value revaluation of the receivable related to the settlement of a legacy claim.

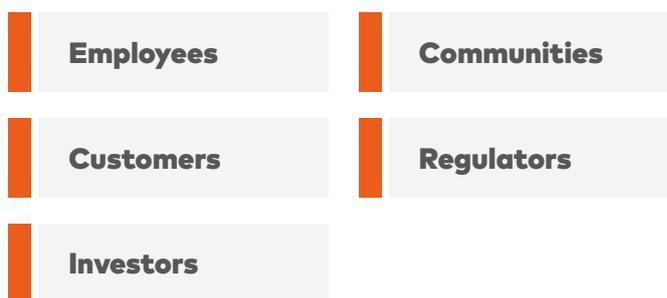
STRATEGY AND PERFORMANCE

Our purpose and strategy framework

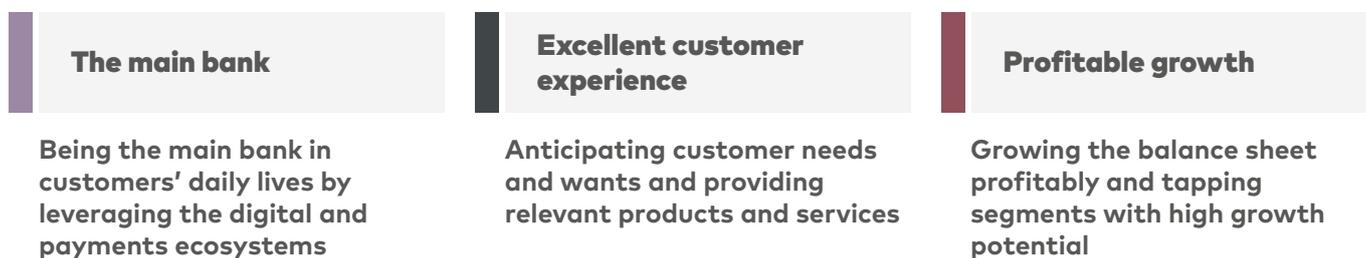
We are guided by our purpose

We regularly engage with our key stakeholders and consider their views and feedback

Helping people achieve more of their potential



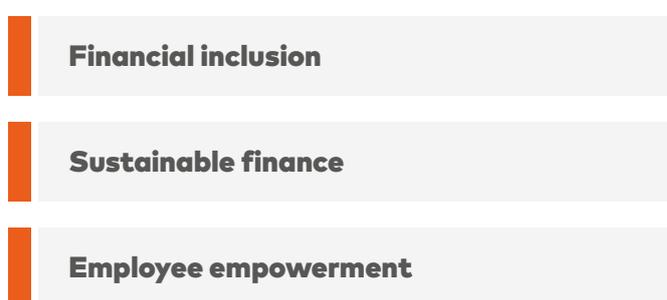
Our strategic priorities



We are enabled by



We create positive impact through our main focus areas



Key medium-term targets

c.15%

Loan book growth¹

20%+

ROAE

30-50%

Dividend and share buyback payout ratio

1. We have revised the loan book growth target upwards following the Acquisition of Ameriabank.

Our key enablers



CUSTOMER-CENTRICITY

The success and resilience of our organisation rely on maintaining a positive customer experience across all interactions with Bank of Georgia and driving positive outcomes for our customers. Through the implementation of comprehensive organisation-wide processes, including regular customer experience reviews at management level and the use of key performance indicators (KPIs) to actively respond to customer feedback, we have evolved into a truly customer-centric company.

NPS

59

58 (2022)



DATA AND AI

In 2023, we enhanced the Bank's advanced analytics and artificial intelligence (AI) capabilities for improved decision-making, efficiency and customer satisfaction. Our machine learning models anticipate individual financial and lifestyle needs, enabling us to provide personalised services for positive experiences across various touchpoints. We have made good progress in these areas, but we see enormous room for improvement, to become a truly data-driven organisation leveraging AI use cases to their full potential.

Unsecured consumer loan disbursement enabled by AI

22%

N/A



PEOPLE AND CULTURE

We aim to attract, retain and motivate skilled and talented individuals with diverse outlooks, life experiences and career paths. Our goal is to establish a secure and welcoming environment that fosters personal and professional growth and teamwork, and contributes to our sustained success.

eNPS

56

53 (2022)



BRAND STRENGTH

We are the top-of-mind and the most trusted bank in Georgia. Our brand strength enables us to acquire clients and maintain relationships with them. Robust brand name fosters credibility, cultivates confidence and attracts customers, contributing to the Bank's overall success.

Top-of-mind¹

50%

48% (2022)



EFFECTIVE RISK MANAGEMENT

Identifying, assessing and mitigating risks not only safeguards the financial health of the institution but also instils confidence among stakeholders. By navigating potential pitfalls and uncertainties with a proactive approach, we build resilience, sustain growth and ensure long-term stability.

Cost of credit risk ratio

0.7%

0.8% (2022)

1. Based on independent research conducted by IPM Georgia. 'Top-of-mind' refers to the first brand that comes to a person's mind when they are asked an unprompted question about a particular industry or category. The figure presented is as of 4Q23.

JSC Bank of Georgia business model

Retail Banking

Mass Retail Banking

We provide a comprehensive range of daily banking, payments, and related financial products and services to a broad spectrum of mass segment customers through a digitally-led user experience via our award-winning mobile application and one of the largest distribution networks in Georgia.

Net loans

GEL 4.5B
+8.9% y-o-y

Deposits

GEL 5.1B
+10.3% y-o-y

Premium Banking

We provide exclusive premium banking products coupled with a broad range of lifestyle offerings to mass affluent customers through the SOLO brand and high-net-worth individuals through the Wealth Management (WM) direction.

Net loans

GEL 4.0B
+26.1% y-o-y

Deposits

GEL 7.5B
+19.1% y-o-y



SOLO is a unique banking concept in one space, combining privileged financial and advisory services and tailored and exclusive lifestyle experiences.



Wealth Management serves high-net-worth individuals. WM services include a dedicated private banker, a dedicated personal concierge, exclusive financial products and lifestyle experiences on top of those offered to SOLO customers.

SME Banking

We provide a broad range of banking and payment products and value-added services to small- and medium-sized businesses, including individual entrepreneurs.

Net loans

GEL 4.6B
+12.0% y-o-y

Deposits

GEL 1.9B
+24.4% y-o-y

Corporate Banking

We provide the expertise and tailored solutions needed by large corporate organisations. Skilled relationship managers provide a one-to-one dedicated support to our customers.

Net loans

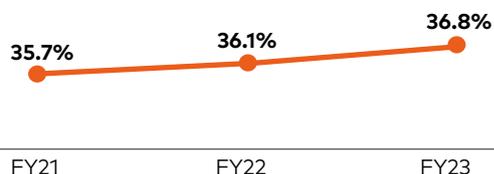
GEL 6.5B
+31.2% y-o-y

Deposits

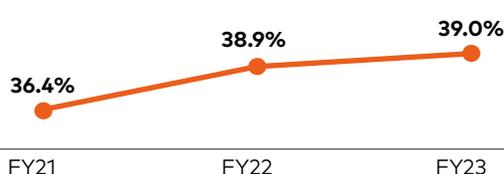
GEL 5.3B
+8.9% y-o-y

Bank of Georgia has maintained strong competitive positions.*

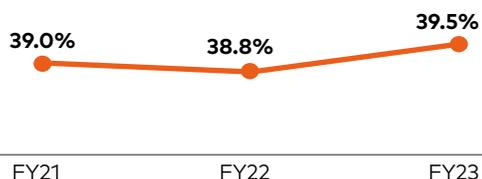
Market share – total gross loans



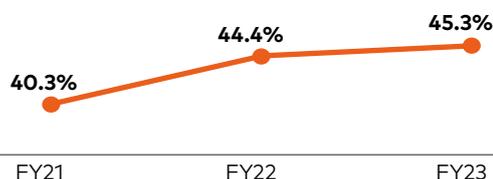
Market share – customer deposits



Market share – loans to individuals



Market share – deposits of individuals



* Market share data are based on standalone accounts as published by the National Bank of Georgia.

Key performance indicators

We monitor and analyse a broad range of financial and non-financial measures (so-called strategic measures) that reflect our strategic priorities to assess how well we execute our strategy and ensure we remain aligned with our medium-term targets.

Some of these performance measures are also linked to the way we pay our employees, including at Executive

Management level. The Board ensures the most relevant KPIs are included in the Executive Management's remuneration to better align their interests with those of our different stakeholders.

Financial measures are presented for the Group as a whole, while non-financial measures (strategic and ESG KPIs) are presented for JSC Bank of Georgia standalone.

In 2023, we reviewed the KPIs against our strategic priorities, including ESG objectives. The changes were made to reflect the ways in which both the Executive Management analyses the Group's performance as well as how this is reflected in the remuneration practices. The changes are presented in the table below:

	Added KPIs	Removed KPIs
Financial KPIs	N/A	Profit (reported) ROAE (reported) Basic earnings per share Cost:income ratio (reported) Net loan book growth (nominal) Deposit growth (nominal) NPL ratio CET1 capital adequacy ratio Leverage (times) Liquidity coverage ratio Net stable funding ratio
Strategic and ESG KPIs	sCoolApp MAU Number of self-employed borrowers	Daily active users (DAU) DAU/MAU Share of products activated through digital channels Share of transactions through mBank and iBank Acquiring market share Number of clients who exchanged loyalty points Number of active business clients Business MAU

Financial KPIs

Profit (adjusted)¹ (GEL millions)

2023	1,374.7
2022	1,132.2
2021	727.1

Definition

Profit is calculated in accordance with International Financial Reporting Standards (IFRS) and represents operating income and profit/(loss) from associates less operating expenses, cost of risk, non-recurring items and income tax expense. Profit is adjusted for one-off items.

Why do we measure?

This measure reflects the Group's performance for the period and is one of the KPIs for the Group's businesses.

Performance

In 2023, the Group reported a 21.4% y-o-y increase in adjusted profit, driven by strong top line growth.

ROAE (adjusted)¹

2023	29.9%
2022	32.4%
2021	25.8%

Definition

Profit (adjusted) attributable to shareholders, adjusted for one-off items, divided by monthly average total equity attributable to shareholders. Total equity attributable to shareholders comprises share capital, additional paid-in capital, treasury shares, retained earnings, capital redemption reserve and other reserves.

Why do we measure?

20%+ ROAE is one of the key medium-term targets of the Group communicated to investors. ROAE reflects our ability to generate return on equity.

Performance

Adjusted ROAE stood at 29.9% in FY23 (32.4% in FY22), significantly higher than the 20%+ medium-term target.

1. 2023 figures have been adjusted for a one-off GEL 22.6 million of other income related to the settlement of a legacy claim. Reported profit for 2023 was GEL 1,397.3 million and ROAE based on reported profit was 30.4%. 2022 figures have been adjusted for a one-off GEL 391.1 million other income due to the settlement of a legacy claim, and a one-off GEL 79.3 million tax expense due to an amendment to the corporate taxation model applicable to financial institutions in Georgia. Reported profit for 2022 was GEL 1,444.0 million and ROAE based on reported profit was 41.4%.

Financial KPIs

Net interest margin (NIM)



Definition

Net interest income for the year divided by monthly average interest-earning assets, excluding cash and cash equivalents and corporate shares, for the same year.

Why do we measure?

NIM reflects the profitability of our core banking operations by taking the difference between the interest income we earn on loans and other assets and the interest expense we pay on deposits and other liabilities. NIM is one of the key ratios regularly monitored by Executive Management and communicated to investors.

Performance

NIM stood at 6.5% in FY23 (up 110 bps y-o-y). The increase in NIM versus the prior year was driven by a combination of higher loan yield and lower cost of funds.

Cost:income ratio (adjusted)¹



Definition

Operating expenses divided by operating income, adjusted for one-off items.

Why do we measure?

This reflects our efficiency in managing operating expenses relative to our income generation, providing insight into our operational efficiency and financial performance.

Performance

In 2023, the Group delivered positive operating leverage, with the cost:income ratio at 29.8% versus 32.0% for the full year of 2022.

Net loan book growth (constant currency basis)



Definition

Net loans to customers and finance lease receivables at the end of the year divided by net loans to customers and finance lease receivables at the end of the previous year minus one. To calculate the change on a constant currency basis, net loans to customers and finance lease receivables in currencies other than GEL at the end of the year are converted to GEL using the exchange rates at the end of the previous year.

Why do we measure?

c.10% loan portfolio growth was one of the key medium-term targets of the Group communicated to investors. Following the Acquisition of Ameriabank, we have revised this target up to c.15%.

Performance

Net loans and finance lease receivables amounted to GEL 20,232.7 million at 31 December 2023, up 19.6% y-o-y on a constant currency basis.

Deposit growth (constant currency basis)



Definition

Customer deposits at the end of the year divided by customer deposits at the end of the previous year minus one. To calculate the change on a constant currency basis, customer deposits in currencies other than GEL at the end of the year are converted to GEL using the exchange rates at the end of the previous year.

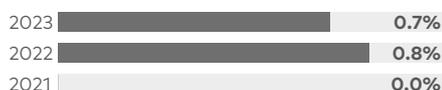
Why do we measure?

Maintaining a strong deposit franchise reflects the Group's ability to attract and maintain a loyal customer base and underpins its ongoing resilience.

Performance

Client deposits and notes amounted to GEL 20,522.7 million as at 31 December 2023 (up 12.2% y-o-y on a constant currency basis) driven by both current/demand and time deposits.

Cost of credit risk ratio



Definition

Cost of credit risk ratio equals expected credit loss on loans to customers and finance lease receivables for the year divided by monthly average gross loans to customers and finance lease receivables for the same year.

Why do we measure?

Prudently managing credit risk is one of the critical components of the Group's enterprise risk management (ERM) framework. Cost of credit risk ratio is one of the key financial metrics regularly communicated to investors with guidance of 1.0-1.2% as the Group's normalised range. This KPI has also been included in the CEO's KPIs.

Performance

The cost of credit risk ratio stood at 0.7% in FY23 versus 0.8% in FY22. The decrease was mainly driven by improved performance of the Retail Banking loan portfolio.

1. 2023 figure has been adjusted for a one-off GEL 22.6 million of other income related to the settlement of a legacy claim. Reported cost:income ratio for 2023 was 29.5%. 2022 figure has been adjusted for a one-off GEL 391.1 million other income due to the settlement of a legacy claim, and a one-off GEL 79.3 million tax expense due to an amendment to the corporate taxation model applicable to financial institutions in Georgia. Reported cost:income ratio for 2022 was 26.8%.

Strategic and ESG KPIs

NPS¹



Definition

To calculate NPS, people are asked "How likely are you to recommend Bank of Georgia to a friend or colleague?" and answers are scored on a zero-to-ten scale. NPS is simply the percentage of customers who are promoters (those who scored 9 or 10) minus the percentage who are detractors (those who scored 0 to 6).

Why do we measure?

Customer-centricity is one of the key enablers of the Group's success in the longer term. Overall customer satisfaction, measured by a third-party, is one of the main non-financial KPIs for the CEO and Executive Management.

Performance

NPS remained at a high level throughout 2023 and stood at 59 at year-end, broadly stable versus prior year.

eNPS²



Definition

To calculate eNPS, we ask employees "How likely are you to recommend Bank of Georgia to others as a place of work?" and answers are scored on a zero-to-ten scale. eNPS is simply the percentage of employees who are promoters (those who scored 9 or 10) minus the percentage who are detractors (those who scored 0 to 6).

Why do we measure?

Engaged and committed employees are critical for the success of the Group. eNPS, measured internally, offers valuable insights into Company culture, employee engagement and satisfaction and is one of the main non-financial KPIs for the CEO and Executive Management.

Performance

The Bank's eNPS score increased to 56 by year-end (from 53 at the end of 2022), and was within our target range, reflecting our efforts to improve employee experience throughout 2023.

Digital MAU (thousands)



Definition

An individual who logged into BOG APP, sCoolApp or iBank at least once within the past month.

Why do we measure?

Increasing the use of Bank of Georgia's digital channels has been one of the top priorities during the past few years. Digital MAU is one of the key strategic metrics that we have communicated to the Company's investors and that is regularly monitored by Executive Management.

Performance

In December 2023, Digital MAU was up 21.0% y-o-y to c.1.4 million individuals.

Volume of payment transactions in BOG's acquiring (GEL millions)



Definition

GEL value of all payment transactions executed in BOG's physical POS and online acquiring network for the period.

Why do we measure?

Growing the payments business is one of the Group's strategic priorities, and volume of payment transactions is one of the key strategic metrics that we have communicated to the Company's investors and that is regularly monitored by Executive Management.

Performance

The volume of payment transactions executed through BOG's physical and online POS terminals reached GEL 15.0 billion in 2023, a 46.5% increase versus 2022.

Payments MAU (thousands)



Definition

An individual who used a BOG card for payments at least once within the past month.

Why do we measure?

Our clients want a fast and frictionless payments experience and we believe cashless payments benefit people. Payments are also our daily touchpoint with customers and we aim to be the main daily banking relationship for our customers.

Performance

In December 2023, BOG's cards were used for payments at least once by more than 1.2 million individuals (up 20.1% y-o-y), an important progress towards a more cashless economy in Georgia.

1. Based on external research by IPM Georgia.
2. Based on internal survey.

Strategic and ESG KPIs

sCoolApp MAU (thousands)

2023		89.6
2022		33.2
2021	N/A	

Definition

An individual who logged into sCoolApp at least once within the past month.

Why do we measure?

Developing sCoolApp, a special mobile application for school children, reflects our commitment to onboarding and engaging more young people, making sure they become part of the formal financial system, teaching them financial literacy skills, and supporting them with simple daily banking solutions. sCoolApp MAU is one of the non-financial KPIs for the CEO and Executive Management.

Performance

We surpassed the 2023 year-end target of sCoolApp MAU of 70,000, having reached 89.6 thousand school students by December 2023.

Number of self-employed borrowers¹ (thousands)

2023		54.7
2022		47.6
2021	N/A	

Definition

An individual, with a credit from Bank of Georgia, whose share of income from self-employment exceeds 50% and who does not own a business/is not registered as an individual entrepreneur.

Why do we measure?

We are committed to removing barriers that prevent people from accessing credit. One such barrier used to be lack of formal income. Over the past two years we have focused on supporting self-employed individuals with a range of retail lending products, and this metric has been one of the ESG KPIs for the CEO and Executive Management.

Performance

We have simplified the lending process to support self-employed borrowers, ending the year with 54.7 thousand individuals. The loan portfolio of self-employed borrowers amounted to GEL 531.7 million as at 31 December, 2023, up 45.9% y-o-y. The 2022 figure has been recalculated based on updated business criteria.

In 2023, the number of self-employed borrowers was slightly short of the target (57K), despite the fact that the loan portfolio itself grew significantly. The Retail Banking team continues to be focused on reaching this segment, especially outside of the capital city, Tbilisi, and simplifying the user experience to attract more customers into the formal banking system.

1. Individuals whose share of income from self-employment exceeds 50% and who do not own a business/are not registered as individual entrepreneurs.

Addressing financial and lifestyle needs of our customers

Credit

Savings

Payments

Daily banking

Lifestyle

Rewards

Investments

Insurance



Our retail customer base is diverse, encompassing individuals ranging from school students to high-net-worth individuals. To stay relevant to our clients, we have developed distinct offerings tailored to various needs.

In Mass Retail Banking, the majority of our clients use subscription packages called S, M, or L, with L being the most comprehensive package with higher available limits. In 2023, in Premium Banking, we introduced a new subscription option – SOLO X – designed for customers who appreciate the SOLO lifestyle and banking services but do not require a personal banker.

This differentiation in packages has successfully attracted more customers.

Through the BOG APP – Bank of Georgia's retail financial superapp, we not only provide core banking products to our clients, but also offer non-banking products, including investment accounts, public transport cards, and insurance marketplace. This diverse product range enhances the variety of our offerings, fostering increased client engagement.

Despite offering different services to various customer segments, our commitment to delivering the best customer experience and ensuring high

levels of customer satisfaction remains consistent.

As of December 2023, the number of monthly active retail clients reached 1.8 million, a y-o-y increase of 10.8%. Notably, 75% of active retail clients are monthly active digital users. This reflects the extensive adoption of Bank of Georgia's market-leading retail digital channels.

1.8M monthly active individuals
+10.8% y-o-y

Mass Retail Banking: 1.7M
+9.2% y-o-y

Premium Banking: 127K
+38.6% y-o-y

S
Package

M
Package

L
Package

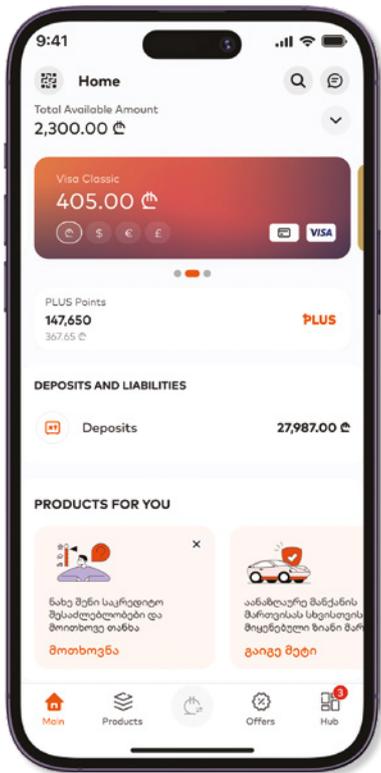
SOLO
X

SOLO
Premium

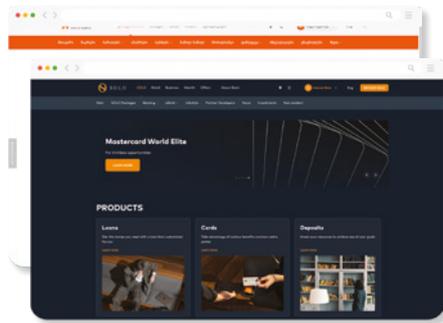
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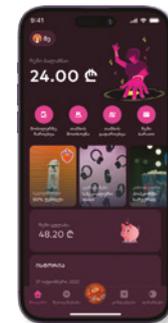
Our digital ecosystem



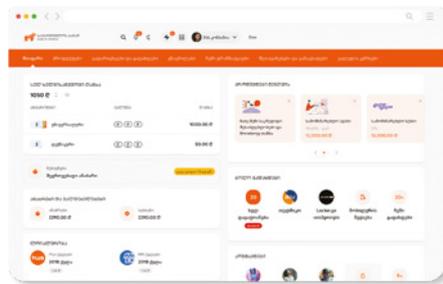
BOG APP



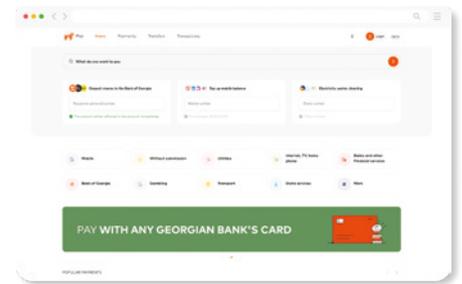
BOG.GE & SOLO.GE



sCoolApp



iBank



BOGPAY.ge

The cornerstone of our digital ecosystem is a global award-winning financial superapp – BOG APP. We aim to use other digital channels for client acquisition and then migrate our customers to BOG APP because we envision BOG APP as the go-to channel for our increasingly digital customer base.

We aim to transform the everyday experiences of our customers by enabling them to effortlessly discover and secure daily banking services and relevant

products with a single touch, all within our financial superapp.

BOG APP has evolved during the past two years, often in response to customer feedback that we continuously track, analyse and share monthly with Executive Management. For example, in 2023, we added the possibility to cancel or prolong deposits to the app. Previously, customers whose deposits were about to expire had to contact a banker or come to a branch if they did not wish the deposit

to be prolonged. This issue came up in customer surveys as a pain point, and now customers can see in the app when their deposit is about to expire shortly and they can take action themselves directly from the app. If they wish to prolong it, they can prolong it on similar or different terms, or they can cancel it so that the money saved will be transferred to the current account after expiry.

Three pillars of the BOG APP

Effortlessly discover

Personalisation, navigation, exploration

When Bank of Georgia was in the initial stages of digital transformation, we focused on making sure that more and more transactional activity happens outside of branches and moves to BOG APP. Lately, more focus has been directed towards moving product sales to digital

Relevant products and services

Banking products, non-banking products and more

channels by designing straightforward digital journeys for different products.

We have achieved good levels of digitalisation in unsecured consumer loans, and saw improvements in deposits digitalisation during 2023. Digitising card

Single touch

Seamless and consistent user experience (UX)

sales has been a challenge mainly because we lacked a simple and efficient card delivery process. We are in the process of designing the card delivery process to make it more efficient for the Bank as well as for the customers.

Our financial superapp

Credit

- End-to-end unsecured consumer lending
- Pre-approved credit limits

Savings

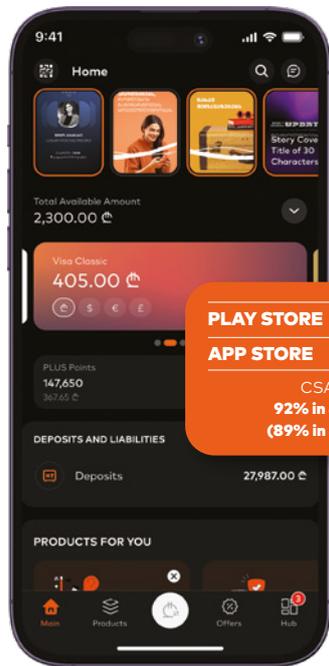
- End-to-end online deposit activation
- Activation of 'piggy bank'

Investments

- Opening investment account
- Managing investment portfolio

Insurance marketplace

- Motor Third Party Liability insurance (MTPL)
- Travel insurance



Loyalty and lifestyle

- Dedicated space with offers from partner merchants
- Gift cards **NEW**
- Stories **NEW**

Daily banking

- Transactions
- Payments & BNPL
- Subscriptions
- Remittances
- Bill split & money request
- Chat and chat-bot support
- Automatic payments and transfers
- Digital debit card and physical debit card ordering
- Instant P2P payments to other banks **NEW**

Personal finance management

- Daily spend view and personal budget management

Gamification **NEW**

What we did in 2023

Gamification



We added gamification to BOG APP. 527K customers played the game and 805K products were sold during the gamification campaign, boosting digital product sales to 70.3% of total product sales in the fourth quarter of 2023. Many customers also became acquainted with the services and products that we offer in BOG APP. Gamification was the first major product implemented on public cloud.

24/7 P2P transfers to other Georgian banks



We launched instant peer-to-peer (P2P) payments to other banks in BOG APP – enabling users to transfer and receive money instantly, 24/7, from any Georgian bank.

Next Best Offer (NBO) with reasonings



We provide personalised financial and non-financial offers to our clients, enabled by machine learning and AI.

Stories



We introduced 'Stories', offering customers access to both financial and non-financial content. In 2023 more than 1M customers engaged with the stories, accumulating 738M views in total.

Gift cards



In December we introduced gift cards in BOG APP that customers can purchase for themselves or their friends. This feature not only enhances the customer experience but also empowers our merchants to boost sales.

Superapp navigation



We revamped BOG APP's navigation style to give it more flair and functionality, broadening its focus beyond banking offers and services. We reimaged two pages: Hub and My Service.

How we measure success

1,357K

+21.0% y-o-y

Digital MAU (Dec-23)

50.9%

+3.3 ppts y-o-y

Digital DAU/Digital MAU (Dec-23)

75.0%

+6.3 ppts y-o-y

Share of Digital MAU in total active retail customers (Dec-23)

70.3%

+25.1 ppts y-o-y

Share of products sold digitally (4Q23)¹

2023 was a successful year for our retail digital channels. The number of digital MAU increased to 1,357K (up 21.0% y-o-y) and Digital DAU reached 691K (up 29.5% y-o-y) as at December 2023. It is noteworthy that our clients are becoming more engaged with our financial superapp, as reflected by the increasing Digital DAU:Digital MAU ratio – which stood at 50.9% (up 3.3 ppts y-o-y) – and the share of Digital MAU in total active retail customers, which increased to 75.0% (up 6.3 ppts y-o-y) as at December 2023.

In the fourth quarter the percentage of products sold digitally rose to 70.3% (up 25.1 ppts y-o-y), partly boosted by gamification in BOG APP. To maximise their points in the game, customers were assigned tasks such as purchasing a product via the app or completing a digital transaction, which significantly boosted digital sales.

Several improvements were implemented throughout the year, including streamlining the deposit prolongation flow – further contributing to the increased share of products sold digitally.

Customer satisfaction with our digital channels remained at a high level – the CSAT score was 92% for BOG APP and 84% for iBank as at December 2023. In response to customer feedback we also launched dark mode in BOG APP.

In 2024, we will focus on digital acquisition of new clients, including the transition of adults from sCoolApp to BOG APP, as well as boosting the engagement of current clients by reimagining the offers page and using AI-generated offers. In addition, we plan to streamline the card delivery process for clients who prefer physical cards. We strive to execute all projects with UX consistency and high quality.

Considering the increasing pace of digitalisation as well as the growing share of transactional activity happening outside of branches, Bank of Georgia's Retail Banking strategy entails a gradual transformation of transactional branches into full-scale branches where customers will be offered a full spectrum of banking products together with advice. This transformation will result in a gradual reduction of transactional branches. The number of total branches at 31 December 2023 was 189 (207 at 31 December 2022). Out of 189 branches, 98 were so-called transactional branches (down 17.6% y-o-y).



Global awards by Global Finance

Best Consumer Bill Payment and Presentment

Best in Consumer Lending

AI – Natural Language Understanding Tool for Georgian Speech Technologies



Regional awards in Central and Eastern Europe by Global Finance

Best Consumer Digital Bank

Best Consumer Mobile Banking App

Best Consumer Online Product Offerings

Best Consumer Innovation and Transformation

Best Consumer Bill Payment and Presentment

Best in Consumer Lending

1. In 2Q23, we changed the methodology of calculating the share of products sold digitally and currently include all types of products sold by Bank of Georgia. The previous periods have been restated.

Payments – a daily touchpoint with our retail customers

Payments are an integral part of retail customers' daily experience – often so seamlessly embedded that they happen multiple times a day without users giving too much thought to the process. Being relevant in customers' daily lives for us means being the leader in the payments business, with excellent customer experience and innovative payment methods listed below:



Our main competitor in the payments business is cash, which, despite increasing digitalisation, is still widely used for payments. We believe cashless payments benefit people, not just because they are easier and safer, but also because they open up other possibilities, including:

Rewards such as cashback, discounts and more loyalty points.

Greater visibility of our customers' needs and preferences, enabling us to make more personalised offers.

Greater control over personal finances, giving people a clear and full view of where and how they spend their money, so that they can better manage personal finances. The Personal Finance Manager is available in our financial superapp.

During the past few years, we have significantly increased the number of retail customers who used Bank of Georgia's cards to make at least one payment within a month. We call this payment monthly active user or Payment MAU.

1,249K
+20.1% y-o-y
Payment MAU (Dec-23)

Buy Now, Pay Later (BNPL)

In 2023, Bank of Georgia launched BNPL for in-store payments, on top of already offering BNPL online. BNPL, available at more than 500 merchants, allows

four equal payments spread across four months to be paid back over time, with no interest paid by the consumer. Our customers can activate and see their

BNPL limits in our financial superapp. A list of merchants where BNPL works as a payment method is also displayed in the app.

The graphic is a purple rectangular banner. At the top left is the Bank of Georgia logo and the 'Buy now pay later' logo. Below that, it says 'BUY ELECTRONIC DEVICES NOW PAY LATER'. In the center, there's a white box with a pair of headphones. To the right of the box, it says 'today 0%' with a Euro symbol. On the right edge, there's a vertical orange bar that says 'EFFECTIVE 0%'. At the bottom, there's a timeline with four numbered circles (1, 2, 3, 4) and the word 'MONTH' under each.

43.5%
Repeat rate¹

35K
Customers used BNPL in 2023

In-store BNPL process for customers who have BNPL limits takes not more than a minute. Customers tap their payment cards or digital wallets to Bank of Georgia's POS terminals and receive an SMS asking them to click on a link to see the terms and conditions and confirm the purchase with BNPL. Afterwards, customers can see the newly activated BNPL with its repayment schedule in the BOG APP. If they wish, customers can prepay the BNPL without any charge.

1. Share of individuals who used BNPL more than once.

Loyalty and lifestyle

Bank of Georgia's loyalty programme is a driving force behind increasing cashless payments and customer loyalty. Our different lifestyle offers are tailored to the needs and preferences of specific segments. Besides mass retail customers, we have special offers for sCool Card holders, Student Card holders and Premium Banking (SOLO and WM) clients.

As clients make transactions within BOG's acquiring network (physical POS and online), they accumulate either PLUS points when using debit cards or Membership Rewards (MR) points when using American Express credit cards. Mass Retail Banking clients attain different status levels based on their activity with the Bank, with higher levels unlocking greater benefits. This approach not only encourages cashless transactions but also strengthens customer stickiness.

We changed the loyalty programme mechanics in 2021, from product-based upgrades to product- and payment-based upgrades. We offer a variety of benefits to our loyalty programme members, including discounts, cashback and PLUS points. One of the main aspects of the value proposition is the personalisation of lifestyle offers.

In 2023, we remained committed to strengthening the Bank's advanced analytics and AI capabilities, aiming to improve efficiency, customer satisfaction and loyalty. We use machine learning models to provide non-financial offers tailored to each customer's unique needs across different physical and online ecosystems.

In 2023, we introduced location-based offers for all retail clients, delivered through push notifications. Customers are notified about relevant promotions while being nearby partner merchants. By clicking on the notification, the BOG APP directs clients to Google Maps, allowing them to see the precise location through a pinned marker, ensuring a user-friendly and interactive engagement. We elevated our location-based offers by introducing location-based bundled offers tailored to specific areas with high merchant concentrations. When clients find themselves in these targeted locations, they get push notifications with diverse offers available within that area. This approach ensures clients can access a variety of offers grouped in one location, enhancing their overall experience with our services.



In 2021, we launched PLUS – the first American Express debit card project in EMEA and the second globally. Our PLUS card enables our customers to get more benefits, especially in daily use categories, due to lower transaction costs.

A snapshot of 2023 loyalty offers

1,298

+75.9% y-o-y

**Total offers
(excl. SOLO-specific offers)**

523

PLUS-card specific offers

695,367

+42.9% y-o-y

**Unique customers who exchanged
PLUS points at least once**

GEL 47,856,812

+89.8% y-o-y

Value of PLUS points exchanged

PLUS birthday

We celebrate the PLUS birthday each year. PLUS points that customers accumulate throughout the year double on this day, and, as a result, PLUS birthday is recognised as a major sales event in Georgia among both retail customers as well as merchants. This event highlights the benefits of Bank of

Georgia's loyalty programme, translating the accumulation of loyalty points into more tangible rewards that help sustain our retail customers' interest in using Bank of Georgia's cards, and hence a high growth in Payment MAU described on page 29. We believe the PLUS birthday is an extra driver for increased engagement

among customers. The strength of Bank of Georgia's loyalty feeds into the strength of Bank of Georgia's acquiring business, with more active merchants in the network and more payment transactions going through Bank of Georgia's acquiring.

30K

**Number of unique clients exchanging PLUS points on
PLUS birthday**

52K

**Number of PLUS payment
transactions on PLUS birthday**

Number of daily average payment transactions: 677

Lifestyle experiences for Premium Banking clients

In Premium Banking, we go beyond just partnering with merchants for lifestyle offers. We not only offer special deals, but also create experiences in travel, entertainment, education and wellbeing. In 2023, in response to customer feedback, we expanded our range of SOLO offers to better reflect the diverse preferences and requirements of our customers. Additionally, we introduced more specialised offers, tailored specifically to individual tastes and

needs. Even though Offers Hub is already integrated within our financial superapp, we took additional steps to enhance communication with our premium clients in 2023. We increased the frequency of informative text messages, ensuring customers stay well informed about the latest lifestyle offers. This commitment reflects our dedication to making sure our clients are aware of the advantages and privileges available to them and can maximise their benefits. As a result, 66K

unique customers used SOLO offers in 2023 (up 93.9% y-o-y).

During 2023, responding to high demand from our customers, we significantly expanded the number of SOLO events and projects and we focused on enhancing the quality of event content. As a result, we achieved a remarkable 83.1% y-o-y increase in attendance at these events. We are committed to providing enriching and engaging experiences for our customers.

SOLO X

In early 2023, we introduced SOLO X, in response to the demand from customers seeking to get the same value proposition as SOLO, but without the necessity of having a personal banker and at a lower fee. SOLO X instantly gained popularity due to its exclusive benefits, resulting in 26K monthly active customers and 11K unique customers using SOLO X offers.



920

+34.7% y-o-y

SOLO-specific offers FY23

66K

+93.9% y-o-y

Unique clients who used SOLO offers FY23

SOLO Events

17

Big art and culture events financed by SOLO

SOLO Kids*

Educational and entertaining activities for our clients' children

SOLO Talks*

53

Discussions and meetings with various professionals

SOLO One to One*

2

Individual meetings with famous professionals

SOLO Hobby*

11

Outdoor/indoor activities to help our clients discover new interests

SOLO Workshop*

4

Interactive events for collaborative learning

SOLO Tours*

International/local tours with interesting travellers

3



*Organised by SOLO.



Through SOLO we give access to exclusive products and the finest concierge-style environment at our 11 specially designed SOLO lounges located across Georgia.

SOLO is not your usual banking brand – it is a blend of tailored financial help, exclusive lifestyle experiences and luxury brands, all in one spot. At SOLO lounges, our clients are attended by personal bankers who not only deliver banking solutions but also offer luxury goods and exclusive lifestyle experiences, encompassing everything from special events and concerts to unique travel tours and the latest product offerings at the SOLO Boutique. Responding to the evolving preferences of our clients in 2023, we expanded our SOLO Boutique assortment by introducing ten new

brands and increasing the variety of products. Moreover, recognising the importance of accessibility and comfort, four sales assistants were specifically assigned to two SOLO lounges, ensuring enhanced and personalised experience for our SOLO customers.

This unique blend of banking and lifestyle offerings sustains the strong interest in the SOLO brand. As at 31 December 2023, SOLO served around 125,000 active customers, up 39.1% y-o-y, reflecting the ongoing popularity of this brand. SOLO Club, the highest subscription level within SOLO, launched in 2017, offers additional exclusive financial products and lifestyle experiences, at a higher fee. One such exclusive product is the American Express Platinum card, available only

to SOLO Club members. In 2023, SOLO strengthened the customer experience with its Personal Concierge Service. Club members benefit from personalised assistance through dedicated contact persons, ensuring a tailored and responsive lifestyle experience. This premium service seamlessly assists with travel arrangements, event planning, dining reservations and more, providing an unparalleled level of support and convenience.

Lending journey

Bank of Georgia's core business activity is lending. We are committed to being a responsible lender that supports customers on every step of their lending journey and enables them to fulfil their needs. Lending is at the heart of Bank of Georgia's role in supporting the Georgian economy. Responsible lending for us means increasing access to finance whilst ensuring that prudent risk management practices as well as customer protection principles are followed during the loan underwriting process and throughout the lifecycle of a loan. We aim to create simpler end-to-end customer journeys for

loans, eliminating unnecessary barriers and roadblocks.

Moving product sales to digital channels is one of the ongoing focus areas for Bank of Georgia's digital agenda. Digitalisation of the lending process is a big part of the current efforts to design more efficient processes with excellent user experience. Lending processes vary for different retail customer sub-segments and different products. Bank of Georgia's digital lending gained speed in 2021 when we redesigned the unsecured consumer lending flow in digital channels.

Currently, unsecured consumer lending is almost fully automated and relatively straightforward. Eligible customers who give consent to the use of their data for personalised offers can check and get information on available credit limits for unsecured loan types (including instalments) as well as conditional limits for secured loan types, including mortgages, through the BOG APP. When limits are available in BOG APP, activating an unsecured consumer loan takes seconds. The digitalisation of this process resulted a high share of total number of loans activated digitally.

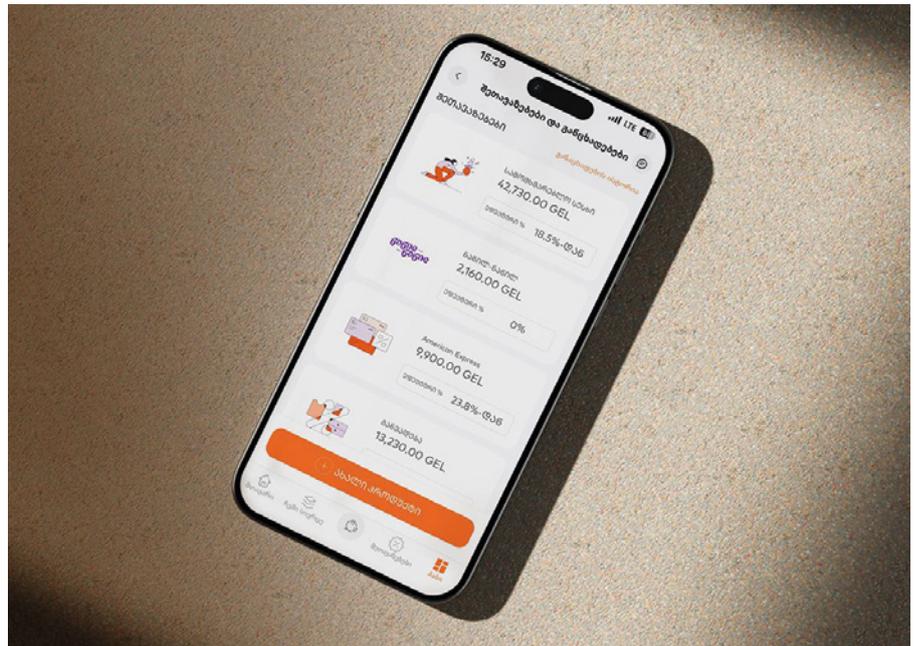
76.5%

-0.8 ppts y-o-y

Share of total number of loans activated digitally (4Q23)

In 2024, we aim to optimise and further advance digitalisation of existing lending processes to increase the share of products sold digitally.

Several notable projects are currently being developed: a fully digital lending processes for secured consumer loans; a feature allowing customers to sign mortgage and secured agreements digitally; E2E digital lending processes for self-employed customers (including income validation processes remotely). Bank of Georgia will continue to work on improving the user experience for customers who are applying for any type of lending product.



Self-employed borrowers

During 2022-2023, we focused on supporting self-employed retail customers and making sure they have access to the same products and services as other retail customers. However, their irregular income posed challenges for income validation, requiring detailed questionnaires to determine credit eligibility. In 2023, we redesigned the income validation process to eliminate the need for long questionnaires and instead relied on advanced models in the back to fill out and analyse the necessary financial data.

We also upgraded our analytical models to be more independent of direct client input. By making these fields independent, we enhanced the accuracy and reliability of our assessment process. This allowed us to better understand the financial dynamics of self-employed individuals and offer more tailored solutions to meet their needs. Ultimately, these improvements streamlined the validation process, making it more efficient and less intrusive for the end-user. Professional activity of clients is being validated by a video call or/and, if necessary, a site visit and a more detailed study of the field of activity.

These changes allowed us to extend the credit offerings to self-employed clients in 2023, and they are now able to access all the available credit products.

Reaching more self-employed borrowers has been one of the KPIs for Executive Management (in 2023 and currently in 2024). In 2023, the number of self-employed borrowers was slightly short of the target despite the fact that the loan portfolio itself grew significantly. The Retail Banking team continues to be focused on reaching this segment, especially outside of the capital city, Tbilisi, and simplifying the user experience to attract more customers into the formal banking system.



54.7K

+14.9% y-o-y

**Self-employed borrowers
(Dec-23)¹**



GEL 531.7M

+45.9% y-o-y

**Loan portfolio of self-employed clients
(Dec-23)**



Savings – encouraging a savings culture

As a leading organisation in Georgia, fostering a robust savings culture within our community is not just a financial imperative, it is also a commitment to empowering individuals and supporting economic resilience as savings are a key component of people's financial health.

Bank of Georgia has the leading retail franchise in the Georgian market, which is reflected in its leading market share in deposits of individuals, standing at 45.3% as at 31 December 2023 (44.4% as at 31 December 2022). The deposit franchise is a competitive strength of any bank, and we believe our focus on leadership in daily banking and excellent customer experience has significantly contributed to the retail deposit franchise.

We believe that by encouraging savings, we help foster a sense of security and empowerment among individuals. By providing simple products and services to promote savings and make savings easier, we equip our retail customers with the tools they need to face financial uncertainties and achieve their small or big goals.

During 2023, we made our savings products more flexible and accessible for our customers, with a focus on encouraging the use of digital channels.

We provided employees at our branches with an extra incentive to educate customers on opening digital deposits through BOG APP. We also continued to offer higher rates on deposits opened through BOG APP.

For Premium Banking (SOLO) customers, we have an upgraded demand deposit, 'Premium'. SOLO clients receive a higher return on this deposit, with rates linked to the monetary policy rate.

Throughout the year, more customers used a digital piggy bank – accumulating money by automatically transferring a pre-defined amount after every purchase.

Towards the end of the year, an uptick in customers with a digital piggy bank was related to gamification in BOG APP, however, even without gamification, the trajectory of growth of customers with a digital piggy bank was good, and in December 2023, this figure stood at 304.2K. To read more about how Bank of Georgia encourages young people to save money, see page 37.

Savings highlights

69.7%

+33.0 ppts y-o-y

**The share of deposits
activated digitally
(4Q23)**

313.7K

+3.4% y-o-y

**Retail customers with
an active saving deposit
(Dec-23)**

304.2K

+179.6% y-o-y

**Retail customers with an
active piggy bank account
(Dec-23)**

1. Individuals whose share of income from self-employment exceeds 50% and who do not own a business/are not registered as individual entrepreneurs.

Investments – an alternative savings method

At the end of 2021 Bank of Georgia, together with the Group's subsidiary JSC Galt & Taggart (G&T) and in partnership with a US brokerage house DriveWealth LLC, launched a retail brokerage platform – BOG Investments – in Bank of Georgia's financial superapp, giving Bank of Georgia's retail customers access to the US stock market. BOG Investments offers our retail customers low-cost trading and fractional trading options.

Throughout 2023, we enhanced BOG Investments by adding two new functionalities:

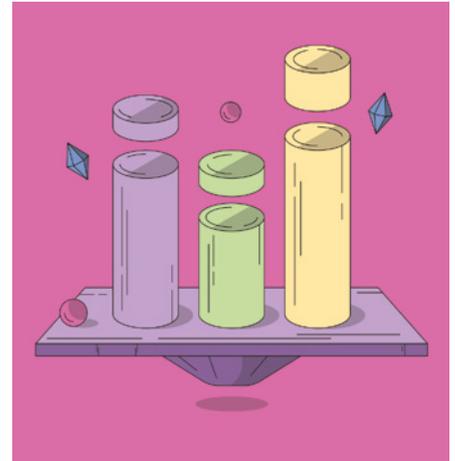
- Account reactivation – users can now reactivate their deactivated accounts, eliminating the need for them to create new accounts, which previously used to be a time-consuming process.
- Instant cash-out – previously, users needed two business days for transferring funds to their bank accounts, followed by additional two days for cash-outs. In 2023, we

enhanced this process, making cash-outs quicker and more efficient. Now, instead of waiting for two additional business days, users can enjoy immediate access to their funds, up to \$5,000, directly from our investment platform as soon as the funds become available in their bank accounts.

In addition to BOG Investments, G&T offers brokerage solutions through two accounts: execution brokerage, an offline brokerage account with personal broker services, and G&T Trading solution through [trader.ge](#), a white-label solution in partnership with Saxo Bank. Through these accounts we provide access to more complex products to affluent and high-net-worth individuals and more experienced investors, including legal entities.

In 2023, we focused on increasing awareness of our investment platform through gamification within BOG APP. Additionally, we published educational content to give users the knowledge

of fundamental investing concepts. Consequently, our efforts led to a significant increase in active users, with the number reaching c.45K in 2023 compared with c.19K in 2022. Going forward, our priority will be to enhance user activity and engagement within the platform.



c.45K

c.19K in 2022

Active users of BOG Investments

Media

1.1K

Written pieces

200+ TV

Business channel visits

We see potential in retail brokerage in Georgia over the medium-to-long term, however this type of product is new to the market and currently our efforts are focused on making sure more people understand what investing is, and what kind of risks and benefits it entails.

To promote investing and general financial literacy in 2023, we primarily used three channels: media, our own

Social network

487

Posts

c.3.0M

People reached

social networks, and events. Through collaborations with prominent business media in Georgia, we actively provided educational content and comprehensive insights into financial and economic developments, including updates on global financial markets. During 2023 we also hosted events, including SOLO Talks, aimed at meaningful discussions around investment strategies and financial planning. Expanding on our educational

Events

30+

initiatives, we introduced a course on investments on our educational platform, [businesscourse.ge](#), in 2023. Additionally, a subsidiary of the Group, G&T, publishes analyses of investment opportunities, including analyses of global commodities and assessments of global equity and fixed income markets.

Empowering young people



We **surpassed** our 2023 year-end target of 70K sCoolApp MAU, **reaching up to 90K school students** as at December 2023

A sketch from sCoolApp gamification

sCoolApp

We believe that financial education should start early in childhood to help kids develop financial literacy skills and money management habits that will set them up for financial security and wellbeing later in life.

Bank of Georgia is focused on seamlessly onboarding children and young people into the formal financial system, equipping them with critical financial literacy skills and

offering support through accessible daily banking solutions and tailored offers that respond to their needs.

We offer a free account and a daily banking card, sCool Card, to school students, and a free and specially designed mobile app – sCoolApp.

When launched at the end of 2022, sCoolApp was the first financial

application for children in Georgia, with an average user aged 14. Launched in October 2022, it keeps young people safe with our end-to-end security, spending alerts, custom limits and in-app card controls. With necessary features as well as sounds, haptics and fun elements, sCoolApp is becoming a daily app for young people.

In 2023 we added new features to sCoolApp to further enhance children's financial journey and daily engagement.

Stories



We launched 'Stories', a captivating addition to sCoolApp that puts financial education in the spotlight for young users, on the home screen.

Each week sCoolApp's main dashboard is refreshed with engaging content on effective money management principles, including saving, budgeting and thoughtful spending from an early age, cultivating positive money habits for future financial wellbeing.



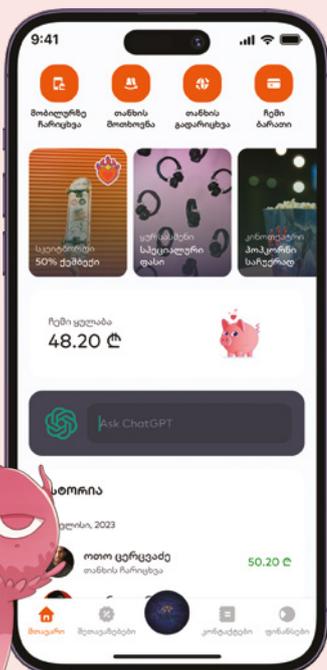
Gamification – the Other Universe

In October 2023 we launched 'Other Universe' in sCoolApp – a game where students embark on a captivating journey by answering simple yet thought-provoking questions from history, general knowledge, financial education and logic. Correct answers rewarded school students with a unique currency – 'glitters' – allowing

users to discover and explore diverse ways to use their rewards while navigating and conquering missions within the alternate realm. The purpose of the game was to engage more school students in the app and raise awareness of the app's features and functionalities.



Other Universe
68K
Users who started the game



ChatGPT

In 2023, we built ChatGPT within sCoolApp, allowing users to get instant information about any topic.



Bill split

In 2023, we added a Bill split feature to sCoolApp, empowering users to effortlessly divide expenses.



PFM

In 2023 we built PFM (Personal Financial Manager) within sCoolApp, allowing users to manage their finances by providing a categorised breakdown of their spending, revealing where they spend the most money.



Piggy bank

We also added a digital 'piggy bank' to sCoolApp, helping foster a savings culture from an early age.

34K
+162.0% y-o-y
Active sCoolApp users with an active piggy bank account (Dec-23)



sCool Card benefits



Can be ordered on our website or through the app

Free card

Free SMS, mobile and internet banking

Free public transportation in Tbilisi and Batumi; discounts in Zugdidi and Rustavi

No fee on BOG ATM withdrawal

Loyalty programme: accumulation of sCool points

Growing engagement among school students in Georgia

142K

61.0% y-o-y

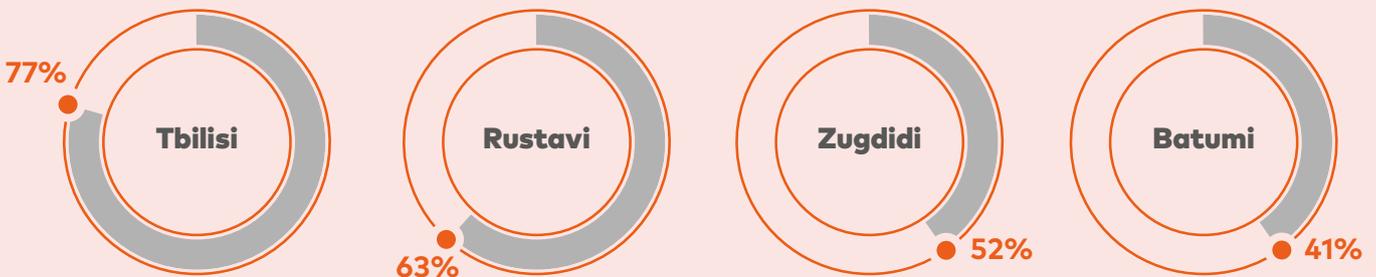
Active sCool Card holders (Dec-23)

116K

82.5% y-o-y

Payment MAU (Dec-23)

Share of total number of pupils having a sCool Card



We understand that being financially literate is more than just understanding numbers – it is a skill that influences day-to-day decisions and long-term financial stability. To enhance financial literacy among young people, we offered diverse resources, programmes, workshops and tools to school students in 2023.

Together with USAID and Georgian Economic Literacy initiative (GELI), we provided students with basic knowledge of financial education and encouraged interest in economy and finance. We also supported the first financial education Olympiad in the country. Students in grades 7-12 participated in this event.

The Olympiad was a one-round event, held remotely, thus allowing students living in Georgia's regions to participate and test their knowledge. A series of lectures were given to interested students to prepare for the Olympiad. In 2024, we will expand our focus on financial education.

To read more about financial education initiatives, see page 89-90



Students



Can be ordered on our website or through the app

Free card

Free SMS, mobile and internet banking

Public transportation benefits

Loyalty programme: special offers and accumulation of PLUS points

For years Bank of Georgia has focused on onboarding and increasing engagement with university students in Georgia. According to an independent third-party

research, we are the most trusted and top-of-mind bank for young people aged 18-24 in Georgia.¹ We believe everyone in this age group is aware of Bank of

Georgia. Ten Georgian universities are enrolled in Bank of Georgia's payroll programme.

Our partnerships with universities enable us to reach more students and involves different activities, including:

- Distributing Student Cards directly from university buildings
- Designing student spaces
- Financial support in organising student graduations and anniversaries
- Short-term internship programmes for students, along with 'Leaderator' – Bank of Georgia's flagship programme for motivated undergraduates

196K
15.9% y-o-y
Active Student Card holders (Dec-23)

190K
18.1% y-o-y
Digital MAU (Dec-23)

153K
22.7% y-o-y
Payment MAU (Dec-23)



1. Based on independent research conducted by IPM Georgia. 'Top-of-Mind' refers to the first brand that comes to a person's mind when they are asked an unprompted question about particular industry or category. Figure presented is as of 4Q23.

Fulfilling business customer needs

Daily business operations

Business growth and development

Sales

Process optimisation



We serve a broad spectrum of business clients, including small and medium-sized enterprises (SMEs) and large corporate clients. We understand that each business is a unique entity, influenced by its own distinct characteristics – be it the intricacies of its business model, the scale of its operations, or the financial landscape it navigates. Just like people, businesses evolve and grow – and so do their needs. Customer-centricity for us means listening to different businesses and understanding their needs to design financial solutions that support our clients at different stages of their business development journeys.

We strive to be more than just a provider of banking products for our clients – we want to be a trusted partner for businesses, offering a comprehensive suite of products and services including value-added services such as personalised advisory and access to business education and insights. Deepening customer relationships is one of our top priorities and increasing engagement among our business customers is a focus area for both SME Banking and Corporate Banking directions.

Our interaction with business clients is multifaceted, including dedicated relationship managers and dedicated business branches, 4Bs. At the same time, we pursue a digital strategy and continue to develop separate digital channels for businesses – Business mBank and iBank.

In 2023 we continued to improve our processes and functionalities in digital channels to enhance the overall experience for our business clients. As a result, the number of monthly active business clients grew by 20.2% y-o-y as of 31 December 2023.

97.8K monthly active legal entities
+20.2% y-o-y

SME Banking: 93.9K
+20.2% y-o-y

Corporate and Investment Banking: 3.8K
+21.0% y-o-y

Coverage of business clients

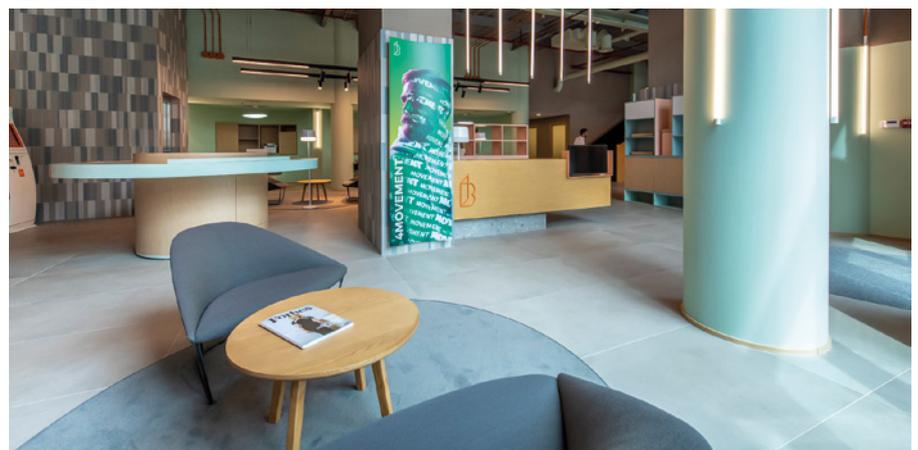
We are committed to delivering excellent customer service to our business clients through various channels and touchpoints, with a particular focus on improving the digital experience.

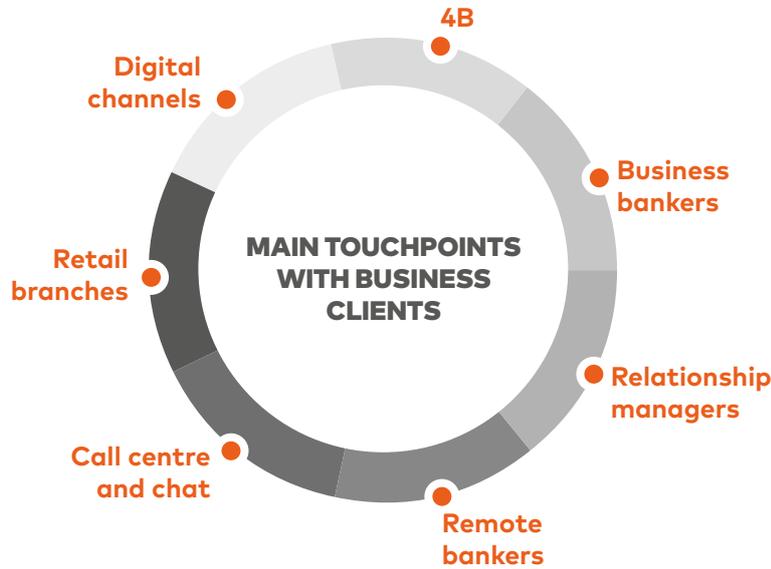
Bank of Georgia has different coverage models for SME and Corporate business customers. SME clients can be served in a variety of ways, including through dedicated relationship managers who offer personalised support and provide end-to-end assistance, and remote bankers who can handle client requests remotely. Some customers are served fully through digital channels. In 2020, Bank of Georgia opened its first special business branch, 4B, in Tbilisi. In 2023, a second 4B branch opened in Tbilisi – further strengthening our commitment to the SME segment. 4B serves as a hub for fostering networking

opportunities among businesses, and it is a special place where business clients can meet their relationship managers,

hold meetings, and participate in different events that Bank of Georgia hosts throughout the year.

4B branch





Our customer coverage model for Corporate clients is led by skilled relationship managers equipped with advanced financial tools and sector-specific expertise. Strengthening industry knowledge is our top priority, reflecting our commitment to staying ahead of market trends.

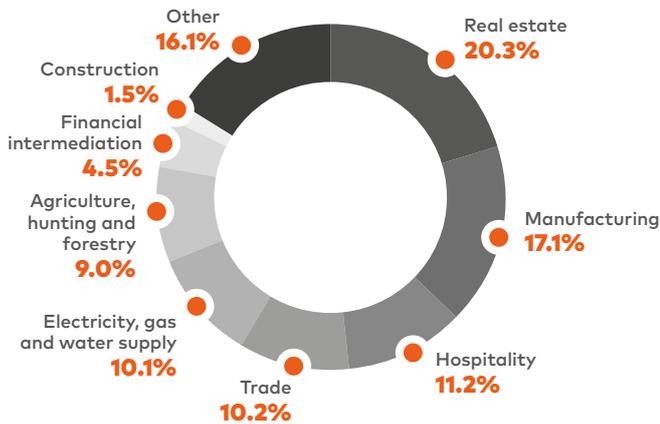
In 2023, we restructured our teams into new sectors, enabling us to deliver

personalised financial solutions and guidance tailored to the unique needs of our Corporate clients. This approach ensures our clients receive high-quality, customised support.

We prioritise enhancing our digital platforms to help our business clients efficiently manage their daily tasks quickly and independently – freeing up valuable time for personalised guidance and

business support from the Bank. Alongside in-person assistance, our big Corporate clients can also benefit from specialised advisory services offered by the Group's wholly-owned subsidiary G&T.

Corporate Banking gross loans by sector:

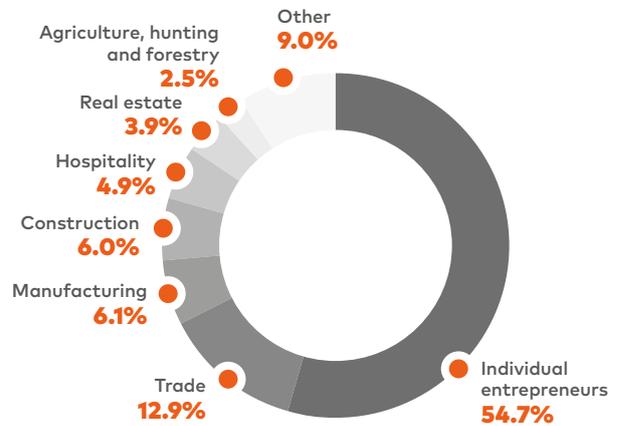


JSC Bank of Georgia has well-diversified Corporate Banking and SME Banking loan portfolios. As at 31 December 2023, top 10 borrowers in Corporate Banking accounted for 7.3% of the Group's gross loan portfolio (vs 5.9% as at 31 December 2022). The y-o-y increase in concentration was driven by loans disbursed to a large

corporate client towards the end of the year, however, the concentration risk remains prudently managed by the Bank.

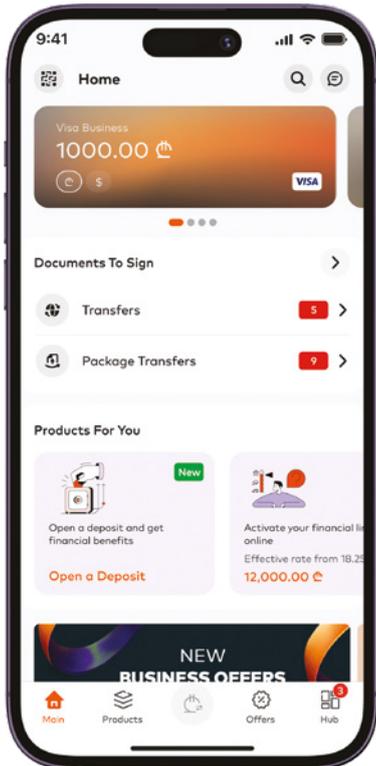
Corporate Banking continues to focus on strengthening its position in high-growth economic sectors and deepening relationships with customers

SME Banking gross loans by sector:

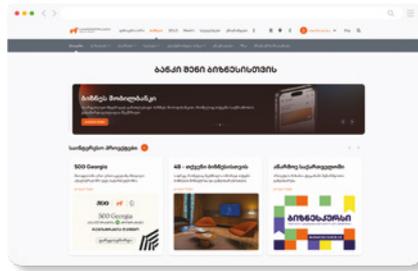


in key sectors where Bank of Georgia holds lower market shares. Further improvement of customer coverage and relationship management is one of the main focus areas across both CB and SME Banking directions.

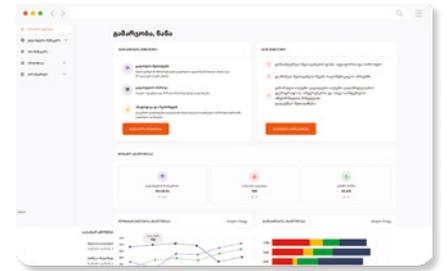
Our business digital ecosystem



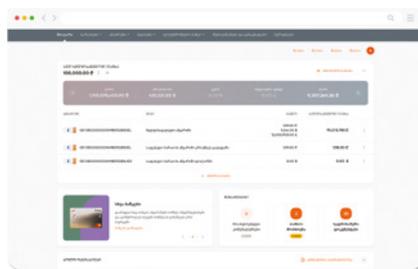
Business mBank



BOG.GE/Business



Business Manager



Business iBank

Central to our dedication to operational excellence through digitalisation are our award-winning digital channels for business clients – a mobile app called Business mBank and an internet banking platform called Business iBank.

Since the launch of Business iBank and mBank, we have continually refined and improved these platforms to provide simple and user-friendly digital experiences to our business customers and support them in managing daily operations as well as in making more informed business decisions.

Our business mobile and internet bank

Credit

- Digital confirmation of loans (available for some types) **NEW**
- Pre-approved credit limits activation **NEW**
- Credit line management
- Credit leads
- Loan prepayment
- Tender guarantee¹ **NEW**
- Factoring¹

Savings

- End-to-end deposit activation **NEW**

For merchants

- POS payments history
- E-commerce payments history



Business support

- Collection of third-party offers tailored to business needs **NEW**

Daily banking

- Transactions
- Payments
- Business card: ordering and management
- Digital business card: ordering and management
- Currency exchange
- Statements
- Templates
- Treasury transfers
- Money request¹
- Payroll management¹
- Packaged transfers¹
- User access management¹
- SMS bank¹

1. Available only in Business iBank.

What we did in 2023

Digitalisation of deposits

Digital activation of deposits was previously available only in Business iBank, and in 2023 it was added to Business mBank as well. In addition, we introduced a new deposit product – collectable deposit, to promote a savings culture among businesses. This deposit is currently available only in Business iBank, but it is expected to be added to Business mBank during the first half of 2024.

Digital tender guarantees

Customers can now activate a tender guarantee of up to GEL 15,000 in digital channels.

Digital signature

Once a loan is approved, borrowers can now digitally confirm unsecured and secured loan contracts without visiting a branch, thus activating a loan digitally. This process is currently available for secured loans only if a borrower has already pledged collateral to the Bank.

Fast loans

Fast loan is a pre-approved loan limit activation, available instantly in digital channels.

How we measure success

74K

+28.6% y-o-y

Digital MAU (Dec-23)

19.1M

+46.3% y-o-y

Number of transactions in Business mBank and iBank (2023)

While we consistently strive to enhance digital channels and increase the range of products available digitally, we see more upside and room for further improvement. While transactionally business customers have become highly digital, with more than 95% of daily transactions happening outside of physical branches, we still need to work on designing end-to-end digital product journeys. Unlike in retail, business lending

is still at an early stage of digitalisation, and it will continue to be one of the main focus areas going forward.

Our aspiration in SME Banking is to have end-to-end digital lending, and some of the ongoing consulting projects and initiatives are directed at developing appropriate models and redesigning processes to enable the Bank to move to a more digital business lending.

Simplified onboarding and remote banking

A successful relationship with SMEs starts at the onboarding stage, and a smooth and simple onboarding process is critical for customer satisfaction. We simplified the onboarding process to allow business account opening remotely, without a branch visit. Customers can undergo this process independently or with the help of a remote banker who can facilitate the onboarding process via a call.

This process has contributed to more than 52% of customer onboarding happening digitally in Dec-23 compared with just around 13.0% in Dec-22.

Offers Hub for businesses

Our business customers can see different third-party service offerings in digital channels. These offerings include accounting services, business consulting, marketing, HR services, among others. Our clients can see different third-party offers in one space and leave a request for a follow-up.

Tailored business sets

Following extensive preparation in 2023, in January 2024 we rolled out business sets, a packaged offering including products as well as transactional services differentiated for SME customers of different sizes and needs. Previously, all SME customers had to pay a fixed monthly fee irrespective of their needs. By tailoring sets to suit different business sizes and needs, we strive to provide a more tailored banking experience and make fees more transparent for our customers. Recognising the unique needs of early-stage businesses, we also added 'Startup' subscription set, which includes free accounting service for the first three months from our partner accounting firms. Enabling local businesses, especially smaller ones, to implement proper accounting practices continues to be one of our priorities.



Global awards by Global Finance 2023

Best Corporate Mobile Banking App

Top Innovator in SME for [Api.bog.ge](https://api.bog.ge)

Top Innovator in eCommerce for Payment Manager



Regional awards in Central and Eastern Europe by Global Finance 2023

Best Corporate Mobile Banking App

Best Corporate Innovation and Transformation

Best Corporate Trade Finance Services

Merchant solutions

Bank of Georgia is the leading payments acquirer in Georgia. By prioritising user experience and service quality, the Bank has been focused on increasing digital

payments by encouraging more individuals to use cashless payment methods and expanding the network of merchant clients. We also empower merchants to embrace

digitalisation, driving the growth of e-commerce businesses in Georgia.

Highlights of 2023

18.3K

+26.4% y-o-y

Active merchants

596

+27.6% y-o-y

Active e-commerce merchants

GEL 15.0B

+46.5% y-o-y

Volume of transactions in Bank of Georgia's acquiring (2023)

54.9%

+3.7 ppts y-o-y

Market share by volume (Dec-23)

We offer a variety of online and offline payment solutions:

In-store

POS terminal (standard, Android-based)

Diversity of payment methods including Apple Pay, Google Pay, all international payment cards, BNPL and loyalty points (PLUS/MR)

POS terminal with cash register

Two-in-one solution – cash register is integrated with a POS terminal

Soft POS terminal on any Android NFC device

Fully certified application for any Android phone, with 'PIN on glass' functionality and no monthly fee (we use a transaction-based fee model)

Online

All international cards

Loyalty points (PLUS and MR)

BNPL

Instalments

Recurring payments

E-invoicing

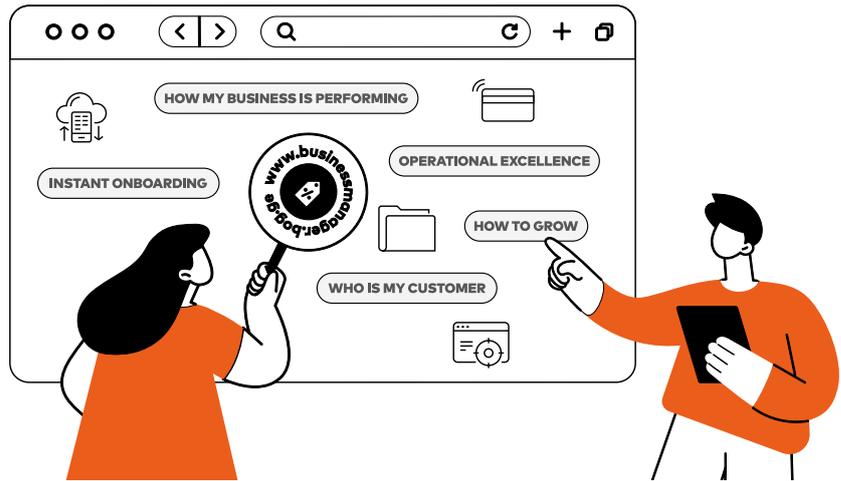
Apple Pay

Google Pay

Business Manager – responding to business needs

In 2023 we introduced Business Manager – a digital platform equipped with merchant solutions vital for supporting business operations and development.

Running the daily operations effectively and growing sales are two of the few critical questions that business customers grapple with and need answers to. Bank of Georgia's Business Manager is a digital platform combining three merchant solutions that are designed to help businesses answer these questions.



Payment Manager



Being able to accept a variety of payment methods is a top priority for lots of businesses. With a single integration, businesses can take all the payment methods that Bank of Georgia offers, in-store and online, including Google Pay, Apple Pay, loyalty points, BNPL, and loan instalments, among others. Users can manage payments on this platform and see transaction analytics – a significant perk that allows businesses to have a full view of what kind of customers they have, when most of the activity happens, which products are more popular, among others. They can use this data to make more informed business decisions and increase operational efficiency by targeting the right customers at the right time with the right products.

Ads Manager



Ads Manager combines customer analytics with a campaign management tool to help businesses plan and executive special campaigns targeting different customer segments. The campaign management tool allows businesses to reach their target audience through Bank of Georgia's retail digital channels, used by c.1.4 million monthly digital active users. Previously, the campaign management process was a fully manual process coordinated with the Bank. With Ads Manager, businesses can initiate campaigns, which will be reviewed and assessed in the back by the Bank, and in case of agreement, launched with pre-set criteria.

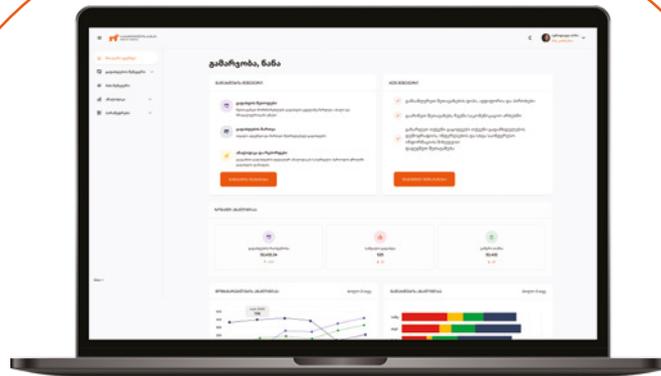
API Manager



Combines all available API services provided by Bank of Georgia, granting access to critical functionalities such as Business iBank, Open Banking, and BOG ID API services, enabling a seamless integration of banking features into digital platforms or software.

Payment Manager

- Payment aggregator with one integration
- Card payment
- Online instalment
- BNPL
- Loyalty points
- Google Pay
- Apple Pay
- Fully digital onboarding
- Payment management
- Reports
- Transactional analytics



Ads Manager

- Create offers and distribute through BOG digital channels
- Access to BOG's c.1.4M digital MAU
- User analytics based on:
 - Demographic
 - Interests
 - Income
 - Behaviour
- Detailed offer analytics based on:
 - Number of sales
 - Expenses
 - List of transactions

API Manager

- BOG ID
- Open Banking
- Business Internet Bank API
- Billing

Business Manager is still at an early stage of use and development, and 2024 will be a year of focus on its uptake and technical development.

Business education and support

Supporting businesses is vital for economic growth, job creation, and community development. We believe that successful businesses contribute to innovation. To best assist our SME clients, we have a comprehensive approach that combines financial support with a range of value-added services aimed at fostering success. Bank of Georgia's initiatives encompass various supportive measures.

These include targeted capacity-building programmes, focused on specific skills, such as marketing and leadership. Additionally, our clients benefit from expert advice to navigate the market effectively, as well as valuable introductions and networking opportunities.

We believe that education, information sharing, and the development of

professional networks play pivotal roles throughout the entire business lifecycle.

By combining financial assistance with these multifaceted support mechanisms, we aim to empower our SME clients and contribute significantly to their sustained growth and prosperity.

We support businesses through

Improving accounting and financial literacy

Advisory and networking support

Supporting women entrepreneurs

Providing essential business insights and relevant research reports

The following projects were executed throughout 2023, unless otherwise stated.

Improving accounting and financial literacy

A critical challenge confronting SMEs in their pursuit of financial support is the absence of robust accounting practices. Bank of Georgia's Accounting Development Programme is designed to empower SMEs by addressing critical accounting challenges and fostering financial inclusion. Through collaborations with local accounting firms, this programme promotes increased transparency and proper financial management.

The Accounting Development Programme focuses on three areas: comprehensive accounting services, digitalisation and quick financial information sharing. Through partnerships with global entities like Visa and leading accounting firms, SMEs receive discounted accounting services. This enables them to fully outsource their accounting practices, gain access to digital tools and automate accounting-related processes. After having improved accounting practices, our clients become able to integrate their

accounting softwares with the Bank, which streamlines loan applications and allows us to offer tailored solutions for SMEs. As part of the programme, we also conduct workshops for our clients, emphasising the significance of implementing sound accounting practices for sustainable growth and development. In 2023, we conducted three regional business forums, focusing on effective strategies for accessing finance, and seven masterclass workshops, focusing on raising financial awareness.



Advisory and networking support

We understand that businesses require more than just financial support to succeed. That is why we facilitate access to different advisory services and networking opportunities for our SME

clients. Spanning from in-depth market analysis to crafting expansion strategies, we help businesses make informed decisions and overcome challenges. Through our events and platforms, we

connect SMEs with partners, suppliers, and customers, fostering collaboration and growth.

Advisory

Business offers

We have collated a list of 80 third-party business consulting firms who can provide marketing, accounting services, tax assurance, HR and business consulting, to our SME clients, often at a discount. The list of different offerings is accessible through our Business mBank and iBank.

200+

Businesses took advantage of this opportunity

Trade mission to Uzbekistan

We organised trade mission to Uzbekistan and facilitated B2B meetings for ICT companies and construction materials manufacturing companies with local public and private sector organisations, building strong connections that can lead to potential business opportunities. We believe supporting international business collaboration can lead to increased investments, job creation and overall economic development.

16

Companies participated

Networking

B2B Forum and Agro B2B Forum

In partnership with the USAID Economic Security Program, we organised a B2B forum for SMEs, connecting entrepreneurs and customer companies across various sectors. The forum enabled businesses to make new connections and explore potential partnerships for the future. We also organised a B2B agro-forum with the USAID Agriculture Program and EFSE Entrepreneurship Academy, to support export opportunities and market access for Georgian entrepreneurs.

up to 180

Companies and entrepreneurs participated

Supporting women entrepreneurs

We are committed to empowering women entrepreneurs and have crafted specialised programmes and initiatives to empower them. Recognising the crucial role women play in economic development, innovation and societal

progress, we believe financing and supporting women-led businesses is a key towards a more inclusive and vibrant business ecosystem. By providing educational resources, development opportunities and networking

platforms, we aim to encourage women entrepreneurs to excel and become impactful leaders in the modern business landscape.

Workshops for women entrepreneurs

In collaboration with the EFSE Entrepreneurship Academy, we conducted a series of workshops designed to empower women entrepreneurs who manage relatively small businesses. These sessions covered a range of essential topics including digital marketing strategies, employment practices, e-commerce approaches, and change management in dynamic and uncertain business landscapes.

School of women entrepreneurs

In partnership with the United Nations Development Programme (UNDP) we established the School of Women Entrepreneurs. This initiative supports women's leadership in business and successfully trained 170 women entrepreneurs in 2023. It offers a comprehensive curriculum encompassing hard and soft skills. It also facilitates access to financing opportunities and a strong partnership network.



300+

Women entrepreneurs reached

GEL 1.0BN

Gross loan portfolio of women-owned SMEs¹ (Dec-23)

1. Small and medium-sized enterprises wherein more than 50% ownership is held by women.

Providing relevant business insights and research reports

Improving access to information and knowledge is one of the many ways in which we strive to support local businesses on their development journeys. Our commitment involves developing

and maintaining a comprehensive knowledge base covering industry trends, market analysis, and best practices. We customise the delivery of this knowledge to meet the unique needs and goals

of different business clients, ensuring relevance to customers operating in diverse industries.

Expanding Businesscourse.ge

Throughout 2023, we continued to develop our educational platform, [Businesscourse.ge](https://businesscourse.ge). In 2023, we curated and developed 12 additional business courses covering a range of diverse topics. Currently, we have a collection of 43 business courses. Our goal is to offer content that would be relevant to businesses from different industries.



7,500+

Business representatives completed business courses in 2023



ESG



INVESTMENTS



DIGITAL MARKETING



FINANCE



EXPORTS



HUMAN CAPITAL DEVELOPMENT



AI

Webinars and business meetings

In addition to self-paced courses, we hold webinars and meetings throughout the year on diverse subjects, including changes in different regulations that local businesses should be aware of. Our goal is to keep SMEs informed about developments that may affect them, be it economic trends or upcoming regulatory changes and compliance needs. We also organise interactive business meetings to foster networking and knowledge sharing among entrepreneurs and industry experts.

3

Webinars

17

Meetings



Galt & Taggart research

G&T publishes weekly, monthly and quarterly insights and analyses related to global and local macroeconomic development as well as sector-specific reports. G&T also provides reports tailored to clients' needs, including analyses on investment opportunities. To respond to the dynamic global and local environment, G&T consistently refines its products to meet market needs. In 2023, G&T added new research products to the publication list, including monthly analyses of global commodities and assessments of the global equity and fixed income markets. Additionally, G&T has launched a series covering agricultural

products, driven by heightened interest from the business community.

G&T expanded its custom research client-base, undertaking projects commissioned by international development organisations. To engage with our target audience, G&T uses social media channels and maintains its TV presence through regular macro updates and sector-specific interviews on local business media.

Galt & Taggart's research products are also available on leading proprietary platforms, including Bloomberg,



Thomson Reuters, S&P Capital IQ, FactSet, and Tellimer, bolstering our international presence.

100

Reports published on macro-economic, capital markets, and sector-specific topics in 2023 (available at: www.gt.ge)

10,000+

Subscribers reached in 2023

7

Conferences organised in 2023

Corporate advisory and DCM/ECM support through Galt & Taggart

G&T provides financial advisory services to private and public companies, private equity houses and high-net-worth individuals in both domestic and cross-border transactions. G&T's DCM/ECM services include support in accessing local, regional and international debt and equity capital markets. G&T has participated in the majority of FX-denominated local bond issuances and during the past ten

years it has assisted local businesses and International Financial Institutions (IFIs) in raising GEL 4.2 billion in public bonds through the local capital market. G&T has also acted as a co-manager for more than US\$ 2.3 billion Eurobonds since 2016.

Throughout 2023, G&T acted as a placement agent for 12 public corporate bonds amounting to around GEL 787

million – six of these corporates were Bank of Georgia's Corporate Banking clients – and an IFI bond of GEL 260 million. In 2023, G&T was also the only Georgian investment bank that executed a EUR-denominated issuance – the transaction was the first of its kind among non-financial corporates.

Highlights of 2023

JSC Georgia Capital US\$ 150M sustainability-linked bonds

The largest corporate bond issuance on the Georgian capital market, with G&T acting as a placement agent.

Tegeta Motors US\$ 30M multi-currency bond programme

As the exclusive arranger, G&T played a pivotal role in this transaction, marking the first multi-currency and Euro corporate bond issuance in Georgia.

GeoSteel US\$ 30M sustainability-linked bond

With exclusive support from G&T, GeoSteel, the largest steel producer in Georgia, successfully issued and placed the first sustainability-linked bonds on the Georgian market.

Capital Market Support (CMS) Programme

In 2022, G&T's corporate advisory unit was involved in the CMS Programme funded by the EU and implemented by the EBRD's Capital & Financial Markets Development team. Its aim was to raise awareness of capital markets, develop incentives for companies to access capital markets, and implement a

mechanism to co-finance costs related to capital markets access. The programme concluded in August 2023, with 11 out of 21 registered issuers successfully placing securities, including six debut issuers on the capital market. Introducing innovation, the programme launched five innovative securities, including the first

Green bond on the local market. The total value of issued securities reached around GEL 439 million.

The programme has also had a broad positive impact through its educational initiatives and public efforts.

USAID Georgia Financial Innovation (FIP) Program

In 2023, G&T became one of the implementing partners of a five-year programme to enhance the flow of diversified investment resources and

innovative financial products to Georgia's private sector. Running until 2028 and with a budget of US\$ 18.9 million, the programme aims to expand businesses,

create jobs and attract additional private investment.

Digital Area snapshot

JSC Digital Area is a Group's subsidiary comprising several portfolio companies, focused predominantly on e-commerce and merchant solutions. Digital Area

actively manages portfolio companies to maturity, setting the strategy and business plan of each business and driving its execution.

Digital Area's strategy is to build interconnected digital services to fulfil the needs of its customers in an integrated experience.



Extra: e-marketplace

800+

Merchants

Extra maintains a leading position in Georgia, offering a wide variety of products to its customers. The platform focuses on facilitating B2C transactions, efficiently connecting merchants with a broad consumer base and enriching the digital shopping experience with integrated payment options. Extra has positioned itself as an e-commerce marketplace with a wide selection of products and competitive prices.

Beyond catering to individual consumers, Extra also extends its services to the corporate sector, offering a robust B2B solution for comprehensive procurement needs. The company's commitment to accessibility and convenience is evident in its nationwide delivery coverage.

70.8K

+120.1% y-o-y

Orders

120+

Products

In 2023, Extra's service offering was enhanced with the integration of [moitane.ge](#), a leading quick-commerce platform, into its website and mobile application. This has led to the launch of 'Extra Express', guaranteeing fast delivery, within an hour, for a wide selection of products across six categories, including groceries and personal care items. Initially operational in Tbilisi and Batumi, 'Extra Express' is focused on ensuring a fast and convenient shopping convenience.

Extra is dedicated to curating a diverse shopping experience that caters to various customer needs and preferences, ranging from the latest trends and daily essentials to unique finds. This dedication is mirrored in its high NPS of 77, as of 4Q23, reflecting a strong focus on customer satisfaction.

Extra collaborates with leading financial institutions in Georgia, including Bank of Georgia. The partnership with Bank of Georgia has facilitated the integration of a variety of payment solutions, including the BNPL option, thus accommodating the diverse financial needs of its customer base.

GEL 16.0M

Gross merchandise value

+77.0% y-o-y



With a wide array of product offerings, Extra's top categories by GMV include electronics, home and garden, express grocery services, sports and travel, pet care, and beauty products. Extra continues to focus on building its reputation as a leader in Georgia's e-marketplace, driving the industry forward through its commitment to customer satisfaction.

OPTIMO: lightweight POS and inventory management SaaS

2,952

+44.7% y-o-y

Merchants

Optimo is a digital inventory and sales management software with an integrated POS solution for traditional retail and e-commerce businesses.

Optimo enables merchants to manage inventory, accept online payments, and access analytics on transactions, inventory, revenues and profitability, anytime and anywhere. Optimo covers two main business lines: software as a service (SaaS) and data monetisation.

In 2023, Optimo increased sales points to 2,952, covering 39 cities in Georgia, with an additional regional office opened in Kutaisi. In addition to this, at the end of 2023, Optimo increased value-added services from different business verticals up to 20 partners.

Furthermore, Optimo has started partnerships with MasterCard, USAID

50.5M

+297.5%

Number of transactions

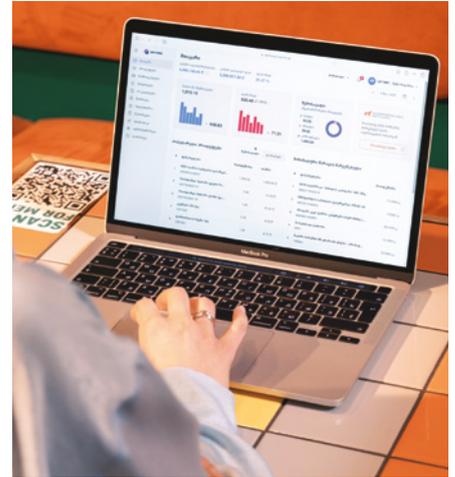
and EBRD. With these partnerships, Optimo aims to support MSME merchants by enabling digital transformation.

In 2023, Optimo entered Uzbekistan and opened an office in Tashkent. Optimo product localisation has already been completed and a growing Uzbekistan team is focused on increasing sales and customer acquisition. Optimo strategically entered the Uzbekistan market due to the latter's size and optimal growth conditions, leveraging the first-mover advantage in a less competitive environment. The Tashkent office establishes a key operational hub for localised products and targeted marketing campaigns, aiming to build brand awareness and trust. Optimo's commitment to innovation aligns with the growing demand in Uzbekistan, marking

GEL 541.4M

+301% y-o-y

GMV



a significant milestone in its expansion journey.

Biletebi.ge: online ticketing marketplace

In 2023, Digital Area acquired **Biletebi.ge**, a major ticketing platform in Georgia. **Biletebi.ge**, established in 2008, a major ticketing platform in Georgia. **Biletebi.ge**, established in 2008, is Georgia's pioneering ticketing platform, offering sales and distribution services for various live events including concerts, sports, theatre productions and more, totalling around 800 events in 2023.

Biletebi.ge is currently in the process of revamping its platform, with the new version expected to be available in June 2024.

Digital Area is committed to establishing **Biletebi.ge** as the leading lifestyle platform in Georgia, striving to elevate the lifestyle experience of its users.



500 Georgia

Bank of Georgia Group PLC initiated the 500 Georgia acceleration programme in 2020, in a strategic partnership with 500 Global and Georgia's Innovation and Technology Agency (GITA). This collaboration was designed to fast-track the development of both Georgian and international early-stage startups operating in the region. During 2020-2021, 28 companies from 11 business sectors successfully completed the programme and were integrated into the Digital Area ecosystem.

Considering the traction of the first rounds of acceleration, Bank of Georgia Group PLC committed to a five-year partnership with 500 Georgia and GITA. In November 2022, Digital Area made a substantial commitment of \$5 million to the \$20 million 500 Georgia Fund.

An additional US\$ 7 million has been successfully secured, with the remaining US\$ 8 million slated for collection by the end 2024. Over the course of our five-year partnership, the fund aims to allocate these resources towards fostering the growth of up to 150 emerging startups.

In 2023, we celebrated a major achievement: successfully graduating 30 regional startups from eight different countries. We remain committed to contributing to a vibrant, cross-border startup ecosystem that empowers businesses and fosters economic development in Georgia.



**Startup participants
in 2023**

22

**Startup participants
since 2020**

63

**Non-Georgian startup
participants since 2020**

37

Section 172(1) statement

Stakeholder engagement is a key ingredient for long-term resilience and sustainability of the Company and is central to how we set and execute our strategy. The needs and views of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board.

How the Board fulfils its section 172 duties

The Board is responsible for the long-term success of the Company as a whole and recognises that proactive and positive engagement with stakeholders is a key ingredient for long-term resilience and sustainability of the Company.

By having a deep understanding of our stakeholders, their concerns and priorities, we are able to work closely alongside them to achieve our mutual goals, create value and, wherever possible, provide proactive support.

Stakeholder engagement happens in a variety of ways and through different

channels, both internal and external. The Board welcomes and regularly reviews feedback from stakeholders to shape strategic decisions.

The Board considers any current risks or emerging risks with regard to each stakeholder group as part of the overall principal risk assessment which is described on pages 150 to 169.

Sometimes, different stakeholders have competing priorities and the Board has to make decisions balancing these differences. Our stakeholder engagement processes enable the Board to understand

what matters most to stakeholders and consider the relevant factors to be able to choose the course of action that ensures the resilience and success of the Group in the long term. You can read more about stakeholder engagement on pages 54 to 57.

In performing their duties during 2023, the Directors have had regard to the matters set out in S172 of the Companies Act 2006. You can read more on how the Board had regard to each matter, during the year, on pages 58 to 59.

S172 factor					
The likely consequences of any long term decision	The interests of the Company's employees	The need to foster the Company's business relationships with suppliers, customers and others	The impact of the Company's operations on the community and the environment	The desirability of the Company maintaining a reputation for high standards of business conduct	The need to act fairly between members of the Company
Relevant disclosures					
Strategic focus pages 188,216 and 223 (Ameriabank) Succession planning pages pages 195, 207-209 Financial governance changes page 215	Culture pages 191-193 Diversity and inclusion pages 207, 210-212 Workforce engagement page 210 Workforce remuneration pages 230-231	Engagement with stakeholders page 189 Meetings with the auditors page page 218 External Auditor effectiveness pages 220-221 FRC correspondence page 223	Engagement with stakeholders pages 189 and 220	Culture pages 191-193 Whistleblowing pages 222 Risk Report pages 225-228 Conflicts of interest page 251 Code of conduct and ethics page 253 Significant agreements page 252 External effectiveness evaluation page 196 and 212 Statement of Code compliance page 189	Strategic focus page 188 Share capital and rights attaching to the shares pages 250-251 Results and dividends page 251

Stakeholder engagement

This section of the Strategic Report comprises the Company's section 172(1) statement. In this section, we describe various considerations surrounding our key stakeholders including their importance to the business, engagement methods, monitoring and decision making, as well as how the Company acted on stakeholder feedback throughout the year.

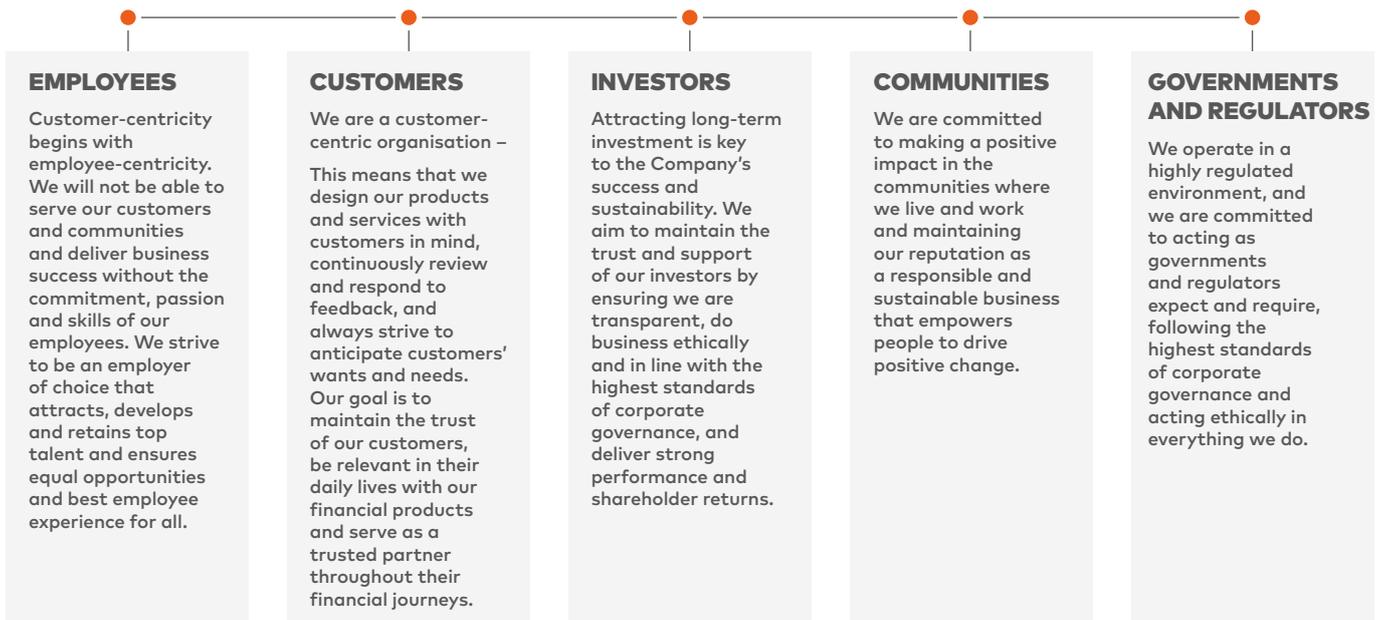
The Board's understanding of the needs and views of different stakeholders is at the heart of its responsibilities. Stakeholder engagement takes place in a variety of ways and through various channels. The Board reviews stakeholder feedback and uses this feedback when defining strategic objectives and making decisions. On the following pages, we describe typical engagement methods,

the main topics that came up during these engagements, including through our regular customer and employee surveys, as well as how we engaged and acted on the feedback received throughout the year.

Who are our stakeholders?



Why are our stakeholders important to our business model?



Engagement performance key highlights of 2023

EMPLOYEES

Strong employee engagement
85% say "I have trust and confidence in the Company's senior leadership."

eNPS stood at 56 at year-end 2023, an increase from 53 at year-end 2022.

CUSTOMERS

Maintaining high NPS levels

We ended the year with a high NPS of 59 – up from 58 in 2022 and 55 in 2021. NPS is measured quarterly and it was broadly stable during the whole year.

INVESTORS

Delivering high profitability and returns

Interim dividend of GEL 3.06 per share paid in October 2023. The Board intends to recommend a final dividend of GEL 4.94 per share at the AGM. GEL 162 million buyback and cancellation programme for 2023.

COMMUNITIES

Focusing efforts on education
120K+ students reached with Bank of Georgia's educational initiatives.

Employees

- Engagement**
- eNPS surveys, engagement surveys, and employee working groups.
 - Culture and values assessment surveys.
 - Town hall meetings and quarterly product milestone reviews.
 - CEO live updates with Q&A sessions, open to all through Workplace, our internal networking tool.
 - A dedicated Non-Executive Director facilitating regular Employee Voice meetings with the Board (Mel Carvill, Hanna Loikkanen and Mariam Megvinetukhutsesi undertook a series of Employee Voice meetings during 2023, engaging with 61 employees; you can read more about this on page 210).
 - Personal interviews with employees, including exit interviews with departing employees 360° performance and competencies review (bi-annual).
 - Independent whistleblowing system.
 - Group-wide communications through our networking tool, Workplace, and intranet for sharing news and achievements.

- Performance information provided to Directors**
- Bank of Georgia eNPS survey (bi-annually).
 - Bank of Georgia Korn Ferry Employee Engagement and Enablement survey (annual).
 - Whistleblowing and grievance mechanism review.
 - Gender pay gap reporting.
 - Diversity monitoring and reporting.
 - Monitoring and reporting of compensation trends on the market.

- Who engages?**
- The townhalls and quarterly product milestone reviews provide updates on business performance and employee initiatives and are led by the CEO and other Executive Management members.
 - The Senior Independent Director and other Non-executive Directors attend the Employee Voice meetings which take place twice a year.
 - The Human Capital Management (HCM) department is responsible for the overall employee experience and feedback gathering.

What they tell us matters to them

- Professional development opportunities.
- Recognition and appreciation.
- Career advancement.
- Compensation.
- Work-life balance.
- Teamwork, support and positive culture.
- Being part of a successful organisation.

How we acted on their feedback this year

- In our 2022 Annual Report, we mentioned that 29% of employees would like to receive clear and regular feedback on how well they do their work. In 2023, we launched an updated 360° assessment in 2023 to strengthen the feedback culture and make sure employees have performance and development-oriented conversations with their managers. We made the comment section of the assessment mandatory for managers to complete. In 2023, the percentage of employees who did not agree with the statement that they receive clear and regular feedback decreased by 5 pts.
- Compensation tends to be one of the main areas detractors (those considered dissatisfied) mention in eNPS surveys. The Board reviews annual reports on Bank of Georgia's compensation practices and how those compare with the market, including average compensation earned at different levels. The Bank continues to monitor the market and adjusts its pay practices if and where necessary to remain a competitive employer. In 2023, in response to this feedback, the Bank implemented a salary increase for certain mass positions to ensure alignment with the market.
- Lack of appreciation and recognition are one of the leading reasons for dissatisfaction that employees mentioned in eNPS surveys. The Human Capital Development function is currently designing a framework for team engagement. In addition, the Bank delivers trainings on team development to help managers increase motivation and teamwork. The Bank also awards the Best Employee and the Best Team of the Year to highlight our people's contribution to the success of the organisation. These awards are performance-based, primarily for front-office positions where performance against targets can be more easily compared.

Customers

- Engagement**
- Internal NPS and CSAT surveys.
 - Telephone calls and interviews.
 - Informal client feedback communicated by bankers and relationship managers.
 - Third-party NPS survey, brand research and focus groups.
 - Complaints management.

Performance information provided to Directors	<ul style="list-style-type: none"> • Net Promoter Scores ('NPS'), both internal by segment and external, Bank-wide. • Internal satisfaction scores for branches, call center and digital channels. • Service-level Agreement (SLA) monitoring. • Quarterly Board reports on information security and data protection. • Quarterly Whistleblowing reports to the Audit Committee.
Who engages?	<ul style="list-style-type: none"> • Engagement takes place at various levels including with the Executive Directors and senior management. • Non-Executive Directors review customer satisfaction measures and how they compare against main competitors quarterly. In February 2023, at the Board's Strategy Sessions, the Board engaged with Bank of Georgia's Corporate Banking and SME Banking clients via a zoom call, asking questions and receiving feedback on the Bank's value proposition for business clients and service quality. • Data and information security is a key responsibility of the Group, and, therefore, key metrics regarding performance are discussed quarterly at the Joint Audit and Risk Committee.

What they tell us matters to them

- Clear and transparent product & service descriptions and fees.
- Uninterrupted access to digital and payments services.
- Suitable product fees and rates.
- Timely and professional responses to their queries as well as timely resolution of issues.

How we acted on their feedback this year

- Queues in branches were one of the top reasons of dissatisfaction among retail customers during 2023. To solve this problem, we change queue management logic and changed the incentive system so that employees in branches focused on teaching digital skills to our customers. As a result, the maximum branch SLA of 89% was recorded in December 2023.
- We launched P2P transfers in BOG APP for instant interbank transfers within Georgia. Previously, customers could do instant P2P transfers only within Bank of Georgia, and considering that the speed of transactions is one of the key elements of customer experience in banking, we focused on making sure we could offer instant P2P transfers to any other Georgia bank.
- Lacking an efficient card delivery service continues to be one of our pain points, reflected in relatively lower share of cards being sold digitally and customer dissatisfaction when opting for card delivery. Bank of Georgia has initiated a partnership with new vendors to improve its card delivery service in Tbilisi and Georgia's regions (the existing service is not available outside of Tbilisi).
- The project is ongoing and expected to be implemented during the first half of 2024.
- Bank of Georgia cards can now be used to pay in public transport in more regions across Georgia. Previously, this was possible only in Tbilisi and three other cities.
- Dark mode in the financial superapp was launched in 2023, after numerous requests by customers.

Investors



Engagement	<ul style="list-style-type: none"> • Quarterly results announcements, the full and half-year results and the Annual Report. • Regular announcements via RNS. • Quarterly results conference calls with investors and analysts. • Investor roadshows (1 roadshow in London in 2023, with the Chair of the Board attending some of the meetings with major institutional shareholders). • Investor conferences.
Engagement	<ul style="list-style-type: none"> • Individual investor meetings, virtual and face-to-face, including site visits in Tbilisi, Georgia. • Engagement calls with proxy agencies. • AGM (1 in 2023, attended by the Board).
Performance information provided to Directors	<ul style="list-style-type: none"> • Investor Relations updates including roadshow feedback. • Proxy ratings and reports (ISS, Glass Lewis, IVIS and PIRC). • Reports on Remuneration Policy Review meetings and engagement. • Share price dynamics updates provided quarterly.

Who engages?

- This continues to be a shared responsibility for all Directors of the Board. The engagement is predominantly led by the CEO who is supported by the Investor Relations team. The Chairman attends the AGM as well as some of the meetings during the roadshows, and the Chairs of the Committees make themselves available to meet investors upon request or if needed.
- The Chair of the Remuneration Committee offers meetings on Remuneration Policy matters and proposed changes to the Group's Policy.

What they tell us matters to them

- Strategy and business model, particularly with regard to our digitalisation programme, and customer franchise development.
- Financial performance and returns.
- Strength of corporate governance.
- ESG performance and impact measurement.
- Macroeconomic and geopolitical risks.
- Financial risk management.

How we delivered on their feedback this year

- The strength of the Group's business performance during 2023 has been well received by investors, where we have strong alignment on our strategic direction and this has been evidenced by the Group's strong share price performance over the last 12 months.
- Many shareholders have been specific that they want us to combine further investment in our business to deliver sustainable high returns, with a strong capital distribution policy. Over the last few years, we have specifically engaged our shareholders on how we should return excess capital to them, and this has led to our combination of regular dividend coupled with a share buyback and cancellation programme. At the same time, we have also continued our investments in developing our financial SuperApp, our payments business and increasing product sales in digital channels – which remains important to our shareholders.
- Many shareholders tell us they want to see the ongoing strong growth of our balance sheet which we continue to deliver in a prudent manner while ensuring strong levels of profitability. This has enabled us to maintain a robust capital distribution policy whilst, at the same time, investing in organic business growth, and understanding shareholder views on potential expansion outside Georgia – which has specifically informed the Board in their consideration of where they should focus their prioritisation of various strategic priorities.
- Our ESG strategy continues to have increasing importance for us and our investors and, in 2023, we conducted a further ESG materiality assessment, leading to the specific changes to our ESG priorities and disclosures, the details of which you can read on pages 62 to 64. Specifically, given the growing investor focus on climate and sustainable finance, we have revised the ESG strategy to include Sustainable Finance as one of the four main pillars and introduced green lending KPIs for the CEO and the Executive Management for 2024. We also regularly liaise with shareholders on remuneration policy issues and often adapt issues in our remuneration disclosures and policy – specifically in 2023 we adapted share vesting timelines in our senior management rewards policy vesting schedules following investor feedback.

Communities



Engagement

- Involvement in various community activities such as voluntary work and the development of social impact programmes with charity partners.
- Our employees participate as volunteers in various community projects.
- Attendance and participation at key sustainability events.

Performance information provided to Directors

- Corporate responsibility, community activities and volunteering programmes are discussed at Board meetings.
- ESG topics are regularly discussed at Board meetings.
- Sustainability sections of the Annual Report are reviewed and approved by the Board.

Who engages?

- Engagement, on the whole, is delegated to the CEO and Executive Management.

What they tell us matters to them

- Local employment opportunities.
- Education.
- Protection of the environment.
- Business support.
- Financial contribution.

How we acted on their feedback this year?

- STEM (science, technology, engineering and mathematics) education has emerged as a critical component of education, with STEM skills in high demand and important for the economic development of communities. Georgia's mean score in science is one of the lowest among PISA-participating countries and economies (383 PISA Score, rank 70/75, 2018). During 2023, Bank of Georgia prioritised STEM in its community impact activities and increased investments in STEM-related projects, including, among other projects, adding STEM corners to libraries in Georgia's regional public schools and launching STEM Olympiad in partnership Komarovi School, a leading math- and physics-focused school in Georgia.
- Financial literacy skills are not specifically taught in Georgian schools and the mean score in financial literacy is one of the lowest among the countries/economies participating in the PISA financial literacy assessment. (403 PISA Score, rank 18/19, 2018). Focusing on financial education and health is an extension of Bank of Georgia's core business activities as financially literate customers increase the resilience of the communities where we operate as well as the resilience of the financial system itself. During 2023, we prioritised financial education and used sCoolApp, Bank of Georgia's financial mobile app for school children, as one of the channels for spreading educational content via weekly Stories in the app. Given that sCoolApp had 90,000 MAUs in December 2023, we will focus on using it as one of the key tools for raising financial literacy among Georgia's youth.
- Lack of access to educational opportunities in Georgia's regions (outside of big cities) has come out as one of the key concerns of local communities in the surveys Bank of Georgia has conducted. In response, Bank of Georgia has partnered with Komarovi school to launch STEM School, a year-long online programme in STEM for school students in grades 7-11. Bank of Georgia provided scholarships to up to 100 school kids from Georgia's regions.
- Lack of financial support is another roadblock in accessing quality education in Georgia. For years Bank of Georgia has financed several prestigious international scholarships, giving selected young people opportunities to study abroad at the graduate level. In 2023 Bank of Georgia launched local scholarships to increase the scale of its financing efforts and make sure more young people in Georgia have access to undergraduate education irrespective of their socioeconomic status. Bank of Georgia Scholarship was launched in 15 partner universities in Georgia. Currently, the goal is to provide scholarships to over 100 students annually.

Governments & Regulators



Engagement	<ul style="list-style-type: none"> • To deepen Board-level understanding of our regulators, our Chair and Non-executive Directors formally meet with the NBG during the year. • Regular meetings with the NBG happen at the Executive Management level, with the CEO engaging directly on key matters. • The CEO participated in the policy dialogue in Georgia through different avenues, including the Banking Association of Georgia and the Business Association of Georgia. In these matters, the CEO is often assisted by other Executive Management members.
Performance information provided to Directors	<ul style="list-style-type: none"> • Regulatory matters are regularly discussed by the Board. Regulatory updates are presented quarterly to the Risk Committee and major changes or issues are reviewed and discussed at the Board level. • Directors are informed of all material litigation and/or significant regulatory engagement via reporting from the General Counsel UK and the Company Secretary, as well as Bank of Georgia's Chief Legal Officer.
Who engages?	<ul style="list-style-type: none"> • Engagement, on the whole, is delegated to the CEO and Executive Management. The Board usually engages with the NBG if and when needed, and during their visits to Georgia.

Actions and outcomes during the year

- The Audit Committee took part in the FRC's consultation on changes to the UK Corporate Governance Code ('Code'). The Audit Committee discussed the proposed changes to the Code in meetings, commissioned an ongoing assessment of the Group's preparedness in respect of possible enhanced focus on internal controls and discussed the outcomes of this assessment.
- The Audit Committee received and responded to a letter from the FRC which raised no questions or queries regarding the Company's 2022 Annual Report. The 2023 Annual Report has been enhanced following suggestions made by the FRC in the letter. Further information regarding this correspondence is available on page 223 of the Audit Committee Report.
- The Audit Committee and Risk Committee received regular updates on sanctions compliance and AML and oversaw enhancements in these areas.
- The Risk Committee considered the General Risk Assessment Programme (GRAPE) assessment from the NBG and discussed progress against the matters raised by the NBG.
- The Nomination Committee and Board remained cognisant of the NBG independence requirements and the impact of this on succession planning.
- The Directors received updates and oversaw continued adherence to legal and regulatory requirements.

Principal decisions

Principal decisions are those decisions taken by the Board that are material, or have strategic importance to Bank of Georgia Group PLC, or are significant to the Company's key stakeholders.

This statement describes three examples of principal decisions taken by the Board during 2023.

Expansion to a new market

What was the decision?

During 2023, the Board considered a potential opportunity in Armenia presented by the management.

The Board agreed that value could be derived from exploring this opportunity in an adjacent high-growth economy and agreed that the management engaged

with the potential target to gauge detailed information and evaluate the upside through a thorough due diligence process.

How were stakeholders engaged and their interests considered?

In addition to discussions at regular Board meetings, the Board held a two-day in-person strategy meeting to review the Company's strategy and performance and consider customer and investor perspectives regarding the strategic direction of the Company. Discussions

with key investors through roadshows and meetings with the Board throughout the year highlighted that there was appetite and support for the Group's excess capital to be carefully deployed in growth opportunities. In addition, our CEO met with a significant proportion of

our institutional shareholders ahead of the Shareholder General Meeting, which resulted in a 100.00% vote in favour of the Ameriabank acquisition in March 2024.

Actions and outcomes

Following analysis, discussions with advisors and other key parties, a potential opportunity to acquire Ameriabank, a leading universal bank in Armenia, one of the fastest-growing economies in the region, was identified as a leading opportunity for international growth for the Group.

Following extensive due diligence and Board discussions with the management and external advisors, the Board unanimously recommended the conditional acquisition of 100% of shares of Ameriabank to the shareholders of the Company in February 2023.

On 14 March 2024, at a General Meeting of the Company, 83.60% of issued share capital voted, with 100.00% votes in favour of the acquisition. Further information regarding this transaction can be found on pages 13 to 14.

Approving capital distributions

What was the decision?

The Board recommended a final dividend for the financial year 2022 and approved an interim dividend in respect of the period ended 30 June 2023. In February 2023, the Board approved an increase of up to GEL 148 million in its share buyback and cancellation programme.

In August 2023, the Board approved the launch of a GEL 62 million share buyback and cancellation programme.

The Board's decisions were informed by the Group's dividend and capital distribution policy, which was announced in September 2021, as well as regular

updates on the Group's financial and capital positions.

A key focus of Board-level discussions throughout the year was the management of excess capital whilst balancing shareholder returns and deployment for growth.

How were stakeholders engaged and their interests considered?

The Directors were mindful of their duties under section 172 in respect of capital distribution, and the Directors considered whether the declaration of a dividend and the share buyback and cancellation programme would support the long-term sustainable success of the Company and align with investor expectations.

The financial implications of capital distribution, including the ability of the Company to continue supporting its

customers and maintaining financial stability, were considered by the Board.

The Board received specific feedback from shareholders regarding the importance of dividends and share buyback, combined with the importance of maintaining strong capital ratios to ensure the Bank is always adequately capitalised in uncertain times.

The Board remained supportive of keeping the dividend and buyback payout ratio the same as in 2022 – a year boosted by significant one-off gains and FX inflows, and, going forward, the Board plans to maintain both a regular progressive dividend policy and a share buyback and cancellation programme, as and when appropriate, targeting a 30-50% total capital distribution ratio. This policy is expected to continue, following the proposed acquisition of Ameriabank.

Actions and outcomes

On 27 October 2023, the Company paid an interim dividend of GEL 3.06 per ordinary share in respect of the period ended 30 June 2023.

In June 2023, the Company completed its GEL 260.7 million buyback and cancellation programme, having repurchased and cancelled 3,254,705

ordinary shares, representing 6.6% of the Company's issued share capital. At the 2024 AGM, the Board intends to recommend for shareholder approval a final dividend for 2023 of GEL 4.94 per share payable in Pounds Sterling at the prevailing rate. This would make a total dividend paid in respect of the Group's 2023 earnings of GEL 8.00 per share. In

addition, the Board has also approved an extension of the share buyback and cancellation programme by an additional GEL 100 million.

The Board will continue to review the Company's dividend and capital distribution policy and revise it if, and as, required.

ESG strategy

What was the decision?

During 2023, the Group continued to enhance its Climate Action Strategy and ESG practices and related policies. The Board approved the adoption of two further ESG policies: the Responsible Supply Chain Policy and the Environmental Policy.

The Board also received an update on the second formal ESG materiality assessment conducted in 2023, building on the first materiality assessment in 2021. Following a review of feedback received from key stakeholders during the materiality assessment, the Board approved a revised

ESG strategy, which included Sustainable Finance as one of the key pillars, substituting Education in Communities as the latter was considered to be less relevant to the Group's core business.

How were stakeholders engaged and their interests considered?

The Board recognises that sound ESG policies and practices help generate sustainable shareholder value and contribute to the success of the whole Group in the longer term.

The Responsible Supply Chain Policy and the Environmental Policy were developed following engagement, and

requests, from proxy voting agencies and shareholders. These policies also comply with legal and regulatory requirements and are based on global best practice.

We recognise that our business activities and daily operations may have a significant impact on the environment, the economy and the communities

where we operate. We seek to minimise the negative environmental and social impacts we may have, and we believe sustainability is a journey and there is always more we can do to promote responsible business practices throughout our organisation and beyond it, among our communities and in our supply chain.

Actions and outcomes

The Board has committed to enhancing the Company's disclosures in line with best practice and global sustainability standards. This includes the requirement for all premium-listed companies to state, in their Annual Report, whether their

disclosures are consistent with the TCFD recommendations, or to explain why not.

Considering the global challenge of climate change, the Bank, the main operating entity of the Group, has

committed to supporting Georgia's climate-related goals, currently focusing on enhancing data collection and analysis of climate-related risks and opportunities that arise primarily from its lending activities.

SUSTAINABLE BUSINESS

Empowering people by creating sustainable opportunities

We believe in shared success. Sustainability for us means acting in ways that empower our customers, our employees and our communities, and doing business the right way, following the highest standards of corporate governance and robust risk management practices. This ensures we effectively mitigate the negative impacts we may have, directly or indirectly, on the economy, people, and the environment and that we contribute to the sustainable development of the communities where we operate. Bank of Georgia is a leading financial institution in Georgia, providing

innovative products and solutions to more than 1.8 million active customers. Innovation and responsibility go hand in hand, and we recognise the role the Bank can play in supporting sustainable development and inclusion in all its forms. We believe understanding and managing ESG risks is crucial to maintaining our financial strength, so our approach to ESG has been integrated in the work we do across the business. The management of ESG-related issues is subject to the governance and oversight of our Executive Management team and the Board of Directors. We continue to make progress

in understanding climate-related risks and opportunities, and putting in place practices to identify, assess, monitor and manage climate-related issues, focusing on the Bank's loan portfolio, as the main risks and impacts are associated with lending. We continue to support our business customers in their transition towards greener and more sustainable ways of doing business. Information in this chapter is provided mainly for JSC Bank of Georgia standalone, unless otherwise stated.

ESG governance

Oversight of the majority of material ESG topics and related impacts on the economy, people, and the environment is allocated to specific Board Committees: Risk, Audit, Nomination and Remuneration Committees.

While the Committees retain continued responsibility for discrete ESG-related matters, the full Board retains primary responsibility for the Group's overarching ESG strategy, which has been framed around material ESG topics.

The Board ensures the alignment of ESG strategy with the business strategy, receives updates on progress, and oversees the Group's overall communications strategy around ESG topics and impacts. The full Board also retains the primary responsibility for overseeing the management of climate risks and opportunities, and it oversees the management of other E&S risks and opportunities that may arise in the Bank's loan portfolio. Updates on material ESG topics are regularly reported to the full Board or respective Committees.

The management of ESG topics is delegated to the Bank's Executive Management team. Discrete ESG matters are managed by individual members of Executive Management. Management-level Environmental and Social Impact (ESI) Committee reviews and discuss the Bank's ESG-related (including climate) matters and impacts.

Key developments in 2023

- 1 We updated and developed a number of ESG-related policies, which were approved by the Board of Directors
- 2 We conducted the second formal ESG Materiality Assessment and updated our ESG strategy
- 3 We created ESG and Sustainability function, which is responsible for Bank of Georgia's sustainability practices
- 4 We updated internal sector classification system to NACE2, the European classification system used by the NBG's Sustainable Finance Taxonomy for identifying sectors and activities that are or could potentially be green. We operationalised selected taxonomy criteria so bankers could determine whether our customers fit the criteria under the taxonomy

2023 KPIs & results

KPI	Target	Result
eNPS	Min. 54	
sCoolApp MAU	70K	
Number of self-employed borrowers	57K	See details on page 33

2024 KPIs

Digital transactional MAU¹

1,291,000

2023 – 1,182,399

Self-employed borrower clients

60,000

2023 – 55K

Green portfolio (gross)

GEL 875M

2023 – GEL 752M

Cash withdrawals in total transactions
(by volume)

25%

2023 – 28%

sCoolApp MAU

150,000

2023 – 90K

ESG materiality assessment

To formalise our ESG strategy, we undertook our first formal ESG materiality assessment in 2021. As a result, we identified material issues and defined commitments for each of

them. Building upon this groundwork, we decided to undergo a reassessment in 2023.

The primary motivation for the 2023 materiality reassessment was to align

with best practices, considering the recommended timeframe of 2-3 years for updates. Furthermore, we aim to adhere to the latest Global Reporting Initiative (GRI) Standards.

The materiality reassessment conducted in 2023 allowed us to clearly identify our most significant impacts on the economy, the environment and people, including on their human rights, and to prioritise key material topics for our ESG Strategy. We considered the views of internal and external stakeholders in this process.

Impact scoping – identifying actual and potential impacts

Given that the relevant GRI Sector Standards were not available at the time of this assessment, the identification of impacts on the economy, the environment and people, including on their human rights, was mainly done by drawing on our own and third-party assessments:

- An analysis of material topics identified in previous reports and the 2022-2023 ESG Strategy, outlining actual and potential, positive and negative impacts
- An assessment of the Bank's main activities, markets, products, stakeholders and business relationships as described in previous annual reports and validated by the Bank's ESG project working team and discussed with Executive Management
- An analysis of the main issues outlined in the latest ESG rating reports (gap assessment)
- A gap assessment of the current material topics against the topics deemed relevant for the industry, using SASB materiality finder
- An assessment, mapping and expansion of Bank of Georgia's contribution to the Sustainable Development Goals (SDGs), referring to the SDGs previously identified by the Bank in the previous two annual reports
- A review of currently available policies and grievance mechanisms at the Group level

The impact identification process, as required by GRI, was discussed with Executive Management during an in-person workshop. Relevant definitions and updates to the GRI materiality assessment process were discussed. Executive Management contributed with their views on the Bank's actual, potential, negative and positive impacts. All identified positive and negative impacts were summarised in a long list of impacts.

1. Number of users who made at least one transaction through digital channels within the past month.

Assessing the significance of the impacts

The long list of impacts was classified according to each impact's significance following the guidance presented in GRI 3

and consulting the OECD's Due Diligence Guidance for Responsible Business Conduct. A consolidated list of impacts

was provided by the consultants and approved by the Bank.

Prioritising the most significant impacts for reporting

The least significant impacts were eliminated from the consolidated list and the remaining were clustered into 'preliminary material topics.' The preliminary list of material topics was presented to various stakeholder

groups. Stakeholders were asked to rate the topics according to their relevant significance. The engagement happened in the form of surveys and structured interviews.

The ranked material topics were presented to and validated by Bank of Georgia's Executive Management and the Board of Directors.

Stakeholder groups

Investors	IFIs	Employees	Customers SME	Customers Corporate
Structured interviews Online questionnaire	Online questionnaire	Online questionnaire	Online questionnaire	Online questionnaire

The primary goal in presenting the preliminary list of material topics, and their respective definitions, to stakeholders was to gather their perspectives on the relative importance of the topics identified during the impact scoping exercise. This step aimed to validate the level of significance identified in the process.

ESG materiality assessment results

Combined ranking

1 Business ethics	8 Fair working conditions and employee well-being
2 Customer protection and product responsibility	9 Human capital development
3 Data security and privacy	10 Diversity, equity, and inclusion
4 Local economic development	11 Gender equality
5 Sustainable finance	12 Engagement with communities and the environment
6 Product and service innovation	13 Responsible supply chain
7 Sustainable financial inclusion and empowerment	14 Internal environmental management

ESG strategy

The aim of the materiality assessment was to determine the relative priority of relevant ESG topics and to define the material topics to base our ESG strategy

on. Based on the materiality assessment process described above, we updated our ESG strategy. Our ESG priorities continue to evolve, and we are committed to being

transparent about our practices and progress.

Focus areas			
Governance & Integrity	Financial Inclusion	Sustainable Finance (Integrated Risk Management)	Employee Empowerment
Objectives			
To do business in line with the highest standards of corporate governance, highest ethical principles and ensure accountability, transparency, fairness and responsibility in every decision we make	To use the power of technology and product innovation to drive digital financial inclusion and deliver innovative financial services	To manage financial risks stemming from climate change and other E&S risks, while fostering greater transparency and long-term focus	To be the employer of choice for top talent, providing equal opportunities for development and ensuring the best employee experience based on our values and business principles
Material topics			
<ul style="list-style-type: none"> Business ethics Customer protection and product responsibility Data security and privacy Engagement with communities and the environment Internal environmental management Responsible supply chain 	<ul style="list-style-type: none"> Customer protection and product responsibility Data security and privacy Local economic development Product and service innovation Sustainable financial inclusion and empowerment Diversity, equity and inclusion Gender equality 	<ul style="list-style-type: none"> Business ethics Sustainable finance <ul style="list-style-type: none"> Environmental and social management of loan portfolio; Mitigating E&S risks associated with client financing Local economic development Product and service innovation 	<ul style="list-style-type: none"> Local economic development Fair working conditions and employee well-being Human capital development Diversity, equity and inclusion Gender equality

Contributing to the United Nations Sustainable Development Goals

We remain committed to contributing to the five United Nations Sustainable Development Goals (UN SDGs) (highlighted below) we linked to our strategy in 2020.



Memberships and external recognition



The Bank became a signatory of the UN Women's Empowerment Principles in 2022



The Bank is a member of the UN Global Compact



FTSE4Good

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Bank of Georgia Group PLC has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

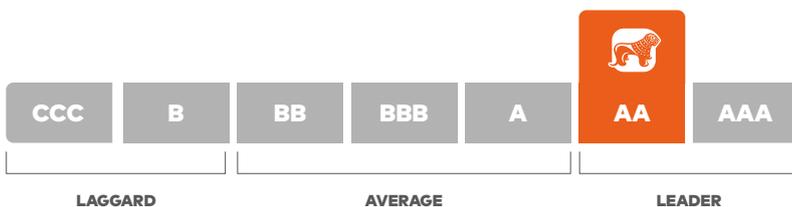
ESG ratings

MORNINGSTAR | SUSTAINALYTICS¹

As of April 2024, Bank of Georgia Group PLC received an ESG Risk Rating of 17.6 from Morningstar Sustainalytics and was assessed to be at low risk of experiencing material financial impacts from ESG factors. In no event the Annual Report shall be construed as investment advice or expert opinion as defined by the applicable legislation.

MSCI³

Bank of Georgia falls into the highest scoring range relative to global peers.



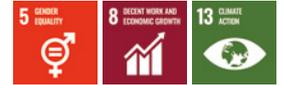
ISS²

Environment	3
Social	2
Governance	6

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- ISS uses 1-10 scale. 1 indicates lower governance risk, while 10 indicates higher governance risk versus its index or region. 1 indicates higher E&S disclosure, while 10 indicates lower E&S disclosure. Last governance data profile update – 19 March 2024; Last E&S data profile update – 13 March 2024.
- As of 27 March 2023.

GOVERNANCE AND INTEGRITY

Financial crime



Money laundering is one of the major threats to the international financial services community and therefore to us. Our policies and procedures are designed to ensure that we have robust systems and controls in place to mitigate the risk of us being used to facilitate money laundering.

We ensure compliance with local and relevant foreign legislation in all jurisdictions where financial institutions belonging to the Group conduct operations and integrate international standards and recommendations

developed by Financial Action Task Force, the Office of Foreign Assets Control (OFAC) of the U.S. Treasury Department, the European Union, the UN Security Council and HM Treasury within our ventures.

To that end, we do business only with clients who meet our strictest criteria and are within our risk appetite.

During 2023, customer engagements and transactional flows remained steady, without significant disruptions or turbulence.

Anti-money laundering and international sanctions



AML/COMBATING THE FINANCING OF TERRORISM (CFT) AND INTERNATIONAL SANCTIONS COMPLIANCE PROGRAMME

We have a risk-based AML/CFT and international sanctions compliance programme, operating based on the three lines of defence model.

First line	Second line	Third line
Business direction	AML/Sanctions Compliance department	Internal Audit
<p>Online and offline monitoring are ensured by the relevant teams serving as additional control mechanisms. The operational processes are supported by the specifically dedicated teams dealing with high-risk countries.</p> <p>Additionally, to enhance process control, as a secondary control tool, an assurance unit has been established, which focuses on the regular assessment of the efficiency and compliance of the control system deployed within the Group.</p>		



ML/FT RISK MANAGEMENT

We have invested significant resources to improve our money laundering (ML)/terrorism financing (TF) risk management capabilities, including implementing advanced analytics and transaction monitoring solutions to conduct ongoing monitoring of transactions and detect unusual and suspicious activity, and strengthening offline reporting tools. Additional offline monitoring scenarios were implemented, which are tailored to the current risk and transaction typologies.

Enhancements have been applied to intensify the offline monitoring mechanisms.

The internal reporting for AML/Sanctions was significantly improved, resulting in the creation of multiple new dashboards and metrics, which are used to continuously monitor existing trends and risk changes.



ENHANCED COOPERATIONS

In 2023, we enhanced our cooperation with the NBS, other relevant Government authorities, the embassies of the United States, United Kingdom, and European Union, as well as partner financial institutions to monitor and mitigate sanctions-related risks at the sectorial and country levels.



ALIGNMENT WITH INTERNATIONAL SANCTIONS REGIMES

We adhere to the international sanctions regimes and ensure that all our activities are in line with applicable sanctions requirements.

The Bank has been audited by one of the big four firms, whose report provided a favourable assessment of the Bank's AML/Sanctions control environment.

We follow regulatory measures and guidelines prescribed by the National Bank of Georgia targeting financial institutions with respect to adherence to international sanctions regimes.

All Group subsidiaries comply with the requirements and obligations set out in Group policies.



UPDATED POLICIES AND PROCEDURES

To address current challenges, we have updated our International Sanctions Compliance Policy and related procedures to align the Group with the latest economic and financial measures implemented by the US (Office of Foreign Assets Control), EU, UK, (HM Treasury) and United Nations Security Council.

The Bank has designated the Russian Federation and the Republic of Belarus as high-risk countries and all transactions and clients from those countries are subject to enhanced due diligence.



TRANSACTION SCREENING AND ONBOARDING PROCESS

To strengthen due diligence in response to prevailing sanctions regimes, we have revised and refined the transaction screening and onboarding processes.

Customer and payment online screening is undertaken to identify sanctioned customers or goods and transactions prohibited under applicable sanctions regimes.



AUTOMATED SCREENING OF TRANSACTIONS

We possess an online solution that enables a fully automated screening of all transactions against sanctions lists (OFAC, the EU, the UK, the United Nations and other similar bodies, including global news databases).



TOOL FOR MACHINE SCREENING

We invested resources in implementing additional tools for machine screening of respective documents accompanying transactions. This has improved our capabilities for detecting possible sanctions violation scenarios.

Along with online screening, the Bank uses an offline monitoring tool and various offline scenarios, tailored for different products and types of clients. Specifically, for trade restrictions, the Bank has developed several scenarios, which help AML/Sanctions officers identify a pattern of transactions, when a company may be engaged in trading with the Russian Federation or other high-risk countries. A special team has been established for managing and analysing offline monitoring scenarios.



ZERO TOLERANCE POLICY

We have a zero tolerance policy towards sanctioned persons, transactions, and funds related to sanctioned persons, as well as towards international sanctions evasion and circumvention.

We have a zero-risk appetite for engaging in international operations involving crypto businesses.

We have restricted all transactions/onboarding of a client/provision of any service involving Russia's military-industrial base.

We have tightened onboarding and transaction screening processes. In addition, the Bank continues to strengthen compliance processes, with a particular focus on introducing additional control mechanisms on transactions coming from CIS countries.



STRENGTHENING AML/SANCTIONS COMPLIANCE DEPARTMENT

To effectively address future external challenges posed by numerous and dynamically evolving sanctions regimes, the AML/Sanctions Compliance department was redesigned and a more robust structure was established.

To comprehensively execute International Sanctions Compliance Programme, a dedicated unit has been created with the responsibilities of analysing existing international sanctions regulations, elaborating and implementing the Bank's international sanctions compliance policy and internal control mechanisms, and providing informational updates and trainings to the relevant staff of the Bank on a permanent basis.



REGULAR TRAINING AND AWARENESS RAISING CAMPAIGNS

The Executive Management of the Bank promotes a culture of compliance and regularly emphasises the importance of AML/sanctions compliance at all levels.

We conduct regular employee training and awareness-raising sessions regarding international sanctions compliance.



MANDATORY TRAINING

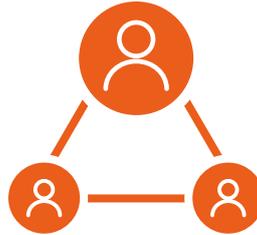
97% of our employees completed the mandatory training. We have intensified the focus on the mandatory training programmes for our employees and target 100% training completion rates.

Our policies

Our AML/CTF and International Sanctions Compliance programme comprises written policies, procedures, internal controls and automated system monitoring tools.

- The Bank has relevant policies, procedures and risk appetite to ensure compliance with applicable domestic AML laws and regulations, as well as international sanctions frameworks implemented by the US (Office of Foreign Assets Control), EU, UK (HM Treasury) and United Nations Security Council. They are subject to regular reviews to ensure compliance with applicable sanctions regimes.
- The Bank has strong Know Your Client and customer due diligence procedures:

Customer Risk Assessment is a fully automated process and customer risks are managed throughout the relationship lifecycle



Our existing clients are subject to a regular due diligence process

Information on a client's ownership structure, ultimate beneficial owners and source of funds/wealth is obtained during onboarding

- The Bank has a strict Customer Acceptance Policy.
- AML, CFT and sanctions topics are on the quarterly agenda of the Joint Audit and Risk Committee. The Committee receives information on existing controls and implemented measures.
- To strengthen our ability to detect and prevent financial crime and sanctions evasion, we continue to enhance our ML/FT and sanctions risk management function.

Anti-bribery and anti-corruption

The Group has zero tolerance towards bribery and corruption. We have in place written policies, procedures and internal controls to comply with anti-bribery and anti-corruption laws.

Our comprehensive programme, with a suite of measures to ensure compliance with relevant ethical standards, includes:



RISK MANAGEMENT PROCESSES

Our risk management processes encompass regular risk assessments according to key risk indicators and pre-approval processes. These involve identification, assessment and mitigation of potential threats to our organisation's integrity. This comprehensive approach is an integral part of our commitment to maintaining a culture of integrity, transparency and zero tolerance towards bribery and corruption.



THIRD-PARTY DUE DILIGENCE

Prior to establishing any commercial relationship, we conduct a thorough due diligence on potential business partners or third parties. This ensures alignment with our commitment to ethical business practices, in compliance with anti-bribery and anti-corruption laws. The scope and intensity of due diligence and monitoring vary based on the nature of the relationship, whether with a legal entity or an individual. Additionally, customer due diligence is conducted in accordance with anti-money laundering regulations.



INVESTIGATION PROTOCOL

Investigation protocol is a structured framework outlined in our policies that guides employees on reporting and investigating potential policy breaches. Concerns can be reported through the whistleblowing platform confidentially or anonymously.



RECORD-KEEPING

We make and keep books, records and accounts that accurately, fairly and in reasonable detail reflect all payments, expenses, transactions and disposition of the Bank's assets.



ADOPTION, COMMUNICATION AND TRAINING

Communication efforts include using internal channels like memos or letters, while a structured training programme ensures employees at all levels understand and adhere to the Anti-bribery and Anti-corruption Policy. Awareness campaigns and refresher courses reinforce the key concepts.

Combating bribery – policies, transparency and accountability

The Code of Conduct and Ethics, the Conflict of Interest Policy, the Anti-bribery and Anti-corruption Policy and Know Your Employee procedures safeguard the integrity of the Bank. The Anti-bribery and Anti-corruption Policy and the Gift Acceptance Policy provide employees with guidance on how to recognise and

deal with bribery and corruption and outline steps employees are required to take when accepting or offering gifts, hospitality and inducement to/from external third parties. Transparency is further ensured by implementing a reporting requirement that encourages the disclosure of any unethical behaviour.

We have established a systematic recording system for documenting gifts and other advantages. This structured approach ensures thorough tracking and accountability within our organisation.

How we govern

The Bank's Executive Management Team and the Supervisory Board establish a strong culture of ethics throughout the organisation by setting the tone at the top. Every anti-corruption initiative is actively supported by the Executive Management. This endorsement from the highest levels provides a solid foundation for our anti-corruption programme.

Employees in managerial positions

are critical for identifying corruption risks. Their positions bear a special responsibility for upholding ethical standards and actively preventing instances of corruption.

Internal Control and Compliance departments serve as a second line of defence in managing bribery and corruption risks. Those departments scrutinise red flag situations, known

for their elevated risk profile, such as sponsorship, gifts, hospitality, political and charitable donations. These high-risk scenarios undergo a rigorous examination, reflecting our commitment to proactive risk mitigation and the establishment of strong control mechanisms.

First line

Business directions

Second line

- Internal Control department
- Compliance department

Third line

Internal Audit

Enhancing controls and monitoring

The Compliance department regularly reviews the Anti-bribery and Anti-corruption Policy and initiates changes to reflect international best practice and improve control design. An enhancement programme to further improve our bribery and corruption risk assessment, controls and reporting is in progress.

We continue to further structurally strengthen our response to bribery and corruption risks in key areas. We have developed online training modules on bribery and corruption risks, including on the Gift Acceptance Policy and the whistleblowing platform. Annual training is mandatory for all employees. 89% of

our employees completed the mandatory training programme. We have intensified the focus on the mandatory training programmes for our employees and target 100% completion rates going forward.

Our training programme empowers every employee with the essential knowledge, skills, and expertise required to uphold the integrity of the Bank. This comprehensive framework guarantees that our team operates with the highest level of diligence, adhering to guidelines that enforce a zero tolerance policy towards bribery and corruption.

- The Bank has in place the Know Your Employee procedure that includes:



- The Bank's Compliance Committee reviews any complaint related to bribery and corruption incidents. The Audit Committee receives information on any reported incidents.

In 2023, no bribery or corruption incidents were registered in the Bank, nor were any bribery or corruption fines imposed on the Bank.

Information security

Information security is a priority for the Group. As we develop new digital products and services, we implement complementary measures to ensure the robustness of our information security systems.

Our focus on information security risks

Information security risks represent one of the global threats that organisations worldwide face. The external threat profile is dynamic, and these threats continue to increase. The financial sector remains a primary subject of a growing number of attempts to compromise its information security. We understand that if these attempts are successful,

they could have a negative impact on our customers and employees, as well as on subsidiaries, partners, and, given that the Bank is part of Georgia's critical infrastructure, the country as a whole.

We have relationships with customers and partners from other countries as well, and thus, the negative consequences of a

compromise of our information security could extend beyond Georgia. Such compromise could expose us to potential contractual and regulatory liability, lead to a loss of current and future customers and partners, damage our brand and reputation, and result in financial losses.

The Bank's commitment and initiatives

As we develop new digital products and services, we implement complementary measures to ensure the robustness of our information security systems. To successfully deliver on our commitments, we undertake a number of initiatives.



We devote significant human and financial resources and engage globally-renowned technology companies to respond to information security threats accordingly.



We recognise the importance of establishing and maintaining a rigorous information security management system that is compliant with current business and regulatory requirements and commensurate with existing and emerging threat landscapes.

Information security management system

The Bank has a dedicated Information Security department, responsible for developing and maintaining the Bank's information security management system, including policies and procedures that are reviewed regularly and amended to reflect any lessons learned. The Information

Security department is headed by the Chief Information Security Officer (CISO) who directly reports to the Deputy CEO, Data and Information Technology.

The CISO presents regular updates to the Joint Audit and Risk Committee.

As a result, the Bank's Executive Management Team and the Supervisory Board remain up-to-date on information security risks.

The Bank follows a three lines of defence model.

First line

- Business directions
- IT department
- Information Security department

Second line

Operational risks

Third line

Internal Audit

We employ highly qualified security professionals across multiple lines of business. Additionally, we run regular trainings to ensure that they are aware of and clearly understand current security trends and issues.

Customer engagement and risk mitigation

We engage with our customers on information security-related matters through multiple channels, including our website, digital platforms and text messages. We regularly create and share content, including articles, interactive games and questionnaires on various media. As our organisation becomes

more digital and further relies on cloud computing and third-party providers, we are increasingly exposed to and a target of cyber attacks, such as a supply chain attack, or distributed denial of service (DDoS), among others. We take measures to mitigate the risks of a supply chain attack (for more information please

see page 162 of this report). Despite the increasing frequency of DDoS attacks on the Bank, there have been no instances of service disruption resulting from these attacks since March 2023, following the implementation of a new solution.

Incident response and control measures

Although the Bank was not involved in any significant negative impact in 2023, we maintain a thorough Information Security Incident Response Policy to prevent an information security incident, and if it does occur, to limit its impact on our stakeholders. This policy defines roles and

responsibilities throughout each phase of an information security incident response and enables effective cross-functional collaboration and the management of public and internal relations. Controls and monitoring continue to be embedded across the Bank as part of the overall

internal control framework and are continuously reassessed. Each year, the Bank is subject to at least 11 types of security assessments to evaluate the effectiveness of our actions and to manage actual and potential impacts. These assessments include:

Penetration testing

Breach and attack simulation

Self-assessments

Internal and external audits

These assessments give us insight into how effectively the policies and processes have been implemented.

As a result, the Bank sets goals and targets that may be mandatory (based on legislation) or voluntary, for example, for automation or optimisation purposes.

Contributions to information security development

We support and contribute to the development of information security in Georgia. We regularly participate in collaborative efforts with our financial industry peers, law enforcement authorities, regulatory bodies and the Government to share knowledge and prevent negative impacts.

Our goal is to enable more efficient and effective information security supervisory oversight, streamline and align the fragmented information security regulatory framework with international standards, and help increase the overall security and resilience in Georgia. The Bank has a dedicated team to coordinate threat intelligence sharing and develop external relationships.

We are a member of the Financial Services Information Sharing and Analysis Centre through which the Bank has access to a threat intelligence platform, resilience resources and a trusted peer-to-peer network of experts to anticipate, mitigate, and respond to information security threats specifically targeting financial institutions.

Cybersecurity programme assessment overview

Mandiant (now part of Google Cloud) conducted an assessment of Bank of Georgia's cybersecurity programme in November 2023. The purpose was to validate existing capabilities, identify areas for improvement, and offer

recommendations to enhance the programme's maturity.

Mandiant noted that the Bank generally showcased higher maturity levels across multiple facets compared to prevailing

industry standards in both European and global financial sectors.

The executive summary from the report highlighted several key strengths:



INFORMATION SECURITY TEAM

Highly certified and skilled, with a strong focus on continuous improvement.



DOCUMENTATION

Comprehensive suite of documentation guiding the organisation's information security practices.



PROACTIVE CAPABILITIES

Embracing proactive measures such as red teaming, purple teaming, and honeypots to pre-emptively address vulnerabilities.



TRAINING AND AWARENESS

Implementing a robust awareness programme and regular training to foster a culture of preparedness among employees.



IMMUTABLE BACKUPS

Leveraging immutable storage solutions for secure and resilient backups.

These strengths collectively contribute to the Bank's robust cybersecurity posture, indicating a proactive and well-prepared approach to handling potential threats and vulnerabilities.

Information security metrics

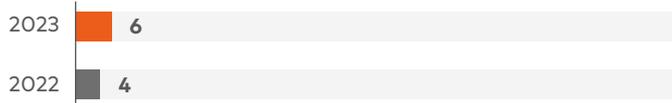
Cross-functional team of employees



Active professional certifications



Internal phishing campaigns conducted



Employees not deceived by a phishing campaign (%)



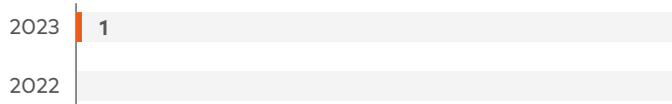
Independent internal audit engagements



Third-party penetration testing (external assurance)



Third-party cybersecurity programme assessment (external assurance)



0 GEL loss

due to a cybersecurity incident or a regulatory fine

0 data breaches

personal or financial data leaked to the public

0 security breaches

external intrusion into the Bank's network or systems

Employee training and awareness programme

We take pride in our team members who hold industry-recognised certifications, including three individuals with CISSP, two with OSEP, and one with CRTO.

We also run a Bank-wide information security awareness programme to ensure that our employees understand information security matters and their applicability to the Bank's daily operations. We view each employee as a 'human firewall,' and therefore we continuously refine our approach to employee training and testing.

General information security training is mandatory for all employees during onboarding and afterwards, annually. The purpose of the general training is to raise awareness on key attack vectors and proper responses to different types of information security incidents (e.g. ransomware). 97% of our employees completed the training successfully. The Information Security department monitors the completion of mandatory information security training and targets 100% completion rates going forward.

On a quarterly basis, the Information Security department conducts a comprehensive phishing campaign, assessing all employees' ability to detect and respond effectively to phishing attempts. In addition to the general test, we executed two more targeted phishing campaigns tailored to specific groups. The department closely monitors performance and provides additional training to individuals who may have fallen victim to phishing emails or were unable to respond promptly.

Data privacy

As data collection and digital footprints continue to expand worldwide, it is essential for us to be proactive in protecting clients' most valuable asset – personal information. We are committed to protecting and respecting the data we hold and process, in accordance with the laws and regulations of the markets in which we operate.

Information is one of our most valuable assets, and data privacy is a top priority. We have embedded good privacy

standards and practices within the corporate operations and structure. We fully comply with applicable data

protection legislation and adhere to the information security standards.

Data governance and responsibility

Our approach rests on having the technology, systems, controls, policies and processes to ensure proper data governance, the appropriate management of privacy risk and the fulfilment of our obligations.



PRIVACY GOVERNANCE

We have appointed the Georgian banking industry's first Data Protection Officer who advises the Bank and helps monitor compliance with the applicable data protection rules. The Data Protection Officer reports to the Audit Committee semi-annually on the status of the Bank's privacy strategy implementation. As a result, the Bank's Executive Management Team and the Supervisory Board remain up-to-date on privacy matters.



INDIVIDUAL RIGHTS AND TRANSPARENCY

In our commitment to safeguarding privacy, we make sure all data subjects' rights are strictly observed. In 2023, the frequency of data subject access requests remained robust. Each request is diligently fulfilled, ensuring comprehensive protection and empowerment for data subjects. Importantly, none of the complaints regarding Data Subject's Access Rights were communicated to the personal data protection service of Georgia, further emphasising our commitment to ensuring the proper protection of the rights of the data subjects.



THIRD-PARTY DATA PROCESSING

We prioritise robust security measures when engaging with third-party vendors. This involves a thorough assessment of their security infrastructure. We conduct a comprehensive review of regulatory compliance to ensure adherence to data protection. Prior to collaboration, clear and detailed contractual agreements are established, outlining data protection responsibilities. These practices ensure we maintain the highest standards of data protection and security in our partnerships.



INCIDENT RESPONSE AND BREACH NOTIFICATION

One of the major threats that financial services companies face are cyber incidents. Over the past few years, we have witnessed a number of major organisations falling victim to cyber attacks. Fortunately, our operations have not been materially affected, nor have we suffered a breach to date. We have a thorough incident response policy which is aligned with the emerging threat landscape as well as current business and regulatory requirements.



EMPLOYEE TRAINING AND AWARENESS RAISING

Awareness raising is one of the key aspects of our privacy framework. As part of the privacy programme, we conduct awareness campaigns to help our employees recognise privacy concerns and respond accordingly. We provide continuous and role-based privacy training that keeps employees abreast of privacy risks and clarifies their role in mitigating them. 97% of our employees completed mandatory training successfully. We have intensified the focus on the mandatory training programmes for our employees and target 100% completion rates going forward.

In 2024, the Bank will enhance data privacy and security through targeted face-to-face training for employees who have direct communication with clients and access to significant volumes of personal, including sensitive, data. The training will be customised for each department's activities and practices. This proactive approach aims to prevent potential breaches and emphasises the importance of keeping our employees informed about their obligations under data protection legislation, contributing to a culture of awareness and responsibility throughout the Bank.

Regulatory cases overview

In 2023, we received four individual complaints regarding breaches of customer privacy from the Personal Data Protection Service, a regulatory body in Georgia. All four have been identified as substantiated complaints. **None of them constitutes a systemic issue within the Bank.**

4

Substantiated complaints concerning breaches of data privacy

0

Identified leaks, thefts or losses of data

The orders and instructions given by the regulatory body have already been fulfilled. The regulator deemed the measures taken by the Bank to be sufficient and closed the supervision of the execution of these cases.

In 2023, the regulatory body conducted a planned inspection on the legality of data processing through audio recording. Within the inquiry, the regulator examined the lawfulness of obtaining, recording and holding data by the Bank, as well as security measures applied to the data, including access, and physical security measures.

The regulatory body considered that the Bank complied with all the rules in the processing and storage of personal data and did not find any violations.

Further developments and the implementation of a new framework

In June 2023, the legal framework governing data protection in Georgia was amended. The new law is more closely aligned with the General Data Protection Regulation (GDPR) and introduces obligations similar to those outlined in the GDPR.

As GDPR applies to certain data processing by the Bank, the amendments introduced by the new law have already

been implemented. However, considering that the majority of our clients are Georgian citizens, we anticipate an increase in complaints as citizens become more aware of their rights and the responsibilities of data controllers due to awareness-raising campaigns carried out by the Government. In response, we have proactively initiated a comprehensive review of our practices to ensure full compliance with the requirements

stipulated by the new law and to enhance our privacy standards.

Despite the current legislative changes in Georgia, the Bank constantly tries to improve data processing practices. This enables us to properly identify, address and mitigate the risks in advance, significantly limiting the likelihood of a negative impact on individuals as a result of data processing.

The following measures have been carried out after the adoption of the new law:

UNDERSTANDING THE LAW

To ensure transparency and regulatory alignment, we have engaged in ongoing consultations with the relevant supervisory authority. Furthermore, all stakeholders have been informed to navigate the compliance requirements of the new law, and they are actively engaged in the process, contributing to both compliance and successful implementation.

INSPECTING THE INFORMATION WE HOLD

We have conducted an information audit, including where it came from, who it is shared with, where it is kept. Additionally, the retention period has been reviewed to ensure that we retain personal data for the necessary and lawful duration.

REVIEWING LEGAL GROUNDS

We have conducted a thorough review of the legal basis for data processing within the Bank and the way we seek, obtain and determine consent. We have reviewed all web forms, online consents, and landing pages to align them with legal requirements.

UPDATING PRIVACY POLICIES

We have reviewed and updated our data protection policies to reflect the latest legal developments. These revisions guarantee that our policies fully comply with data protection legislation and reflect best practices, ensuring they are comprehensive and up-to-date.

Customer protection

Customer-centricity is one of our business principles and one of the key enablers of our success. We are committed to serving our customers responsibly, considering their best interests, fulfilling a variety of their needs, delivering positive experiences across touchpoints, and engaging with them regularly to learn from their feedback.

We aim to maintain customer trust by adhering to the highest ethical standards in doing business. Customer protection is not just a commitment. It is also a fundamental aspect of our business ethos that motivates us to continuously improve our practices and set the bar high to have excellence in customer care and protection.

Fairness, transparency and integrity are the main principles that underpin customer-centricity across the entirety of the customer relationship lifecycle. These principles are reflected in our Code of Conduct and Ethics and in the Customer Protection Standard, which reflects local regulatory requirements, international best practices and control mechanisms for effective execution.

We view each employee as our ambassador, and, therefore, we continuously refine our approach to employee training and testing. 96% of our employees completed mandatory training successfully. We have intensified the focus on the mandatory training programmes for our employees and target 100% completion rates going forward.

The training programme equips all employees involved in selling our products and services with the necessary knowledge, skills and expertise to prioritise and safeguard customers' interests. This framework ensures that our team operates with the utmost diligence and integrity in all customer interactions.

How we design and sell our products and services

We must ensure that our customers are able to make well-informed decisions on how to use our products and services and understand the protection available to them if something goes wrong. Our principles aiming to ensure customer-centricity are reflected in all product

development and sales activities. The principles apply to all business lines and customer types and are integrated in the product approval processes.

The new product approval process and related risks are managed based

on three lines of defence. The Bank's internal procedures define the scope and responsibilities of all involved structural units to ensure:

Suitable product offering

We create and offer products and services tailored to our customers' needs and preferences.

Clear communications

We communicate information, including terms and conditions, on products and services in a clear and non-misleading manner.

Robust control mechanism when developing and/or reviewing a product New products and services as well as changes to existing products are reviewed and assessed by key control functions including the Legal department.

Responsible marketing All mass communications in public channels as well as all personalised communications are reviewed by the Legal department to make sure they are compliant with applicable laws and regulations.

Advisory We provide services and trusted advice through professionals with the necessary knowledge and expertise.

Fair offering We offer products and services at a fair price considering the market, costs and risks.

The Customer Complaints Management process and related risks are also managed based on three lines of defence.

First line	Second line	Third line
Customer Complaints Management and Support Centre	Customer Protection unit	Internal Audit

Internal Audit as the third line of defence, is an independent assurance provider, and performs audit engagements using a risk-based approach. The scope of work of Internal Audit related to customer protection is to determine whether our risk management, internal control, and governance processes, as designed and represented by management, are adequate and functioning in a manner that reasonably ensures material regulatory and compliance risks are appropriately identified, measured, assessed and managed across the organisation.

How we listen – customer complaints

Customer complaints are another source of feedback that we aim to handle effectively and use lessons learned for continual improvement of our customer service. We aim to be open and consistent in how we track, record and manage complaints. We measure the volume of complaints and review root causes to inform the changes we should make to our products and services to improve them for our customers. By doing this, we hope to see improved customer

satisfaction and reputation, and reduced costs.

We understand that it is important for our customers to be able to address their complaints through several channels or to clarify the details of any issue.

As a result of claims processing, constant changes are made to adapt services and banking products to customers' requests and needs as much as possible, which makes the Bank more flexible in

the market, attractive and special for customers.

The variety of recourse channels clearly shows that it is possible for our customers to file a complaint using any preferred and available means. Submitted complaints are then reviewed by the Customer Complaints Management and Support Centre.

Customers can leave complaints via various channels, including:



WEBSITE



SOCIAL MEDIA



WHISTLEBLOWING CHANNEL



BRANCHES



NATIONAL BANK OF GEORGIA



CONTACT CENTRE



E-MAIL



CHANCELLERY



E-BANK AND M-BANK

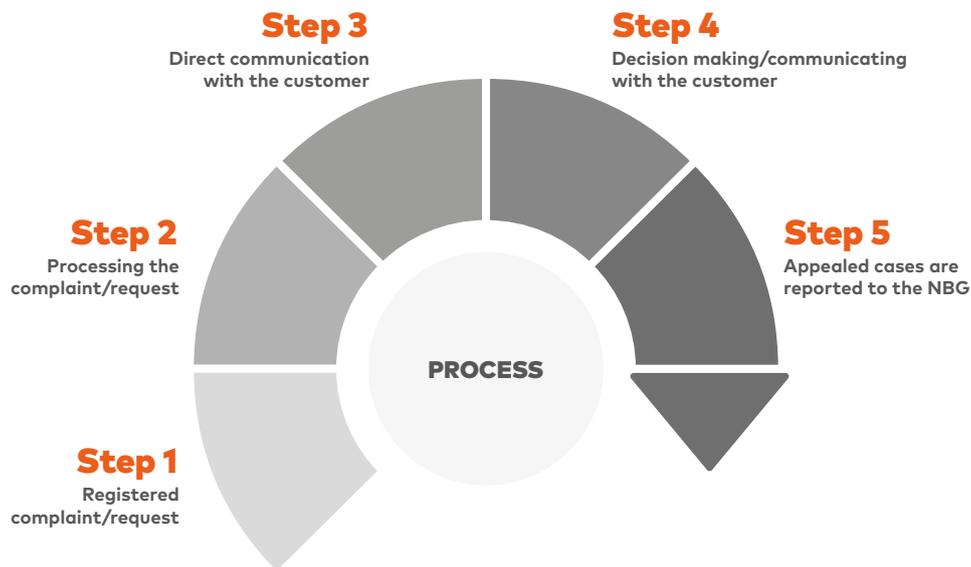
Customer claims management

We have a consistent set of principles that enable us to remain customer-focused throughout the complaints process. Our Customer Claims Management procedure defines how to

handle customer complaints and concerns in a timely and effective manner.

The Customer Claims Management and Support Centre reviews and manages

all incoming claims. In case of a material violation, the centre is obliged to escalate the matter to the Bank's Compliance Committee.



How we handle complaints

Our principles

Making it easy for our customers to complain

The Bank has a Customer Claims Management procedure that defines how to handle customer complaints and concerns in a timely and effective manner. Customers can complain via the channel that best suits them. We provide clear information about our customer complaint mechanisms.

Keeping the customer up to date

We set clear expectations and keep customers informed throughout the complaint resolution process via their preferred channel.

Ensuring fair resolution

The Customer Claims Management and Support Centre reviews and manages all incoming claims. We thoroughly investigate all complaints to address concerns and ensure the right outcome for our customers.

Providing available rights

We provide customers with information on their rights and the appeal process if they are not satisfied with the outcome of the complaint.

Undertaking root cause analysis

Complaint causes are analysed on a regular basis to identify and address any systemic issues and to inform process improvements.

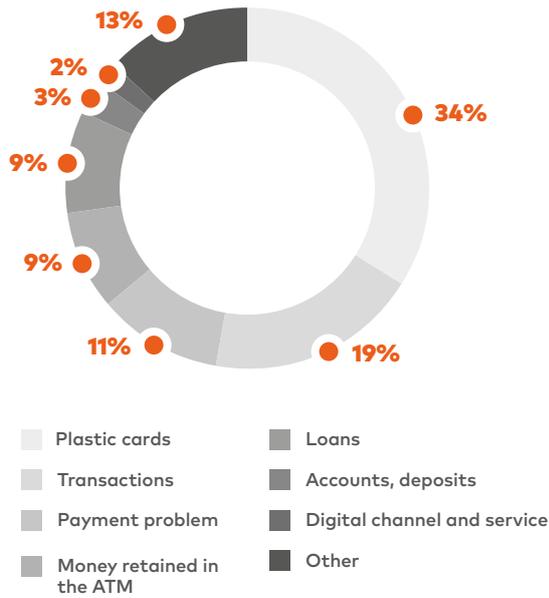
A Customer Protection unit in the Compliance function manages communications with the NBG regarding customers' claims. The Customer Protection unit also serves as a second line of defence, reviewing and analysing all complaints monthly to identify root causes and systemic issues, any violation of our Code of Conduct and Ethics or Customer Protection Standard, and

offering remediation action plans if necessary.

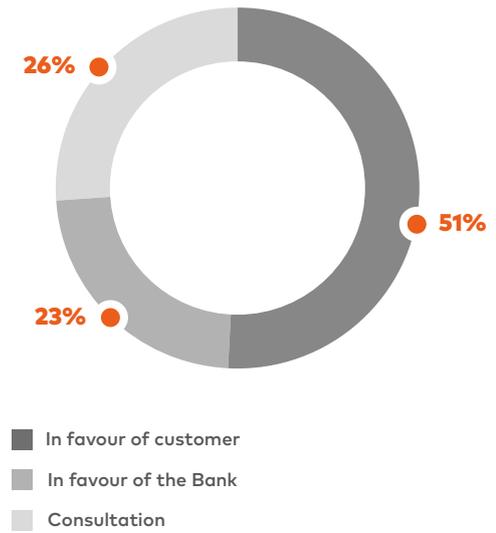
If the Customer Protection unit identifies a systemic issue from customer complaints or reports received through the whistleblowing channel, it reports such findings to the Joint Audit and Risk Committee in its quarterly compliance reports.

The Customer Complaint Management and Support Centre reflects complaints recorded with the Bank on a monthly basis in its reports submitted to the NBG.

Registered complaints by category



Resolution outcomes



Whistleblowing

We want to continue to foster a culture where our colleagues feel safe to speak up.

Our whistleblowing channel, WhistleB, is one of our speak-up channels, which allows our employees and other stakeholders to raise concerns confidentially and, if preferred, anonymously. The correspondence process is managed by WhistleB, an external, advanced, independent whistleblowing reporting channel and case management tool.

We promote a speak-up culture and aim to ensure our employees and stakeholders are aware of our whistleblowing mechanism, and have full comfort reporting potentially unethical practices without fear of reprisal.

The Whistleblowing Policy is one of the primary documents governing culture and ethics, and therefore, responsibility for the Whistleblowing Policy resides with the

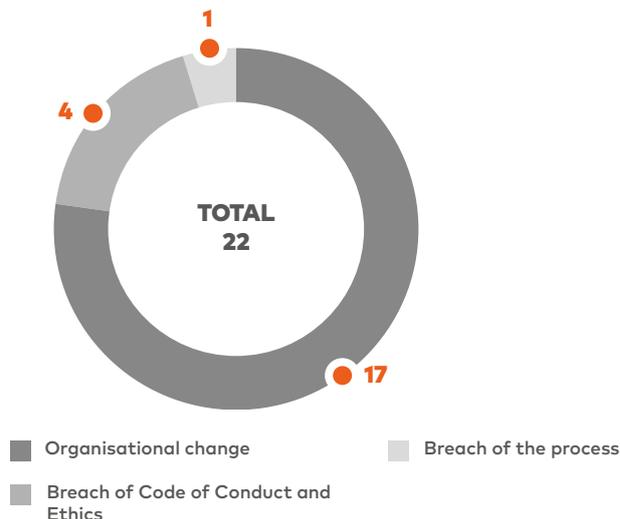
Board who, together with the Joint Audit and Risk Committee, receive reports on its operation quarterly.

Over the past year, in response to the challenge that the platform, in some cases, was not used for its intended purposes, the whistleblowing channel has been redesigned and updated to enhance its effectiveness, efficiency and awareness. As a result, statistics have improved, and irrelevant reports decreased over the past months.

In the reporting year, we received 22 relevant reports on the WhistleB platform. 19 reports dealt with the same issue – organisational changes (dissatisfaction caused by manager rotation). 2 out of these 19 reports included additional concerns about

unfavourable work environment. The issue was investigated and violation was not confirmed. Out of the remaining 3 reports, 2 hinted at favouritism/nepotism whereas 1 was about communication challenges. Violation was not observed in any of the cases, nonetheless we addressed the issue with all managers underscoring their pivotal role in cultivating a bias-free environment, emphasising preventive measures for the future. Furthermore, selection/promotion criteria were standardised, and an action plan, including an ongoing monitoring mechanism, was drawn up to ensure continuous attention to these matters. Communication challenges were resolved by establishing a streamlined process, enabling open discussions with managers.

Reports received

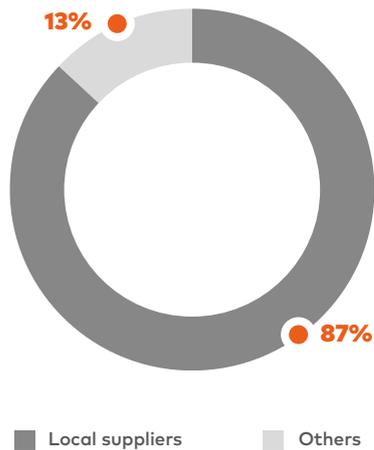


Working with our suppliers

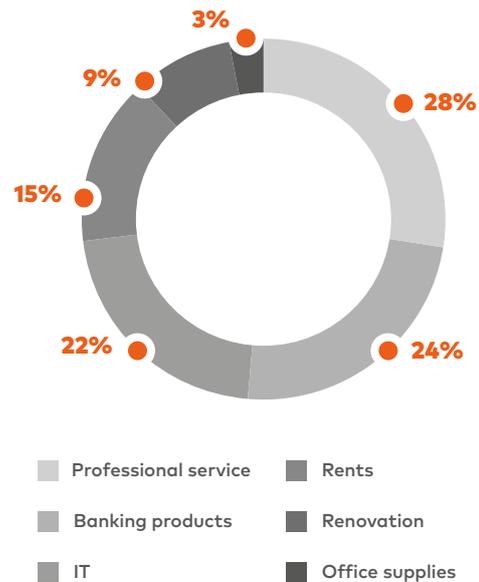
Bank of Georgia is one of the largest purchasers in the country, with a variety of suppliers in its supply chain. We are committed to dealing fairly with our suppliers, acting with integrity, and ensuring a responsible supply chain.

We are committed to involving local suppliers in our supply chain and contributing to local business development. The majority of our suppliers were local in 2023.

Total spend on suppliers



Largest categories of suppliers by spend



The Bank continues its commitment to strategic sourcing, emphasising the importance of selecting suppliers not only based on cost but also based on factors such as quality, reliability and innovation. This approach ensures that procurement decisions align with the Bank's overall business strategy, fostering long-term partnerships and mitigating risks associated with the supply chain.

Meanwhile, cost efficiency still remains one of the main KPIs for the Procurement team.

Investing in advanced technologies

To enhance efficiency, reduce manual errors and provide valuable insights for better decision making, we are investing in advanced technologies to streamline and automate various aspects of the procurement process. This includes the implementation of:



PROCUREMENT SOFTWARE

The Procurement department has transitioned to electronic signatures, implementing a paperless strategy that enhances efficiency and sustainability. This move not only aligns with our



AI

commitment to innovation but also underscores our dedication to reducing environmental impact. Moving to e-signature process and going paperless means a significant reduction of paper



TASK AND PROJECT MANAGEMENT TOOLS

usage and a decrease of our operational carbon footprint.



DATA ANALYTICS

Supplier screening

Adherence to legal and ethical standards remains a priority in the procurement process. We have rigorous compliance checks to avoid dealing with suppliers who are not aligned with local laws and regulations.

We have supplier screening processes and policies, and all suppliers with more than

GEL 10K turnover with the Bank should pass a qualification process (background check).

Suppliers with access to the Bank's IT infrastructure or personal data are liable to fulfil due diligence questionnaires. More specifically:

- Information security questionnaires.

- Privacy due diligence questionnaires.
- Operational risk due diligence questionnaires.
- General questions to all suppliers regarding: child labour, illegal immigrants, discrimination, minimum salary, and modern slavery statement.

Sustainable procurement

We are committed to conducting business responsibly and to integrating ESG criteria into our decision-making processes. We want to promote sustainability and responsible business practices throughout our supply chain.

As one of the biggest groups in Georgia, we recognise that our business activities, operations and supply chain have a significant impact on the environment, the economy and society at large, and we seek to minimise the negative environmental impact of our operations and supply chain by reducing our carbon footprint, conserving natural resources, and promoting circular economy principles. We aim to uphold human

rights, promote fair labour practices and support diversity and inclusion throughout our supply chain. We believe that sustainability is a journey and there is always more we can do to promote responsible business practices throughout our supply chain.

To ensure that our supply chain aligns with our values, commitments and the expectations we have for our suppliers, we have established the Supplier Code of Conduct, which sets the principles and guidelines for Group's supply chain practices.

In 2023, we implemented supplier E&S due diligence process. All of our suppliers

with turnover more than GEL 500K must fill out an E&S questionnaire. This evaluation involves examining suppliers' E&S conduct, including but not limited to labour conditions and environmental impact. If there is a need, we also perform an on-site assessment of supplier premises to ensure that the provided information is accurate.

Operational environmental footprint

We are a service business, and our direct environmental impact is less significant than the impact we have on the environment through our lending activities. Nevertheless, we aim to be a more resource-efficient company, mitigating any negative impacts we

may have on the environment through our operations. We undertake measures to identify and monitor environmental aspects relevant to our direct operations and strive to adopt a 'reduce, reuse, and recycle' approach. The direct environmental impact of our business

activities arises from electricity, natural gas and fuel consumption, water use, paper use, as well as through other types of waste produced.

Energy consumption

The types of energy used by the Bank include electricity, natural gas, and fuel oil, the principal type being electricity provided by the national grid. To be more energy-efficient, our branches are

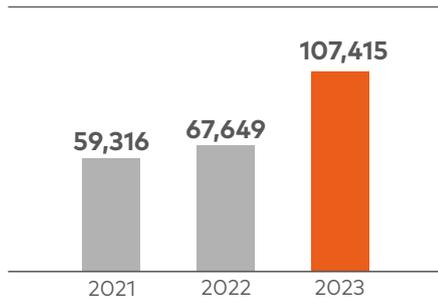
equipped with LED lighting. Remote control lighting systems are installed in new branches. Since 2018, the majority of our newly opened branches have operated remote heating and air conditioning

systems, ensuring efficient electricity consumption during non-working hours. For information on GHG emissions, please see pages 115 to 116.

Energy consumption data

	2021	2022	2023
Electricity (kWh)	17,489,358	19,623,529	22,050,710
Gas (m ³)	448,718	349,205	389,485
Gas (kWh, assuming that 1 m ³ gas = 9.7 kWh)	4,352,565	3,387,285	3,778,003
Total energy consumption (kWh)	21,841,923	23,010,813	25,828,713
Total energy consumption (kWh) per square metre of office space	243	238	267

Water consumption (m³)



Water consumption by the Bank is limited to 'domestic-type use' and cleaning purposes.

The increase in electricity and water consumption versus prior year was mainly driven by the increased office space to accommodate the growing workforce (the number of our employees increased

by 12.7% y-o-y). In addition, 2023 was the first year after the COVID-19 pandemic when employees moved into full-load office space, which in turn led to an increase in energy consumption.

Environmental management

Despite the increasing demand for resources, the organisation's environmental vision and policy is to properly manage the resources used, which involves waste prevention and recycling of waste generated.

Since 2023, the Bank has taken a number of positive steps to reduce its environmental footprint, namely:

- 1 An environmental manager position was created, responsible for minimising harmful environmental impacts and overseeing processes in accordance with national and international environmental standards
- 2 Improved waste management practices have been implemented
- 3 The organisation's waste management plan was updated

Waste management

Clarification of the definition of waste within the organisation contributed to the improvement of the waste management system. As a result, during the reporting period, we conducted an inventory of waste and separated two types of waste:

- 1 Recyclable waste plastic, glass, cardboard, metal and electronic waste, which will be transferred to companies that have the appropriate license for recycling
- 2 Non-recyclable waste will be transferred to those enterprises that ensure the destruction of waste by physical and chemical methods, so that it does not harm the environment and human health

Type of waste	Amount (2023)
Glass	60 tonnes
Mixed stationery and office supplies	250 m ³
Lead-acid batteries	6 tonnes
Recycled paper from the archive	70 tonnes
Recycled paper from offices	2 tonnes

In the reporting period, generated waste was recycled in full compliance with local environmental regulations.

Paper consumption

In addition to digital records, the Bank retains paper records of some transactions in line with regulatory requirements. In all other cases, we aim

to reduce paper consumption by using digital media and more efficient printing. Some of the Bank's departments, such as branches and cash centres, are paper-

intensive. In these locations, we have encouraged the use of two computer monitors at work stations, resulting in a reduction of paper waste.



Back-office paper from the Bank's headquarters and several large back-office locations is collected and shredded by a secure paper recycling firm. In 2023, c.1.8 tonnes of paper were collected for recycling in this way. Documentation from the Bank's archive, when retention period expires, is recycled annually. The Bank uses a specialised third-party contractor for this service based on the appropriate service agreement.

Paper use (kg) per employee

2023	30
2022	39
2021	35

Starting in 2023, we have maintained an inventory of equipment containing ozone-depleting substances, which includes accounting for heating and cooling systems throughout the Bank, monitoring each system to prevent the release of ozone-depleting substances into the environment.

A responsible approach to tax

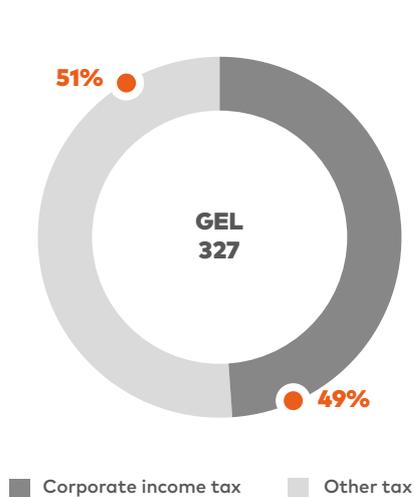
Our approach to responsible business conduct extends to our approach to taxation. We understand that responsible tax practices are not just a legal requirement but a vital aspect of our commitment to ethical business conduct and sustainable development.

The Group must not use, encourage or facilitate, nor cooperate with external parties to facilitate products or services that are in conflict with tax legislation. We have a dedicated tax unit within the Bank as well as policies and procedures in place to ensure compliance with applicable tax laws and regulations

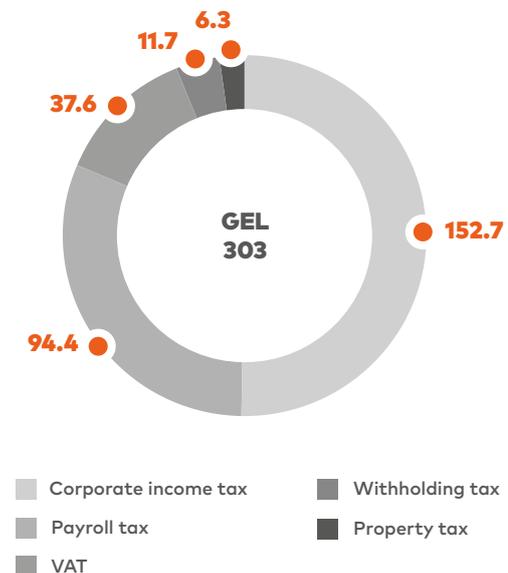
related to our business. We seek to pay our fair share of tax and minimise the likelihood of customers using our products and services to avoid tax. The Group strives to maintain high standards for tax governance, monitoring risks and ensuring tax compliance. The Group's profits are taxed at different rates depending on the

country or territory in which the profits arise. We are privileged to play a central role in the Georgian economy. Our tax contributions are just one of the ways in which we contribute to the communities we serve. The table below shows taxes paid during 2023.

Taxes paid in 2023, GEL million (BOGG PLC)



Types of taxes paid in 2023, GEL million (BOG)



	Company	Corporate income tax (GEL)	Other tax (GEL)	Total tax (GEL)
	BGEO Group	19,993	151,453	171,446
	Bank of Georgia	152,446,136	150,312,817	302,758,953
	Prime Leasing	–	975	975
	Solo	32,660	1,218,479	1,251,139
	Tree of Life Foundation	–	52,635	52,635
	Georgian Leasing Company	1,529	4,481,876	4,483,405
	Galt & Taggart	3,765	1,809,809	1,813,574
	United Securities Registrar of Georgia	–	44,627	44,627
	Express Technologies	–	92,500	92,500
Georgia	Didi Digomi Research Center	12,021	16,266	28,287
	Georgian Card	1,529	2,223,428	2,224,957
	Direct Debit Georgia	469	1,688,406	1,688,875
	Metro Service +	–	1,234,529	1,234,529
	Digital Area	1,000,367	842,778	1,843,145
	Area Extra	7,018	10,588	17,605
	Easy Box LLC	104	290,199	290,302
	Optimo Global	23,303	47	23,350
	Deliveri	1,762	110,360	112,122
	Total	153,550,656	164,581,772	318,132,428
	Belarusky Narodny Bank	4,268,726	7,861	4,276,587
Belarus	BNB Leasing	44,891	570,524	615,415
	Total	4,313,617	578,385	4,892,002
Hungary	Bank of Georgia Representative Office Hungary	–	50,035	50,035
Israel	Georgia Financial Investments	14,519	93,810	108,329
Turkey	Representative Office of JSC Bank of Georgia in Turkey	–	5,251	5,251
UK	Bank of Georgia Group PLC	2,056,004	2,126,021	4,182,025
Cyprus	Benderlock Investments Limited	106,468	–	106,468
	Total	160,041,264	167,435,273	327,476,537

FINANCIAL INCLUSION

Financial inclusion



We believe that improving access to financial services is crucial for enhancing people's quality of life and fostering economic growth. Lack of access to financial services and finance poses a significant barrier to sustainable and inclusive socioeconomic development. In 2021, we identified financial inclusion as one of our primary impact focus areas, which is intertwined with our overall business objectives.

We aim to foster financial inclusion by offering people relevant, accessible, and affordable services tailored to the diverse needs of different customer segments – spanning various socioeconomic backgrounds and geographic locations, from rural to urban communities.

In addition to our core business, we actively engage in corporate social responsibility (CSR) initiatives in the

communities where we live and operate, providing educational resources, workshops and tools to empower individuals and businesses – equipping them with the knowledge and skills they need to effectively manage their finances.

To enhance financial inclusion, we focus on:

Increasing the use of digital financial products and services

We believe financial inclusion starts with the use of digital channels for daily banking and cashless payments. Through our digital platforms, we provide easy access to a formal financial system to anyone across Georgia. Financial technologies, be it mobile app or secure online payments, empower people to

Building financial literacy among young people

safely handle their money, carry out transactions, and get necessary services without relying on cash or visiting traditional bank branches. We measure the uptake of our mobile app and internet banking platform through Digital MAU and the use of cards for payments in-store and online through Payment MAU.

Building capabilities of local businesses with relevant tools and information

Both metrics are key business metrics, but we believe by focusing on these metrics and reaching more people monthly through our digital and payments technologies, we contribute to stronger communities.

Financial inclusion focus area

Use of digital channels

Why we think it is important

- Convenience and quick access to our products and services
- Visibility of personal finances and access to tools to manage money more effectively
- Ability to see all personalised financial and lifestyle offers
- Chatbot/chat available 24/7
- Access to information and educational content

Where we are now (December 2023)

1.4 million
+21.0% y-o-y
Digital MAU

Use of cashless payments

- Increased control over personal finances, giving people a full view of where and how they spend their money
- More benefits – personalised offers, ability to save money through our loyalty programme
- Greater visibility of customers' financial history, income and behaviour, enabling banks to better assess their creditworthiness

1.2 million
+20.1% y-o-y
Payment MAU

How we ensure the accessibility of our products and services



Customers can access BOG APP's full functionalities without WiFi or mobile data.



Digital onboarding in our mobile app and internet bank.



Tutorials and instructions for new digital products are available on our website.



Free or low-cost current accounts and debit cards.



Free product bundles for young people (sCool Card and sCoolApp for school students and Student Card and BOG APP for university students).



Lower fees on payments acceptance solutions for smaller merchants.



A wide network of ATMs and BOG Pay self-service terminals across Georgia.



A digital version of our BOG Pay terminals – bogpay.ge – rolled out in 2022, allowing even non-BOG clients to make payments anytime, anywhere.

Access to finance – removing barriers for self-employed and underserved people

Self-employed individuals

Since 2022, we have been focused on closing the gap between self-employed individuals and the financial services sector. We understand the challenges faced by those with income from self-employment or unofficial sources when trying to access credit. That is why we

have worked on refining our lending processes, removing the artificial barriers that have long hindered their financial inclusion.

In 2023, we improved the income validation procedures for

self-employed clients and extended the full spectrum of credit products, previously unavailable to them. As a result, we achieved a 14.9% y-o-y growth in the number of self-employed borrowers as of 31 December 2023.

54.7K

+14.9% y-o-y

Self-employed borrowers (Dec-23)

GEL 531.7M

+45.9% y-o-y

Loan portfolio of self-employed clients (Dec-23)

You can read more about self-employed clients on pages 33 to 34 of this report.

Underserved individuals

In Georgia, most of the economic activity happens in big cities, leaving rural areas feeling left out when it comes to financial opportunities. Therefore, creating an inclusive environment where everyone regardless of their location or occupation, feels empowered to access financial tools requires addressing the disparity in access to financial products and services between urban and rural areas. Bank of Georgia's goal is to be accessible to people living in locations beyond major urban centres, in rural areas, and to those

of different socioeconomic backgrounds, through a variety of financial services and products.

For instance, we have strategically placed ATMs and self-service terminals (BOG Pay) in regions for individuals to gain access to basic banking services without needing to travel to urban centres. We also have a number of branches in rural communities providing residents with access to a wider range of financial services and personalised assistance.

The Mass Retail Banking strategy is focused on encouraging people living in Georgia's regions to adopt digital channels, particularly our financial superapp for a fast, easy and seamless daily banking experience. In 2023, we focused on making sure our customer-facing employees in regional branches were equipped with the knowledge of various digital tools and incentivised to raise awareness of the benefits of using digital channels among their customers.

479K

+9.1% y-o-y

Active customers in Georgia's regions¹

1. Number of monthly active customers in Georgia excluding the top four large cities: Tbilisi, Batumi, Kutaisi and Rustavi.

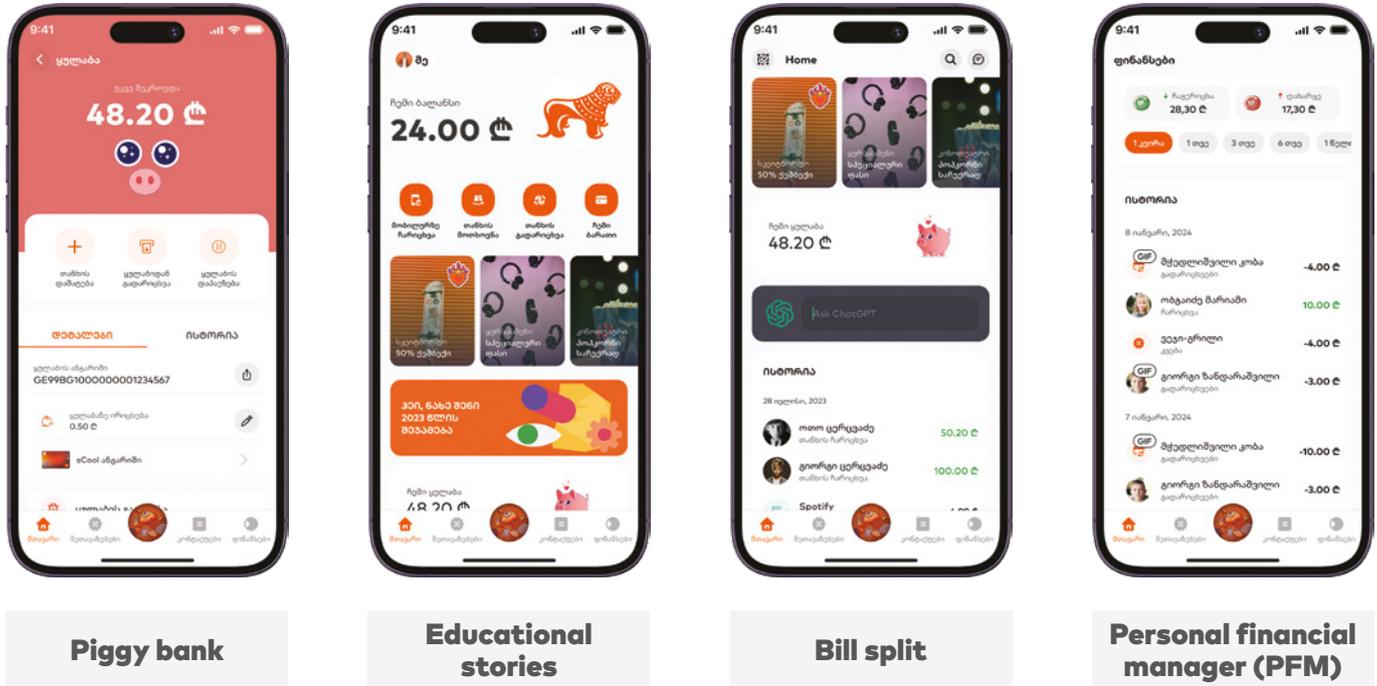
Empowering school and university students in Georgia with daily banking solutions

In 2022, we launched sCoolApp – the first financial mobile app for school students in Georgia. The average age of sCoolApp user is 14.

Our objective is to expand our reach to school students and use sCoolApp as one of the main avenues for teaching essential financial literacy skills to children from a young age.

In 2023, we developed sCoolApp with innovative features aimed at promoting financial inclusion and education among school students.

Financial literacy content and tools embedded in sCoolApp



90K
+170.3% y-o-y
sCoolApp MAU

You can read more about how we empower young people with our products on pages 37 to 39 of this report.

Key financial education activities during 2023

Through our CSR initiatives, we aim to provide resources, workshops and tools that teach and explain financial concepts and empower young people to

manage their money more effectively, make informed decisions, and understand the implications of economic policies on their lives. We want to provide the tools

and skills so that more young people in Georgia can be in control of their financial futures because that will ultimately benefit the whole communities around us.

TSU Envoy

The TSU Envoy project has been making a significant impact in schools throughout Georgia. University students, serving as ambassadors, return to their schools to share their experiences with over 10,000 school students annually – providing

invaluable insights into university life. In 2023, the project was supported by Bank of Georgia for the first time. Through this collaboration, ambassadors not only talk about and give tips on university life, but they also educate students

about the functions of sCoolApp and the importance of banking products, focusing on the products relevant for them. In this way, the TSU Envoy project supports financial literacy activities and awareness raising across the whole country.

200+
Envoys participated

250+
Schools visited

Teachers' competition for integrating financial education in schools



Partnering with the NBG and the financial education platform FinEdu, Bank of Georgia engaged in the teachers' competition for integrating financial education in schools. The primary objective of the competition was to develop supplementary financial educational materials aligned with the national curriculum and enhance the effective teaching of financial literacy concepts. We believe providing financial education to children during their school years is essential for fostering their future success.

Invite FinEdu to Class



In 2023, Bank of Georgia supported the 'Invite FinEdu to Class' programme, a collaborative effort of the NBG and the financial education platform FinEdu. The initiative aimed to enhance financial and economic awareness among young people, with representatives from partner financial institutions taking on the role of ambassadors and visiting schools across Georgia. Ambassadors from Bank of Georgia provided students with insights into sCoolApp, which facilitates everyday transactions for young people. Through these interactions, students gained practical knowledge about the significance of prudent money management and saving principles.

Financial education exhibition



In 2023, for the first time, a space for financial education was organised at the international education exhibition in partnership with the NBG. Major banking sector organisations were represented. We hosted students who participated in entertaining financial education games while learning about the resources offered by Bank of Georgia to promote financial literacy.

30+

Schools visited

26

Georgia's regions

3,000+

Entrants

900+

School students participated

Building capabilities of local businesses with relevant tools and information

Improving the financial literacy of our business clients is also an important aspect of supporting local business development. We aim to empower business owners and managers with the knowledge and skills necessary for successful business operations, including understanding fundamental concepts

such as budgeting, investing, and planning for the future.

We believe that with this knowledge our clients can navigate their businesses more effectively, mitigating risks, seizing opportunities, and ultimately achieving their financial goals. Moreover, we believe

that by promoting financial education and investing in our clients' financial literacy, we can not only contribute to their prosperity but also strengthen the overall resilience and stability of the business ecosystem.

Accounting Development programme



Digitalisation of accounting

Full accounting services

Identifying tax risk

Quick sharing of financial information with the Bank

Bank of Georgia's Accounting Development programme helps SMEs overcome the hurdle of accessing finance by promoting effective accounting practices. Through its partnerships with local accounting firms, Bank of Georgia facilitates access to affordable accounting software packages to help SMEs run their businesses more effectively.

[Read more on page 46](#)

500 Georgia



In collaboration with 500 startups and GITA, we launched the country's first international accelerator programme, fostering entrepreneurship, nurturing the tech ecosystem, facilitating global networking, and helping participating companies in fundraising.

[Read more on page 51](#)

Workshops for female entrepreneurs



Digital marketing

E-commerce

Employment practices

Change management

Bank of Georgia regularly holds peer-to-peer trainings and workshops specially developed for women entrepreneurs.

[Read more on page 47](#)

Businesscourse.ge



Through this online platform we provide educational content and timely insights tailored to the needs of local SMEs.

[Read more on page 48](#)

You can read more about our financial inclusion initiatives for business clients on pages 46 to 49 of this report.

SUSTAINABLE FINANCE

Sustainable finance



Sustainable finance for us means integrating ESG criteria into core operations and decision-making processes. This involves aligning investment decisions, risk assessments and lending practices with a commitment to long-term sustainability.

As a leading lender and a reliable partner for businesses of any size in Georgia, Bank of Georgia is committed to mobilising and prudently channelling financing to support customers and

drive economic growth while reasonably mitigating climate, environmental and social (CE&S) risks in our financing. The CE&S management of the Bank's loan portfolio is based on the Environmental and Social Risk Management System (ESMS) and Climate Risk Management (ClIRM) framework and encompasses a systematic identification, assessment, mitigation and monitoring of CE&S risks associated with the projects that are financed by the Bank's Corporate Banking and SME Banking segments.

We understand, that businesses can no longer operate in isolation from the impact they have on the planet and the people, and, therefore, we are planning to develop green products and create green finance opportunities for the businesses. This will help us identify opportunities for sustainable growth and, mitigate potential adverse impacts and reduce risk of financial losses, and foster the development of a resilient and sustainable financial system and businesses around us.

Environmental and social risk management

At Bank of Georgia, we are committed to prudently managing the risks associated with our lending activities. Through our ESMS, we proactively identify potential risks and promote mitigating actions by motivating our customers to effectively manage these risks.

Environmental and social risks are risks of negative materialisation of E&S factors that affect our clients, borrowers, other counterparties and the Bank itself. The most common are environmental

risks – financial risks stemming from an institution's exposure to activities that may be affected by or contribute to the negative impacts of environmental factors. Social risks are financial risks

arising from an institution's exposure to activities that may be affected by or contribute to the negative impacts of social factors.

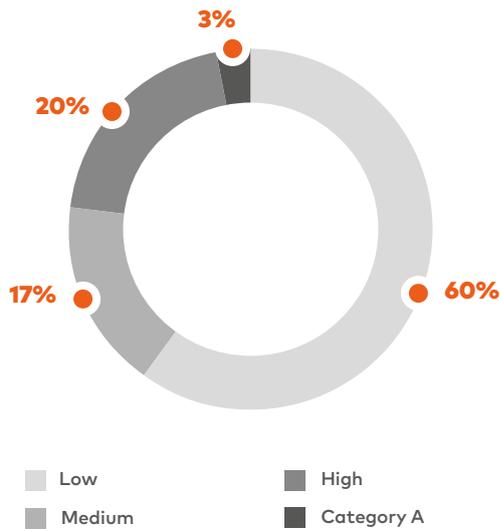
E&S risk definition and management approach to the E&S risk appraisal

Risk level	Definition	E&S due diligence requirements	E&S monitoring requirements
Low	Transactions with minimal or no adverse E&S impact.	No in-depth assessment required.	Monitoring visits not required.
Medium	Transactions with specific E&S impacts that are few in number, generally site-specific, largely reversible, clearly evident at the time of the assessment, and readily addressed through mitigation measures and international best practice.	Gaps are identified and where appropriate an E&S action plan is developed to minimise the gap. When the total project exposure is more than US\$ 5 million, clients have to comply with applicable International Finance Corporation (IFC) Performance Standards 1-8.	In case of non-compliance, monitoring visits should be performed at least every two years until major E&S issues are resolved accordingly and properly monitored by the customer.
High	Transactions with significant adverse E&S impacts that are sensitive, diverse or unprecedented.	In-depth assessment required. Gaps are identified and, where appropriate, an E&S action plan is developed to minimise the gap. If E&S issues are complex or outside the in-house team's competence, a qualified external consultant(s) should be hired to undertake an E&S assessment. When the total project exposure is more than US\$ 5 million, clients have to comply with applicable IFC Performance Standards 1-8.	Monitoring visits to poor E&S performance clients on an annual basis. Monitoring visits to all other clients should be performed at least every two years until major E&S issues are resolved accordingly and properly monitored by the customer.
Category A	Developments on 'greenfield' land or major extension or transformation-conversion projects which may give rise to significant or long-term E&S risks and impacts.	In-depth assessment required. Gaps are identified and where appropriate an E&S action plan is developed to minimise the gap. If E&S issues are complex or outside the in-house team's competence, a qualified external consultant(s) should be hired to undertake an E&S assessment. These projects have to comply with applicable IFC Performance Standards 1-8.	Customers should provide the Bank with an annual E&S performance report and monitoring visits should be performed every year until major E&S issues are resolved accordingly and properly monitored by the customer.

The Bank focuses on higher-risk sectors and transactions. All cases that are identified as higher-risk and where specific or material E&S risks or concerns are identified are subject to further review.

E&S risk categorisation

(31 December 2023)

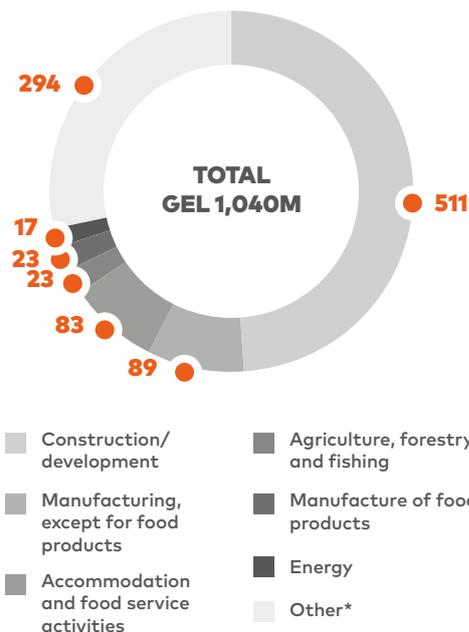


Category A projects constituted 3.1% of the Bank's gross SME Banking and Corporate and Investment Banking loan portfolio, and 1.7% of the Bank's total gross loan portfolio as at 31 December 2023.

Sector	Exposure GEL million	Exposure GEL million	Share in business portfolio	Share in business portfolio
	2022	2023	2022	2023
Industry	269.3	257.9	2.9%	2.3%
Construction Materials	97.1	54.0	1.0%	0.5%
Consumer Foods & Goods	33.5	31.7	0.4%	0.3%
Total	400.0	343.6	4.2%	3.1%

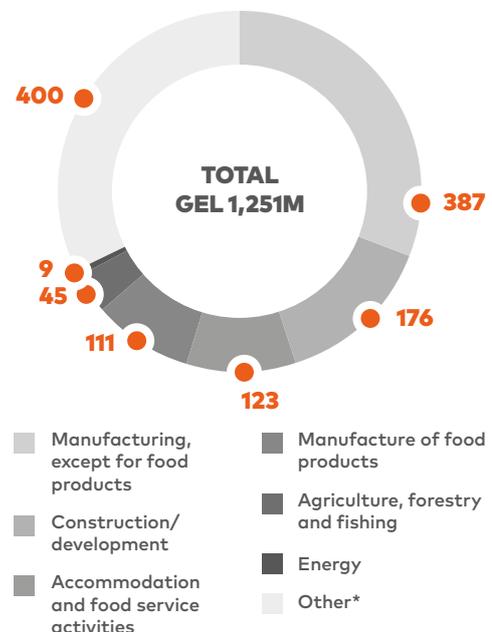
E&S due diligence data

In 2023, our E&S risk management team conducted due diligence of all new clients that may pose potential E&S risks and/or high and very high climate-related transition and/or physical risks. Out of GEL 1,040 million new loans screened, GEL 561 million was assessed against IFC Performance Standards, while the rest was assessed against local legislation. The data below shows the breakdown of the screened loans by sector as at 31 December 2023.



E&S monitoring data

In 2023, our E&S Risk Management team carried out E&S monitoring of all Category A and High risk clients. Out of GEL 1,251 million, GEL 918 million was assessed against IFC Performance Standards, while the rest was assessed against local legislation. The data below shows the breakdown of the monitored loans by sector as at 31 December 2023.



*In 'other' we consider the following sectors: wholesale and retail trade; human health and social activities; education; transportation and storage; mining and quarrying; production of trade of clothes, shoes and textiles; and other activities.

Mitigating E&S risks in Bank of Georgia's loan portfolio

E&S risk framework

E&S risk management is integrated into the underwriting process related to business clients. There are procedures, application forms and actions that have been integrated into the Bank's credit procedures since 2013. E&S risk management is based on IFC Performance Standards and the EBRD Performance Requirements – the

benchmarks for E&S risk assessments in lending. A dedicated E&S team has been in place since 2013, within the Enterprise Risk Management function. The ESMS and the associated E&S procedures are periodically updated and approved by the Environmental and Social Impact (ESI) Committee and the Supervisory Board of the Bank to

ensure they remain fit for purpose and reflect the Bank's strategic objectives and current performance, expectations of stakeholders, and changes in the legal and regulatory environment. Our ESMS aligns with our risk management framework and provides additional clarity and transparency regarding our approach to E&S risks, including climate risk.

E&S risk management of our loan portfolio involves systematically:

Identifying

Assessing

Managing

Mitigating

E&S and climate-related risks associated with projects financed by the Bank's Corporate Banking and SME Banking business directions.

The Bank bases its E&S risk management on the following standards, regulations and policies:

1

The Group's Environmental Policy

2

The Bank's CliRM framework

3

Georgia's environmental, climate, social, health and safety, and labour laws and regulations

4

International Labour Organization's core labour standards

5

Applicable international environmental, health and safety (EHS) conventions that Georgia is signatory to

6

IFC's Performance Standards

7

The EBRD's Performance Requirements

Activities in 2023:

- The Bank's ESI Committee and the Supervisory Board received updates on the implementation of ESMS and approved the updated version of ESMS.
- We started to assess climate-related risks for the Bank's clients, based on a standardised E&S due diligence process.
- We provided Environmental Awareness trainings to SME Banking and Corporate and Investment Banking clients and bankers.
- We assessed E&S risks of more than 100 beneficiary companies, with exposure GEL 175 million as at 31 December 2023, delivering financing and guarantees via BOG within the framework of the World Bank-supported Relief and Recovery (referred to as 'Credit Guarantee Scheme') for MSME Project implemented by the economic development agency 'Enterprise Georgia', the governmental body under the Ministry of Economy and Sustainable Development.

Activities planned for 2024:

- The Supervisory Board will review E&S risk assessment reports for all large credit requests. These reports provide information on current regulatory requirements and details on the client's E&S performance, potential risks and mitigation measures.
- We are taking measures to fully comply with the NBG's new ESG Guidelines, which are expected to come into force from January 2025.
- We will develop specific guidance for clients operating in oil and gas, agriculture, mining, forest and biodiversity, recycling and heavy industry. These sectors are identified as those with potentially high adverse E&S impacts.

Employee and customer engagement

Employees are critical to our ability to mitigate our indirect negative impacts and effectively manage CE&S risks and opportunities. To increase the understanding of CE&S-related issues and build internal capacity, we hold training sessions for key risk and banking personnel involved in CE&S risk management processes.

The trainings cover different topics, including climate and sustainable finance, ESG standards and the United Nations Sustainable Development Goals, health and safety, green taxonomy, renewable energy investments, energy efficiency, and green and affordable housing.

We engage with customers and provide information on relevant laws and regulations and the Bank's ESMS during our E&S due diligence processes. By ensuring comprehensive E&S risk assessment and action plans, the Bank encourages customers to fulfil their E&S obligations and achieve good E&S standards.

During the E&S risk assessment, we work with our customers to:

Raise their awareness on EHS and climate issues and regulations

Establish a framework for clients to achieve good CE&S standards

Encourage companies to adopt best EHS practices and challenge them on EHS risks

Meet companies to better understand sectorial EHS and climate risks, impacts and opportunities

Make recommendations and measure customers' progress

2022-2023 customer engagement highlights:

Together with local sustainability third-party consultants, we provided Environmental Management Awareness Trainings to SMEs and Corporate Banking clients on local environmental regulations and requirements, as well as on mechanisms for ensuring compliance with these requirements, on legal sanctions, state control mechanisms, and on the requirements and implementation mechanisms of the international environmental management system standard ISO 14001:2015. The two-day training series was conducted for 246 representatives of local companies from various sectors. Trainings were supported by the GGF.

Together with external consultants, we prepared an electronic training module covering the same topics that were offered to the training participants (mentioned above). The training module is available on Bank of Georgia's educational platform, businesscourse.ge, free of charge. The development of this online module was supported by GGF.

An information leaflet on Bank of Georgia's approach to managing customers' E&S risks is available on the Bank's website.

Our impact through funding activities



In partnership with the European Investment Bank (EIB), we are financing investment projects that support SMEs and MidCaps in Georgia. We direct at least 30% of the funding to green loans with better terms, thus giving Georgian businesses access to better opportunities.

we direct at least 30% of the funding to green loans with better terms



As part of an active cooperation with the EBRD, we use the Deep and Comprehensive Free Trade Area programme under the EU4Business-EBRD credit line. Financial support, in the form of a cashback, and technical assistance from international advisors, allow us to help local MSMEs in strengthen their competitiveness and compliance with European standards, and especially to increase investments in green technologies and promote green transformation.

financial support, in the form of cashbacks, to help local SMEs strengthen their competitiveness and compliance with European standards



In cooperation with GGF, Southeast Europe S.A., SICAV-SIF, we have an opportunity to stimulate green financing of both retail and business sectors in Georgia. A portfolio of combined sub-loans is required to achieve at least 20% primary energy and/or CO₂ savings. The Bank is expected to expand financing for energy-efficient construction and green mortgages, while encouraging businesses to invest in energy efficiency. Within the framework of technical assistance, we can offer our clients access to consulting services to make their businesses greener and more focused on long-term sustainability.

offering our clients more access to consulting services and encouraging businesses to invest in energy efficiency



With financing from the Global Climate Partnership Fund S.A (GCPF), SICAV-SIF, the Bank has an opportunity to address environmental challenges by reducing global energy consumption and CO₂ emissions. The Bank, together with GCPF, is actively involved in the promotion and support of renewable energy and energy efficiency projects in the economies, which is expressed by the fact that at least 75% of the amount of each sub-loan reported by Bank of Georgia is directed to energy efficiency renewable energy measures.

addressing environmental challenges by reducing global energy consumption and CO₂ emissions through promoting renewable energy and energy efficiency



Swedfund

In partnership with the EBRD and Swedfund, we received a Additional Tier 1 Capital Perpetual Subordinated Syndicated Facility. Within the framework of the project, we should invest an amount equal to the AT1 loan in green projects. This process becomes even more effective with the grant received from the EBRD, which provides technical assistance in the process of identifying green loans. The Bank has the ability to pay more attention to business sustainability and contribute to green transformation.

...with the help of a technical assistance component, we have the ability to pay more attention to business sustainability and green transformation...



In partnership with the European Fund for Southeast Europe (EFSE), we have an opportunity to increase lending to MSMEs, especially those engaged in sustainable activities. The funding also aims to strengthen women-owned businesses to promote gender equality and advance sustainable development.

...strengthening women-owned businesses...

Supporting sustainability in the Georgian capital market

The Group's wholly-owned subsidiary, an investment bank G&T has been heavily involved in advancing ESG objectives through the local capital markets. Having been the sole arranger of the first sustainability-linked and social bonds

on the local market, as well as the co-arranger of the first local green bonds, G&T has pioneered ESG thematic bonds in Georgia. The recent growth in local ESG issuances has been incentivised by the CMS Program in Georgia, supported by

the EU and the EBRD, and implemented by G&T.

Issuer	Bond type	Amount	Interest/maturity	Subscribed by	Second Party Opinion issued by	Comment
GEORGIAN RENEWABLE POWER COMPANY	Green	US\$ 80,000,000	7.00%; 5-year	EBRD, ADB, IFC and FMO	SUSTAINALYTICS	First and largest green bond locally
GEOSTEEL	Sustainability-linked	US\$ 15,000,000	9.00%; 2-year	Mostly retail subscribed	DNV	First ever sustainability-linked bond locally
GEOSTEEL	Sustainability-linked	US\$ 5,000,000	8.50%; 2-year	Mostly retail subscribed	DNV	First ever sustainability-linked bond locally
GEORGIA CAPITAL	Sustainability-linked	US\$ 150,000,000	8.50%; 5-year	EBRD, ADB, IFC and AIB; Pension Fund and retail investors;	SUSTAINALYTICS	Largest sustainability-linked bond locally
crystal	Social	GEL 25,000,000	3m TIBR + 475 bps; 2-year	ADB anchored transaction	SCOPE	First social bond in Georgia

TCFD

Managing our transition to a climate resilient future



Changing climate presents both risks and opportunities for Georgia, its people and its companies, and thus for the financial services sector. The Group recognises its role in addressing this global challenge, and initiated its climate transition journey in 2021. We have considered our reporting obligations under both the UK Financial Conduct Authority's Listing Rules and Sections 414CA and 414 CB of the UK Companies Act 2006, and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended disclosures. On the following pages we explain our current position, state our expectations for the future, and identify where additional work is required for us to disclose fully against all TCFD recommendations. This report focuses on the Group's main operating entity, JSC Bank of Georgia, which constituted 95.3% of the Group's total assets as at 31 December 2023.

Pillar	Recommended disclosures	Actions	Page
GOVERNANCE Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	Ensure governance structure is maintained	102-104
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Executive KPIs to be aligned with green loan portfolio target	114
STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Annual review and further incorporation into business strategy	105
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Commitment to quantify the impacts on our financial planning	105-107; 109
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Develop robust scenario analyses to test the resilience of the business	105-106
RISK MANAGEMENT Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Review processes for identifying and managing climate-related risks	111-113
	b) Describe the organisation's processes for managing climate-related risks	Review processes for managing climate-related risks	111-113
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Review processes for integrating climate-related risks	111
METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Set, review and monitor targets	114
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Disclose and monitor our GHG emissions	115-118
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Set, review and monitor targets	114

Climate change in Georgia at a glance

In 2015, 197 nations, including Georgia, committed to the goals of the Paris Agreement to limit global warming to 2°C above preindustrial levels, while pursuing the means to limit the increase to 1.5°C.

With its rich biodiversity and economic dependence on climate-sensitive sectors

such as agriculture and tourism, Georgia is vulnerable to the effects of climate change. In 2017, Georgia's GHG emissions amounted to 17,766 Gg CO₂e, or about 0.03% of the global total. With one of the world's highest shares of hydropower in the electricity mix (75.3% in 2019), GHG

emissions from the electricity sector are comparatively low. National emissions are growing, however, particularly in sectors such as transport and industry. To address the impacts and meet the objectives of the Paris Agreement, Georgia has several climate action goals:

- 1 By 2030, to reduce total GHG emissions by 35% compared with the 1990 level and to limit emissions in sectors such as energy and transportation
- 2 To support renewable energy generation and transmission
- 3 To support the development of low-carbon approaches in the building, industry, waste and agriculture sectors
- 4 To set national energy-saving targets in private and public sectors, particularly in relation to energy efficiency in buildings

In 2023, the Georgian Government published the consulting document 'Green Book' on Climate Change Law of Georgia. The aim of the Green Book was to open consultations and public discussions on the implementation of the law on climate change. Based on the public consultations and analysis of the Green

Book, the 'White Book' was developed. A public consultation on the White Book of the Climate Change Law was held at the end of 2023. The White Book includes the main principles that should be reflected in the Climate Change Law of Georgia.

As noted by the Prime Minister of Georgia at COP28, Georgia has adopted the long-term low emissions development strategy, declaring 'carbon neutrality' as an important goal by 2050. Georgia has also committed to presenting a new Nationally Determined Contribution (NDC) in 2025.

Climate-related taxonomy

Climate change

Long-term shifts in temperatures and weather patterns accelerated by the release of GHGs into the atmosphere due to human activity such as burning of fossil fuels, deforestation and agriculture

Climate risk

Risks that can impact financial institutions in different ways, from direct impacts on the Bank's buildings and operations to indirect impacts on client default rates and portfolio riskiness.

Risk types:

Physical risk: Risks result from climate change. Acute physical risks arise from extreme weather events such as floods, wildfires and droughts. Chronic physical risks arise from gradual climate shifts such as rising sea levels, rising average temperatures and loss of biodiversity.

Transition risk: Risks result from global efforts to prevent climate change. Risk drivers can include climate-related policy or regulatory changes, such as the implementation of a carbon tax or of country-wide climate targets, technology disruptions, such as the development of a clean fuel source, and changes in consumer preferences.

Climate opportunity

Efforts to mitigate the impacts of climate change, adapt to changing conditions, and transition towards a more sustainable and resilient future.

Key messages

In adherence to our responsibility outlined in the Listing Rules of the UK's Financial Conduct Authority, we confirm that our disclosures in this Annual Report align with the recommendations and recommended disclosures of the TCFD.

Our climate action and reporting are in line with the four pillars defined by the TCFD: Governance, Strategy, Risk

Management, and Metrics and Targets. However, we note an exception: complete disclosure of Scope 3 GHG emissions is pending, as we are currently engaged in a thorough analysis of our portfolio, prioritising sectors with the highest carbon intensity due to a lack of reliable data and the absence of relevant regulations to compel counterparties to disclose emissions data in the country.

During 2023, we did not have any climate-related targets. However, for 2024, green loan portfolio targets will be included in Executive Management KPIs and linked to remuneration. Going forward, we may consider developing additional sector-specific targets.

Governance

Board of Directors

The Board oversees the Group's operations and ensures it is being managed in accordance with its strategies and targets. Since 2022, the Board has been actively involved in ensuring the quality and efficacy of the Bank's approach to climate change:

The Board is responsible for reviewing the Group's strategies, policies and budgets:

- In 2022, the Board reviewed and approved the Bank's Climate Action Strategy and CliRM framework (internal).
- In 2023, the Board approved the Environmental Policy. The new policy sets the general principles and the key management and control objectives to be followed by the Group in terms of environmental protection with a focus on climate change, E&S risk management and sustainable finance.
- The Board considers performance against the objectives defined in the Bank's strategies.

The Board regularly examines opportunities and risks as well as the measures taken as a result:

- In 2023, the Board reviewed Bank of Georgia Group PLC's 2022 Annual Report and provided feedback and guidance for enhancing the Bank's sustainability management, including climate risk and opportunity management.
- In September 2023, the Board was also informed on the Bank's progress on climate action during one of its quarterly Board meetings.
- From 2024, the Bank's new climate-related due diligence, which was launched in 2023, will generate more detailed information on climate risks and opportunities in the portfolio, the results of which will be reviewed by the Board. The Board receives quarterly risk reporting that provides updates on the green portfolio.
- In 2023, the Bank started preparing climate risk assessment reports for all large credit requests and presented to the Supervisory Board for their review. These reports provide information on current regulatory requirements, including the country's climate-related strategy and action plan towards the specific sectors and details on clients' climate transition plans.

The Supervisory Board bears the overall responsibility for the Bank's ESG strategy

- The Supervisory Board of the Bank, as exemplified in its statute adopted in accordance with the NBG's Corporate Governance Code, bears the overall responsibility for the Bank's ESG strategy and its implementation. This includes overseeing the Bank's E&S risk management framework and building governance structures to ensure proper attention to E&S issues, and fulfilment of the Bank's strategic goals in this regard.
- In December 2021, the Supervisory Board decided to maintain the primary decision making and reporting on E&S matters at the full Board level.

Governance and accountability structure

	Mandate/scope	Membership	Frequency
Bank of Georgia Group PLC Board	Responsible for the long-term success of the Group as a whole and the delivery of sustainable value to shareholders. It oversees the Group's operations and ensures it is being managed in accordance with its strategies and targets. Approval of the Company's climate-related financial disclosures.	Full Board	At least quarterly.
Risk Committee	Primary responsibility for risk management at the Board level, including overseeing climate change as an emerging risk in the Bank's loan portfolio.	At least three Independent Non-executive Directors. CRO attends all the meetings. Other members of Executive Management attend as and when required. For more information about the Committee, please see pages 224 to 228.	At least four times a year.
Audit Committee	Assesses the quality of the Company's disclosures, including the quality of data and whether the information provided is sufficient for stakeholders to assess how the Group is managing climate-related matters.	At least three Independent Non-executive Directors. Attended by Internal Audit and External Audit. May also be attended by Executive Management members and senior managers as and when required. For more information about the Committee, please see pages 214 to 223.	At least four times a year.
Remuneration Committee	May set climate-related targets for the CEO and considers how the Bank's management performs against climate-related objectives and targets.	At least three Independent Non-executive Directors. For more information about the Committee, please see pages 229 to 247.	At least twice a year.
ESI Committee	Reviews progress in the implementation of the Bank's Climate Action Strategy and the CliRM framework and stipulates appropriate measures.	CEO, CRO, COO, CFO, CLO, Head of HR, CMO, Head of Investor Relations and Head of Funding.	Quarterly

Skills and competencies at the Board level

Our Senior Non-executive Director, Hanna Loikkanen, who serves as a member of the Audit Committee and the Nomination Committee, has extensive experience in climate-related matters and has completed courses at the London Business School on Sustainable Leadership and Corporate Responsibility and at GRI on Sustainability Reporting and GRI Standards. Currently, she serves as the Chief Investment Officer of Finnfund, a Finnish state-owned development financier and impact investor that has a focus on sectors that are critical to sustainable development, including renewable energy, sustainable forestry, sustainable agriculture, financial institutions, and digital infrastructure and solutions, and where every investment decision is reviewed against a detailed climate impact analysis and the board are given regular training on climate-related regulations. She has also been a board member of Caucasus Nature Fund since 2020, a nature conservation trust that provides funding and management assistance to protected areas in Armenia, Azerbaijan and Georgia. Additionally, Board members will receive climate-related training as part of their ongoing development in 2024 and seek out further opportunities to build their skills and experience in this area.

Board of Directors and senior management

At the instruction of the Supervisory Board, to anchor climate change and other sustainability-related topics, a management-level ESI Committee was established and held for the first time in 2022, comprising the Executive Management Team and senior managers, including the Bank's CEO, CRO, Head of Operations, CFO, CLO, Head of HR, CMO, Head of Investor Relations, and Head of Funding. The Committee is appointed by the Board and shall consist of a minimum of three members. The Committee Chairman is the CEO.

The Committee is responsible for managing the Bank's CE&S impacts, focusing on those arising from its lending and operational activities. It holds overall responsibility for designing, implementing and enhancing CE&S strategies and policies, and for setting and monitoring targets. The Committee intends to further embed E&S risk management into the Bank's daily operations. The Committee Chairman reports to the Board on its proceedings and decisions

within its duties and responsibilities. The final responsibility for the decisions made by the ESI Committee rests with the Supervisory Board.

ESI Committee meets quarterly. In 2023, one meeting was focused on the revised Environmental Policy which sets general principles with a focus on climate change, E&S risk management and sustainable finance, and with one meeting focusing on climate-related matters. In 2023, the ESI Committee played an active role in promoting the strategy and monitoring the integration of sustainability into the Bank's business processes and activities. Its work has been supported by a cross-functional Climate Working Group established in 2021, which continued to work through 2022-2023 to develop Bank of Georgia's Climate Action Strategy, design new climate and green finance related processes and methodologies, integrate climate-related risks into overall risk management process, and contribute to preparing climate-related disclosures.

In 2023, key people from the Bank's Corporate Banking and SME Banking segments and Risk, Legal, ECRM, IT, Operational Support and Funding departments participated in meetings to support critical processes related to climate-related opportunities and risks and related to the integration of sustainability into day-to-day activity. They report to the CEO and the Board of Directors through the ESI Committee.

To achieve the best performance of its functions in this area, the Board believes it is necessary to have suitable knowledge and experience in sustainability matters. To this end, the Board continues to receive the training on matters related to sustainability.

The Group's sustainability governance model allows the Board and its Committees to have the necessary information to make suitable decisions and perform their supervisory and control functions.

Our climate-related governance



Topic	Responsibilities	Overall responsibility
ERM	<ul style="list-style-type: none"> Assesses the impact of specific climate scenarios on principal risks. Ensures climate risks are well integrated into the Bank's overall risk management framework and management responses. In the future, this may entail coordination and/or implementation of climate-related stress testing, and integration of climate-related considerations into the Bank's Risk Appetite Statement and policies. 	CRO
ECRM	<ul style="list-style-type: none"> Conducts research on climate-related matters (policies, risk assessment methods, etc.). Assesses climate-related risks for the Bank's clients, based on a standardised due diligence process. Together with Corporate Banking department, calculates financed emissions. Supports other departments in conducting climate-related tasks. Prepares climate-related disclosures. 	CRO
Corporate and Investment Banking and SME Banking departments	<ul style="list-style-type: none"> Collects data from clients for climate-related risk assessment and GHG calculation. 	CEO
Corporate and Investment Banking and SME Banking departments Credit Risk Management departments	<ul style="list-style-type: none"> Checks whether information collected by bankers during initial climate-related screening is reasonable before projects are submitted to the Credit Committee. In the future, possibly conducts climate-related stress testing (alongside ERM). 	CEO
Operational support Department	<ul style="list-style-type: none"> Collects relevant data and calculates GHG emissions from the Bank's own operations, including Scope 1, 2 and 3 (except financed emissions). Sets the Bank's supply chain ESG policies and supplier ESG due diligence. 	COO
Investor Relations department	<ul style="list-style-type: none"> Notifies the ECRM department of climate-related requirements and/or expectations of investors and stakeholders that could lead to reputational risks for the Group. 	CEO
ESG and Sustainability direction	<ul style="list-style-type: none"> Is responsible for the Bank's overall ESG strategy and sustainability agenda. Leads and supports development of green lending products. Is responsible for ESG policies. 	CLO
Legal department	<ul style="list-style-type: none"> Conducts research on new climate-related regulation that could lead to legal risks for the Group. 	CLO
HR department	<ul style="list-style-type: none"> Ensures the relevant people have required skill sets to address sustainability and climate issues. Ensures employee awareness and engagement actions on climate and sustainability. 	Head of HR

Strategy

Risks and opportunities for Bank of Georgia under different scenarios

Climate-related risks may adversely impact the Bank both directly and indirectly. Such risks arise from the physical or transition effects of climate change and manifest through more common risk types, including credit risk, market risk, operational risk and reputational risk.

Physical risks result from climate and weather-related events (such as floods

and droughts), **while transition risks** arise from the move towards a low-carbon economy (new climate policies or changes in consumer preferences, for example).

The transition to a low-carbon, climate-resilient economy also creates opportunities for the financial sector to support innovative green products and services that meet growing sustainable

investment needs, such as climate-smart agricultural technology or more energy-efficient buildings. Bank of Georgia continues to integrate these risks and opportunities into its risk assessment and management framework as part of an ongoing commitment to building more resilient and sustainable communities.

Strengthening scenario analysis across multiple time horizons

Climate risk identification informs Bank of Georgia's regular risk management processes and considers our standard time horizons. The short, medium- and long-term time spans were defined to reflect internal procedures and indicators,

such as financial planning, strategic planning and average loan maturity. The majority of our loans will be paid back before 2030. Nevertheless, climate change risks have to be mitigated before they arise, making it necessary to expand

our horizons. We have defined a fourth timeframe ('very long') to ensure climate risks that may manifest over the longer term are adequately identified and managed.

Short	Medium	Long	Very long
<2 years	2-5 years	5-7 years	>7 years

Assessing the climate resilience of our business model and strategy

To assess climate-related risks and opportunities in the short, medium and long term, we use scenario analysis to consider how risks and opportunities may evolve under different situations and impact our business model and strategic planning. Scenario analysis assists in the identification, measurement and ongoing assessment of climate risks, so we can better evaluate potential threats to the Bank's strategic objectives and its ability to create value over the longer term.

We started to use qualitative scenario analysis in 2021, combining our research on climate change and climate policies in Georgia with selected terminology, assumptions and narratives from the scenarios developed by the Network for Greening the Financial System.

Our scenario analysis capabilities are evolving. Over the past two years, the modelling of climate risk impact over the short-, medium- and long-term time spans have been hamstrung across multiple dimensions, including scenario data and pathways, availability of client-specific data, missing national legislation on climate change. We are constantly revising our data strategy to bridge data gaps. This is a multi-year endeavour involving periodically working with external consultants, use of proxies and engaging clients to gather more information.

From 2023, the 'top-down' analysis of our business portfolio is accompanied by 'bottom-up' client-level assessments through an updated due diligence process. In-depth data collection helps us better understand and model impacts which is

prerequisite for the scenario analysis and stress-testing.

In 2024, we plan to progressively strengthen our scenario analysis capabilities with support from EIB within the framework of Greening Financial Systems Technical Assistance Programme. Improving the Bank's CliRM framework requires identifying potential gaps, conducting materiality assessment of both climate risks and opportunities against selected climate change scenarios, and climate risk stress testing and impacts on the Bank's financial position, financial performance and cash flows. Our intention is to focus on how climate risk management can inform portfolio management and support opportunity identification with clients on their transition and adaptation pathways.

1 Transition risks, 2023-2030. 'Nationally Determined Contribution' scenario: The effects of climate change will become more clearly tangible over the next decades but, in the meantime, it is important for Bank of Georgia to understand its more immediate impacts. This period was assessed assuming the Georgian Government will drive action to achieve the unconditional GHG reduction goals identified in its updated NDC (2021). The Georgian Government supports efforts to reduce the country's GHG emissions, especially by fostering renewable energy and low(er) carbon transportation.

2 Transition risks, 2030-2050. 'Delayed Transition' scenario: This period was assessed using the 'Delayed Transition' scenario, which assumes Georgia will initiate highly ambitious climate change mitigation and adaptation policies from 2030 onwards – building on and enhancing the climate policies described in the introductory part of this section. Global ambitions to protect the climate drastically rise after 2030. Due to external and internal pressure, the Government of Georgia also introduces more ambitious climate policy. After 2050, assuming most relevant technologies and systems are low or zero carbon, the transition will slow down. Transition risks would be highest under this scenario.

3 Physical risks, from 2040 onwards. 'Current Policies' scenario: The world continues 'Business as usual' and no new climate protection measures are introduced besides what is in place today. Projections show that, under the 'Current Policies' scenario, temperatures and related physical risks will start to significantly rise in 2040 compared to the 'Delayed Transition' scenario. The 'Current Policies' scenario assumes governments do not increase the level of ambition of their climate policies beyond today's level. Physical risks would be highest under this scenario.

Georgia's NDC anchor the scenarios applied by the Bank for materiality analysis. Country NDCs are aligned with the Paris Agreement which has a stated objective to keep global warming well below 2°C. As such, our scenario framework implicitly assumes a 2°C scenario. We have, however, not modelled potential impacts across these scenarios on our financial position and capital planning across multiple time horizons. We will continue to work on this in 2024.

We have identified Bank-wide climate-related risks over the short, medium, long and very long term

Type of risk	Definition	Drivers (physical and transition risks)	Risk score		
			<2030	>2030	>2040
			NDC	Delayed Transition	Current Policies
Credit	The risk that the Bank incurs a loss because its customers fail to fulfil their contractual obligations.	Both climate policy (transition risks) and climate change (physical risks) can negatively affect borrowers' repayment capacity and the value of collateral. Risks are more pronounced in certain sectors and geographies. At the same time, we expect positive credit enhancements from clients already aligned to a low carbon-transition (see our NBS Taxonomy-aligned portfolio) or resilient to physical risks.	Low	Low/medium for many sectors but high for others (such as electricity generation and agriculture – see heatmap on the next page); location specific risks to be determined from 2023.	
Liquidity	The risk that the Bank is unable to meet its payment obligations when they fall due under normal and stress circumstances.	Affected borrowers cannot pay back loans or they withdraw deposits, reducing the Bank's liquidity. If sovereign or bank credit ratings are downgraded, the availability of wholesale funding decreases and cost of funding increases.	Low	Medium	Medium
Capital	The risk that the Bank fails to meet the minimum capital adequacy requirements set by the regulator.	Borrowers' repayment issues can negatively affect the credit quality of the Bank's portfolio, requiring increased loan loss provision and adjusted risk-weighted assets.	Low	Medium	Medium/High
Market	The risk that can manifest through transition risk channels through market value loss, asset and liability management impact due to societal, legal and technological response to climate change, particularly affecting loans and equities. Physical risk channels can also result in market value loss and asset liability management impact due to weather impacts, particularly affecting property and real estate.	The Bank is mostly exposed to foreign exchange and interest rate risks. Physical and transition risks can cause global economic downturn and an increase in market volatility affecting interest rates and currencies. Both climate change and ambitious climate policies can weaken growth prospects and cause greater uncertainty over economic development. However, effective climate policy – involving, for example, public investment in new technology – could also spur growth. Both effects could have an influence on markets, FX rates and interest rates. Climate change is currently rather low on the Georgian government's agenda and does not have significant effects on the economy yet. In the middle-term perspective temporary economic challenges caused by ambitious climate policy could affect interest rates and currency value. In the long-term perspective, Economic downturn due to climate change could affect the Georgian currency, especially compared to countries which are less affected by climate change. In case of fluctuation of the Georgian Lari or increased volatility in local and global market interest rates due to climate-related risks, the Bank's financial position may be adversely affected, proportional to its open currency position and interest rate gap. In addition, traditional methodologies of market risk management and measurement, such as Value at Risk, are limited to capture climate-related shocks due to limited availability of historical data.	Low	Medium	Medium
Operations	The risk of loss arising from systems failure, human error, fraud or external events.	Climate change can interrupt the Bank's regular operations and increase the cost of maintaining effective business resilience (especially back office processes and data centres). Affected borrowers could potentially conduct fraud.	Low	Low/Medium	Medium
Reputation	The risk of damage occurring due to failure to meet stakeholders' expectations.	Lack of meaningful climate action could affect the Bank's reputation among investors and customers. Reputation could also suffer if the Bank struggles with other climate-induced challenges that affect the continuity and quality of its services.	Medium	High	Medium

Notes on methodology: In 2023, climate-related risks were assessed by answering the following questions:

1. Identification of risk drivers and transmission channels: How does climate change interrelate with and increase existing banking risks?
2. Assessment of impact: How strongly will Bank of Georgia be affected by the identified risk drivers if they emerge?
3. Assessment of likelihood: How likely is it that the identified risk drivers emerge under the three scenarios?

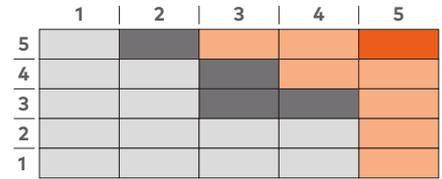
Impact and likelihood values range from one (insignificant/remote) to five (critical/almost certain), with the definition of values differing between risk types. The resulting risk scores can be low, medium, high or critical, as shown below. In some cases, risk scores can lie between these categories (low/medium, medium/high, high/critical), because the risk is judged to be right on the border between two categories, for example, or to illustrate that different risk drivers lead to different risk scores under the same scenario. Theoretically, an important driver of the likelihood of climate-related risks is the

likelihood of the scenario that is being used. Yet, providers of climate-related scenarios do not usually determine the probability of individual scenarios – they are simply considered plausible. The likelihood of certain scenarios to materialise of course changes over time, as decisions are made and assumptions become true or false. In our analysis we have found that risks will not differ significantly between the defined short-, medium- and long-term timeframes – that is, within the next seven years we do not view significant movement in the policy nor technology trends as risks

nor do we view current assessment of physical risk impacts as diverging from business as usual which is why results are presented together under '<2030'. We will continue refining our approach to Bank-wide climate-related risk assessment going forward.

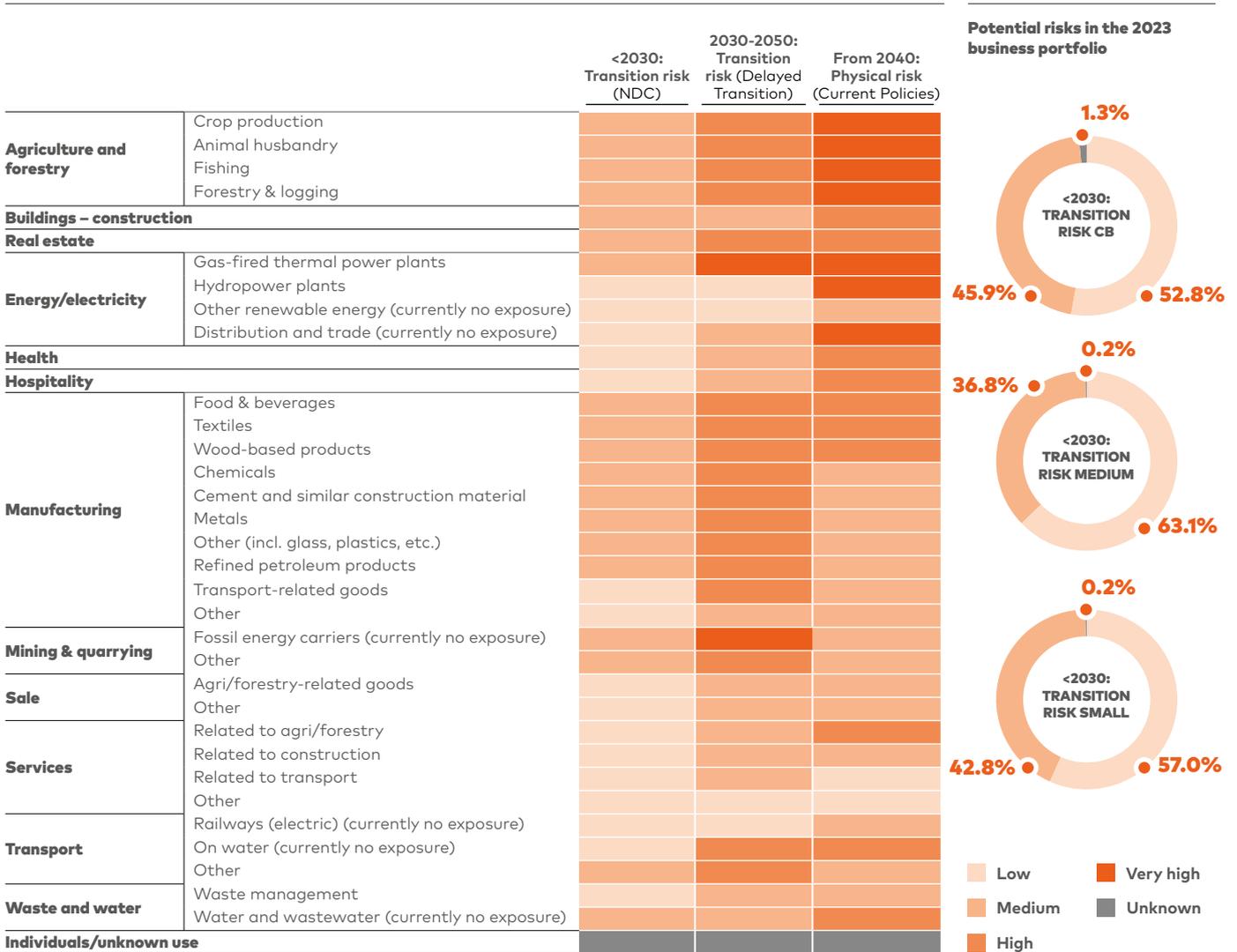
In BOG's 2023 scenario analysis, an 'orderly transition' scenario was not used given that there is currently not much evidence of 'immediate and smooth'

implementation of ambitious climate policies, which is the key assumption of such a scenario. For now, BOG could thus assume that the three scenarios used so far (Delayed Transition, NDCs, Current Policies) are equally likely. This could be reassessed when trends are becoming clearer – at the latest in 2030, when many NDCs end and when ambitious climate policy should be initiated according to the Delayed Transition scenario.



Climate change can especially affect Bank of Georgia through its impact on the lending portfolio. A preliminary, portfolio-level qualitative analysis of our corporate and SME portfolios – making up 54.4% of the Bank's (consolidated) total gross loan portfolio at 31 December 2023 – has helped us understand hypothetical risks for different sectors.

Our heat map for assessing inherent sector-based climate risks



Notes on methodology: Figures are as at 31 December 2023. Delayed Transition and Current Policies are extreme scenarios for transition and physical risks, respectively. We assumed the structure of the balance sheet stays the same to assess long-term risks for our portfolio. The assessment was conducted at the level of more than 650 individual activities, based on NACE2 codes, and aggregated for the sectors presented above. For transition risks, estimated GHG emissions and potential contribution to their efficient reduction were evaluated. For

physical risks, basic parameters such as the activity's dependence on water, vulnerability against extreme weather events and the need for raw materials were considered. Results were compared against the Climate-related Risk Radar for Georgian Economic Sectors and its possible Application for the Financial Sector¹, and were found to be in line. Location-specific risks and individual borrowers' characteristics, such as existing low-carbon transformation plans or adaptive capacities, were not considered in 2023 due to lack of data as

we started collection of relevant data and understanding of risks at location- and counterparty-level from 2023. Risks for our Mass Retail and Premium Banking portfolio have not yet been assessed in detail, as they depend to a high degree on individual borrowers' characteristics and the location of the activity or asset financed. We aim to also understand climate-related risks for our mortgage portfolio, using location-specific data.

Exposure to carbon-related sectors

% exposure to carbon-related assets in the Bank's gross loan portfolio

17.9%

2022: 18.2%

As at 31 December 2023 this equals GEL 3,670 million (GEL 3,018 million in 2022). We define 'carbon-related assets' as those tied to the four non-financial groups identified by the TCFD.

The following industries are included: oil and gas, coal, electric utilities, air freight, passenger air transportation, maritime transportation, trucking services, automobiles and components, metals and mining, chemicals, construction materials, real estate management and development, beverages, agriculture, and food, paper and forest products.

% exposure to fossil fuel and coal-related assets in the Bank's gross loan portfolio

1.9%

2022: 1.2%

As at 31 December 2023 this equals GEL 395 million. (GEL 197 million in 2022). This number includes exposures to wholesale of solid, liquid and gaseous fuels and related products, retail sale of automotive fuel, electricity production from natural gas, and cement production which uses coal as a fuel.

No exposure to fossil fuel and coal exploration and mining assets in the Bank's gross loan portfolio

0%

As at 31 December this equals to GEL 0. We have no exposure to prospecting, exploration and mining of fossil fuels or electric utilities using coal.

The uncertainties surrounding the timing and impact of physical and transition risks make it challenging for any tool or methodology to accurately estimate climate change risks, both currently and in the future. Nevertheless, recognising the urgency, we are actively developing methodologies, collaborating with clients, and integrating climate risk into our core risk management practices

and assessments. We want to remain adaptable, adjusting our approach as the clarity on the impact of climate risk increases and reliable data-gathering tools and methodologies mature.

The data we started to gather in 2023 played a pivotal role in formulating client specific climate-risk assessments for both our existing and new clients. It also

contributed to enhancing our internal climate capabilities and fortifying the measurement and monitoring of portfolio risks. These enhancements are expected to be a gradual process. The scarcity of data and the absence of historical data related to transition or physical risks is one of the main challenges for emerging markets.

In 2024, we will advance our capabilities by enhancing the methodology on credit and investments portfolio screening for climate-related transition and physical risks in line with IFRS S2. Our ongoing engagement with high and very high risk SME Banking and Corporate Banking clients remains a priority.

Bank of Georgia also sees the opportunities in the transition to a low-carbon economy

Bank of Georgia works with its lenders such as GGF, GCPF, EBRD, Swedfund, and EIB to provide green finance. Through our 'Energy Credit' initiative, we offer companies credit to buy solar panels. Other green finance is directed mostly towards large-scale renewable energy (hydropower plants) and green transport.

In 2022, we conducted a market analysis to identify opportunities for green financing. We analysed relevant regulation, interviewed companies

from different sectors to determine their interest in green investments and green loans, and identified green service providers in Georgia (for the installation of energy-efficient equipment, for example). The findings will be used to expand our climate-friendly lending in the years to come.

The analysis showed that solar panels, material recycling, energy efficiency measures, installation of air filters, and adoption of electric and hybrid transport

vehicles are among the most attractive investments for our clients. Products and services to realise such measures can be procured from local green service providers, while more innovative or newly marketed services and products must be sourced from international markets. Our work also showed that Bank of Georgia's visibility as a provider of green loans is perceived as low, requiring better marketing and communication in the future.

Opportunities from combating climate change

Opportunities	Type	Description	Term	Action
Need for real sector to adapt to climate change	Transition & physical	Climate change is expected to cause a wider spread of hazards and with higher intensities. It is therefore necessary to continue raising awareness of clients and support capacity building to manage climate risks.	Medium, Long Term	Bank of Georgia will continue to use tools such as our CliRM, financed emission calculator, and heatmaps to pinpoint clients most exposed to inherent risks and advise on adaptive capacities.
Technological change	Transition	More ambitious climate policies and favourable policy environment for the uptake of low carbon technologies have been developing. Technologies are also developing accordingly. Additional investments will be needed across the real economy to remain competitive and align with the global transition to low carbon economic growth. This shall create new lending opportunities for BOG.	Short, Medium, Long Term	Bank of Georgia monitors the market status, needs and opportunities to develop products and connect IFI credit lines for technological development and investment in low carbon technologies.

Total outstanding green finance as at 31 December 2023 (GEL million)



Total outstanding green portfolio is 3.7% (3.0% in 2022) of the Bank's gross loan portfolio. This includes the portfolio identified based on the NBG's Green Taxonomy criteria.

Compliance with Sustainable Finance Taxonomy

In 2022, the NBG published its Sustainable Finance Taxonomies, covering green and social topics. From January 2023, all Georgian banks are required to report on the amount of lending aligned with these taxonomies. Bank of Georgia prepared for implementing the taxonomy by updating its internal classification system to NACE2 – the European classification system used by the NBG's taxonomies for identifying sectors and activities that

are or could potentially be green – and by operationalising selected taxonomy criteria so bankers can determine whether clients are compliant. We started reporting in January 2023. We may not be able to assess compliance with all taxonomy criteria yet – possibly leading to a situation in which we report less taxonomy-aligned lending than we might actually have. This is due to several criteria being highly complex (for example, referring to

European Directives that are implemented differently in different Member States of the EU), making it difficult or impossible to check compliance during a standard loan appraisal process.

In 2023, external consultants supported us in operationalising technical screening criteria of the NBG Green Taxonomy for ease of use by the bankers within the framework of Green Loan Quick

Assessment programme funded by DEG Impulse gGmbH (DEG). Additionally, the NBG Taxonomy criteria were compared to taxonomy criteria from DEG, EBRD and GGF. As a result, we found that different taxonomies were not fully aligned with each other. In 2023 we strengthened our capabilities across the Bank to identify, capture and manage opportunities regarding climate and green finance. We will continue to address barriers in 2024 and beyond. In 2024, we plan to scrutinise the Bank's loan portfolio and screen market opportunities for green investments. We

will review the Bank's loan portfolio and lending practices, competitive landscape, existing financing schemes and market demand/investment opportunities for green loans. We will define the key sector(s) out of the ones identified in the materiality assessment process and meaningful areas of intervention with the greatest potential to deploy dedicated green products. Based on this assessment we will develop a Green Finance Framework and Guidelines based on national, EU and global standards. External consultants will review and suggest revisions to internal operations,

including credit policies and procedures to integrate green lending considerations into business processes. We will prioritise sustainable finance products to clients in high-carbon sectors to decarbonise their business models.

How climate change affects our strategy

We acknowledge the fact that the financial sector is a crucial player in supporting the decarbonisation of economies, therefore the Bank is committed to taking an active role in supporting Georgia's climate-related goals. The Bank's Climate Action Strategy is outlined below.

Ambition
We commit to ensuring our actions support Georgia's climate-related goals, including those specified in its updated NDC (2021). As plans are updated, the Bank will update its own targets and policies with more detail

Commitments

Monitoring and managing climate risks in the client base

Collecting data, raising clients' awareness and developing an approach to engaging with high-risk clients.

Supporting a low-carbon, resilient economy

Providing financing and solutions to clients, and reducing the hurdles for climate finance.

Reducing our operational carbon footprint

Incrementally expanding monitoring of our operational carbon footprint and taking relevant action.

Anchoring climate expertise in our skill set. Making climate change an integral part of capacity building.

We plan to meet our outlined ambition through the following commitments:

- 1** **Monitoring and managing climate and environmental risks in the client base:** Bank of Georgia will regularly assess climate-related physical and transition risks across our portfolio. In 2022 we started collecting relevant data from borrowers to understand their GHG emissions and related risks. In 2023 we began using this data to systematically identify clients with the highest climate risks and discuss such risks with them. This will feed into our portfolio-level risk assessment and allow us to continuously improve our understanding of sectors and clients that contribute to climate change through GHG emissions, or that are vulnerable to the changing climate and associate impacts. We will ensure appropriate management of our portfolio's climate risk profile and new credit origination in line with our overall risk appetite.
- 2** **Supporting the transition to a low-carbon, resilient economy:** We strive to provide our clients with adequate climate finance options to ensure they can implement credible, safe, innovative, high-quality climate solutions. We will actively explore the opportunities to extend climate-related financing to different sectors and clients.
- 3** **Reducing our operational carbon footprint:** We are committed to monitoring emissions from our own operations (including Scope 1, 2 and 3 emissions, except financed emissions) and implementing measures that support their reduction. We also commit to continuously improving our ability to measure our financed emissions and providing relevant figures in our Annual Reports.
- 4** **Anchoring climate expertise in our skill set:** We are determined to invest in enhancing our climate-related capabilities across the Bank, and to build a comprehensive toolkit for climate-related risk and opportunity management. The Bank's Climate Action Strategy will be implemented over the coming years, in line with a concrete action plan developed in 2022. Risk and opportunity analysis will be repeated regularly and will inform any updates to the strategy.

Education and training

Bank of Georgia has developed a complete training course and delivered ad hoc trainings to ensure that its employees can acquire the basic knowledge to be able to address climate-related matters. In 2023, we focused on educating colleagues on climate and green finance. A workshop on ESG impact scoping was conducted for the Board of Directors and senior management in July 2023. This included discussions, among other topics, on the actual and potential impacts that the Bank has or could have on the environment and climate. More than

200 colleagues across Corporate and Investment Banking, SME Banking, Risk, Legal and Trade Finance participated in trainings on climate finance, the NBG's Green Taxonomy and climate change.

In 2024, we intend to embed climate change and climate-related risk management training material into the Bank's online learning platform.

Training data

	Number of employees
Climate Finance and Green Taxonomy	129
Green Finance Training	80
Green Trade Finance – General concept	47
RENAC Academy Green Finance Expert Course	2
UN Global Compact Climate Ambition Accelerator	1

Building climate-related risk management capacities

Capacity building is crucial to ensure climate-related risks and opportunities are considered in every credit decision. For climate risk specifically, in 2023, we developed a mandatory course on climate change and climate-related risk management, which will be undertaken by the relevant staff across Corporate and Investment Banking, SME Banking, Risk, Trade Finance and Legal starting in the first quarter of 2024.

Risk management

Bank of Georgia is committed to addressing climate risks by integrating their identification, evaluation and management within standard risk management procedures.

Integrated risk management

Beyond risk identification and assessment, Bank of Georgia has undertaken the following steps to manage climate-related risks and opportunities:

Development of a CliRM framework:

This framework describes climate-related responsibilities across the Bank and summarises all methods and processes for risk assessment, evaluation and management. It includes detailed manuals for all climate-related activities, from Bank-wide climate risk assessment to the calculation of financed emissions. The CliRM framework was approved by our ESI Committee and by the Board in 2022. It is available to all staff via our intranet and will be reviewed regularly to ensure any changes in our approach to climate risk and opportunity management are reflected.

Integration of climate-related risks in our ERM framework:

In 2020, the Group identified climate change as an emerging risk for the first time, making climate-related risk an integral part of our risk inventory. In 2021/22, an approach to understanding the magnifying effects of climate change on traditional banking risks was developed and refined. Further steps to integrate climate into overall risk assessment and monitoring will be considered. This could include reflecting climate risks in our Risk Appetite Statement and in our credit policies.

Integration of climate considerations in our due diligence process:

In 2023, we continued to develop our climate-related due diligence process, to assess and address climate-related risks as part of our loan appraisal and E&S monitoring. The process comprises four steps, as illustrated below. We started to implement steps one to three in 2023, with step four to be introduced once we have gathered sufficient information on our existing client base and their risks and when national regulation on climate change will be in place.

Risk identification and evaluation

Bank of Georgia has an ESMS in place, but climate is a complex topic that requires expertise from across the Bank and beyond. To accelerate progress, we will continue to engage with third-party consultants in 2024.

In 2023, we conducted the following exercises:

Qualitative analysis of the effect of climate change on enterprise-wide risks:

Based on the results of the 2022 Bank-wide climate risk analysis (see Annual Report 2022), we reassessed how the transition and physical effects of climate change can drive credit, liquidity, market, capital, operational and reputational risk for the Bank over varying time horizons and for different scenarios (see previous pages). Overall, our assessment of the magnifying effects of climate change and climate-related transformations on Bank-wide risks remains similar to 2022 (please see more in the Strategy section).

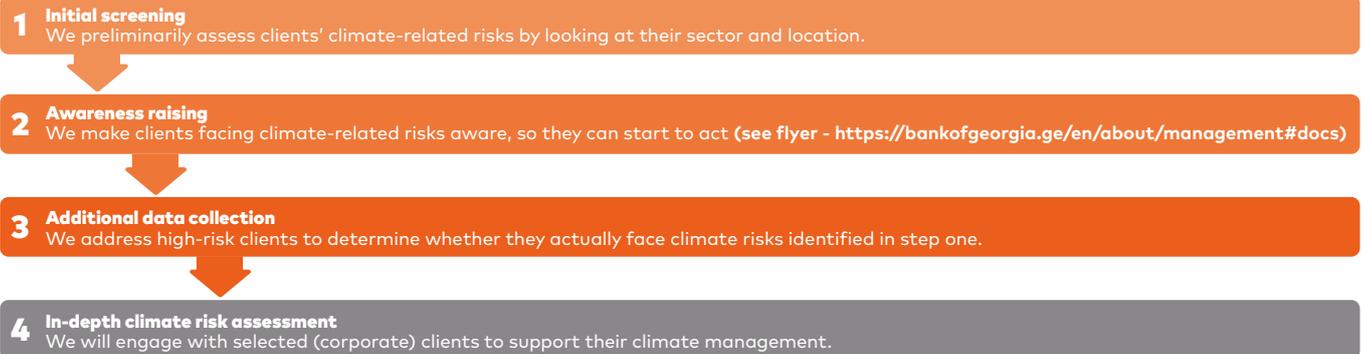
Qualitative analysis of climate-related risks in our portfolio:

Based on the 2022 portfolio climate risk assessment, we reassessed transition and physical risks – on a scale from zero (no risk) to four (very high risk) – for more than 640 activities conducted by our clients and aggregated risks for 25 sectors. The overall results are very similar to those of 2022 and show that over half of our business portfolio is expected to face low transition risks over the coming years. The remainder of the business portfolio could face medium risks (please see more in the Strategy section).

Bottom-up climate risk assessment at client level:

From 2023, the 'top-down' analysis of our business portfolio is accompanied by 'bottom-up' client-level assessments through an updated due diligence process.

Bottom-up climate risk assessment at client level



1

The first step of this process is to identify expected transition risks based on the sector in which a clients generate their income, and expected physical risks based on the sector and location of income generation. While we draw on the heat map to assess risks per sector, the analysis of risks for different locations is based on our 'hazard map' developed in 2022 – which shows physical risks for different sectors across 64 Georgian municipalities, taking up to 11 climate hazards (from landslides to changes in precipitation) into account for the overall score. The analysis is based on publicly

available data, including from Georgian and international sources.

Although our approach does not currently allow for determining different risk levels within the same municipality (for example depending on the proximity to high-risk zones such as rivers and slopes), we expect the results to be sufficiently detailed to allow us to engage our clients on climate-related risks and opportunities.

In 2023, we conducted an exposure analysis of our portfolio against various hazards across the country. Hazards we have assessed include urban flood, river flood, extreme heat, and wildfires. Our team of experts qualitatively assessed the level of risk from these hazards using various sources including [Thinkhazard.org](https://thinkhazard.org). For example, areas designated as high river flood are 'determined as potentially damaging and life-threatening river floods expected to occur at least once in the next 10 years.' The assessment has led to low, medium, and high risk categories following Thinkhazard methodologies.

Our portfolio demonstrated minimal exposure (1.6% of total loans as at 31 December 2023) to areas designated as 'high' physical risk.

'High' physical risk hazards are found in Batumi and Tbilisi mostly under real estate and hotel activities. In Batumi there is a 'high' risk of flooding according to our hazard map. However, we deem these exposures to have low residual risk as they conform to national regulations and laws on construction. We have also begun incorporating historical flood analysis in our due diligence. In Tbilisi the 'high' risk hazard is extreme temperatures. Hotels and real estate activities are deemed to have low residual

risk given the compliance with national laws and regulations on construction and connectivity to electricity grid.

We are strengthening our assessment of client adaptive capacities in material sectors in 2024.

Approximately 30% of our portfolio is exposed to 'medium' risk category. We are actively assessing our clients' vulnerability to this medium risk category which is dominated by hotels and real estate activities as well as the agriculture sector.

Unsurprisingly, most exposure to various hazards across risks are found in the Tbilisi municipality – where most of our financing activity is concentrated. Tbilisi alone is 9.6% of our outstanding portfolio under the medium risk category. Tbilisi municipality is not exposed to many hazards we deem 'high'.

We continue to revise our transition risk methodology. We have similarly carried out an exposure analysis across sub-sectors and by very high, high, medium and low emission profile categories. High emission-intensive activities in our portfolio are dominated by buildings – (leased real estate and hotels). Very high activities are dominated by few counterparties engaged in natural gas trade as well as dairy farming. We have determined that despite the high emission profiles of these clients we do not see material risk over our time horizons.

2

The second step of the process is awareness raising. The booklet on climate change and low-carbon, climate-resilient

development is sent to targeted business clients. Moreover, the Environmental and Social Covenant was updated. The

Covenant must be signed by all business clients. They are also required to read the climate booklet.

3

The third step of our climate-related due diligence consists of collecting additional data from clients that we expect to face high or very high climate risks (as identified in step one). This includes information on GHG emissions, past climate-related impacts, management

measures and a small number of additional aspects. We started this in-depth data collection in 2023 which helps us assess clients' awareness of potential risks and preparedness for addressing them. Analysis is done once a year, per identified client, as part of

our regular E&S risk monitoring. Results will be used to refine our portfolio-level risk assessment (heat map) and identify highly exposed and unprepared clients with whom we intend to engage more closely in the fourth step.

4

The fourth step of the process ensures in depth engagement of ECRM department to support clients in addressing risks. This

step will become more relevant in the years to come, as the level of transition and physical risks in Georgia rises. It will

thus be developed in more detail once climate regulatory framework in Georgia develops.

Our climate-related due diligence is integrated as much as possible into standard procedures. We made the following changes in 2023:

For **STEP one** we updated our credit information software to enable information collection on clients' business activities and locations, and evaluating expected climate risk.

For **STEP two** a booklet on climate change and low-carbon, climate-resilient development is sent to high and very high risk business clients. Moreover, the updated Environmental and Social Covenant with information on our climate risk assessment process is signed by all business clients and requires that they read the climate booklet.

STEP three of our climate-related due diligence is implemented alongside our E&S risk management and monitoring, allowing for more efficient communication with our clients. We have updated our ESMS framework accordingly, also referring to the new CliRM framework.

Measuring financed emissions

Understanding the emissions we finance is important for managing climate risks in our portfolio and steering our contribution to Georgia's climate-related transition goals. In 2022, we assessed financed emissions for parts of our business portfolio using the methodology developed by the Partnership for Carbon

Accounting Financials (PCAF). We will repeat this exercise annually, covering more and more of our portfolio. The necessary data will be collected as part of the climate-related due diligence process described above and on the next page. Moreover, in 2023, we piloted a methodology for assessing financed

emissions from larger parts of our portfolio using a methodology developed by IFIs. Please see the 'Metrics and targets' section for further detail on the results of the 2023 assessment and on the methodologies for borrower-specific and portfolio-level GHG assessment.

Estimating alignment of selected clients with the goals of the Paris Agreement

In 2021/22, we used the Paris Agreement Capital Transition Assessment (PACTA) tool to assess the alignment of selected clients from the steel and cement sectors with low-carbon development pathways. However, the number of clients

in the PACTA database is very small, rendering the results of such analysis extremely limited. Starting in 2023, we are discussing low-carbon development and Paris Agreement alignment with clients affected by transition risk as

part of our updated climate-related due diligence process (step three and four, see previous page). We will assess the results to determine an approach to measuring portfolio alignment in a standardised manner.

Metrics and targets

Bank of Georgia uses metrics recommended by the TCFD to measure our impact on climate, and the effects of climate change on our business model and operations.

Metric/KPI	Rationale	Target
GHG emissions: Absolute Scope 1, 2 and 3; emissions intensity	Measuring our GHG emissions helps us understand our direct and indirect impact on the climate.	In 2024 we aim to expand our coverage of financed emissions calculation across 40-45% of the Corporate and Investment Banking portfolio. In 2024 we will analyse potential development of sector-based targets per Science Based Targets initiative methodology.
Percentage of lending vulnerable to climate-related transition and physical risks, relative to total lending	Climate-related risks for our borrowers can present credit risks for Bank of Georgia, so we manage our portfolio's climate risk profile and new credit origination in line with our overall risk appetite. In 2023 we have categorised our existing portfolio across inherent climate related risks (see table on page 107).	In 2024 we will be examining potential upper limits to sectors considered vulnerable to transition risks and physical risks.
Percentage of carbon-related assets, relative to total assets	Carbon-related assets are widely understood as a proxy for the financial sector's exposures to climate-related transition risks.	We are targeting green assets and developing decarbonisation targets in 2024. These will have implications on the carbon-related assets to total assets ratio.
Amount of lending aligned with climate-related opportunities, relative to total assets	Seizing climate-related opportunities can become a source of significant revenue as the Government's, economy's and society's climate ambitions continue to grow. From 2023, we monitor and report the share of financing in line with Georgia's new Sustainable Finance Taxonomies and explore the opportunities to expand such climate-related lending. We have adhered to strict criteria to categorise our green allocations per various taxonomies.	We have set the initial climate-related opportunity KPI to expand our green portfolio and reach a minimum GEL 875 million outstanding in 2024 with aspiration to reach GEL 1 billion.
Forward-looking metrics	Bank of Georgia is committed to using its financed emissions calculations to develop forward-looking climate-related metrics in the coming years.	In 2023, we completed our baseline analysis that will underpin revision to targets in 2024 and beyond. These include total financed emissions, sector emission intensities, screening of existing and new clients for opportunities, green alignment ratios, and decarbonisation targets.

For all the metrics presented, there are challenges with availability and reliability of data. As methodologies and learnings emerge, we intend to progressively refine our approaches and measurements, covering a bigger portion of our client and portfolio base.

GHG emissions: our operational footprint

Since 2012, the Bank has reported GHG emissions and energy use consistent with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

This data covers the Bank as the main operating unit and the core entity of the Group, including its offices and retail branches where the Bank has operational control. For the second time, our 2023 reporting also includes emissions for three Bank subsidiaries (BNB Bank, Georgian Leasing Company, Bank of Georgia Representative Office UK Ltd) and two Group subsidiaries (G&T, Digital

Area). Two of BOGG PLC's subsidiaries as at 31 December 2023 are UK-based: (1) BGEO Group Limited and (2) Bank of Georgia Representative Office UK Limited. According to their financial statements, both BGEO Group Limited and Bank of Georgia Representative Office UK Limited remain below the thresholds stipulated in para 20B Part 7A Sch 7 LMCGAR 2008 (considering employees/turnover/balance sheet total), meaning that neither of them would be required themselves to report (on SECR emissions) under LMCGAR 2008. We use a small shared office space in the UK (total annual electricity consumption is less than 5 MWh, at 3.3 MWh for 2023 and 3.5 MWh for 2022).

Our emissions data follows the guidelines of the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition 2016) as a reference source. The control approach was used for all operations of Bank of Georgia.

Scope 1	<ul style="list-style-type: none"> Combustion of natural gas, petrol and diesel at owned and controlled sites (for heating and electricity generation). Combustion of petrol and diesel in owned passenger vehicles.
Scope 2	<ul style="list-style-type: none"> Purchased electricity at owned and controlled sites.
Scope 3	<ul style="list-style-type: none"> Fuel-and energy-related activities; waste generated in operations; and purchased goods. Air business travel; hotel accommodation; and land transportation by rental cars. Employee commuting (for the second time in 2023).

Bank of Georgia GHG emissions 2021-2023				2021	2022	2023
Category	Emission source category			tCO ₂ e	tCO ₂ e	tCO ₂ e
GHG Protocol standards: Corporate Scope 1 and 2, Value Chain Scope 3	Scope 1	Direct emissions from owned or controlled stationary sources	Fuels	907.6	957.3	1,026.2
		Direct emissions from owned or controlled mobile sources	Passenger vehicles	1,089.5	1,110.1	1,104.5
	Scope 2	Location-based emissions from the generation of purchased electricity, heat, steam or cooling	Electricity	1,661.5	1,864.2	2,094.8
	Scope 3	Fuel- and energy-related activities	All other fuel- and energy-related activities	545.6	593.3	603.7
			Transmission and distribution losses	350.7	347.1	414.5
		Waste generated in operations	Waste water	42.0	18.4	29.2
			Waste	0.1	0.1	0.5
		Purchased goods	Water supplied	20.4	10.1	16.0
			Material use	224.8	281.1	395.5
		Business travel	All transportation by air	19.9	80.9	36.7
			Hotel accommodation	2.1	6.8	13.6
			Land transportation by outsourced vehicles	615.0	565.2	566.1
			Employees commuting	-	3,822.3	4,550.1
	Scope 1			1,997.1	2,067.4	2,130.7
Scope 2			1,661.5	1,864.2	2,094.8	
Scope 1 and 2			3,658.6	3,931.6	4,225.5	
Scope 3			1,820.5	5,828.4	6,625.9	
Total emissions			5,479.1	9,760.1	10,851.5	
tCO₂e/employee			0.9	1.5	1.5	
BOG employees (year-end)			6,207	6,597	7,435	

Notes on methodology: We used the most recent Georgia electricity conversion factor provided by JRC. GHG emissions from business flights were calculated using the ICAO online calculator. GHG emissions from overnight hotel stays were calculated on a 'room per night' basis, with emission factors based on the Cornell Hotel Sustainability Benchmarking Index Tool, version 2.

Further conversion factors were taken from the 2023 UK Government GHG reporting: conversion factors – and updated against the 2020 version used for our 2021 reporting. Given that differences are mostly minor, and that

updated emission factors also reflect real changes in different activities' emissions intensity, GHG emissions for 2021 and 2022 were not remodelled using the updated emission factors.

Compared to 2021 and previous years, our gas consumption significantly decreased in 2022/23 as the result of major improvements to our heating system. Our petrol, diesel and electricity consumption, in turn, rose due to growth of the car fleet, office size and staff numbers, and due to staff returning to the office.

In 2023, we assessed Scope 3 emissions from 'Employee commuting' for the second time. This was based on a survey

of employees' mode of transportation, distance travelled and – where known fuel used. 22% of employees participated in the survey and final figures were calculated by extrapolating to all employees. While we acknowledge this approach is not fully accurate, the results are sufficiently informative for the time being, e.g. to estimate the approximate share of commuting emissions in our total emissions. It was not possible to assess commuting emissions for 2021 due to a lack of data and irregularities in commuting patterns throughout the COVID-19 pandemic.

Bank of Georgia and Group subsidiaries' GHG emissions 2023				Bank subsidiaries		Group subsidiaries		
				2022	2023	2022	2023	
Category	Emission source category			tCO ₂ e	tCO ₂ e	tCO ₂ e	tCO ₂ e	
GHG Protocol Standards: Corporate Scope 1 and 2	Scope 1	Direct emissions arising from owned or controlled stationary sources	Fuels	-	-	-	-	
		Direct emissions from owned or controlled mobile sources	Passenger vehicles	95.5	39.0	79.8	141.9	
	Scope 2	Location-based emissions from the generation of purchased electricity, heat, steam or cooling	Electricity	235.0	153.3	18.5	21.2	
			District heat	118.5	60.5	-	-	
	Scope 3	Fuel- and energy-related activities	All other fuel- and energy-related activities	24.6	10.0	19.8	34.8	
			Transmission and distribution losses	10.2	6.9	3.4	4.0	
		Waste generated in operations	Waste water	1.1	0.2	1.0	1.0	
		Purchased goods	Water supplied	0.6	0.1	0.5	0.5	
	Scope 1				95.5	39.0	79.8	141.9
	Scope 2				353.4	213.8	18.5	21.2
Scope 1 and 2				448.9	252.8	98.3	163.1	
Scope 3				36.6	17.2	24.7	40.2	
Total emissions				485.5	270.0	123.0	203.3	
tCO₂e/employee				0.6	0.3	0.6	0.7	
Total employees				833	830	210	295	

Notes on methodology: Once again, we used the most recent Georgia electricity conversion factor provided by JRC to calculate electricity emissions for all

Georgian Bank/Group subsidiaries. The emission factor for electricity use by BNB is specific to Belarus and was also taken from JRC. Further conversion

factors were taken from the 2023 UK Government GHG reporting: conversion factors.

Scope 3: Financed emissions

In 2023, Bank of Georgia analysed the GHG emissions of 35.7% of corporate portfolio across eight sectors:

	Outstanding loan amount at 31 December 2022 (GEL)	Scope 1 and 2 (tCO ₂ e)	Scope 3 (tCO ₂ e)	Emissions intensity (tCO ₂ e/GEL million)	
Cement, steel and other energy-intensive manufacturing	849,631,652	Emissions from use of electricity and fuels; emissions from chemical processes not calculated	153,301	/	180
Hotels (running)	79,897,946	Emissions from use of electricity and fuels	588	/	7
Real estate management	252,431,198	Emissions from tenants' building use, calculated based on measured energy consumption	1,286	/	5
Healthcare	84,890,734	Emissions from use of electricity and fuels	1,371	/	16
Mining (gold, copper)	98,316,423	Emissions from use of electricity and fuels	7,024	/	71
Transport	84,894,481	Emissions from use of fuels and electricity	18,618	/	219
Electricity generation (from gas)	57,048,703	Emissions from electricity generation, calculated based on gas consumed	78,199	/	1,371
Oil and gas (distribution, retail sale)	263,353,300	Not calculated	/	998,851	3,793
Total	1,770,464,438		260,387	998,851	711

/ = not calculated yet.

Results: There is a wide variation between sectors as some are more GHG-intensive than others. Desk research showed that our emissions intensities are generally in line with those reported by other banks from emerging economies and beyond.

The potential for emissions reduction through energy efficiency improvements is highest in energy-intensive manufacturing such as cement and steel making.

Methodology: The clients covered by the assessment are considered carbon-related through their Scope 1, 2 or 3 emissions, and account for 35.7% of our corporate portfolio (as at 31 December 2022). The analysis was done for emissions generated in 2022, given the required data to calculate 2023 emissions was not available at the time of calculation. Particularly, local companies are not obligated by any national regulation to disclose information regarding their annual energy consumption, GHG emissions or related data. As the World Bank Group's report on Greening Firms in Georgia explores,

Challenges and outlook: We experience difficulties in obtaining sufficiently reliable data. When it comes to efficient and robust measurement of financed emissions, one of the most prominent hurdles is to ensure that clients provide complete, consistent, reliable data. We discussed individual data points with clients whenever we detected possible

Improving building design can help avoid future emissions from the building sector. Despite methodological challenges, we will use our findings to inform client engagement and business management decisions from a climate perspective.

This is the first year that we are computing financed emissions for our oil and gas exposure of which are entirely comprised of downstream operators (distributors of oil and gas products). We

nearly half the firms they surveyed through the World Bank Enterprise Surveys reported monitoring energy consumption.

To calculate financed emissions, we applied the 'Global GHG Accounting and Reporting Standard for the Financial Industry' developed by the PCAF.

Our bankers collected the following data: outstanding loan amount; total debt and equity; and primary physical activity data for the company's energy consumption. On a scale from one (best) to five (worst), the quality of our data thus scores three.

irregularities and, going forward, will continue to monitor the quality of data provided, engaging with clients to raise awareness and improve results. We have so far only calculated emissions from a minor share of our portfolio.

In 2024 we aim to assess emissions for approximately 40-45% of our Corporate

have included in our calculation Scope 3 emissions from this exposure – eventual combustion of oil and gas products by their customers. The inclusion of these figures significantly raises our portfolio carbon footprint (i.e. financed emissions).

Description of the data quality score – Primary physical activity data for the company's energy consumption by energy source (e.g., megawatt-hours of electricity) plus any process emissions. Emission factors specific to that primary data.

Most clients do not yet report GHG emissions, making it impossible for us to reach the highest data quality score. Scope 3 emissions were calculated and reported separately where relevant.

Banking portfolio using the PCAF Standard.

Given the large number of clients in our SME and Retail portfolios, we cannot apply the PCAF Standard to these segments.

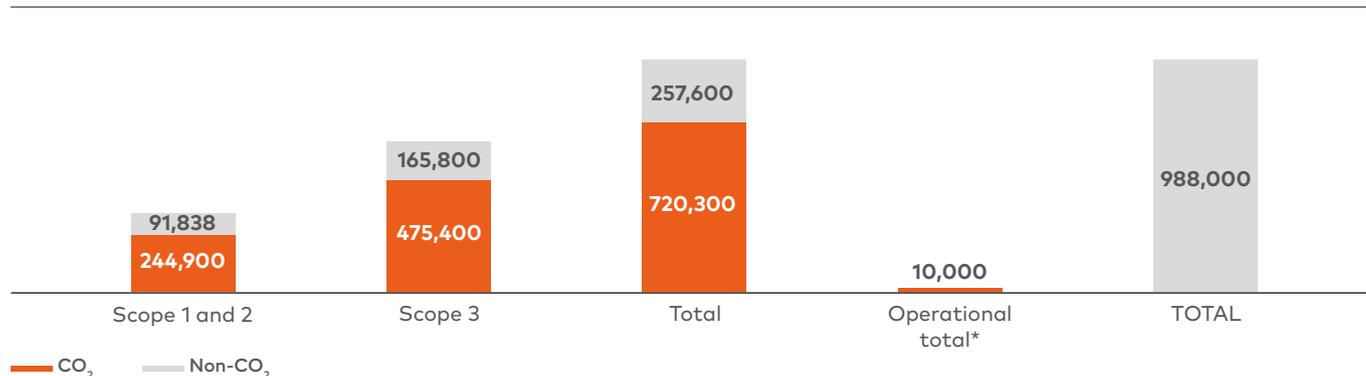
During 2023, Bank of Georgia implemented the Joint Impact Model (JIM) as a new tool for modelling Bank of Georgia's financed GHG emissions in the SME and CB portfolios. We piloted the JIM as a potential solution. The JIM is a methodology developed by several

development finance institutions to conduct indirect impact modelling. Using input data such as revenue and power production from portfolios, the JIM enables users to estimate financial flows through the economy and its resulting economic (value added), social

(employment) and environmental (GHG emissions) impact. The JIM calculated the Bank of Georgia funded GHG emissions at about 1 million tCO₂e for the 2022 financial year.

Bank of Georgia's portfolio scope 1 and 2 GHG emissions intensity is 98 tonnes per million US dollars under management (tCO₂e/\$mAUM). For context, the mean emissions intensity for five similar-sized commercial banks using the same PCAF-aligned Joint Impact Model methodology is 156 tCO₂e/\$mAUM. This means Bank of Georgia's portfolio is relatively less carbon intensive than some other banks in emerging economies.

Results of JIM: 2022 financed emissions (tCO₂e)



The way forward

We are disclosing climate-related actions for the third time in 2023. We believe we have covered all TCFD recommendations and recommended disclosures, providing information on relevant decisions and how we made them. Nevertheless, we acknowledge we are only at the outset of our climate journey and plan to move from testing methodologies and preparing changes to fully integrating climate-related risks and opportunities into relevant processes across the Bank. Climate-related disclosures will incrementally become more detailed.

Pillar

Plans for 2024

Governance

- The Board and management will continue to exercise their climate-related responsibilities as described in this Annual Report.
- Training and upskilling colleagues across the Bank will continue to be a key priority. New e-learning materials will be developed.
- KPIs will include green lending targets.

Strategy

- We will continue to conduct climate-related risk and opportunity analysis and disclose relevant results.
- We will conduct a materiality assessment of climate risks on the Bank's portfolio against selected climate change scenarios.
- We will strengthen our scenario analysis capabilities and develop our infrastructure and capabilities to incorporate climate risk into data and analysis.
- We will develop climate risk stress testing framework.
- We will assess the financial impacts of climate-related risks on the Bank's financial position, financial performance, and cash-flows over short, medium and long term.
- We will continue implementing our Climate Action Strategy.

Risk management

- To enhance credit risk assessment and manage risks, we will continue to collect data from business clients in a standardised manner through an updated due diligence process. Moreover, we will continue to engage with our (very) high risk clients to understand their transition and physical risks, as well as their plans to prepare for climate change.
- We will strive to conduct sectoral case studies to better understand climate risks and management responses for selected high-risk sectors and clients (conditional upon external technical and financial support).
- We will continue to refine and expand our risk assessment methodologies with feedback from the due diligence process and, possibly, sectoral case studies.
- We will collect data to help identify climate finance opportunities in line with the NBG's Green Taxonomy.
- We will reassess whether to integrate climate into our Risk Appetite Statement and update policies as necessary.

Metrics and Targets

- The focus for 2024 will be to increase the coverage of existing metrics.
- We will assess emissions generated by 40-45% of our Corporate Banking portfolio (up from 35.7 % in Annual Report 2023).
- We will enhance the measurement approach, inputs and assumptions used for Scope 1, 2 and 3 calculation.
- As we start to better understand emissions from our portfolio and enhance the screening of our portfolio against the NBG's Green Taxonomy, we will take into consideration whether – and how – to specify additional climate-related targets.

* BOG's operational emissions were 9,760 tonnes of CO₂e in 2022 (including commuting). That is 2.9% of client Scope 1 and 2 emissions, or 1% of client Scope 1, 2 and 3 emissions.

EMPOWERING EMPLOYEES

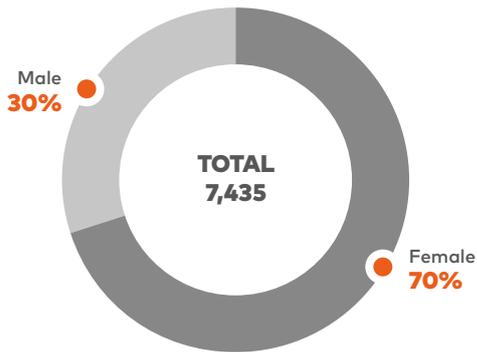
Empowering employees



The resilience and success of the Group depends on the continued commitment of our talented people. We strive to be the employer of choice, providing equal opportunities for development and ensuring a positive employee experience.

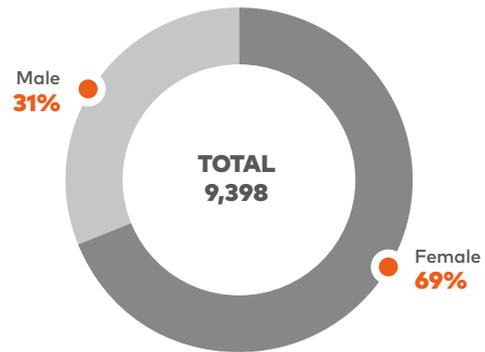
Our employees at a glance

All employees by gender*
JSC Bank of Georgia

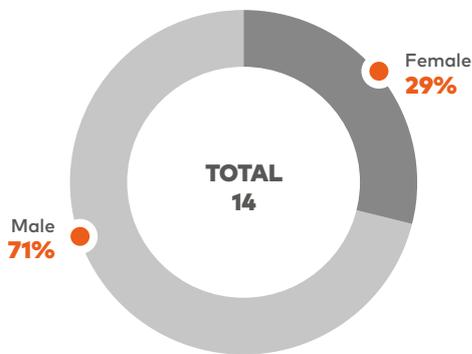


* 99.9% of our employees are with permanent contracts.

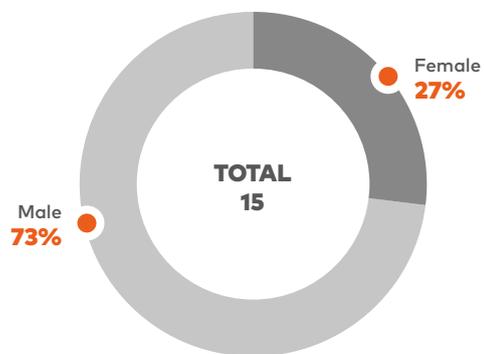
All employees by gender
Group



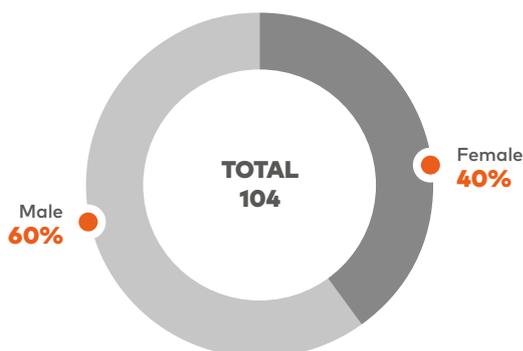
Executive management by gender
JSC Bank of Georgia



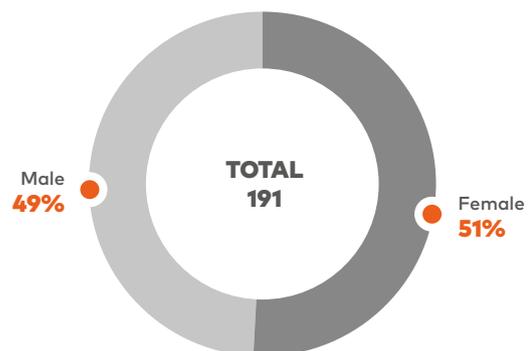
Executive management by gender
Group



Senior Management by gender
JSC Bank of Georgia

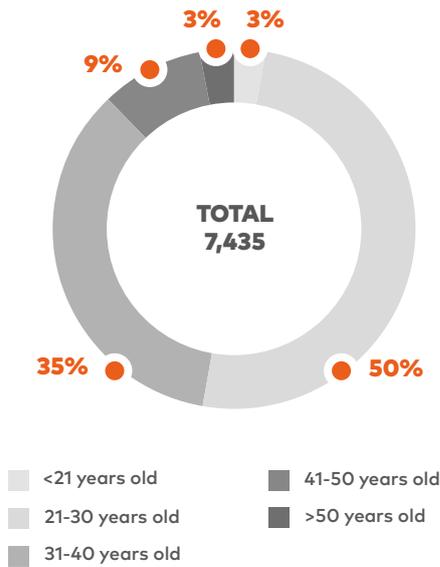


Senior Management by gender
Group



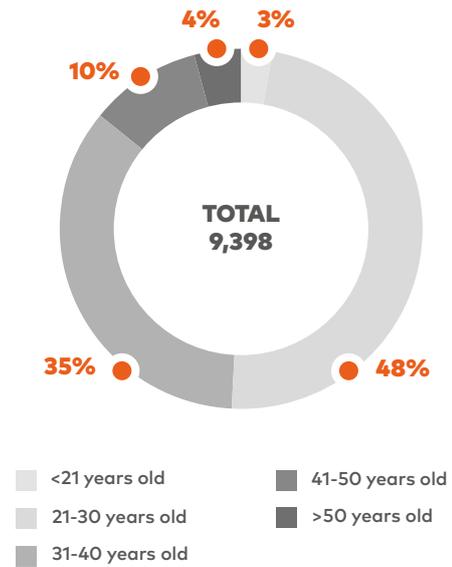
All employees by age

JSC Bank of Georgia



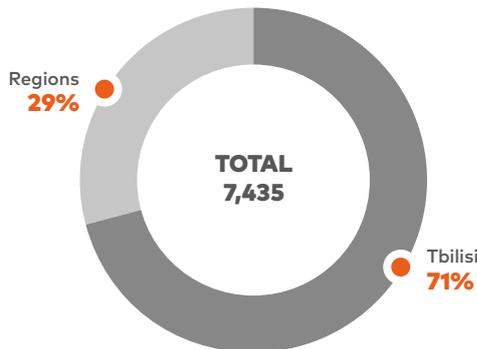
All employees by age

Group



All employees by location*

JSC Bank of Georgia



* Five employees worked outside of Georgia.

We deliver on our strategic objectives and can make a difference in our customers' lives through the actions of our people and their commitment to shared success. We continue to focus on empowering our employees by fostering a high-trust, diverse environment and a strong feedback culture, equipping employees with the skills and capabilities for the future.

Bank of Georgia's HCM function plays a critical role in helping us onboard and retain the right talent, while maintaining employee engagement and wellbeing.

HCM combines HR expertise with business knowledge to design and implement policies and practices in line with the Group's purpose, values, business principles and strategic objectives. HCM reports to the Head of Human Capital Management, who reports directly to the CEO. The Supervisory Board of the Bank and its Nomination, Remuneration, Audit and Risk Committees oversee all matters related to the Bank's employees:

- diversity overview provided to the Nomination Committee;

- remuneration and related policies overview provided to the Remuneration Committee;
- overview of employee grievances related to ethical issues (if any) provided to Joint Audit and Risk Committee; and
- key people risk metrics reported quarterly to the Risk Committee.

Our human capital strategy is focused on the following key areas:

Promoting diversity and equal opportunities

Attracting, developing and retaining top talent

Providing positive employee experiences

Promoting diversity and equal opportunities

We are committed to the highest ethical standards in everything we do. We expect every employee to act in line with our values and business principles, complying with applicable laws, regulations, and internal policies and procedures. We communicate our expectations of employee conduct through multiple channels, including but not limited to:

Our Employee Corporate Handbook, which defines employee behaviour standards and procedures. The Handbook is available to all employees in Georgian and English, via our intranet.

The Code of Conduct and Ethics – an integral part of the Handbook which acts as a employment agreement between the Bank and its employees. It clearly sets the expectation that all employees act

legally, ethically and transparently in all their dealings. Failure to do so may lead to disciplinary action, up to and including the termination of employment.

We monitor employee awareness of internal policies and continue to work on strengthening internal communications to clearly explain our policies and procedures through online, interactive, self-paced courses.

Anti-discrimination and anti-harassment

We are committed to ensuring inclusion and equal opportunities in our organisation. We do not tolerate discrimination on any grounds, including gender, marital status, sexual orientation, race, ethnic origin, nationality, age, disability, political or religious beliefs. Universal human rights are incorporated into our Handbook, along with our Anti-discrimination and Anti-harassment, Diversity and Inclusion, and Human Rights Policies. Bank of Georgia's Anti-nepotism Policy also underpins fair and transparent decision making in all employee-related matters.

Diversity, equity and inclusion (DEI)

DEI is about the respect for, and appreciation of, differences in personalities, professional and educational backgrounds, and identity. We process gender, age, education, position and employee level, and other information required for the fulfilment of our talent strategy, and disclose our progress through our ESG reporting framework with reference to GRI standards. In 2023, we worked on improving employee data related to diversity, including ethnic and religious groups, mother tongue and the knowledge of state language. Such analysis will allow us to offer benefits better tailored to employee needs and more supportive of work-life balance, contributing to a more family-friendly workplace. Given that ethnic origin and religious beliefs are special categories of data, according to the Law of Georgia on Personal Data Protection, we consulted with Personal Data Protection Service, a state authority of Georgia. At the time of writing, we received the approval of such data collection from the regulator together with recommendations regarding its management in compliance with state regulations. We will start collecting data in 2024.

Gender equality

Since 2022, Bank of Georgia has been a signatory of the UN Women's Empowerment Principles to further strengthen its initiatives aimed at supporting women in the workforce. The Bank has also retained 2XChallenge status since 2020, awarded in recognition of its efforts to address barriers to the employment of women.

We provide an annual update on diversity matters to the Nomination and Remuneration Committees.

Whistleblowing and grievance mechanisms

We maintain an open-door policy where our people are encouraged to share their questions, concerns, suggestions or

complaints with their managers, HCM, or anonymously if they wish. We prohibit any form of retaliation against an employee

raising a concern or participating in an investigation.



WhistleB is an external, independent whistleblowing reporting channel and case management tool that allows employees to report any concern anonymously or confidentially.

WHISTLEBLOWING



Grievances can be submitted via email, anonymous hotline call or electronic form. We are currently reviewing and updating the Grievance Policy based on global best practices for handling employee complaints. In 2023, we had eight cases reported under the Grievance Policy. Two of these grievances were provided anonymously, via WhistleB, and one of them represented collective concern of employees. All cases were investigated and resolved.

GRIEVANCE

Attracting, developing and retaining top talent

We aim to recruit, retain and engage talented people with different perspectives and life and career experiences, providing a safe and inclusive environment that enables personal and professional development and teamwork.

We have strong relationships with local talent pools and continue to upskill local students through our special, rotation-based internship programme, Leaderator. We aim to cultivate a culture of feedback and lifelong learning and provide a wide range of development opportunities to

our employees, including development reviews, personal coaching, and leadership programmes.

Our engagement strategy extends beyond our immediate organisational boundaries to include:

Active participation in job festivals and fairs.

Networking with professionals at events organised by various educational and professional companies, including ourselves.

Actively engaging with Georgian talents abroad.

In developing and implementing our talent strategy, we focus on:

1. Attracting, developing and retaining highly qualified professionals with a strong work ethic.

2. Putting the right people in the right roles.

3. Ensuring alignment of our talent strategy with business objectives by analysing and anticipating business needs and gaps in required skills and competencies.

49% of our employees are 30 or under years old, and our approach has evolved alongside changing attitudes towards work among younger generations.

When recruiting, we highlight that hybrid work is the new normal, that we are committed to ensuring DEI, and that work-life balance matters.

Attracting talents

Bank of Georgia is an equal-opportunity workplace where people from different backgrounds and experiences come together, support each other, and create value for our stakeholders. The Bank's Recruitment Policy and practices, including panel interviews, relevant

control procedures and an online applicant tracking system, ensures a fair hiring process. We do not ask for candidates' date of birth, gender or photograph, nor do we collect information on race, religion, sexual orientation, disabilities or nationality, to make sure no

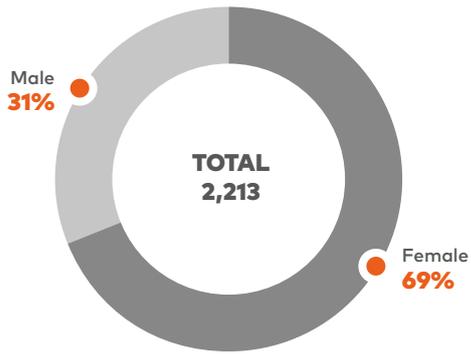
candidate or employee is discriminated against on any grounds. We continuously develop our acquisition channels, tailoring them to target segments of diverse talent while tracking and systematically improving the candidate experience.

We enrich our employee base in different ways:

- 1** One priority is to develop talent internally, and current employees have priority when filling vacancies, especially for managerial positions.
- 2** Our Talent Acquisition team actively monitors the labour market and regularly engages with potential candidates in Georgia and abroad.
- 3** Collaborative initiatives with educational institutions and industry partners. In 2023, Kutaisi International University and the International School of Economics at Tbilisi State University joined our network of partners.
- 4** The use of alumni networks not only enhances our outreach and engagement initiatives but also establishes a valuable avenue for connecting with experienced professionals, helping us access a pool of talent and expertise.
- 5** We have implemented an internal and external IT referral programme, actively fostering the identification and recruitment of highly qualified professionals. This multifaceted strategy cultivates a culture of ongoing learning, collaboration and inclusivity.
- 6** We continue to strengthen our Talent Acquisition team members with the skills required to successfully achieve our recruitment goals. In 2023, we advanced our tech recruiters' team and ensured their presence at top tech events in Georgia.

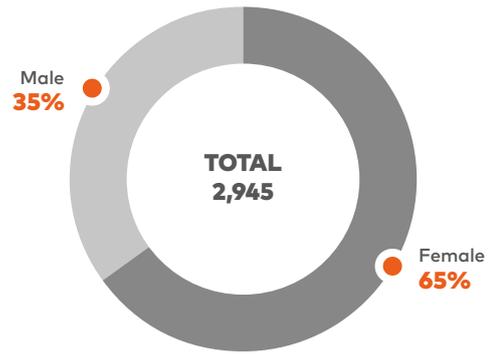
New hires by gender

JSC Bank of Georgia



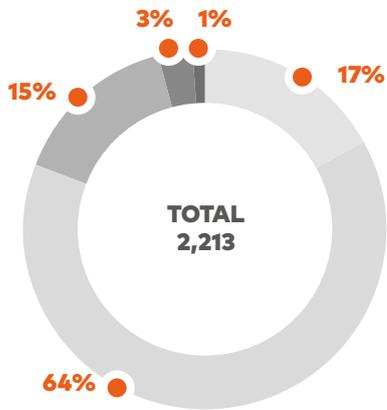
New hires by gender

Group



New hires by age

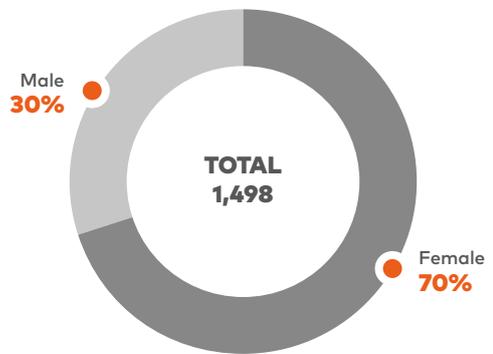
JSC Bank of Georgia



- <21 years old
- 21-30 years old
- 31-40 years old
- 41-50 years old
- >50 years old

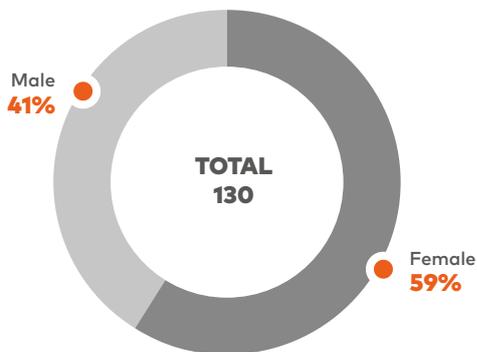
Promotions by gender

JSC Bank of Georgia



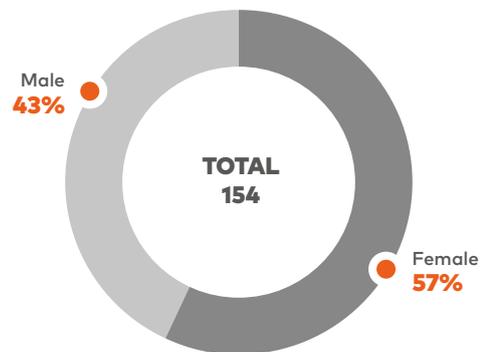
Employees promoted to managerial positions by gender

JSC Bank of Georgia



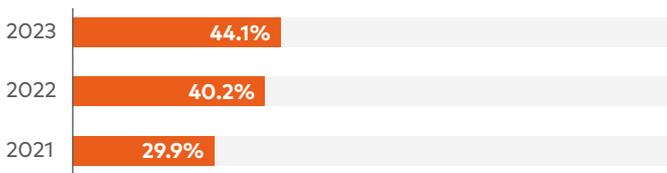
Employees promoted to managerial positions by gender

Group

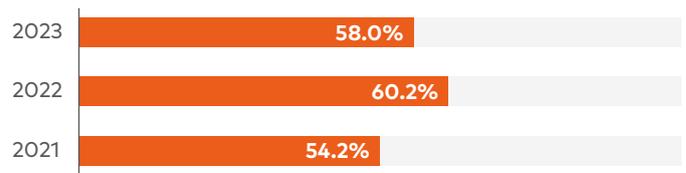


Figures given for JSC Bank of Georgia standalone

Internal mobility rate



Vacancies filled internally



Employee retention rate



Employee turnover rate



We closely monitor the turnover and retention indicators, validating the impact of various human capital and employee experience initiatives, and the respective trends confirm the positive dynamics: increase in retention and reduction in turnover versus 2022.

Leaderator: nurturing young talent for future success

Since 2017, Bank of Georgia's Leaderator internship programme has been a dynamic career accelerator for young talent. We recruit promising undergraduates and engage them in professional training, job rotations across departments, and hands-on experience in ongoing projects. Leaderator participants are mentored by Bank of Georgia's professionals.

Every year, we tailor the programme to organisational needs and add new tracks or update existing ones. We have seen a consistent increase in the representation of female participants in technology-related tracks over the past three years.



Total participants since launch

376

Hired after programme completion

79%

BOG Boot Camp: empowering young tech enthusiasts

In 2023, we expanded our offerings to young talent in the tech industry and launched the BOG Boot Camp in IT

software development. This nine-month programme welcomed 12 individuals, providing intensive training, mentorship

and hands-on experience in database development.

Summer Internship Programme: bridging academia and industry

In 2023, our dedication to offering practical experience to Georgian students studying abroad continued through the Summer Internship Programme. This

initiative connects us with talented individuals studying outside of Georgia. In 2023, we attracted 59 potential candidates (19 in 2022) and selected 12

summer interns (8 in 2022) from leading universities in different countries.

We regularly monitor the effectiveness of our programmes for young talents. As of 4Q23, Bank of Georgia was the top-of-mind employer among our target student segments in Georgia, according to a targeted survey by a third-party research company.

Developing talent

When we onboard employees, we shift the focus to their development. Talent development is an ongoing process that is critical no matter the tenure. We aspire to

have a learning culture where employees can access opportunities for lifelong learning and personal development.

Our learning and development ecosystem is divided into the following areas:

Professional programmes	Management programmes	Executive programmes
<ul style="list-style-type: none"> • Onboarding • Risks and compliance programme • Banking products and services • Software-related programmes • Communication skills programmes • High-potential Employee (HiPos) programme • Tailored training sessions and educational content provided 	<ul style="list-style-type: none"> • Management skills programme • Feedback skills programme • Leadership development: Executive coaching programme (individual and team coaching) • Financing masters' programmes and other professional certifications 	<ul style="list-style-type: none"> • Leadership development: Executive coaching programme (individual and team coaching, mentoring sessions) • Individual business coaching programme • Financing masters' programmes and other professional certifications

Some of the training programmes are required for employees in specific positions. For example, based on feedback from customer satisfaction surveys, one of our key objectives in 2023 was to improve the qualifications of our customer-facing employees. We introduced an annual mandatory knowledge testing for front-office positions. Testing results, together with performance results, serve as criteria

for career advancement and promotion. Testing results also provide insights into the topics that should be prioritised for upcoming training sessions.

A Risks and Compliance programme is also required for employees in front- and back-office positions. We aim to have a strong risk culture, ensuring our employees understand some of the principal risks our organisation faces and

their role in managing and mitigating those risks. The programme includes mandatory training for all new hires and mandatory periodic (usually annual) retraining for existing employees. Training is online and self-paced, to be completed within a set timeframe. The Bank's Risks and Compliance programme covers employees of the Bank as well as some of the Group's subsidiaries.

91%

of our employees completed Risks and Compliance programme (86% in 2022)

We strive to achieve 100% completion rate for required trainings. The completion rate of required trainings was on the agenda of the Joint Audit and Risk Committee during 2023 as the Board noted that the Bank needed to improve in this area. In December 2023, the HCM department presented a report to the Joint Audit and Risk Committee on this issue. The report noted that HCM was implementing several initiatives to increase the effectiveness of this training programme, including increasing monitoring and introducing measures to target employees who do not complete the courses, improving the user experience of the courses and content, and reviewing the courses to change the frequency of required retaking where necessary.

Besides required training, we have a comprehensive catalogue of self-paced courses focused on hard and soft skills. On top of this catalogue, Bank of Georgia runs different leadership and professional development programmes, some of which are described below.

Leadership training for new managers:

We support newly appointed managers by offering leadership training, individual coaching, and personalised training aligned with their personal and professional development needs. In 2023, we extended participation in this programme to **70 individuals – 73% of them were internally promoted talents and 66% were women.**

Individual coaching for managers:

Throughout 2023, 242 employees actively participated in individual coaching sessions. **62% were women.**

To enhance the coaching experience for senior leadership, we also partnered with a business coaching platform. Following a successful six-month pilot, we continued this collaborative effort, with plans to extend coaching opportunities to 32 senior leaders through 2023/24.

In 2023, we expanded the coaching initiative to encompass other targeted groups, including participants in the HiPos programme and Product Owners.

HiPos programme:

Building on the successful tracking of high-potential and high-performing individuals since 2021, Bank of Georgia introduced its second programme for HiPos in 2023. This one-year programme involved 22 senior-level individual contributors from 15 departments in the back office, focusing on comprehensive development activities to support personal and professional growth. **55% of the participants were women, with an average tenure of 3.2 years with the Bank. Importantly, following the 2021 programme, 83% of the participants experienced position changes, with 46% continuing their career in managerial or team leader positions at the Bank.**

In 2023, we also introduced the programme to front-line senior employees, and aim to select 17 individuals who will undergo mini-MBA certification from a top-tier university in Georgia.

Front2IT retraining programme:

With its second intake in 2023, the Front2IT retraining programme demonstrates our commitment to employee development and our adaptability to emerging trends in technology. From a pool of 78 applicants, we selected eight employees to transition to three distinct positions within IT operations. Front2IT is a paid reskilling programme encompassing intensive training and individual mentoring. Participants engage in real work processes, deepening their practical knowledge in addition to taking professional courses. Across the past two programme intakes, 183 employees applied and 18 participants were chosen for corresponding job openings in the IT department. **Notably, 72% of successful applicants were women, with an average age of 27 years. The average tenure of participants was 4.4 years with the Bank.**

The programme's emphasis on career growth has proven highly effective. Within just one year since launch, six out of nine employees who successfully completed the retraining programme were promoted.

Training data for 2023

Average hours per employee

36 hours

Per employee
28 hours in 2022

53 hours

Per new hire
43 hours in 2022

41 hours

Per female employee
32 hours in 2022

25 hours

Per male employee
21 hours in 2022

38 hours

Per senior manager
28 hours in 2022

23 hours

Per CEO and Deputy CEO
20 hours in 2022

Training data for 2023 (Group)

Average hours per employee

Total hours of training per employee	30
Total hours of training per new hire	42
Total hours of training per female employee	34
Total hours of training per male employee	21
Total hours of training per senior manager	35
Total hours of training per CEO and Deputy CEO	13

Feedback culture

In our ongoing efforts to foster a feedback culture, we have implemented an integrated performance management approach. This combines:

The KPI management system	The KPI management system, embedded in our human resources management software, includes managers as well as individual contributors. Within a unified framework, we ensure the system's effectiveness and transparency in goal setting and evaluation. This holistic approach not only facilitates the setting, tracking, and evaluation of annual KPIs and key business objectives (KBOs), but also enables the seamless translation of individual performance into the annual bonus scheme.
Our 360° development tool	Building on existing performance management, the addition of a 360° development tool in 2023 further strengthened our efforts to support employee development. This tool, aligned with the Bank's core values and business principles, includes a comprehensive feedback mechanism from managers and peers alike.

In 2023, we optimised our 360° evaluation system, eliminating manual steps in the evaluation process. This effort resulted in 98% of eligible employees receiving personalised feedback reports that they can use for professional development going forward.

Fair remuneration practices and competitive packages

The main principles of the Bank's Remuneration Policy are:

Competitiveness: Compensation paid by the Bank should be in line with market practices and competitive when compared with respective positions in other banks and on the Georgian labour market.

Flexibility and fairness: To ensure fair remuneration of employees in similar positions in line with their responsibilities, qualifications and skills. Our approach and remuneration practices are gender-neutral, and we are committed to eliminating any bias and discrimination. Flexibility means our practices are in line with the objectives of the Bank and can be adapted as business needs change and the competitive environment evolves locally and globally.

	2021	2022	2023
GEPG¹	5%	4%	2%
GPG²	45%	44%	43%

For our raw gender pay gap (GPG), the improvement is observed due to salary revisions in mass positions where the majority of employees are women. On the other hand, we still have positions with relatively higher salaries where men represent the majority, e.g. IT, Digital Banking and credit-related front-office

positions. Another reason for this raw pay gap is a higher proportion of women among new hires at entry level and in lower ranges on managerial levels. We are committed to ensuring equal opportunities and developing various talent development activities to support professional and career progression of employees in lower positions.

Our Job Architecture, named as Levelling, also ensures equal grades for equal work and contributes to 'equal remuneration of female and male employees for equal work performed'. Levelling was introduced

in 2021, and currently includes each position and incumbent employed by the Bank. In 2023, based on position levels' specifications, we updated employee promotion criteria. Currently, we are updating levelling factors, to make them more specific and more easily applicable to positions and/or incumbents' evaluation.

Our benefits for supporting employee wellbeing

Along with competitive remuneration, Bank of Georgia's employee value proposition includes benefits supporting work-life balance and family-friendly arrangements as well as opportunities for personal and professional development.



HEALTH

Corporate health insurance and night-shift employees' medical check-up.

Workplace ergonomics for pregnant women.



FINANCIAL

Special rates for banking services and financial aid for various life events including marriage, the birth of a child, or the illness of a family member.



WELLBEING

Back-to-work adaptation trainings for those returning to front-office positions after parental leave.

Time off in lieu (TOIL) and paid time offs (PTOs) for special needs in accordance with Georgian regulations: medical check-ups related to pregnancy, breastfeeding hour during the first year, monthly day-off for a legal representative/supporter of a person with a disability.

1. The gender equal pay gap (GEPG) is the difference between the compensation of male and female employees in the same position.
 2. Gender pay gap (GPG) measures the difference in the average earnings of male and female employees regardless of the nature of their work (mean pay – female versus male).



TIME-AWAY

Maternity leave, newborn adoption leave and parental leave with salary compensation in addition to state allowance.

Additional paid time-off: five sick-leave days and five days-off.

Educational vacation: short-term educational vacation opportunity to employees attending certain MBA programmes. The Bank also provides the possibility of co-financing the cost of academic or certification programmes at foreign universities for professional development in the relevant field (e.g. MBA and CFA programme).

Parental leave at Bank of Georgia

Employees on maternity/parental leave by gender

314 women
1 man

Return-to-work rate after maternity leave

89.5%

Retention rate of employees who returned to work after maternity/parental leave, staying for at least 12 months

83.9%

Providing positive employee experiences

We have a systematic approach for identifying employee needs and concerns, delivering solutions and interventions that help create more positive experiences at every step of the employee journey. Our Employee Experience Management (EXM) team is responsible for gathering regular feedback from employees and providing insights on issues and solutions:

Getting in touch with new hires to ensure smooth onboarding.

Collecting and analysing employee sentiment data through focus groups and individual interviews.

Analysing responses from regular surveys to identify pain points for further research and interviews.

In 2023, improving the employee onboarding experience was one of the main priorities of our EXM team. Previously, the onboarding experience was not structured uniformly across the Bank and employees were often dissatisfied with the ease and pace of onboarding.

We ensure all our employees can directly and openly communicate with senior leadership and the Supervisory Board of the Bank. We regularly engage with and listen to our employees through a number of channels:

Ongoing deep interviews with individual employees

Team reviews

Entry interviews

Exit interviews

Employee satisfaction surveys

CEO vlog on Workplace¹

Meetings with the Board²

Agile quarterly business reviews³

1. Regular live Q&A sessions led by the CEO to discuss strategy, performance and current developments. Five sessions were held in 2023.
2. Held since 2018, these meetings have promoted transparency and a feedback culture. Employees meet with the Chairman and the Senior Independent member as well as other members every year. Three meetings with the participation of 61 employees were held in 2023.
3. To promote idea sharing and ensure employees are aware of each other's work, we discuss new products and future plans with our agile teams and the Bank's Executive Management Team.

Voice of the employee

To measure the effectiveness of employee empowerment initiatives, we closely track employee engagement and corporate culture using internal and external surveys:

Employee Engagement survey Korn Ferry Engaged Performance™	eNPS

Core indices – 2023

Engagement (Korn Ferry)



2022: 70%

Enablement (Korn Ferry)



2022: 73%

eNPS (eop)

56

2022: 53 (eop)

I have trust and confidence in the Company's senior leadership



2022: 86%

My manager supports me in learning and development



2022: 73%

I believe the Company is socially responsible



2022: 92%

I would recommend our Company as a good place to work



2022: 78%

The Company values and promotes employee diversity



2022: 81%

I receive clear and regular feedback on how well I do my work



2022: 71%

New employees receive the training they need to do their jobs well



2022: 77%

The increases in eNPS (BOG internal survey) and Employee Enablement (Korn Ferry survey) are attributed to key initiatives that reflect our commitment to employee growth and wellbeing. The refinement of promotion criteria at the Bank level created transparent and personalised guidelines for every position, simplifying career paths and

I have opportunities to achieve my career goals at the Company



2022: 71%

empowering employees with a clear view of their professional trajectory. Our business areas actively cultivated a culture of mutual feedback, enhancing collaboration and engagement through improved interpersonal communication. Furthermore, the comprehensive annual review of employee pay demonstrates our dedication to recognising the intrinsic

value of each role and responding to market dynamics. These concerted efforts collectively foster a positive and motivating work environment, aligning with our corporate ethos of prioritising employee satisfaction and professional development.

Measuring culture

In 2023, we also performed Barrett's value study, which back in 2019 contributed to outlining organisational values and business principles of the Group. The aim of the study was to calibrate our current culture and its dynamics in new business environment following the pandemic and other recent global developments. The

research was performed by a UK-based international consulting company in cooperation with Barrett Value Centre. The results of the study confirmed our strong and healthy corporate culture. The positive dynamic since 2019 was reflected in increased scores, which are higher than current benchmarks compared

to industry peers. Deeper analysis of overall results is expected in 2024, and respective initiatives will be defined and implemented to maintain and further develop our culture of helping people achieve more of their potential.

Occupational health and safety

Providing a healthy and safe working environment remains a key priority and an integral part of our culture. We develop a number of preventative actions to safeguard the Bank every day.

The Bank's Health and Safety team, reporting to the Deputy COO, is responsible for developing and implementing health and safety practices across the Bank and covers:



**FIRE AND
EMERGENCY**



**MEDICAL
EMERGENCY**



**HEALTH AND
SAFETY ISSUES**



**HEALTH AND SAFETY
PRACTICES**

Occupational health and safety management system

The Bank's Occupational Health and Safety Management System (OHS), which covers all employees and third-parties in our workspaces, improves our ability to identify and remove hazards and decrease risk at the workplace.

The OHS system is based on the following policies and standards:

- Occupational Health and Safety Policy
- Occupational Safety and Health (OSH) Risk Assessment Standard
- Emergency Evacuation Standard
- Fire Safety Standard
- Occupational Accidents and Occupational Diseases Investigation/Reporting Standard
- Standard for Prevention and Mitigation of Viral Diseases at the Workplace
- Manual Handling Procedure
- Personal Protective Equipment Procedure

OHS Risk management

The OHS Risk Assessment Standard defines principles, rules, and responsibilities. We continuously monitor our work spaces to identify, assess, and mitigate potential risks. The data and results of the risk assessment are reviewed and updated periodically, in line with existing legal requirements.

Health and safety training and instructions

A mandatory online course on labour safety, and practical training events are held annually for all employees of the Bank. In 2023, we've updated the training and added a new module – 'Manual Lifting Recommendations'.

The online course includes modules on:



FIRE SAFETY



**EMERGENCY PREVENTION
AND RESPONSE**



**WORKPLACE
SAFETY**



In 2023, the occupational health and safety specialists completed the 'Managing Safety Course' and were awarded with certificates from the Institution of Occupational Safety and Health (IOSH).



The Bank regularly carries out fire and emergency drills and relevant practical training. In 2023, 120 fire drills were conducted.



Selected employees in major branches of the Bank are trained in First Aid.

Incident response:

We carry out different preventive measures, including:

- Securing service centers with armed security police personnel.
- Equipping service centers with state-of-the-art security systems.
- Equipping cash operating units with bulletproof glass and alarm buttons. Upon activation of these buttons, operational security police groups respond to the alarm promptly.

In 2023, there were no incidents.

EMPOWERING COMMUNITIES

Empowering communities



We are committed to being a significant contributor to the local communities where we operate, by not only creating innovative products and services, but also by driving positive impact through various community projects and initiatives beyond our core business. A significant focus

of our community outreach efforts is education as access to quality education is one of the main challenges that people name in various surveys. We believe that access to high-quality education opens doors to limitless opportunities, shaping brighter futures for individuals

and contributing to the prosperity of countries. By actively engaging in educational initiatives, we aim to make a meaningful difference in the lives of those around us.

Within our educational initiatives, we have identified three main objectives and you can read more about each in this chapter.

Promoting STEM education

Improving educational infrastructure

Increasing access to quality education

Promoting STEM education



Everest

In 2023, Bank of Georgia became the general sponsor of Everest – the mathematics Olympiad that has been famous among Georgian teachers and students for the past two decades. The competition, aimed at fostering passion for mathematics, welcomes participants from the second to sixth grades.



Code IT

In cooperation with GITA, school students in eight techno-parks in Georgia learned how to code and developed the skills of the future. The project followed a P2P model of learning, creating an environment where students could also hone their communication skills.



NASA Space Apps

Every year a 48-hour hackathon takes place in 300 cities worldwide, where teams come together to brainstorm and create innovative solutions to global challenges inspired by NASA's research. The hackathon in Georgia is organised by Startup Bureau, with Bank of Georgia as the main partner. The project's main objective is to spark curiosity, encourage creativity and help develop problem-solving skills. Participants get to apply their knowledge and skills to address global issues, bridging the gap between theory and application. The ideas of the winning projects are sent to an international competition.

20K+

Participants

15K+

From Georgia's regions

c.350

Participants

c.300

From Georgia's regions

c.100

Participants selected

2

Winners

Bank of Georgia X Komarovi School

We believe STEM education is the key to unlocking the potential of the next generation as scientists and innovators. By promoting STEM education, we

want to inspire and prepare young people in Georgia for the challenges and opportunities ahead. This is why in 2023 we deepened our partnership with

Komarovi School, one of the few top schools in Georgia focused on physics and mathematics, in the following projects:

STEM School

STEM School is an online, one-year comprehensive educational programme for students in the seventh to 10th grades across Georgia, designed to foster creativity and learning and encourage

ideas and discovery. Students have a unique opportunity to work with Komarovi teachers on different STEM projects and delve into the professions of the future.

Each year, we cover the programme fees for 60 students, providing them with essential equipment and devices required for the course.



Up to 400

Participants

68%

from Georgia's regions

c.100

BOG scholarship holders

100%

from Georgia's regions

STEM Olympiad

With the same goal of popularising technical disciplines and natural sciences in Georgia, STEM Olympiad is an innovative competition, not only giving seventh to 11th graders opportunities

to represent their schools, but also facilitating the practical application of the knowledge acquired in traditional subjects such as physics, mathematics, informatics and engineering.

The competition unfolds in different stages, offering a comprehensive evaluation of participants' skills and understanding. At the final stage, the ten top-performing teams compete to solve practical tasks.



c.1,100

Students registered

65%

from Georgia's regions

Improving educational infrastructure

Educational infrastructure – buildings, classrooms, laboratories and equipment – matter for learning. Spaces in schools where children spend most of their time are critical components of the overall educational experience – and, when designed with students in mind, they have the power to support learning and wellbeing.

We recognise the importance of a conducive learning environment, and are

committed to enhancing educational infrastructure. This includes supporting the development and improvement of schools and educational facilities, ensuring students have access to safe and supportive spaces for learning.

Since 2020, Bank of Georgia has been designing Ideathecas. These colourful, multifunctional libraries in Georgia's public schools provide access to books and technology to students living in

Georgia's regions, supporting teamwork and collaboration in bright, open spaces full of educational resources. In 2023 we also added a STEM corner to our Ideathecas, highlighting the importance of mathematics, science and technology, and encouraging a more hands-on approach to learning STEM.

Most of our Ideathecas are located in rural regions that have high poverty rates and/or are home to ethnic minorities.

8
Regions

22
Ideathecas
Since 2019

10,000+
Students reached



2020

Khurvaleti
Ditsi
Tbilisi
Poti

2021

Pankisi
Nikozi
Akhalkalaki
Ozurgeti
Ambrolauri

2022

Jvari town
Chokhatauri
Nabeglavi Village
Erisimedi
Lambalo
Udabno
Sabatlo

2023

Zugdidi
Shindisi
Mukhrani
Bolnisi
Daba Qeda
Akhaltsikhe



Increasing access to quality education

We aim to contribute to a more inclusive and empowered society by improving access to quality education. This includes initiatives to support underprivileged communities and create opportunities for those who may face educational challenges.

International scholarships

For more than a decade Bank of Georgia has been dedicated to empowering students to pursue a world-class educational experience abroad through

three distinguished programmes: the Fulbright Scholarship programme, the Chevening Scholarship programme and the Miami Ad School EU. These

international scholarships aim to assist young professionals in gaining access to high-quality education at master's or other post-graduate levels.



43

Sponsored students since 2013

Local scholarships

We believe in boundless potential of young individuals and recognise that the student phase of life holds immense significance, shaping one's future professional success. In line with our commitment to support and empower young people, in 2023 we launched two new scholarships for local experience – the Bank of Georgia Scholarship in Partner Universities and the Giorgi Chakhava Scholarship, both focusing on undergraduate students within the country.

Within the framework of the Bank of Georgia Scholarship, the Bank cooperates

with 15 Georgian universities, through which students have unique opportunities to join our partner universities and receive either full or partial funding for the entire year. Whether it is in business, science or the arts, this scholarship is designed to help students in any field they are passionate about.

The Giorgi Chakhava Scholarship supports students interested in architecture only. Named after the brilliant architect behind some of the most iconic buildings, including Bank of Georgia's headquarters, this scholarship

supports future architects who have the passion and leadership to make a real difference.

For both scholarships, students are selected based on their academic performance and leadership potential, however the final winners are individually selected by our partner universities.

We firmly believe that investing in the education of young minds today will shape a brighter and more promising future for all.



Bank of Georgia Scholarship

15
Partner
universities

5
Georgian
regions

Giorgi Chakhava Scholarship

4
Partner universities

Other activities to motivate students

Olympiads and competitions



Economics Olympiad

With the support of Bank of Georgia and in collaboration with non-governmental organisation GELi, the Economics Olympiad was organised and held for the first time in Georgia in 2023. Following the competition, five talented individuals were selected to participate in the finals of the International Economics Olympiad held in Slovakia.

c.1,300

Participants

from

291

Schools



Kings Olympiad

Kings Olympiad is the largest school Olympiad in Georgia in mathematics, English and Georgian languages. Bank of Georgia has been its sponsor since 2021 to increase the level of general education and motivation among students.

c.140K

Participants

Since 2021



Public Speaking Competition

For more than ten years and as part of a partnership between Bank of Georgia and the English Speaking Union (ESU), the Public Speaking Competition has promoted the English language and critical and logical thinking among young people in Georgia. The event stands as one of the largest international gatherings in Georgia dedicated to educational empowerment, effective communication and thoughtful analysis. More than 800 young people between the ages of 16 and 20 have taken part in the competition, and the selected student has gone on to the international Public Speaking Competition held in London.

120

Participants

In 2023



Harvard Business Case Competition

The Harvard Business Case Competition – one of Georgia's largest business faculty events – was held in 2023 as a partnership between TBSC Consulting and Bank of Georgia. This unique challenge provided students with hands-on experiences as decision-makers in managerial positions, enhancing their quick thinking, teamwork and analytical skills. Participants gained practical insights that have positively impacted their studies, employment and work processes.

400

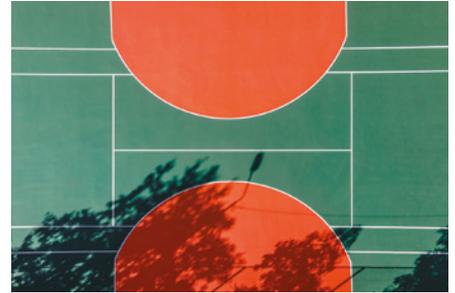
Participants

In 2023

Sports partnerships

Olympic Committee

Bank of Georgia has been a partner and the general sponsor of the Georgian National Olympic and Paralympic Committees since 2016. In 2023, Bank of Georgia helped open the Georgian Olympic Committee Museum. The Museum showcases the impressive achievements of Georgian Olympians, the history of the Olympic Committee, various Olympics and more.



Georgian Football Federation

Bank of Georgia teamed up with the Georgian Football Federation in 2022 for the following four years. Under this partnership, Georgia hosted the UEFA U21 Euro 2023 in Tbilisi, Kutaisi and Batumi in June 2023. In 2024, the Georgian National Football team qualified for Euro 2024 for the first time in history.

The Bank actively continues to support Georgian Football, a sport cherished by many Georgian citizens. This commitment not only fosters the growth of existing athletes but also sparks enthusiasm for a healthy lifestyle among future generations.

Georgian Basketball Federation

Since 2021 Bank of Georgia has been the partner of the Georgian Basketball Federation, with numerous projects executed during this period. In 2022 Tbilisi successfully hosted the group stage of Eurobasket, and we assisted in enhancing the brand of the Georgian Basketball Federation and the national team by introducing a new logo and visual identity.

2023 marked a historic moment for Georgian basketball, as the national team qualified for the FIBA World Cup for the first time in the history.

New street arena

We believe that sport-related infrastructure projects are essential for the development of Georgian sport, inspiring young people to take up sport and hone their skills. It is therefore crucial for young athletes to have access to suitable facilities. As a result, Bank of Georgia inaugurated a multifunctional, high-quality sports facility in Tbilisi in 2023, where amateur athletes can play football, basketball and tennis, and gain top-notch experience – all free of charge.

Culture

Sukhishvilebi

The Georgian National Ballet – Sukhishvilebi – has been a global household name for Georgian dance since 1945. In 2022, the Bank of Georgia and Sukhishvilebi established a two-year partnership. As a key component of this collaboration, we undertook a comprehensive renovation of their primary outdoor venue, 'Takara'. This venue served as the main location for the majority of their shows during the

summer of 2023. Almost every day during this period, a concert was held, drawing in more than 10,000 attendees.

The protection and promotion of cultural heritage rank among our priorities, and therefore, Bank of Georgia proudly serves as the general partner of Sukhishvilebi.



Tbilisi Book Festival

With the aim of bringing people together and making literature accessible, we organised Tbilisi Book Festival in 2023. Festival brought more than 16,000 visitors together in the centre of Tbilisi and across more than 60 bookstores. Visitors discovered new reads, enjoyed discounts and publishers gain visibility on their titles. Through exciting speakers and special offers, we aimed to make reading even more enjoyable while supporting

literature and encouraging cultural and educational activities throughout the country.



Other initiatives

Supporting Georgia's protected areas since 2010

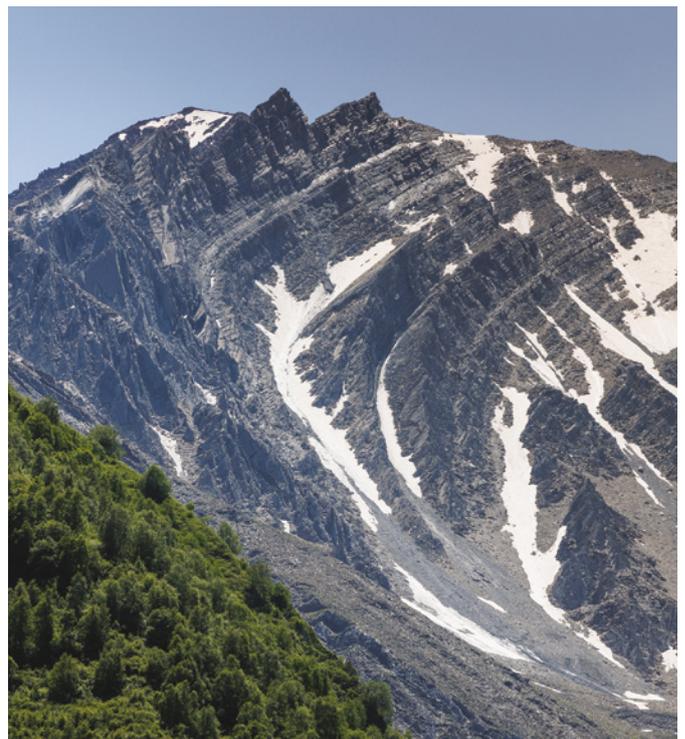
Bank of Georgia has continued its long-running partnership with the Caucasus Nature Fund and the Agency of Protected Areas, contributing up to US\$ 50,000 in 2023 to support the country's 12 protected areas: Borjomi-Kharagauli, Lagodekhi, Tusheti (Tusheti National Park and the protected landscape), Vashlovani, Mtirala, Javakheti, Kazbegi, Algeti,

Kintrishi, Machakhela, Batsara-Babaneuri and Pshav-Khevsureti.

Together with the Caucasus Nature Fund and the Agency of Protected Areas, we contribute to the protection of unique species, the preservation of ecological diversity, and the promotion of protected areas and tourism. The total protected

area is nearly 520,000 hectares and includes 11 administrative and visitor centres, employing around 350 people.

In 2023, we also continued educational campaigns to promote the unique biodiversity of these protected areas.



Non-financial and sustainability information statement

The statements below reflect our commitment to, and management of, employees, communities, the environment, human rights, anti-bribery and anti-corruption in the last 12 months

as required by sections 414CA and 414CB of the Companies Act 2006.

We are actively monitoring developments including in relation to ESG matters.

In 2023, our focus included the Global Reporting Initiative (GRI) standards and the Task Force on Climate-related Financial Disclosures (TCFD).

Our commitment	Further detail	Page reference in this report	Relevant policy or document available at bankofgeorgiagroup.com
Business model			
We continue to deliver relevant banking products and services in a seamless digital experience. We aim to be the main bank in customers' daily lives by leveraging the digital and payments ecosystems, anticipate customers' needs and wants and provide best-in-class customer care and service.	<ul style="list-style-type: none"> • Our purpose and strategy framework • JSC Bank of Georgia business model • Empowering individuals • Empowering businesses • Financial overview 	<ul style="list-style-type: none"> 18 20 25 – 39 40 – 49 172 – 183 	
Climate and environment			
We continue to make progress in understanding climate related risks and opportunities, and putting in place practices to identify, assess, monitor and manage climate related issues, focusing on the Bank's loan portfolio, as the main risks and impacts are associated with lending.	<ul style="list-style-type: none"> • Sustainable finance • TCFD report • Climate-related financial disclosures <ul style="list-style-type: none"> (a) The Group's governance around climate-related risks and opportunities (b) how climate-related risks are identified, assessed and managed (c) how processes for identifying, assessing and managing climate-related risks are integrated within the Group's overall risk management framework (d) impact of climate-related risks and opportunities on the Group's business, strategy and financial planning (e) Targets used by the Group to assess climate-related risks and opportunities • Our operational footprint 	<ul style="list-style-type: none"> 93 – 98 99 – 118 291 102 – 104 111 – 113 111 105 – 107 and 109 114 115 – 116 	<ul style="list-style-type: none"> • Environmental Policy

Our employees

We focus on empowering our employees by fostering a high-trust, diverse environment and a strong feedback culture, equipping employees with the skills and capabilities for the future. We are committed to providing our colleagues with a safe and healthy working environment and an organisational culture which promotes inclusivity, diversity, equal opportunities, personal development and mutual respect. We want people to enjoy coming to work and for the workplace to be free from discrimination, harassment and victimisation.

- | | | |
|----------------------------|-----------|--|
| • Key enablers | 19 | • Code of Ethics and Conduct |
| • S172 statement | 54 | • Human Rights Policy |
| • Empowering our employees | 120 – 132 | • Diversity and Inclusion Policy |
| | | • Anti-discrimination and Anti-harassment Policy |
| | | • Whistleblowing Policy |

Social matters

We are committed to being a significant contributor to the local communities where we operate, by not only creating innovative products and services, but also by driving positive impact through various community projects and initiatives beyond our core business.

- | | | |
|------------------------------|-----------|--|
| • Key enablers | 19 | • Environmental and Social Policy |
| • S172 statement | 54 – 57 | • Human Rights Policy |
| • Financial inclusion | 87 – 91 | • Diversity and Inclusion Policy |
| • Empowering our communities | 134 – 140 | • Anti-discrimination and Anti-harassment Policy |

Respect for human rights

We are committed to respecting human rights wherever we do business. We support the Universal Declaration of Human Rights and the ILO's Core Labour Standards. We believe that we are well-positioned to contribute to building communities where human rights are valued and respected.

- | | | |
|------------------------------|-----------|--|
| • Working with our suppliers | 81 – 82 | • Environmental and Social Policy |
| • Sustainable finance | 93 – 98 | • Human Rights Policy |
| • Empowering our employees | 120 – 132 | • Diversity and Inclusion Policy |
| • Financial inclusion | 87 – 91 | • Anti-discrimination and Anti-harassment Policy |

Anti-bribery and anti-corruption

We are committed to zero tolerance towards bribery and corruption. We have in place written policies, procedures and internal controls to comply with anti-bribery and anti-corruption laws.

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|------------------------------------|---------|---|
| • Anti-bribery and anti-corruption | 70 – 71 | • Code of Conduct and Ethics |
| | | • Anti-bribery and Anti-corruption Policy |
| | | • Whistleblowing Policy |

Risk management

- | | |
|-------------------------------------|-----------|
| • Risk management | 144 – 148 |
| • Principal risks and uncertainties | 150 – 169 |

Strategic and ESG KPIs

- | | |
|------------------------------|---------|
| • Key performance indicators | 23 – 24 |
|------------------------------|---------|
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RISK MANAGEMENT

Risk management

The effective management of risk is key for achieving the Group's strategic objectives. Material risks and uncertainties are key focus areas for Executive Management and the Board of Directors. The Board has ultimate

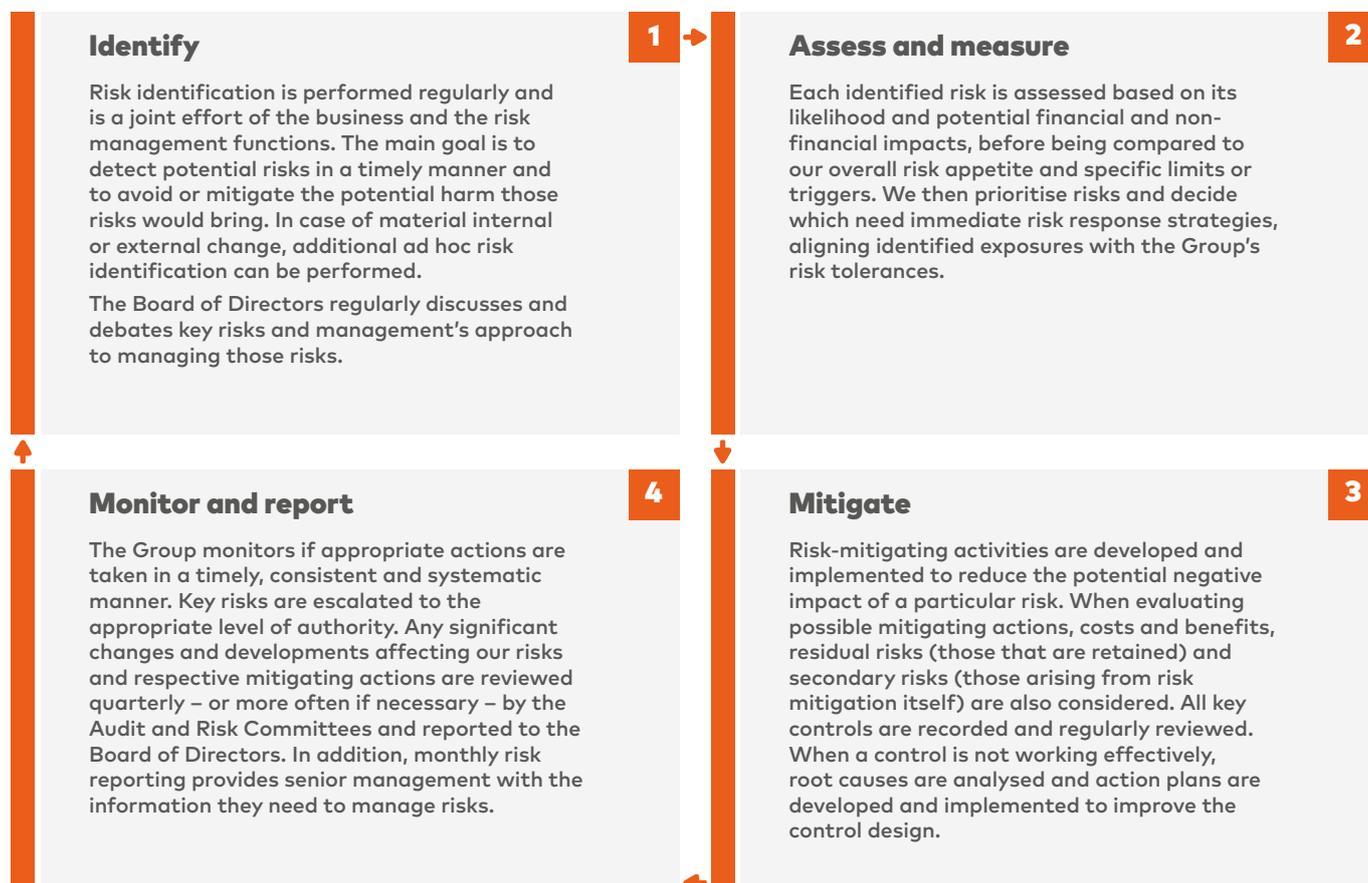
responsibility for risk governance and management. Our ERM framework embeds day-to-day accountability throughout the organisation to ensure we operate within acceptable risk tolerances, as set by the Board's risk appetite, with

our governance structure and three lines of defence providing a foundation for continuous oversight.

Key components of our ERM framework

Risk governance	Non-executive risk governance	The risk appetite limits are reviewed and approved annually by the Board of Directors. The Board sets the tone 'from the top' and is advised by the Risk Committee.
	Executive risk governance	Executive Management assesses the effectiveness of the implementation of the risk management and internal control policies and procedures.
Roles and responsibilities	'Three lines of defence' model	The Group's ERM framework is based on the industry-standard 'three lines of defence' model for risk management.
Processes and tools	Risk appetite	The Group has processes in place to identify, assess, measure, manage and report risks to ensure we remain within risk appetite.
	Active risk management: identification, measurement, mitigation and reporting	
Internal controls	Policies and procedures	The Group continuously develops the control environment in business processes, including through segregation of duties, preventive tools integrated in the systems, restrictions of user rights.
	Control activities	

Risk management process



Risk appetite framework

The risk appetite framework is a key component of the ERM framework and supports effective risk management by promoting sound risk-taking within agreed limits. The Group has established risk appetite limits for principal risks

to ensure it can meet its strategic objectives and medium-term targets even during challenging economic and operating environments. The risk appetite framework is reviewed and approved annually by the Board of Directors. A risk

appetite dashboard is presented monthly to Executive Management and quarterly to the Risk Committee which reports to the Board. This process ensures timely escalation of a breach and remediation action plan development.

Risk culture

Risk culture is at the heart of the Group's ERM framework and risk management practice. A strong culture, starting with the Board of Directors, supports the Group in ensuring ethical business operations and that performance, risk and reward are aligned.

Our risk culture aims to ensure that all employees: (i) understand the risks associated with their individual roles; (ii) consider risks and consult with the Risk function during the development of new products, procedures, policies and systems; (iii) align risk appetite and

decision making; (iv) identify, escalate and proactively manage risk matters in accordance with the ERM framework; and (v) report and communicate risks transparently.

To develop risk culture, we focus on giving employees the awareness and capabilities to manage risk. We provide a wide range of training programmes across the risk disciplines – some mandatory for all employees, others role-specific or part of individual development plans. Mandatory training programmes are accessible online and ensure we keep our customers,

employees and the whole organisation safe. Topics covered include operational risks, business continuity, information security and data protection, health and safety, corporate security, business ethics, and financial crime risks and sanctions risks. The system allows monitoring at all levels to ensure completion of mandatory training programmes. The completion rate of the risks and compliance training programme at the end of 2023 was 91%, an increase on 2022. Our goal is to achieve c.100% completion rate and we are focused on ensuring a strong risk awareness among our employees.

Our Code and Whistleblowing Policy

The Code of Conduct and Ethics and the Whistleblowing Policy are the primary documents governing culture and ethics. The Code of Conduct and Ethics clearly sets the expectation that all employees act legally, ethically and transparently in all their dealings.

The whistleblowing tool allows employees to report any concern, anonymously if they wish so. Responsibility for the Whistleblowing Policy resides with the Board who, together with the Audit and Risk Committees, receive reports on its operation quarterly.

Through our grievance mechanism, which is part of our Human Rights and Grievance Policy, employees can communicate legitimate concerns about illegal, unethical or questionable practices – confidentially, if necessary – without the risk of retaliation.

Internal controls

Our Board is responsible for reviewing and approving the Group's system of internal controls and its adequacy and effectiveness. Controls are reviewed to ensure effective management of the risks we face. Certain matters, such as the approval of major capital expenditures, significant acquisitions or disposals, and major contracts, are reserved exclusively for the Board. The full schedule of matters reserved for the Board can be found on our website at <https://bankofgeorgiagroup.com/governance/documents> For other matters the Board is often assisted by both the Audit and Risk Committees.

With respect to internal controls over financial reporting, including the Group's consolidation process, our financial procedures include a range of system, transactional and management oversight controls. The Group prepares detailed monthly management reports that include analyses of results, comparisons, relevant strategic plans, budgets, forecasts and prior results. These are presented to and reviewed by Executive Management.

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The external auditor and Internal Audit attend each Audit Committee meeting, and the Audit Committee meets them regularly both with and without the presence of Executive Management. Our Audit and Risk Committees monitor internal controls over operational and compliance risks. The Bank's CRO and CFO, Head of Internal Audit and other Executive Management Team members report to the Audit and Risk Committees on a quarterly basis.

Any key issues identified are escalated to the Board. The Board also receives regular reports directly from the head of each risk function, in which principal risks and internal control issues are addressed.

In line with the revised UK Code of Corporate Governance issued in January 2024, specifically Provision 29, the Bank

has established a dedicated working group led by a steering committee, under the CFO. The Internal Controls over Financial Reporting (ICFR) team has been entrusted with the responsibility of ensuring compliance with the requirements by 2026.

As part of our governance framework, the Board receives quarterly updates from the ICFR team on the progress of the project, focusing on our journey towards compliance with the code. These updates include comprehensive information on the project's advancements in identifying, assessing, and documenting key risks and controls.

Effectiveness review

Each year we review the effectiveness of our risk management processes and internal controls, with the assistance of the Audit and Risk Committees. This review covers all material systems, including financial, operational and compliance controls. The latest review covered the financial year ended 31 December 2023 and obtained assurance from Executive Management, Internal and External Audit.

The Board concludes with reasonable assurance that the appropriate internal controls and risk management systems were maintained and operated effectively during 2023, and that these systems continued to operate effectively up to the date of approval of this Annual Report. The review did not identify any significant weaknesses or failures in the systems.

We are satisfied that our risk management processes and internal control systems comply with the UK Corporate Governance Code 2018 and the Financial Reporting Council's (FRC) guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Committee reports

The Audit and Risk Committees play key roles in assessing the strength and effectiveness of the risk management and

internal control systems. Each Committee has described its work in its Committee Report, which can be found on pages 214

to 223 for the Audit Committee and 224 to 228 for the Risk Committee.

Viability statement

The Board has undertaken an assessment of the Group's prospects to meet its

liabilities by considering its current financial position and principal risks.

The Group's going concern and viability statements are on page 170.

Risk management structure



All roles below the CEO fall within one of the three lines, and all employees are responsible for understanding and managing risks within their individual roles and responsibilities.



Revenue-generating, customer-facing and support functions that are responsible for identifying, assessing, managing, monitoring and reporting risks of products, activities, processes and systems under their management.



Risk function (under the CRO) responsible for: developing policies, methods and procedures; developing and implementing the risk appetite framework, including setting the limits; supporting and challenging first-line risk management; and providing assurance on regulatory compliance and effectiveness of key controls.



Internal Audit responsible for: providing independent assurance; assessing the consistency and effectiveness of the Group's internal control systems; and reviewing the overall ERM framework to ensure alignment to regulatory expectations and industry standards.

Risk management bodies of Bank of Georgia

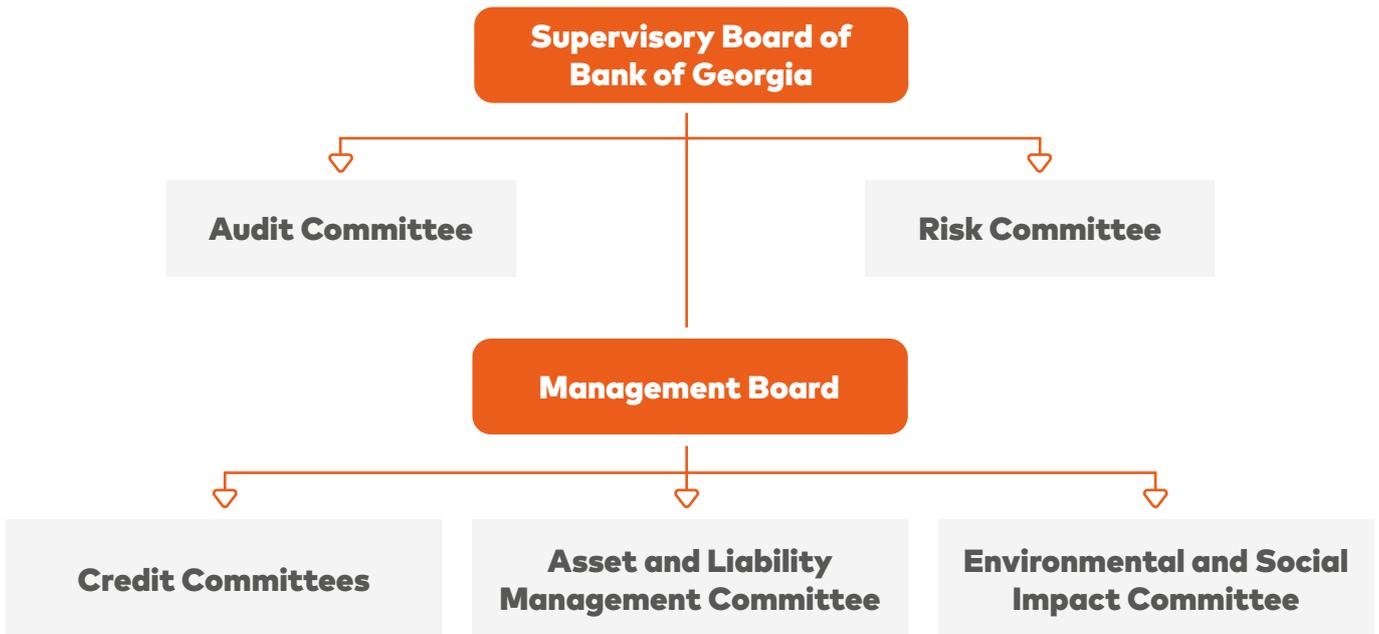
Bank of Georgia is the principal driver of the Group's revenue and operates in the financial services sector. The work undertaken by the Bank's risk management bodies feeds back directly to the Group. The main risk management bodies of the Bank are the Supervisory Board, Audit Committee, Risk Committee, Executive Management, Credit Committees, Asset and Liability Management Committee (ALCO), and ESI Committee. The Supervisory Board, Audit Committee and Risk Committee

mirror the Group Board, the Group Audit Committee and the Group Risk Committee.

Executive Management has overall responsibility for the Bank's asset, liability and risk management activities, policies and procedures.

The Group Internal Audit function is an internal, independent, objective assurance and consulting provider. As the third line of defence, it adds value and improves the Group's operations through the

assessment of the effectiveness and adequacy of Group-wide processes, controls, governance and risk management. The Chief Auditor reports to the Audit Committee at least quarterly on significant risk exposures and control issues if any are identified through audit engagements. Furthermore, the Chief Auditor meets with the Chair of the Audit Committee on a monthly basis to discuss resource allocation, performance results, and address any additional concerns.



The Bank has five Credit Committees, each responsible for managing the Bank's risk across loan portfolios in all business segments.

The Credit Committee comprises three tiers of subcommittees for retail loans; one tier for micro loans; three tiers for SME loans; three tiers for corporate loans; and one tier for corporate recovery.

Lower-tier subcommittees meet daily, while higher-tier subcommittees meet as needed – typically once or twice a week. Each subcommittee makes its decisions by a majority vote of its members.

Stress testing

Stress testing and scenario analysis are important risk management tools providing input for strategic decision making and planning as they enable to assess the impact of plausible but

We perform different types of stress tests:

- **Viability:** Scenario assumptions for all relevant macroeconomic and financial market variables are set, and potential impacts are assessed against the viability of the Group. This includes reverse stress-testing, where the Group identifies circumstances that may lead to business failure. This

The ALCO is the core asset liability management (ALM) and financial risk management body establishing policies and guidelines with respect to capital adequacy, market risks, funding and liquidity risk, interest rate and prepayment risks and respective limits, money market general terms, and credit exposure limits. The ALCO reviews scenario analyses and stress tests, regularly monitors compliance with pre-set risk limits and approves treasury deals.

severe stress scenarios relating to the Group's liquidity and capital positions. We regularly assess the vulnerabilities of our portfolios to adverse macroeconomic factors, financial market stresses and

type of test is performed at least annually and reported to the Board of Directors.

- **Risk-specific:** Depending on the tendencies of the market, specific portfolios are tested for various market-wide scenarios. The impact

Responsible for the development and implementation of the Bank's ESG strategy, including its climate risk and opportunity management strategy. The Committee manages the Bank's CE&S impacts, focusing primarily on those associated with its lending activities.

geo(political) developments. Portfolio sensitivities are fed into the impact assessment of profit and loss, liquidity and capital.

of various shocks is assessed against portfolio quality, profitability, liquidity and capital.

- **Idiosyncratic:** Conducted on an ad hoc basis, based on certain idiosyncratic factors that may arise in the business over time.

- **Regulatory:** Mandated by the NBG, which also provides the context and methodology for stress tests.

Stress test methodologies vary by type and objective. Depending on the

risk type, respective risk management units are responsible for performing the analysis. If unacceptably high risks are identified, risk units adopt measures to mitigate them and reflect those measures in their strategic plans.

The ERM department is responsible for results aggregation, analysis and reporting.

Key development in 2023

In 2023 we implemented several changes and initiatives to further strengthen our risk management:

We consolidated our Risk and Compliance functions under the CRO to enhance collaboration and efficiency among teams.

We continued to improve our capital and liquidity risk management by updating the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) to reflect changes in the financial landscape, regulatory requirements and the Bank's risk profile.

We improved our enterprise risk reporting processes, increasing focus on key risk indicators, promoting proactive risk management and ensuring a more comprehensive assessment of potential vulnerabilities.

We revised the Bank's Model Risk Management Policy with the help of a global management consultancy, McKinsey & Company.

We continued to strengthen climate risk management capabilities across the Bank. This involved broadening the scope of climate-related training, deepening our knowledge of climate change and climate policy in Georgia, and reassessing climate scenarios.

Principal and emerging risks

Each business line identifies key risks that are inherent to their activity and may significantly influence the Group's performance or prospects. The principal risks and uncertainties faced by the Group are identified through this bottom-up process. A description of these principal risks and uncertainties, including outlook, recent drivers and mitigation efforts, can be found on pages 150 to 169.

Information compiled from all our businesses is examined and processed to identify, assess and manage emerging risks. This information is presented and discussed with Executive Management and the head of each business division, as appropriate. We also consider wider macroeconomic risks and escalate these to the Supervisory Board or Board of Directors, as appropriate, in regular presentations.

The Group has identified climate risk as an emerging risk. We continue to assess climate-related risks, both transitional and physical, for our client base and determine potential impacts on the Group. We are describing and managing climate-related risks in line with recommendations from the TCFD, and more details on the Group's planned actions can be found on pages 100 to 118.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties

In this section we disclose the principal and emerging risks and uncertainties most likely to have an impact on our business model, strategic objectives, operations, future performance, solvency and liquidity. We also disclose the potential impacts as well as the drivers and outlook associated with these risks and the actions we take to mitigate them.

The order in which the principal risks and uncertainties appear does not denote

their priority. It is not possible to fully mitigate all our risks. Any system of risk management and internal control is designed to manage – rather than eliminate – the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group is exposed to risks wider than those listed. Additional risks and uncertainties, including those the Group

is currently not aware of or deems immaterial, may also result in decreased revenues, incurred expenses or other events that could in turn result in a decline in the value of the Group's securities. We disclose the risks we believe are likely to have the greatest impact on our business, and which have been discussed in depth at the Group's recent Board, Audit or Risk Committee meetings.

Macro and Geopolitical risks

Macro and geopolitical risks are the risks that would lead to the Group being unable to execute its strategy – and therefore result in a deterioration in its financial position – due to macroeconomic and geopolitical instability affecting the Georgian economy.

Key drivers and developments

The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. One of the Group's subsidiaries – JSC Belarusky Narodny Bank (BNB) – is located in Belarus, but it only accounted for 3.0% of the Group's total equity as at 31 December 2023.

Key sources of macro risk related to Georgia are changes in GDP, inflation, interest rates and exchange rates, and political events. These factors may have a material impact on our business by affecting the Group's financial performance and position.

The Georgian economy is expected to grow at 6.0% in 2024 according to Galt & Taggart, while IMF forecasts Georgia's real GDP growth at 5.7%. However, the growth outlook is accompanied by downside risks related to geopolitical instability and tightening of global financial conditions.

Inflation has decreased sharply in Georgia since the beginning of 2023. However, upside inflation risk remains elevated. In case of a sudden halt of external inflows and the Georgian Lari (GEL) depreciation, inflation may resurge and require a tight monetary policy response. Tensions in the Middle East following the Hamas attacks on Israel in 2023 have also contributed to upside inflation risks. If the situation in the Middle East escalates further, global commodity markets may be affected adversely with harsh inflationary impact on commodity importers such as Georgia. The unresolved war in Ukraine and related supply disruptions have exacerbated global commodity price pressures. As a response, the Western central banks continued to hike interest rates in 2023. Emerging markets and developing economies, including Georgia, are particularly vulnerable to tight global financial conditions as a considerable share of their debt is denominated in foreign currencies. Furthermore, such conditions may induce capital outflows and result in depreciation pressures on local currencies.

International sanctions on Russia have been evolving, increasing sanctions compliance risks for the financial sector. The 2023 Investment Climate Statements of the Department of State of the United States noted that the NBG and Georgian financial institutions act fully in compliance with the financial sanctions imposed on the Russian Federation¹. The NBG thoroughly monitors financial institutions' compliance with international financial sanctions during on-site inspections. As at 31 December 2023, the Bank did not have any exposure to the Russian banks impacted by the US, UK or EU sanctions.

The sanctions on Belarus have also been expanding. In November 2022, the Government of Canada sanctioned additional individuals and entities, including BNB. BNB did not have exposure to Canada, therefore neither its operations nor its financial position was significantly affected. The Group actively engaged with Global Affairs Canada to investigate the reasons. As of today, these are solely due to the fact BNB is located in Belarus, and the Group is actively seeking delisting of its subsidiary from the Canadian sanctions list, on the basis of no grounds existing for sanctioning it under the relevant regulations.

Overall, business and investment conditions are sound in Georgia, with low inflation, reduced public debt and ample foreign exchange buffers. However, the concerns regarding the integrity of the judicial appointment process and the capacity of the courts to deliver quality outcomes continue to affect investor confidence in the court system. This issue was also highlighted by the European Commission that granted Georgia EU candidate status on the understanding that the relevant steps set out in the Commission recommendation are taken. The outstanding conditions include Georgia pushing back against political polarisation, as well as ensuring a free and fair 2024 elections. If ongoing tensions escalate, market sentiment and the growth outlook may be negatively affected.

In 2024, the Group expanded into Armenia through the acquisition of a leading universal bank, Ameriabank. Despite a robust performance and prudent management of the Armenian economy, it remains exposed to geopolitical risks and structural challenges. The Armenian economy remains constrained by structural challenges including low productivity in manufacturing and agriculture, narrow export base and financial dollarisation. However, strong focus on the IT sector as well as ongoing reforms in the education system can help Armenia transform into a service-based and export-led economy. Similar to Georgia, the Armenian banking sector is distinguished by relatively high, albeit decreasing dollarisation, which amplifies external shocks and weakens the transmission of monetary policy. In Armenia, bank loan and deposit dollarisation stood at 35.6% and 50.5% at end-2023, respectively (vs. 36.3% and 55.1% at end-2022).

1. <https://www.state.gov/reports/2023-investment-climate-statements/georgia/>

Macro and Geopolitical risks continued

Mitigation

Governance: The Board of Directors receive a regular, quarterly update on global, regional, and local economic developments and risks from the Bank's economist. The Board is also regularly updated, sometimes by external consultants, on major political and geopolitical developments that affect the broader region. Economic analysis is also regularly presented to the ALCO, with a specific focus on interest rates, exchange rates, inflation and economic growth outlook.

Monitoring and reporting: The Group continuously monitors macroeconomic conditions and performs stress and scenario analyses to test its position under adverse economic and geopolitical conditions including adverse currency movements. We assess the sensitivities of certain portfolios to different macroeconomic factors and geopolitical scenarios, enabling us to take portfolio-related actions if necessary, including increasing monitoring and changing our credit risk appetite.

The Group actively monitors the situation around the Russia-Ukraine war and its repercussions for the region, especially Georgia and Belarus. The Group conducts stress testing analysis to ensure early risk indicators are identified and mitigation plans implemented in a timely manner.

Georgia's resilience to external shocks has been supported by a well-diversified economy, prudent monetary and fiscal policies, a business-friendly environment, and a healthy banking sector. The Belarus market is more vulnerable to the impact of the Russia-Ukraine war, and we continue to closely monitor the situation.

Mitigation: In accordance with the Georgian legislation, in 2023 loans up to GEL 200,000 were issued only in Lari. Effective from 1 January 2024, this threshold was increased to GEL 300,000, while borrowers with hedged currency risk were exempted from this regulation. The threshold was further increased to GEL 400,000 effective from 1 May 2024. Additionally, the NBG has determined a currency-induced credit risk (CICR) capital buffer that aims to reduce systemic risks caused by dollarisation. This buffer is created for risk positions denominated in a currency different from that used to cover those positions. For loans to individuals, the NBG's payment-to-income (PTI) and loan-to-value (LTV) requirements are more conservative for foreign currency loans to mitigate borrower-level credit risk: PTI requirements for foreign currency loans are 5 ppts higher for income below GEL 1,500 and 20 ppts higher for income above GEL 1,500; the LTV requirement for foreign currency mortgage loans is 15 ppts tighter.

At 31 December 2023, 22.7% of Bank of Georgia's Retail Banking (RB) gross loans, 43.5% of SME Banking gross loans, and 73.5% of CB gross loans were denominated in foreign currency. Meanwhile, 4.9% of Retail Banking gross loans, 1.7% of SME Banking and 37.7% of CB loans were issued in foreign currency, with minimal exposure to foreign currency risk.

In addition, the Bank's open currency position limits set by the Supervisory Board are currently more conservative than those imposed by the NBG. The open currency position on a day-to-day basis is managed by the Treasury and monitored by the Capital Adequacy and Financial Risk Management (CFRM) unit.

Despite the ongoing war and the sanctions directly or indirectly imposed on BNB, it has demonstrated resilience and continues to operate with solid liquidity and capital positions. At 31 December 2023, BNB's Tier 1 and Total capital adequacy ratios stood at 9.9% and 13.8% respectively, above the National Bank of the Republic of Belarus (NBRB)'s minimum requirements of 7.0% and 12.5% respectively. In line with the Group's zero-tolerance policies with respect to sanctions risk, BNB is operating in compliance with local and international sanctions laws, and we do not expect further sanction extensions.

Credit risk

Credit risk is the risk that the Group will incur a financial loss because its customers or counterparties fail to meet their contractual obligations. Credit risk arises mainly in the context of the Bank's lending activities.

Key drivers and developments

Expected credit loss (ECL) and, in turn, the Group's cost of credit risk, could increase if an idiosyncratic risk for any single large borrower materialises, or a sectorial or systemic event causes the default of a substantial group of borrowers.

The Group's cost of credit risk ratio was 0.7% in 2023 (0.8% in 2022). The ECL on loans and finance lease receivables posted during the year amounted to GEL 127.1, mainly driven by Retail Banking exposures. As at 31 December 2023 the Stage 3 ratio stood at 2.5%, versus 3.4% as at 31 December 2022.

Mitigation

Governance: The Bank has three independent Credit Risk Management departments: Retail Credit Risk direction; Corporate Credit Risk department; and MSME Credit Risk department. The Credit Risk Management departments oversee and challenge frontline credit risk management activities. Each department is supported by the following teams:

- Credit Risk Analysis team: responsible for analysing customers' creditworthiness based on financial information/credit ratings, sharing analyses with the risk owners and providing recommendations at underwriting or monitoring stages. It controls compliance with credit limits through regular reporting and systemic alerts, and ensures compliance with credit risk management procedures.
- Portfolio Risk Analysis team: responsible for analysing and monitoring the credit risk position of the Bank while establishing and maintaining the credit risk framework and policies. It assesses credit risk, reporting to management and business lines.

The Enterprise Risk Management (ERM) department oversees the Bank-wide credit risk assessment process, manages quality monitoring policies, continuously monitors the Bank's credit portfolio quality parameters using various tools and techniques, and manages risk budgeting, stress testing and scenario analysis. The ERM department provides regular reports to Executive Management and the Supervisory Board on the Bank's credit risk profile and the effectiveness of risk management strategies.

Credit risk continued

Mitigation continued

Risk appetite: The credit risk appetite consists of quantitative limits and is specifically designed to mitigate the occurrence of excessive credit risk and credit concentrations at various levels within the Bank's portfolio. The credit risk profile relative to risk appetite is monitored and reported monthly to Executive Management and quarterly to the Supervisory Board.

Credit risk identification and assessment: The process of identifying credit risks primarily relies on effective relationship management and the prudent oversight of customer and portfolio credit. The credit assessment process is distinct across segments and is further differentiated across various product types to reflect the specifics of different asset classes. The assessment process depends on transaction complexity: Corporate, SME and larger Retail loans are assessed individually; unsecured Retail loan decisions are largely automated. The performance of all models used in credit risk management is monitored in line with the Bank's model risk management framework. Please see Model Risk on pages 166 to 167 for more details.

To ensure a robust credit-granting process, the Bank has implemented several measures and frameworks:

- **Well-defined lending standards:** The Bank has established clear standards for granting credit, outlining the requirements and standards that borrowers must meet. These standards serve as a benchmark for evaluating the creditworthiness of customers, enabling the identification and assessment of potential risks associated with extending credit.
- **Segregation of duties:** The credit analysis and approval process involves a clear segregation of duties among the parties involved. In the case of Corporate, SME clients, the analytics team is involved in credit risk analysis, while for Retail loans only loan officers and credit risk officers are involved. Credit analysts and loan officers prepare presentations with key borrower information which are then reviewed by a business credit risk officer, ensuring all risks and mitigating factors are identified and addressed, and that loans are properly structured.
- **Multi-tiered loan approval committees:** The loan is reviewed and approved by multi-tiered credit committees, with different loan approval limits to consider a customer's overall risk profile. Different committees are responsible for reviewing credit applications and approving exposures based on the size and risk of a loan.

Loan portfolio quality monitoring and reporting: The Bank actively monitors the credit risk of its loan portfolio. Processes and controls are in place to ensure macro and micro developments are identified in a timely manner. Monitoring includes a full assessment against risk appetite limits, supported by a series of key risk and early warning indicators to identify areas of the portfolio with potentially increasing credit risk. The Bank's Chief Risk Officer and Credit Risk Management departments review the credit quality of the portfolio monthly.

Retail and SME loans are subject to periodic reviews, and the Bank monitors exposures to identify customers with signs of potential financial difficulty. For CB loans above US\$ 5 million, the Bank updates the financial information of borrowers and reviews significant non-financial changes quarterly. Exposures up to US\$ 5 million are monitored semi-annually, or as needed if signs of credit stress are detected.

The Bank strictly adheres to customer exposure limits set by the NBG for CB loans and limits set internally, monitors the level of concentration in the loan portfolio and the financial performance of its largest borrowers, and maintains a well-diversified loan book. The Bank's top ten borrowers accounted for 7.3% of the Group's gross loans to customers and finance lease receivables at 31 December 2023 (5.9% at 31 December 2022).

The Group provides updates monthly to Executive Management and quarterly to the Board of Directors on the Group's exposures and loan portfolio quality, and detailed information on the largest CB borrowers. In addition to these recurring updates, some point-in-time analyses are occasionally performed upon request of the Supervisory Board's Risk Committee to monitor exposures in specific sectors and/or single-name exposures.

Collateral valuation: Property and other security arrangements are used to mitigate credit risk across portfolios. The main forms of collateral in CB and SME Banking are liens over real estate, property, plant, equipment, inventory, transportation equipment, corporate guarantees, and deposits and securities. The most common form of collateral in Retail Banking for loans to individuals is a lien over residential property. At 31 December 2023, 83.2% of the Group's gross loans to customers were collateralised.

The Bank monitors the market value of collateral during reviews of the adequacy of the allowance for ECL. When evaluating collateral for provisioning purposes, the Bank discounts the market value of assets to reflect the liquidation value of collateral. An evaluation report of the proposed collateral is prepared by the Asset Evaluation department or a reputable third-party asset appraisal company and submitted to the appropriate Credit Committee alongside a loan application and a credit risk officer's report.

Restructuring and collections: The Bank provides solutions to help borrowers experiencing financial difficulties to meet contractual obligations. Cases are managed on an individual basis by the Collections teams, and the circumstances of each customer are considered separately. When a customer surpasses an agreed-upon limit or fails to make a regular monthly payment, the Bank contacts the customer and asks her to remedy the position. If the issue is not resolved, the Collections teams may initiate a loan restructuring process, modifying the contractual payment terms to support customers and transfer loans back to the performing category. For unsecured retail loans overdue for more than 30 days, restructuring alternatives are automatically offered through digital channels. Helping a customer return to financial health and restoring a normal banking relationship is always the preferred outcome – however, where a solvent outcome is not possible, insolvency may be considered as a last resort.

Mitigation continued

Recovery process is initiated when a borrower enters default on their lending facility and the Bank demands full repayment. The main aim is to negotiate a loan recovery strategy with the borrower by offering acceptable terms for cash payments, or to negotiate repayment through a collateral sale or repossession. If the Bank and the borrower cannot agree on acceptable terms, the collateral repossession process is initiated, which may include court, arbitration or notary procedures.

ECL measurement: The Bank uses the ECL model of IFRS 9 to determine loss allowances, acknowledging its forward-looking nature. The model follows a conventional approach that involves dividing the estimation of credit losses into its components: probability of default (PD), loss given default (LGD), and exposure at default (EAD).

Under IFRS requirements, allowance for credit losses is based on ECL associated with the probability of default in the next 12 months, unless there has been a significant increase in credit risk since loan origination – in such cases, allowance is based on ECL over the lifetime of an asset. Allowance for credit losses is based on forward-looking information, considering past events, current conditions and forecasts of economic parameters.

The Bank uses a three-stage model for ECL measurement:

- Stage 1: If, at the reporting date, exposure is not credit impaired and credit risk has not increased significantly since initial recognition. The Group recognises a credit loss allowance in an amount equal to a 12-month ECL.
- Stage 2: If, at the reporting date, exposure is not credit impaired but credit risk has increased significantly since initial recognition. The Group recognises a credit loss allowance in an amount equal to lifetime ECL.
- Stage 3: If, at the reporting date, exposure is credit impaired. The Group recognises a loss allowance in an amount equal to lifetime ECL, reflecting a PD of 100% for those financial instruments that are credit impaired.

The Bank determines ECL of financial assets on a collective basis, and for individually significant loans on an individual basis, when a financial asset or a group of financial assets is impaired. The Bank creates ECL provisions considering a borrower's financial condition, days past due, changes in credit risk since loan origination, forecasts of adverse changes in commercial, financial or economic conditions affecting the creditworthiness of the borrower, and other qualitative indicators such as external market or general economic conditions. If ECL subsequently decreases, the previously recognised loss is reversed by an adjusted ECL account. Under the Bank's internal credit loss allowance methodology, which is based on IFRS requirements, the Bank categorises its loan portfolio into individually significant and non-significant loans. The Credit Risk Management departments assess all defaulted significant loans individually. Non-defaulted significant loans are given a collective assessment rate. For the purpose of collective provisioning, all loans are categorised into homogenous groups (such as mortgage, consumer and micro loans).

Counterparty risk: By performing banking services – including lending on the inter-bank money market, settling a transaction on the inter-bank FX market, entering into inter-bank transactions related to trade finance or investing in securities – the Bank is exposed to the risk of loss due to the failure of a counterparty to meet its contractual obligations. To manage counterparty risk, the Bank defines limits on an individual basis for each counterparty based on an external credit rating and overall risk profile, as well as country limits to manage concentration risk. Counterparty credit risk exposures are monitored daily and any breaches are escalated in line with escalation policies to the Bank's Executive Management. As at 31 December 2023, 95.4% of the Bank's inter-bank exposure was to 'Investment Grade' banks (based on Fitch, Moody's and Standard and Poor's assessments).

Other products: The Bank also offers guarantees and letters of credit which may require that the Bank makes payments on customers' behalf. Such payments are collected from customers based on the terms of the product. The risks related to these products are managed and mitigated with the same policies and controls as loan-related risks.

Liquidity and funding risks

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.

Funding risk is the risk that the Group will not be able to access stable and diversified funding sources at an acceptable cost.

Key drivers and developments

The availability of funding in emerging markets is significantly influenced by the level of investor confidence. Any factors affecting this – including a downgrade in credit ratings, state interventions or debt restructurings in a relevant industry – could affect the price and/or availability of funding for the Group's companies operating in any of these markets.

The Group's current liquidity may be affected by unfavourable financial market conditions. If assets held by the Group to provide liquidity become illiquid or their value drops substantially, the Group may be required – or may choose – to rely on other sources of funding to finance its operations and future growth. However, only a limited amount of funding is available on the Georgian inter-bank market, and recourse to other funding sources may pose additional risks – including the possibility that other funding sources are more expensive and less flexible.

The Group is also exposed to the risk of unexpected, rapid withdrawal of large volumes of deposits by its customers and/or drawing on off-balance sheet commitments, adversely impacting the Group's business, financial position and performance. This may happen in the case of a severe economic downturn or a period of political, social or economic instability, a major deterioration in consumer confidence, or an erosion of trust in financial institutions. Furthermore, following the Russian invasion of Ukraine, there was a substantial rise in the foreign currency deposits of Russian residents in Georgia, which has created a concentration risk.

Mitigation

Governance: The governance of funding and liquidity risk management at the Group level is overseen by the ALCO, which approves the liquidity risk management framework and liquidity risk appetite, and ensures its implementation throughout the organisation. The Group's funding and liquidity risk governance follows a three-lines-of-defence structure to set a clear division of responsibilities as well as an independent risk control challenge process. The Treasury department and the Asset and Liability Management (ALM) unit are the first line of defence, responsible for managing the Group's liquidity and funding positions, maintaining access to funding markets, and managing the liquidity buffer. The CFRM unit serves as the second line of defence and is responsible for developing and maintaining policies, standards, and guidelines for funding and liquidity risk management, and developing the risk appetite. Furthermore, the CFRM is responsible for conducting risk profile reviews and communicating results to the ALCO.

Risk appetite: The Bank has developed a set of risk appetite statements outlining its risk tolerance and defining its risk appetite in alignment with the principles of liquidity adequacy. The liquidity risk appetite statements are translated into a range of metrics approved by the Bank's Supervisory Board and reviewed at least annually, enabling the identification of potential deviations from the desired risk profile and triggering proactive risk management actions if these boundaries are breached.

Funding and liquidity management: Liquidity risk is managed through the ALCO-approved liquidity risk management framework, which models the ability of the Group to meet its payment obligations under both normal and stress conditions. The framework is reviewed regularly to ensure its appropriateness given the Group's current and planned activities, and encompasses a set of limits on various liquidity indicators, closely monitored by the ALCO. Additionally, the Bank has developed a liquidity contingency plan defining risk indicators for different scenarios and mitigation actions to identify emerging liquidity concerns at an early stage.

The Group conducts a comprehensive assessment of funding risk associated with the balance sheet, encompassing both quantitative and qualitative analyses of the behavioural characteristics of its assets and liabilities, along with an examination of funding concentration. The concentration of funds by currency, maturity, commodity, and counterparty is monitored regularly and, where concentrations do exist, is managed as part of the planning process and limited by the internal funding and liquidity risk management framework, with analysis regularly provided to the ALCO.

Liquidity stress testing: The Bank's ILAAP includes liquidity stress-test/scenario analysis framework to assess the sufficiency of the Bank's liquidity buffers to withstand potential liquidity shocks. The framework includes idiosyncratic, systemic and combined scenarios to test the sensitivity of the Bank's liquidity position to each of them. Shocks are designed to include all key liquidity-related items and factors.

Monitoring and reporting: The Bank monitors a range of market and internal early warning indicators on a daily basis for early signs of liquidity risk in the market or specific to the Bank. Furthermore, the Bank delivers bi-weekly forecasts and monthly updates on liquidity risk to Executive Management. The liquidity risk is integrated into the risk profile dashboard, subject to review by the Risk Committee, and is also a topic of discussion during joint sessions of the Risk and Audit Committees. The reports included EY's view of the judgments made by management, compliance with international financial reporting standards and the external auditor's observations and assessment of the effectiveness of internal controls over financial reporting.

Liquidity and funding risks continued

Mitigation continued

Funding and liquidity developments: The Group maintains a diverse funding base comprising short-term sources of funding (including Retail Banking and CB customer deposits, inter-bank borrowings and borrowings from the NBG) and longer-term sources (including Retail Banking and CB term deposits, borrowings from international credit institutions and long-term debt securities). At 31 December 2023 42.2%, 48.0% and 9.8% of the Group's long-term funding sources were deposits, amounts owned to credit institutions, and debt securities respectively.

The Bank maintains a comfortable buffer on top of the liquidity coverage ratio (LCR) requirement of 100% mandated by the NBG. A strong LCR enhances the Group's short-term resilience. The Bank also holds a comfortable buffer on top of the net stable funding ratio (NSFR) requirement of 100%, providing a stable funding source over a longer time span. This approach is designed to ensure the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. Notably, the LCR and NSFR measures implemented by the NBG are already more conservative than the minimum levels required under the Basel III framework. At 31 December 2023 the Bank's IFRS-based LCR ratio stood at 125.2% (132.4% at 31 December 2022)¹ and its IFRS-based NSFR ratio was 130.4% (131.9% at 31 December 2022)¹.

Client deposits and notes are key sources of funding and the majority (61.4% as at 31 December 2023) of our deposits come from a stable retail customer base linked to our strong retail franchise. The Bank uses LCR as a liquidity risk management tool in accordance with the international standard, implying run-off rates based on deposit type and concentration to properly account for potential deposit run scenario. The LCR outflow rates imposed by the NBG are more stringent than those in international standards, corresponding to the severe stress. At 31 December 2023, 92.0% of the Group's client deposits and notes respectively had contractual maturities of one year or less (90.3% at 31 December 2022), of which 64.6% and were payable on demand (66.8% at 31 December 2022).

As of the same dates, the ratio of net loans to client deposits and notes was 98.6% and 92.3% respectively, and the ratio of net loans to client deposits and notes and DFIs was 89.3% and 83.8% respectively.

The Bank has strong support from the international financial institutions (IFIs) and private asset/fund managers. The Bank signed a number of new local and foreign currency long-term borrowings 2023 – approximately US\$ 115.1 million in total, part of which was drawn down during 2023. At 31 December 2023 the Bank had EUR 50 million undrawn long-term facilities from DFIs with maturity of up to 7 years, as well as a strong pipeline to secure resources needed for the next 12 months.

Capital risk

Capital risk is the risk of failure to deliver on business objectives, or to meet regulatory requirements or market expectations, due to insufficient capital.

Key drivers and developments

Bank of Georgia is subject to the NBG's capital adequacy regulation, based on Basel III guidelines with regulatory discretion applied by the NBG. Current capital requirements include Pillar 1 requirements, combined buffer (systemic, countercyclical and conservation buffers) and Pillar 2 buffers (concentration, General Risk Assessment Programme (GRAPE), CICR, and stress-test buffers). In January 2023, the NBG transitioned to IFRS-based accounting and introduced a new Pillar 2 buffer, Credit Risk Adjustment (CRA), to account for the difference between the NBG- and IFRS-based provision levels (higher in the former case). Fully loaded capital adequacy requirements were introduced in March 2023. In the same month, the FSC at the NBG set the cycle-neutral countercyclical capital buffer (base rate) at 1%. Banks are required to accumulate neutral countercyclical capital buffer according to the following schedule: 0.25% by March 15, 2024; 0.5% by March 15, 2025; 0.75% by March 15, 2026; 1% by March 15, 2027.

The Bank maintains capital adequacy ratios, well above the minimum regulatory requirements.

Ratios	31 December 2023	Buffer above min requirement	Minimum Requirement
Common Equity Tier 1	18.2%	3.7%	14.5%
Tier 1	20.0%	3.3%	16.7%
Total capital adequacy	22.1%	2.5%	19.6%

Mitigation

Governance: The ALM unit executes daily capital risk management decision making, while the CFRM establishes the capital risk management framework and challenges its effective implementation. The Bank's capital position and capital planning is continuously monitored by the Supervisory Board to ensure prudent management and timely actions when necessary.

1. In January 2023 the NBG transitioned to IFRS-based accounting. The methodology of calculation of LCR and NSFR ratios was changed. Ratios given for 31 December 2022 are not IFRS-based.

Capital risk continued

Mitigation continued

Risk appetite: The Bank has capital risk appetite presented as different types of Bank-level limits and approved by the ALCO and the Supervisory Board. In the process of limit setting the following aspects are considered:

- expectations regarding regulatory requirements for capital adequacy;
- existing capital levels and medium-term strategic plans that might potentially impact capital adequacy;
- capital distribution policy;
- Internal Capital Adequacy Assessment Process (ICAAP) results;
- enterprise-wide risk appetite and business strategy; and
- recovery plan.

The risk profile relative to risk appetite is monitored and reported monthly to the Bank's Executive Management (ALCO) and quarterly to the Supervisory Board.

Capital management: The Bank maintains an actively managed, robust capital base to cover the risks inherent to its business. Capital risk management is underpinned by a capital management policy outlining key principles of capital management, monitoring and control, defining roles and responsibilities of the three lines of defence, and defining capital mitigation plans in line with the risk appetite framework.

The Bank's ICAAP is approved by the Supervisory Board. Its main aim is to ensure the Bank maintains sufficient capital levels to cover material risks to capital from both a normative (supervisory) and economic (internal) perspective. The Bank conducts an internal assessment of material risks annually to evaluate the amount, type, and distribution of capital necessary to cover these risks.

The Bank actively monitors early-warning indicators as part of the regulatory recovery plan, designed to identify emerging capital concerns at an early stage so mitigating actions can be taken in a timely manner. The Bank sets internal capital management buffers above regulatory requirements, both at ALCO and Supervisory Board levels.

Capital stress testing: Capital stress testing plays a vital role in the Bank's risk management processes by allowing the examination of severe but plausible stress scenarios and their impact on the capital position. The results of capital stress test analyses are used to inform various aspects of the Bank's risk management and capital planning processes. Specifically, these outcomes are considered in the following areas:

- Capital planning: The findings from stress testing help determine the appropriate level of capital that needs to be maintained to withstand adverse events and meet regulatory requirements.
- Risk appetite statements: By incorporating the results of stress tests, the risk appetite statements ensure the Bank sets appropriate boundaries and limits for managing capital-related risks.
- Capital management buffer: Capital stress test analyses assist in defining the capital management buffer.

Planning and forecasting: The Bank updates capital forecasts twice a month, based on updated business expectations, portfolio quality forecasts, market conditions, the latest trends and anticipated changes in the Bank's medium-term strategy. The Group's capital distribution plans are discussed with and approved by the ALCO and are continuously monitored and approved by the Board of Directors. The ALM unit is responsible for initiating and coordinating capital distribution plans and operations on capital elements, such as attraction of capital instruments. It prepares various scenarios, assesses impact on planned capital and presents to the ALCO/Board of Directors.

Market risk

Market risk is the risk of financial loss due to fluctuations in fair value or future cash flows of financial instruments due to changes in market variables.

It arises from mismatches of maturity, currency or interest rates between assets and liabilities, all of which are exposed to market fluctuations.

Key drivers and developments

The volatility of GEL may adversely affect the Bank's financial position. The Bank's currency risk is calculated as an aggregate of open positions and limited by the NBG to 20% of regulatory capital.

The Bank has exposure to interest rate risk due to lending at fixed and floating interest rates in amounts and for periods that differ from those of term borrowings. Interest margins on assets and liabilities having different maturities may increase or decrease as a result of changes in market interest rates.

Mitigation

Governance: The governance of market risk management at the Bank is overseen by the ALCO and the Supervisory Board, which approves the Bank-level market risk appetite and ensures its implementation throughout the organisation. The Bank's market risk governance follows a three-lines-of-defence structure to set a clear division of responsibilities and an independent risk control process. The responsibility for identifying, measuring, monitoring and controlling market risk lies with the Bank's respective business units. The CFRM unit serves as the second line of defence and is responsible for developing and maintaining policies, standards and guidelines for market risk management, and setting the risk appetite. Furthermore, the CFRM is responsible for conducting risk profile reviews and communicating results to the ALCO.

Risk appetite: The Bank has currency exchange and interest rate risk appetite presented as different types of limits approved by the ALCO and the Supervisory Board. In the process of limit setting, the following aspects are considered:

- exchange rate volatility dynamics;
- availability of currency instruments on the market;
- existing and expected levels of capital;
- historical volatility of interest rates;
- current interest rate risk profile and medium-term strategic plans that may affect the risk profile; and
- business strategy and enterprise-wide risk appetite.

The risk profile relative to risk appetite is monitored and reported monthly to the Bank's Executive Management and quarterly to the Supervisory Board.

Market risk management: The general principles of the Bank's market risk management policy are set by the ALCO. The ALCO sets limits on market risk exposures by currencies and closely monitors compliance with the Bank's risk appetite framework. Exposures and risk metrics are regularly tested for various plausible scenarios.

The Bank's currency risk is calculated as an aggregate of open positions and is controlled by daily monitoring of open currency positions and the value-at-risk (VAR) historical simulation method based on 400-business-day statistical data. In addition, open positions in all currencies except for Lari are limited to a maximum of 1% of the Bank's total regulatory capital as defined by the NBS. The open currency position is also limited by the ALCO to an annual VAR limit of GEL 50 million with a 98.0% tolerance threshold.

To minimise interest rate risk, the Bank monitors its interest rate (re-pricing) gap and maintains an interest rate margin (net interest income (NII) before impairment of interest-earning assets divided by average interest-earning assets) sufficient to cover operational expenses and risk premium.

Within limits approved by the Bank's Supervisory Board, the ALCO approves ranges of interest rates for different maturities at which the Bank may place assets and attract liabilities. As per a regulatory requirement, the Bank assesses the impact of interest rate shock scenarios on economic value of equity (EVE) and NII. The Bank's EVE sensitivity with respect to Tier 1 capital remains comfortably below the maximum regulatory limit. At 31 December 2023, the Bank's EVE ratio stood at 7.6%, below the maximum limit of 15.0%. EVE and NII sensitivities are further limited by the Supervisory Board risk appetite. In addition, the ALCO sets limits on EVE and NII ratios by currency with respect to CET1 capital and monitors those monthly. NIM sensitivity is also analysed by currency and is limited by the Supervisory Board and ALCO levels. The Bank's interest rate risk measurement practices were reviewed by an independent consultant as part of the NBS initiated assessment of the banking sector and were rated as in line with international standards.

In the wake of upward trends in market interest rates, the Bank actively performs various stress tests and scenario analyses to assess the potential impacts of interest rate shocks on portfolio quality and profitability.

The Bank reviews prior history of early repayments by calculating the weighted average effective rate of early repayments across each credit product individually, applying the historical rates to the outstanding carrying amount of each loan product as of the reporting date, and then multiplying the product by its weighted average effective annual interest rate. This allows the Bank to calculate the expected amount of unforeseen losses in the case of early repayments.

Regulatory and legal risk

Regulatory and legal risk is the risk of financial loss, regulatory censure, criminal or civil enforcement action or damage to the Group's reputation as a result of failure to identify, assess, correctly interpret, comply with or manage regulatory and/or legal requirements.

Key drivers and developments

The Group is increasingly subject to legal and regulatory requirements, and the competitive landscape in which we operate may change as a result – the extent and impact of which may not be fully predicted.

Since the Group is listed on the London Stock Exchange's Main Market for listed securities, it is subject to the UK Financial Conduct Authority's regulations and listing rules. The Group's core entity, JSC Bank of Georgia, is also subject to the laws of Georgia and regulatory oversight of the NBG. Furthermore, Group companies are subject to relevant laws and regulations in Georgia, and the banking subsidiary in Belarus, BNB, is subject to the laws of Belarus and regulatory oversight of the NBRB.

Mitigation

Governance: The Compliance department serves as a second line of defence and reports directly to the CRO. It is responsible for establishing the compliance policy, methodologies and minimum standards for the entire Group, and plays a critical role in instructing, advising, and challenging the first line of defence in managing compliance risks. It coordinates identification, assessment, documentation, reporting and mitigation of compliance risks associated with the Bank's processes and products. The department is focused on promoting a strong compliance risk culture through trainings and internal communication.

The Legal department reports directly to the Chief Legal Officer. Its principal aim is to ensure the Group's activities conform to applicable legislation and that possible losses from the materialisation of legal risks are minimised. The Legal department is responsible for the application and development of mechanisms for identifying legal risks in the Group's activities in a timely manner, planning and implementing all necessary actions to mitigate identified legal risks.

Compliance risk management framework: The Group maintains compliance policies and procedures enabling the integration of compliance risk management principles across operations in line with relevant regulations. These policies set the principles and standards for managing compliance risk across the Group and define key roles and responsibilities of an independent compliance function. Our compliance risk management framework and policies are subject to review by the Internal Audit function. Adherence to the policies is mandatory for all employees and, to increase awareness, the Bank runs a mandatory compliance training programme. Training is easily accessed online and assigned to each person according to their role. The compliance programme is integrated with our HR management system and each manager has daily access to their team's compliance training status. Reminders are sent regularly to employees who do not complete training in a timely manner. Additionally, relevant process owners receive quarterly Bank-wide reports and, when needed, escalate issues accordingly.

Monitoring and reporting: The Group places significant importance on measuring and managing compliance and legal risk. This is achieved through ongoing assessment and reporting to the Audit and Risk Committees and the Board, enabling consistent monitoring and measurement of adherence to laws and regulations. Furthermore, compliance and legal risk management are integrated into the Group's strategic planning cycle, ensuring a comprehensive approach to managing these risks across the organisation.

Regulatory change management: In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes during our formal risk identification and assessment processes. Our legislative and regulatory change management system is designed such that changes in laws and regulations are proactively identified by the Legal and Compliance departments. In addition, we maintain a standardised process to design and implement appropriate changes by generating workflows, assignments, tasks, and automated follow-ups.

As part of the regulatory change management process we engage in constructive dialogue with legislative and regulatory bodies where possible, and seek external advice on potential changes in legislation. We have a formal link and a coordinated communication process with the NBG. Significant regulatory and legal changes as well as material regulatory inspections are regularly discussed with the Group's Joint Audit and Risk Committee.

Related party transactions monitoring: The Group ensures related party transactions are identified, assessed and monitored in line with the requirements of the NBG. The Board receives reports on transactions annually, while results are communicated to the CRO on a monthly basis.

Conduct risk

Conduct risk is the risk that the conduct of the Group and its employees towards customers will lead to poor or unfair customer outcomes or adversely affect market integrity, damaging the Group's reputation and competitive position.

Key drivers and developments

Conduct risks can impact our customers directly or indirectly and could arise from a number of areas:

- insufficient business and strategic planning that does not consider customer needs;
- ineffective development, management and monitoring of products, their distribution (including the sales process, fair value assessment) and post-sales service, including the management of customers in financial difficulties;
- unclear, unfair or untimely customer communications; and
- ineffective management and resolution of customers' complaints or claims.

Mitigation

Governance: The Bank assigns various departments and divisions the responsibility for managing, mitigating and eliminating conduct risk throughout the Bank's interactions with clients and stakeholders. Collaboration between the Compliance, Human Capital Management, and Legal functions is essential in establishing a cohesive conduct risk management framework. These departments work together to support business lines and other departments in the following ways:

- Developing policies and procedures that promote responsible conduct and compliance with applicable laws and regulations.
- Fostering a strong culture of ethics and integrity within the organisation by conducting employee training and promoting a values-based culture that prioritises responsible behaviour towards clients and stakeholders.
- Establishing controls and processes to monitor and manage conduct-related risks, ensuring adequate measures are in place to prevent misconduct and enhance operational resilience.

Treating customers fairly: Our Code of Conduct and Ethics and the Customer Protection Standard cover all stages of the product and services lifecycle. They include requirements related to transparent product offerings and clear and accurate communications to enable customers to make informed decisions. The Customer Rights Protection unit serves as a second line of defence ensuring the Bank's processes are compliant with applicable laws and regulations and in line with internal policies and procedures.

We disclose all features and terms and conditions for our products and services so our customers can make informed decisions. The Legal function serves as a second line of defence and reviews the Bank's marketing communications as well as the compliance of products and services from a legal and regulatory perspective.

Customer claims management: We have a Customer Claims Management procedure to effectively handle customer complaints and concerns. The Customer Claims Management and Support Centre function reviews and manages all incoming claims. Claims related to the Code of Conduct and Ethics violations are reviewed by the Compliance Committee to ensure they are properly handled and remediation plans are in place. Furthermore, the Compliance department reviews all customer complaints. Recurring claims potentially indicating a systemic issue and reports received through the whistleblowing platform are investigated and reported quarterly to the Joint Audit and Risk Committee.

Financial crime risk

Financial crime risk is the risk of knowingly or unknowingly facilitating illegal activity, including money laundering, fraud, bribery and corruption, tax evasion, sanctions evasion, the financing of terrorism and proliferation, through the Group.

Key drivers and developments

Financial crime risks continue to evolve globally and the Group faces stringent regulatory and supervisory requirements to manage these risks. Failure to comply may lead to enforcement action by the regulator, leading to financial loss and/or damage to the Group's reputation.

The main sources of financial crime risk are:

- an inherent risk related to providing products and services to customers that may expose the Group to financial crime;
- inadequate controls to detect risk and/or reduce the residual impact and likelihood of financial crime risk; and
- business activities with an unacceptable level of risk exposure that may not be adequately managed.

Globally, increased volume and speed of transactions together with increasing digital transformation in financial services are fuelling the following trends in financial crime risk management:

- As transactions are being executed more quickly, the Group needs to use more advanced detection techniques and data to mitigate risks.
- The number of identity frauds, account takeovers and fabricated customer accounts is expected to rise globally. The Group will need to combine the breadth of available information with more advanced data analytics and machine learning capabilities to mitigate the risk.
- Diagnosis products (new and non-traditional) for money laundering. Criminals are more likely to shift their attention to non-traditional products, including trade finance, securities and transaction laundering, and crypto-currencies – and the Group will need to implement more advanced technological solutions and comprehensive policies to prevent and detect money laundering.

Financial crime risk continued

Key drivers and developments continued

- The financial crime risks related to the use of innovative fintech are not yet fully understood, while the changing sanctions and regulatory landscape presents execution challenges.
- Recent events around the Russia-Ukraine war have raised sanctions compliance risks.

Mitigation

Governance: Financial crime risk governance follows a three-lines-of-defence structure to set a clear division of responsibilities and an independent risk control challenge process. The responsibility for identifying, measuring, monitoring, and controlling financial crime risk lies with the respective business units within the Group that may be exposed to the risk of financial crime, sanctions evasion, money laundering and financing of terrorism in the course of their business activities. The AML and Sanction Compliance department, under the CRO, serves as the second line of defence and is responsible for developing and maintaining policies, standards, guidelines and internal compliance systems – monitoring the risks of sanctions evasion, money laundering and financing of terrorism within the Group and overseeing the processes of risk identification, assessment, and management. Additionally, an AML/Sanction Compliance Committee has been created for continuous control and oversight of money laundering, terrorism financing and sanction evasion risks.

The Tax Reporting and Tax Risks Management unit, under the CFO, focuses on effective assessment and management of tax risks and the Bank's relationship with the tax authorities, provides practical advice and ensures tax compliance across the Group.

Monitoring and reporting: The Group's financial crime risk management programme aims to ensure all business units, support functions and subsidiaries consider the impact of their activities on the risk profile and take effective measures to ensure alignment with the Group's risk-taking approach for financial crime. We aim to prevent harm to customers and the economy caused by criminals and terrorists, and actively monitor our exposure to financial crime risks, reporting all issues in a timely and proactive manner.

Continuous risk management and regular reporting to the Risk Committee and the Board facilitate the recognition and communication of potential financial crime risks. The review and assessment of both quantitative and qualitative dashboards are conducted to gauge whether the level of financial crime risk is managed effectively. Financial crime risks are on the regular agenda of the Risk and Audit Committees joint sessions.

Anti-money laundering: We have an AML/counter-terrorist financing (CTF) framework that reflects a risk-based approach towards money laundering/financial terrorism (ML/FT) risks. The framework complies with local legislation, international standards (Financial Action Task Force recommendations) and international financial sanctions programmes.

To strengthen our ability to detect and prevent financial crime, we continue to enhance our ML/FT risk management function. We have updated policies and procedures to make our ML/FT risk management activities more robust, and we have invested significant resources to improve our ML/FT risk management capabilities – including implementing best practice screening and filtering tools supported by advanced analytics and transaction monitoring solutions, as well as reinforcing the staff dedicated to the AML function.

Bribery and corruption: Bribery and corruption risks are integral components of our financial crime framework and are encompassed within the client and third-party due diligence processes as well as the monitoring measures. We are committed to preventing bribery and corruption by implementing appropriate policies, processes and effective controls. We expect all our employees to adhere to our Code of Conduct and Ethics. The Group has zero tolerance towards non-compliance with anti-bribery and anti-corruption policies and procedures.

All employees receive annual mandatory training on anti-bribery and anti-corruption policies and procedures, including information on how to use the Bank's anonymous whistleblowing channel

Sanctions compliance: The Group has a robust sanctions compliance policy. It requires strict adherence to the relevant prohibitions and restrictions provided in the US, UK, EU and other relevant sanctions programmes. Russia and Belarus were designated by the Group as high-risk jurisdictions, meaning the Group has limited risk appetite in relation to customers from and transactions related to these countries. In particular customers from Russia and Belarus are subject to enhanced due diligence measures, while transactions related to these jurisdictions are subjected to enhanced sanctions screening and transaction monitoring. We have also enhanced our cooperation with the regulator and other relevant government authorities and partner financial institutions in Georgia to monitor and mitigate sanctions-related risks at both sector and country levels.

Due diligence: The Group continues to improve customer due diligence practices and transaction monitoring capabilities, including monitoring supported by risk-based scenarios, handling alerts and reporting suspicious activities where required. Our Know Your Customer (KYC) procedures for customer screening and transaction monitoring ensure compliance with international financial and economic sanctions regulations as well as procedures for verifying customer identity to protect the Group from money laundering and terrorism financing. High-risk clients – including politically exposed persons and virtual asset service providers, those subject to adverse media coverage or performing unusual or crypto-currency-related transactions, or those living and working in countries or sectors with an inherently higher risk of financial crime – undergo additional enhanced due diligence. To manage risks associated with crypto-currency we have restricted international transactions related to virtual assets or involving virtual asset service providers. The Group has zero tolerance towards Russian and Belarusian clients who are involved in crypto-currency-related activities.

Financial crime risk continued

Mitigation continued

Fraud risk: To mitigate fraud risk we have implemented the following measures:

- Know Your Employee procedures including screening requirements at recruitment, employment and departure stages of employment, providing a clear understanding of an employee's background and actual or potential conflicts of interest.
- Mandatory training for all new employees to increase awareness regarding fraud risk.
- Communication channels to inform our customers about fraud risk.

Information security and data protection risks

Information security risk is the risk of loss of confidentiality, integrity, or availability of information, data, or information systems, and reflects the potential adverse impacts to operations.

Data protection risk is the risk presented by personal data processing – such as accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data stored or otherwise processed – which may result in financial loss, reputational damage, or other significant economic or social adverse impacts.

Key drivers and developments

Information security risk is a top risk for organisations globally – and especially those in financial services. The Bank remains subject to attempts to compromise its information security. The external threat profile is continuously changing, and we expect threats to increase, including potential state-sponsored cyber attacks.

Malicious actors focus on the following events:

- zero-day attacks, which exploit a previously unknown vulnerability;
- brand impersonation attacks, which use sophisticated techniques;
- cases where we do not have direct control over the cybersecurity of the systems targeted (such as those of our customers and third-party service providers), limiting our ability to effectively defend against certain threats; and
- failure by employees to adhere to our policies, procedures and technical controls.

On 1 January 2022, as a result of legislative amendments, the Bank was recognised as one of Georgia's critical information system subjects – which means the uninterrupted operation of its information system is essential to the defence and/or economic security of the country, as well as to the maintenance of state authority and/or public life. Current legislation imposed a considerable number of obligations on the Bank, leading to the need for minor amendments to existing procedural documents and established practices.

Mitigation

Governance: Information security risk governance follows a three-lines-of-defence structure to set a clear division of responsibilities as well as an independent risk control challenge process. The Information Security department represents the first line of defence, following internal policies and procedures regarding information security, and performing routine risk assessments, vulnerability scans and penetration tests to identify potential vulnerabilities within our systems and infrastructure. In this manner, the Information Security department prevents unauthorised access attempts and maintains real-time monitoring to promptly detect and respond to any potential security incidents.

The Information Security Compliance and Risk Management unit serves as a second line of defence under CRO. It conducts regular risk assessments associated with third parties and conducts regular monitoring and reporting of identified risks to the relevant parties. The unit provides oversight, guidance, and support to the Group's business units, ensuring information security risks are identified, assessed and managed effectively, and monitors compliance with internal policies and external regulations.

Risk appetite: Information security risk is measured against predefined risk appetite metrics and thresholds. By establishing risk appetite, we aim to minimise our exposure to data and security breaches to achieve our main strategic objectives: (i) delivering excellent customer experience; and (ii) maintaining the Group's financial strength.

The risk profile relative to risk appetite is monitored and reported monthly to Executive Management and quarterly to the Supervisory Board.

Monitoring and reporting: We use key risk indicators and metrics to track the effectiveness of our information security programme. Regular analysis of these metrics allows us to identify trends, areas for improvement and potential risks requiring additional attention.

We provide monthly reports on information security risks and incidents to Executive Management and quarterly to the Board of Directors. These reports offer a comprehensive overview of the Bank's security, significant incidents, risk mitigation efforts and the effectiveness of controls.

The Bank's Internal Audit function, on a risk-based approach, provides assurance on the adequacy and effectiveness of our risk management, internal controls and systems. Information security is on the Risk Committee's regular agenda, and we engage external auditors to conduct cybersecurity audits.

Information security and data protection risks continued

Mitigation continued

The following controls enable us to mitigate information security and data protection risks:

Zero-day attacks: We regularly monitor zero-day vulnerability announcements that may affect our systems. If such a vulnerability is detected, the designated team ensures it is attended to as soon as possible. Moreover, we employ a 'defence in depth' approach, meaning we have multiple complementary security layers. If one mechanism fails, another will be activated immediately to prevent an attack imposing damage.

Customer-targeted phishing: Malicious actors may carry out successful customer-targeted phishing attacks through fake websites, social networks, emails and other channels. We focus on improving our information security controls to detect unauthorised access to customers' accounts, and run awareness-raising campaigns to help customers and the wider public recognise phishing and respond appropriately.

Supply chain cyber-attack: Malicious actors may gain unauthorised access to our third-party service providers' systems. The Bank focuses on mitigating this risk by:

- Integrating information security and data protection due diligence in the selection process to determine the level of risk posed by a potential third-party service provider.
- Ensuring necessary contractual and technical controls are implemented to mitigate identified risks prior to engaging with third-party service providers.
- Monitoring existing third-party service providers at least annually to assess the fulfilment of agreed information security and data protection requirements. The termination of a relationship is subject to exit procedures to ensure the protection of the confidentiality, integrity and availability of the Bank's information.

Failure by employees to adhere to our policies, procedures and technical controls: Employee training is one of the key components of information security and data protection risk management across the Bank. We continuously focus on equipping our employees with relevant knowledge and the right tools to prevent, identify, mitigate and report incidents.

Annual training is mandatory for all employees and includes a tailored course on mitigating information security risks while working remotely. We provide continuous, role-based data protection training to keep employees aware of data protection risks and to explain their role in mitigation.

We initiate quarterly phishing campaigns to test our employees' ability to detect such attacks and respond appropriately. Periodically, we send awareness emails and share posts on current information security threats through internal communication channels. Although there have been phishing attempts against employees, there have been no major incidents.

Finally, we recognise that, regardless of our efforts to enhance information security controls Bank-wide, in limited cases there may be a justified business need for controlled exceptions to existing policies, procedures and technical controls. We have improved our approach to information security exception management, which allows noted flexibility, a holistic view of overall risks resulting from the exceptions, and their proactive management.

Access management: We have role-based access control, contributing to the automation of employee onboarding and existing employee rotation processes and enabling the restriction of network access based on the roles of individual users – in line with the principle of least privilege, which the Bank follows. We also conduct a semi-annual privileged user evaluation process. We monitor and update access rights on an annual basis in each department.

The Bank does not allow the granting of privileged access rights to third parties without a valid and justified business need. Even in such cases third parties with privileged access rights are required to use multi-factor authentication, and the Bank manages and monitors their activities through a privileged access management solution.

Information security incident response: To successfully mitigate the above-mentioned key risks we have further aligned our incident response plan with the industry standard and accepted best practices as provided by the National Institute of Standards and Technology in its Computer Security Incident Handling Guide. We also conduct continuous breach and attack simulations, allowing us to see our network through the eyes of malicious actors, verify our defences and security configuration, and continuously monitor and improve our defences. We have enhanced our capabilities by implementing a vandal-protected backup storage. As a result, neither external nor malicious internal threat actors can harm the Bank's core database backup.

We are also in the process of refining our information security incident response plans. We use additional metrics – such as mean time to detect, mean time to respond and false positive ratio – to better track the performance of our Security Operations Centre. These metrics are tracked with respect to the entire Security Operations Centre and each of its team members.

Data protection policies: We maintain a comprehensive set of data privacy policies and standards to ensure we operate in compliance with applicable privacy regulations and state-of-the-art principles. These policies and procedures outline privacy principles and standards we observe while processing personal data, and are:

- regularly revised to ensure they reflect current legal, regulatory, best practice and internal policy requirements;
- annually reviewed and approved by relevant governance bodies; and
- aligned with recognised industry standards.

Information security and data protection risks *continued*

Mitigation *continued*

Governance: Effective implementation of the privacy strategy requires a strong organisational structure. We have the Data Protection Officer (DPO), whose responsibilities include but are not limited to:

- providing recommendations to the Bank's employees to ensure compliance with the requirements of applicable legislation;
- researching data processing procedures within the Bank and evaluating their compliance with applicable legislation;
- advising and assisting business units on privacy matters, particularly when implementing a new process or product;
- liaising with the supervisory authority regarding privacy matters; and
- drafting and maintaining internal policies and procedures as well as awareness programmes on privacy matters.

Privacy matters are considered in all new processes and projects. We are increasingly seeing employees proactively engaging the DPO and undertaking data privacy impact assessments, which ensure our projects comply with data protection legislation when they go live.

Transparency: Transparency is a core element of our privacy programme. Customers are informed in simple language about our privacy practices, including how we collect, use, disclose, transfer and protect their personal information. Our privacy commitments are reflected in our Privacy Statement.

Reporting: The DPO reports to the Audit Committee at least twice a year on the status of the Bank's privacy strategy implementation. As a result, the Bank's Executive Management and the Supervisory Board remain up to date on privacy matters at all times

Operational risk

Operational risk is the risk of financial and non-financial loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk may result in losses emerging from the following events, among others:

- internal and external fraud;
- business disruption and system failures;
- employment practices;
- clients, products and business practices;
- damage to physical assets and infrastructure; and
- execution, delivery and process management.

Key drivers and developments

Deficiencies or ineffectiveness in operational risk management may result in inaccurate financial, regulatory or risk reporting, which may have an adverse effect on the accurate and timely visibility of the Group's risk profile for our key stakeholders. The trends driving the need to transform risk management, as well as the risks arising from the above-mentioned events, stem from multiple sources:

- Customer expectations of banking products and services will change with the emergence of new technologies and service models, forcing banks to rethink their business models and deal with new operational risks.
- Accelerating digitalisation and automation will make IT and operational resilience more sophisticated. The speed of change and the need to innovate has spurred the introduction of technologies whose deployment needs careful management.

Mitigation

Governance: Responsibility for the management of operational risks is determined by the 'three-lines-of-defence' model. The first line of defence is represented by business units responsible for identification and assessment of operational risks and establishing appropriate controls to mitigate them. The Operational Risk department is a second line of defence responsible for oversight and risk guidance within the Group. Third line of defence is internal audit, independently assessing operational risk and events in business processes throughout the Group.

The Operational Risk Committee is the decision-making body overseeing operational risk profile and monitoring operational risk management programme activities. The Committee reviews key items for risk taking decisions and monitors the follow-ups of mitigation action plans.

Risk appetite: The Bank has established an operational risk appetite to effectively manage all operational risks. It defines the level and categories of operational risk the Bank is willing to accept in order to achieve its strategic objectives.

The risk profile relative to risk appetite is monitored and reported monthly to Executive Management and quarterly to the Supervisory Board.

Operational risk continued

Mitigation continued

Operational risk framework: The Group has implemented policies and procedures and has established an operational risk framework for anticipating, mitigating, controlling and communicating operational risks and the overall effectiveness of the internal control environment across the Group. The Operational Risk department develops and maintains a framework and comprehensive set of policies and standards reviewed and approved by the relevant governance bodies to ensure they are aligned with recognised industry standards – such as Basel and the European Banking Authority (EBA) – and made available to all relevant employees through internal channels. The operational risk framework includes: the risk and control self-assessment (RCSA) programme; key risk indicators; operational risk event analysis; the scenario analysis programme; risk monitoring and reporting; business continuity management programme; risk awareness; and training programmes.

Risk and control self-assessment: The RCSA aims to identify and assess operational risks in relation to business processes and products. Analysis of business processes identifies the impact of operational risk factors, vulnerabilities and weaknesses in existing processes, and potential threats that might have materialised in the form of financial or reputational impact for the Bank.

For the assessment of operational risks the Group applies an approach involving a detailed study and analysis of existing business models, procedures and guidelines regulating business processes, including controls built in at the system levels. The inherent and residual operational risks are assessed using the following parameters: likelihood of events; quantitative impacts; and qualitative impacts.

Identified operational risks are classified, aggregated by business lines and business processes, and registered in the operational risk management system. Identified control functions and existing risk mitigation tools are also classified and registered in the operational risk management system.

Scenario analysis: The Group maintains a scenario analysis programme as a separate tool to identify, analyse and measure a range of scenarios, including low probability and high severity events – some of which could result in severe operational losses.

Scenario analysis involves workshop meetings attended by subject matter experts including senior management, business management and senior operational risk staff, to develop and analyse the drivers and range of consequences of potential events. Inputs to the scenario analysis include relevant internal and external loss data, information from self-assessments, control monitoring framework, forward-looking metrics and root-cause analyses.

RCSA and Scenario analysis assessment techniques are based on a Loss Distribution Approach (LDA), which aims to evaluate the potential range of financial loss impact and the likelihood of loss distribution. LDA calculates the expected loss amount and VAR using the 'Monte Carlo simulation' method.

Monitoring and reporting: The Operational Risk department regularly reviews and monitors the assessments of operational risks. Reviews of risks affecting key business processes are conducted annually and findings are submitted in the form of reports.

The Management Board and the Operational Risk Committee regularly review and monitor the actual operational risk profile against the agreed levels of risk tolerance and risk appetite. The Operational Risk Management Committee monitors the risk profile to ensure appropriate actions are taken regarding breaches of risk appetite limits.

The department reports quarterly to the Risk Committee. The risk report includes information about the current risk profile, risk appetite limits and breaches, together with risk-taking activities and mitigation plans.

We have designed internal controls that ensure the Group has efficient and effective operations, safeguards its assets, produces reliable financial reports and complies with applicable laws and regulations. The Group continuously develops the control environment in business processes – including through segregation of duties, preventive tools integrated in the systems, system of limitation and powers, restriction of user's rights, risk insurance, among many others.

Business resilience and continuity: The Group has established a business continuity programme appropriate for the nature, size and complexity of our operations. The programme considers different scenarios to which the Group may be susceptible, including system and technology failures.

- The Group performs business impact analyses and risk assessment, identifying business processes that are critically important for the banking activity, identification of threats to business activities and risk assessment of potential financial and reputational impacts related to significant threats.
- The Group identify and reassess critical business operations, cyclically or as needed, key internal and external dependencies, and appropriate resilience levels. The identified plausible disruptive scenarios are assessed for their financial, operational and reputational impact, and the resulting risk assessment is the foundation for recovery objectives and measures – and ultimately for continuity and recovery plans.

The Group has established business continuity and disaster recovery plans for each critical business process, which is a combination of procedures and arrangements aimed at ensuring retention or prompt resumption of continuation of the Bank's critical business processes.

The Group continuously performs impact analyses and testing of business continuity plans, training and awareness programmes, and communication and crisis management programmes.

Operational risk continued

Mitigation continued

Operational risk analysis: The Group has an operational risk event and loss data management process to identify and record the operational risk of financial and non-financial events. Internal operational loss data provides significant information for assessing the Bank's exposure to operational risk and the effectiveness of internal controls. Analysis of loss events can provide insight into the causes of large losses and whether control failures are isolated or systematic.

The Bank applies the method of operational risk events and loss database analysis. The Bank maintains comprehensive operational risk event data on all material events experienced by the Bank.

Awareness programmes: We conduct awareness campaigns and mandatory training to help employees identify existing and potential risks. The Group's fraud awareness programme remains a key component of its fraud control environment, and awareness of fraud risk is supported by mandatory training for all colleagues.

Human capital risk

Human capital risk is the risk of failure to deliver on the Group's strategic objectives, operational disruption, financial loss and/or reputational damage as a result of ineffective human capital management.

We are exposed to the following key risks:

- failure to recruit, develop and retain employees, including failure to identify a talent pipeline and put the right people in the right roles;
- ineffective leadership, weak performance, employee disengagement and detachment resulting in high turnover;
- inappropriate and unfair remuneration policies;
- failure to meet all employee-related legal and regulatory requirements; and
- failure to effectively design people processes that ensure equal opportunity and diversity across the Group.

Key drivers and developments

Employees are one of the key enablers of the success of our business. To be able to learn and innovate quickly, organisations globally have focused on building rigorous talent management capabilities, including building a data analytics capability to hire, develop, and retain the best employees and match the right people to the right roles. Demographic changes have also increased the need to adapt approaches and employee experiences to be an attractive employer for young talent.

Given our strategic focus on digital capabilities and data/AI-based decision-making, the recruitment and retention of qualified IT and data science professionals is one of our priorities. It remains challenging to recruit top talent in these areas due to the scarcity of highly qualified candidates on the local market and the availability of jobs both locally and globally. Georgia has a relatively limited talent pool which, while developing, may not keep up with the skills required in a digital and fast-moving organisation.

Mitigation

Governance: Human capital risk is identified, assessed, and managed by the Bank's Human Capital Management function. It establishes policies, procedures, and frameworks to guide risk management efforts and ensures compliance with relevant laws and regulations. It also monitors and reports on human capital risks to Executive Management and the Board.

Risk appetite: We have defined Bank-level human capital risk appetite, which is presented in a form of different types of limits and is approved by the Supervisory Board. Our human capital risk appetite considers various factors, including business goals, culture, and workforce dynamics. The risk profile relative to risk appetite is monitored and reported monthly to Executive Management and quarterly to the Supervisory Board.

Monitoring and reporting: We monitor human capital risk through a series of quantitative and qualitative indicators, including ongoing deep interviews with individual employees, Bank and team/division level eNPS, engagement scores, internal mobility, retention, employee turnover measures. We discuss and design action plans based on the results of different surveys and measures.

Key people risk metrics are reported quarterly to the Risk Committee and monthly to Executive Management. Also, all violations of ethical principles and standards related to the Code of Conduct and Ethics and Standards of Professional Conduct for Commercial Banks are reported quarterly to the Audit Committee.

Mitigation: The Group takes the following mitigating actions with respect to human capital risk:

- We attract young talent by participating in job fairs and running extensive internships and student development programmes. We actively partner with leading Georgian business schools and universities to recruit top talent in different fields. We have a student development programme, Leaderator, which gives talented undergraduates an opportunity to have a 360° view of the Bank in action, work on real projects, and receive coaching and support from the Bank's executives and middle managers. The programme also helps us attract IT, digital and data science and analytics students as it guarantees high qualification and fast professional growth within one of the best tech teams in Georgia.
- We offer our employees learning and personal development opportunities to enhance their competencies and skills throughout their careers, and support their career progression. Internal mobility remains a priority in our talent strategy to ensure having the right person in the right position at any given time. Our Job Architecture, named as Levelling, provides a clear map of positions within the company and aligns employees accordingly. It is the basis of internal mobility of our employees – promotions and lateral moves are guided by levelling factors ensuring recruitment of correct candidates in accordance with required roles and competencies.

Human capital risk continued

Mitigation continued

- We develop our leadership pool through various programmes and activities, including through Leadership Coaching for senior managers in individual and group format, New Managers' programme – a special introductory course for employees recently appointed to managerial positions and team leads. We also ensure professional and personal development of existing managers, conducting regular needs analysis and offering designed leadership development programmes. Our development programmes are aligned with Performance Management Process – setting and monitoring KPIs/KBOs, contributing to developing a feedback culture. In 2023, employees from non-managerial pool participated in this process as well. We leverage our leadership development to mitigate risks associated with the departure or absence of well-qualified and experienced individuals. Our succession planning process ensures necessary support of our talent pipeline for now and in the future for key positions, including at the senior manager and executive levels.
- We offer competitive remuneration and benefits packages and support work-life balance. We monitor employee pay trends via labour market compensation surveys in the financial sector. Our remuneration structure is based on employee performance reviews. Introducing yearly performance management system via KPIs/KBOs at all levels, including non-managerial ones, enabled further transparency of performance-based employee annual bonus schemes, and setting and managing clearer and properly aligned expectations. We continue to fine-tune our job architecture and grading structures by further advancing the job levelling project to ensure our remuneration system and practices are fair, clear and transparent for employees, allowing them to plan their career moves and progression. We have forums and communication channels enabling employee voices to be heard across the organisation, including a CEO vlog on Workplace – regular live sessions with employees on current developments, Employee Voice meetings with the Board of Directors, town hall meetings and agile quarterly business reviews (QBRs).
- We ensure that HR policies and practices are developed and implemented to support our business activities and are in line with Georgian legislation and relevant international standards. We regularly review our policies and procedures to ensure that they reflect best practices, organisational changes, and legal requirements. You can see some of our HR-related policies on www.bankofgeorgiagroup.com
- We offer hybrid working arrangements, giving. We offer hybrid working arrangements, giving the majority of back-office employees the flexibility to combine working from home with working from the office.

Model risk

Model risk is the risk of potential adverse consequences arising from decisions based on model results that may be incorrect due to the use of inaccurate assumptions, inappropriate variables, weak algorithms and/or low-quality data.

Key drivers and developments

As banking operations become more complex and digital, models are becoming more prominent in decision-making. Increased adoption of statistical, machine-learning models and artificial intelligence (AI) helps us improve decision-making and gain competitive intelligence. To sustain the benefits of model use in banking operations it is crucial to have sound model risk assessment frameworks and validation practices in place.

The NBG's regulation – Managing Risks for Data-based Statistical, Artificial Intelligence and Machine Learning Models – sets additional requirements for model development, validation, monitoring and application. Within the scope of the regulation, all relevant new and existing models must be in line with the regulatory requirements.

Mitigation

The Bank is actively enhancing the model risk management framework, which is continuously reviewed and refined to adequately address key model risks. The Bank's Model Risk Management (MRM) Policy defines:

- The segregation of roles and responsibilities of those involved in the model development lifecycle, including ownership of model development, independent oversight and approval.
- Key controls with respect to data integrity, model development, validation, implementation, backtesting and monitoring.

In 2023, as part of the Bank's engagement with global management consulting company McKinsey & Company, the MRM framework was revised and refined to align with best practices.

Governance: The Bank's model risk and control structure is based on the 'three-lines-of-defence' approach. Model Risk Owners in the first line are responsible for model approval and ongoing performance monitoring. The Bank's independent Risk function, in the second line, is responsible for validating new models and monitoring their compliance with regulatory requirements by focusing on the soundness of the algorithms used, the model's predictive ability and complexity, sustainability, consistency with business objectives, assumptions, and data quality.

Monitoring and reporting: The Bank maintains a structured model development lifecycle including recalibration. All significant new models or material changes to existing significant models are validated by an independent risk function and authorised by the Chief Risk Officer. Significant model-related issues are reported to the Bank's Supervisory Board, and the Bank's Executive Management is aware of major model risks.

Further, to ensure effective model performance, the Bank has implemented automated processes for the ongoing monitoring of model performance. Based on the significance of model risk, automated notifications are generated on a model's performance for relevant stakeholders cyclically (monthly, quarterly and ad hoc). Model performance monitoring is carried out by model owners and supervised by model validators, enabling prompt action to be taken in addressing any issues related to inadequate model performance and identifying and rectifying control deficiencies or vulnerabilities.

Model risk continued

Mitigation continued

Model risk mitigation: To manage this risk, the Bank employs the following strategies:

- Refining or redeveloping models: When necessary, models are refined or redeveloped to account for changes in market conditions, business assumptions, or processes. This ensures the models remain accurate and aligned with the evolving landscape.
- Adjustments to model outputs: Quantitative adjustments or those based on expert opinion may be applied to the outputs generated by the models. These help address any known limitations or biases and improve the accuracy of the results.
- Process enhancements: The Bank may introduce enhancements to the processes in which model outputs are used. By implementing additional controls, validation measures or complementary methodologies, the risk levels associated with model outputs can be further limited.

By employing these mitigation measures the Bank aims to minimise the impact of model risk and ensure the models used in its business activities provide reliable and accurate assessments and decisions.

Strategic risk

Strategic risk is the risk that the Group will be unable to execute its business strategy and create value for its stakeholders as a result of poor decision-making, ineffective resource allocation, or a delayed or ineffective response to changes in the external environment.

Key drivers and developments

The Group faces strategic risks due to changes in the legal, regulatory, macroeconomic and competitive environments. The increased economic uncertainty, the emergence of global fintechs and competition in financial services have changed stakeholder expectations, heightening the need for strategic and forward-looking risk management.

Mitigation

Strategic planning: The Group has a sound corporate governance framework and its strategy is approved by its Board of Directors. Customer-centricity, people and culture, brand strength and data and AI-driven decision-making are key enablers of the Group's sustainable value creation. The Group assesses and monitors strategic risk implications in its day-to-day activities, ensuring they respond appropriately to internal and external factors.

The Group conducts an annual strategic planning process to review its performance against targets, discuss the internal and external environment, and develop short- and medium-term strategic plans considering potential financial and non-financial risks. This process is supported by risk appetite statements, a capital plan and a recovery plan.

In 2024, the Group extended its investments into Armenia through the acquisition of Ameriabank. As we expand our geographic footprint, we recognise that this introduces new emerging risks that require proactive monitoring and mitigation. This investment remains exposed to various risks, encompassing political and economic uncertainties, sanctions implications, foreign currency fluctuations, and regulatory challenges. These factors will hold particular significance as we provide further disclosures in 2024, especially regarding our collaboration with Ameriabank.

Monitoring: We conduct annual strategic review sessions involving executive and senior management. Throughout the year, the performance against key strategic objectives as measured by KPIs is monitored and assessed by the Executive Management quarterly. The Group takes corrective measures to mitigate risks arising from significant variance. In addition, Executive Management holds monthly meetings to discuss the competitive landscape and the Group's competitive positions, including any changes versus prior periods, and any actions if required. Key strategic areas and/or projects are periodically discussed in working groups comprising executive, senior and middle management.

Periodic strategic challenge reviews: Our strategic objectives and/or decisions are regularly discussed with and challenged by the Board of Directors, including during the Board's annual strategy sessions.

Reputational risk

Reputational risk is the risk of damage to stakeholder trust and our brand image due to negative consequences arising from internal actions or external events.

Key drivers and developments

The Group's operations are subject to inherent reputational risk, with primary drivers identified as: failure of internal execution; failure to manage cyber and phishing cases; and a difference between the Group's values and public perceptions and/or opinion.

Mitigation

Risk appetite: We acknowledge that reputational risk is an inherent aspect of our operating environment, with public trust being a crucial consideration when determining the level of reputational risk the organisation is willing to accept. We have defined Bank-level reputational risk appetite through a quantitative measure.

The risk profile relative to risk appetite is monitored and reported monthly to Executive Management and quarterly to the Supervisory Board.

Mitigation: To mitigate potential reputational risks, effective systems and controls are in place to ensure high levels of customer service and compliance. For each material risk identified at any level of the business, the risk is measured, mitigated and monitored in accordance with our policies and procedures.

Human capital risk continued

Mitigation continued

To protect and maintain the strength of our brand the Bank's marketing team monitors media coverage daily. The Bank's legal team ensures marketing communications are fully compliant with internal policies, and reviews and confirms the compliance of products and services from a legal and regulatory perspective. The Bank regularly tracks and measures customer satisfaction using both internal and independent external surveys, and monitors its compliance with risk appetite limits, reporting to Executive Management monthly.

We also engage with our customers on information-security-related matters through multiple channels, including our website, digital platforms and text messages. We regularly create and share content including articles, interactive games and questionnaires through various media. We support and contribute to the development of information security in Georgia by regularly participating in collaborative efforts with our financial industry peers, law enforcement authorities, regulatory bodies and the Government, to share knowledge and prevent negative impacts.

To prevent inaccurate or misleading reporting that could damage the Group's reputation by losing trust of our stakeholders, we have a well-documented reporting process with strong controls for fairness and transparency. Oversight from internal and external audits, as well as the Board of Directors ensures our reporting is trustworthy.

Climate-related risk

Climate-related risk is the risk of financial loss and/or damage to the Group's reputation as a result of the accelerating transition to a lower-carbon economy and/or the materialisation of actual physical damage as a result of acute or chronic weather events.

Among other things, transitional and physical risks may impact the performance and financial position of our customers and their ability to repay loans.

Key drivers and developments

Key stakeholders including investors and lenders are increasingly demanding more climate-related disclosures, including climate risk assessment and greenhouse gas (GHG) emissions reporting. Since 1 January 2021 the Group, as a premium-listed UK company, has been required to make disclosures in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.

In 2021 Georgia launched its updated Nationally Determined Contribution, published its Fourth National Communication under the United Nations Framework Convention on Climate Change (including updated Greenhouse Gas Inventory), adopted its Climate Change Strategy (2030) and Action Plan (2021-2023), and developed its National Energy and Climate Plan (2021-2030) and Long-Term Low Emission Strategy. In 2022 Georgia began to work on a climate change law that will regulate climate-related issues and distribute responsibilities. These strategies and regulations and their implementation may drive changes across the Georgian economy and increase the importance of climate change mitigation and adaptation measures for different sectors.

We recognise climate change as an emerging risk and have integrated climate-related risks, both physical and transitional, into the overall risk management framework and decision-making processes across the Bank.

Mitigation

Governance: The Bank implements climate risk governance through the Environmental and Social Impact Committee comprising executive and senior management. The Committee is responsible for monitoring the Bank's climate, environmental and social risks and impacts arising primarily as a result of our lending activities. The Committee meets quarterly and reports to the Supervisory Board twice a year.

The Environmental and Climate Risk Management department is a risk function that is part of the Bank's second line of defence. It reports progress and performance in the area of environmental, social, and climate-related risk management to the Environmental and Social Impact Committee, and is responsible for:

- developing policies and procedures and ensuring implementation of the Bank's environmental, social and climate risk management policies;
- monitoring the Bank's environmental, social, and climate risk profile and performance in relation to the Bank's lending activities;
- ensuring data consolidation with respect to environmental, social, and climate-related risks associated with the Bank's loan book;
- spreading ESG awareness throughout the Bank; and
- handling environmental, social, and climate-related communications.

Climate-related risk continued

Mitigation continued

Climate-related risks mitigation: We have integrated climate-related risks into our risk management framework and business resilience assessments. We are working on each of the four TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets. We have focused on mitigating climate-related risks by:

- reassessing climate scenarios and deepening our knowledge of climate change and climate policy in Georgia;
- identifying and addressing sector- and location-specific climate risks for our business clients, as part of loan appraisal and origination process, as well as the environmental and social risk management process;
- collecting relevant data, including on output produced and energy consumed, and calculating Scope 3 financed emissions for some GHG-intensive corporate clients;
- calculating Scope 3 financed emissions through the Joint Impact Model in 2023 as a potential solution;
- identifying opportunities for greening Georgia's economy, to help the Bank understand where and how to offer green financing and to discuss transformational opportunities with clients and lenders;
- identifying and reporting on transactions aligned with the NBG's Green Taxonomy (from January 2023), including in climate-relevant sectors;
- raising climate finance awareness across the Bank by implementing training for bankers and risk managers from CB and MSME departments; and

facilitating climate-related disclosure. We are actively working to enhance our climate change risk management and plan to implementing the following actions in 2024:

- assessing the materiality of climate risks on the Bank's portfolios against selected climate change scenarios;
- enhancing the methodology on credit portfolio screening for climate-related physical and transition risks;
- enhancing the measurement approach, inputs and assumptions used for Scope 1-3 calculation;
- developing a climate risk stress-testing framework; and
- assessing the financial impacts of climate-related risks on the Bank's financial position, financial performance and cash-flows over the medium and long term.

Going Concern statement

In adopting the going concern basis for preparing the consolidated financial statements, the Directors have considered the Group's business activities, strategy and objectives, principal risks and uncertainties, and the performance as set out on pages 18 to 20, 150 to 169 and 22 to 24. The Directors have performed a robust assessment of the Group's financial forecasts across a range

of scenarios over a 12-month period from the date the financial statements are authorised for issue by carrying out stress testing, incorporating extreme downside scenario and reverse stress testing, which involved examining the level of disruption that may cause the Group to fail.

The Directors confirm that they have a reasonable expectation that the Group,

as a whole, have adequate resources to continue in operation for the 12 months from the date the financial statements are authorised for issue. Therefore, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the accompanying consolidated financial statements.

Viability statement

Provision 31 of the 2018 UK Corporate Governance Code requires the Board to make a statement in the Annual Report and Accounts regarding the viability of the Group, including an explanation of how they assessed the prospects of the Group, the period of time for which they have made the assessment and why they consider that period to be appropriate.

In assessing the Group's viability, the Board considers a three-year period to be appropriate as this period is covered in the Group's strategic planning and budgeting process and carries a high level of confidence in assessing viability. The Board has considered the Group's current and forecast capital and liquidity positions over a three-year period which aligns to management's 2024-2026 business plan and has evaluated the results of stress testing and reverse stress testing as described in this section.

In making its assessment, the Board has considered the potential impact of a severe but plausible scenario over this period, each of which contained a combination of principal risks. In addition, the Board reviewed the results of reverse stress testing, which involved examining the level of disruption that may cause the Group to fail.

The Board examined, among others, the impact of the following risks over the assessment period:

- Severe contraction of the economy.
- Significant depreciation of Georgian Lari against the US dollar.
- Increase of unemployment rate.
- High and sustained levels of inflation and increased interest rates (the NBG's monetary policy rate, a US Fed rate, and an ECB rate).
- Substantial drop in real estate prices.
- Liquidity risk (one-off withdrawal of customer funds).
- Increased operational losses, including from materialisation of cybersecurity risk and regulatory fines.
- Increased risks related to the Group's operations in Belarus, leading to a full write-off of BNB operations, and the need for capital injection in Ameriabank.

Applying the stress testing scenarios to the Group's capital and liquidity did not result in a breach of any regulatory requirements.

The reverse stress testing scenario is currently deemed to be implausible.

The stress testing also took into account the availability and the likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified underlying risks to which the Group is exposed. These actions included: a decline in lending activity, a partial suspension of share buybacks for the share-based compensation scheme and a temporary halt in capital distribution. It also took into account the assumption that the Group will be able to prolong or refinance existing borrowings, or increase the financing from DFIs, on terms worse than the existing ones after 2025. As mitigating actions in the case of the reverse stress testing scenario, we also considered a full suspension of share buybacks for the share-based compensation scheme and dividend distribution, the write-off of the Bank's AT1 capital notes and AT1 capital perpetual subordinated syndicated facility, a partial use of mandatory reserves placed at the NBG, the release of all Pillar 1 and Pillar 2 buffers under the Basel III capital requirements set by the NBG.

The Directors have also satisfied themselves that they have the necessary evidence to support the statement in terms of the effectiveness of the Group's risk management framework and internal control processes in place to mitigate risk. Based on these analyses, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period from 1 January 2024 to 31 December 2026.

OVERVIEW OF FINANCIAL RESULTS

Overview of financial results¹

Income statement highlights

GEL thousands	FY23	FY22	Change y-o-y
Net interest income	1,615,446	1,182,335	36.6%
Net fee and commission income	434,482	317,491	36.8%
Net foreign currency gain	365,711	466,094	-21.5%
Net other income (adjusted for one-off items)	114,735	36,092	217.9%
Operating income (adjusted for one-off items)	2,530,374	2,002,012	26.4%
Operating expenses	(754,053)	(641,186)	17.6%
Profit from associates	1,456	754	93.1%
Operating income before cost of risk (adjusted for one-off items)	1,777,777	1,361,580	30.6%
Cost of risk	(144,064)	(119,068)	21.0%
Net operating income before non-recurring items (adjusted for one-off items)	1,633,713	1,242,512	31.5%
Net non-recurring items	-	1,038	-100.0%
Profit before income tax expense and one-off items	1,633,713	1,243,550	31.4%
Income tax expense (adjusted for one-off items)	(258,971)	(111,376)	132.5%
Profit (adjusted for one-off items)	1,374,742	1,132,174	21.4%
One-off items	22,585	311,825	-92.8%
Profit	1,397,327	1,443,999	-3.2%
Basic earnings per share	31.30	30.99	1.0%
Diluted earnings per share	30.43	30.33	0.3%

Balance sheet highlights

GEL thousands	Dec-23	Dec-22	Change y-o-y
Liquid assets	9,984,238	10,367,600	-3.7%
<i>Cash and cash equivalents</i>	3,101,824	3,584,843	-13.5%
<i>Amounts due from credit institutions</i>	1,752,657	2,433,028	-28.0%
<i>Investment securities</i>	5,129,757	4,349,729	17.9%
Loans to customers and finance lease receivables	20,232,721	16,861,706	20.0%
Property and equipment	436,955	398,855	9.6%
All remaining assets	1,103,644	1,273,739	-13.4%
Total assets	31,757,558	28,901,900	9.9%
Client deposits and notes	20,522,739	18,261,397	12.4%
Amounts owed to credit institutions	5,156,009	5,266,653	-2.1%
<i>Borrowings from DFIs</i>	2,124,264	1,867,454	13.8%
<i>Short-term loans from central banks</i>	2,101,653	1,715,257	22.5%
<i>Loans and deposits from commercial banks</i>	930,092	1,683,942	-44.8%
Debt securities issued	421,359	645,968	-34.8%
All remaining liabilities	637,615	479,060	33.1%
Total liabilities	26,737,722	24,653,078	8.5%
Total equity	5,019,836	4,248,822	18.1%
Book value per share	114.62	94.07	21.8%

1. Due to the settlement of a legacy claim, the fair value revaluation of the receivable resulted in a one-off other income of GEL 22.6 for FY23. Due to the settlement of the same legacy claim, FY22 net other income was adjusted for a one-off GEL 391.1 million. The entire legacy claim amount has already been settled. FY22 income tax expense was adjusted for a one-off GEL 79.3 income tax expense due to an amendment to the corporate taxation model in Georgia. As a result, ROAA and ROAE were adjusted for both one-off other income and one-off income tax expense where applicable and Cost:income ratios were adjusted for one-off other income where applicable. Comparisons given in text are with adjusted figures of respective periods.

Key ratios

	FY23	FY22
ROAA (adjusted for one-off items)	4.7%	4.4%
ROAE (adjusted for one-off items)	29.9%	32.4%
Reported ROAE	30.4%	41.4%
Net interest margin	6.5%	5.4%
Loan yield	12.5%	11.5%
Liquid assets yield	4.7%	4.3%
Cost of funds	4.7%	4.9%
Cost of client deposits and notes	4.0%	3.6%
Cost of amounts owed to credit Institutions	8.0%	8.9%
Cost of debt securities issued	8.2%	7.1%
Cost:income ratio (adjusted for one-off items)	29.8%	32.0%
Reported cost:income ratio	29.5%	26.8%
NPLs to gross loans	2.3%	2.7%
NPL coverage ratio	69.2%	66.4%
NPL coverage ratio adjusted for the discounted value of collateral	117.6%	128.9%
Cost of credit risk ratio	0.7%	0.8%
NBG (Basel III) CET1 capital adequacy ratio	N/A	14.7%
<i>Minimum regulatory requirement</i>	N/A	11.6%
NBG (Basel III) Tier 1 capital adequacy ratio	N/A	16.7%
<i>Minimum regulatory requirement</i>	N/A	13.8%
NBG (Basel III) Total capital adequacy ratio	N/A	19.8%
<i>Minimum regulatory requirement</i>	N/A	17.2%
IFRS-based NBG (Basel III) CET1 capital adequacy ratio	18.2%	N/A
<i>Minimum regulatory requirement</i>	14.5%	N/A
IFRS-based NBG (Basel III) Tier 1 capital adequacy ratio	20.0%	N/A
<i>Minimum regulatory requirement</i>	16.7%	N/A
IFRS-based NBG (Basel III) Total capital adequacy ratio	22.1%	N/A
<i>Minimum regulatory requirement</i>	19.6%	N/A

Overview of financial results continued

Financial Review

Operating income

GEL thousands, unless otherwise noted	FY23	FY22	Change y-o-y
Interest income	2,748,261	2,256,881	21.8%
Interest expense	(1,132,815)	(1,074,546)	5.4%
Net interest income	1,615,446	1,182,335	36.6%
Fee and commission income	707,765	559,465	26.5%
Fee and commission expense	(273,283)	(241,974)	12.9%
Net fee and commission income	434,482	317,491	36.8%
Net foreign currency gain	365,711	466,094	-21.5%
Net other income (adjusted for one-off items)	114,735	36,092	217.9%
Operating income (adjusted for one-off items)	2,530,374	2,002,012	26.4%
Net interest margin	6.5%	5.4%	
Average interest-earning assets	24,967,791	21,765,305	14.7%
Average interest-bearing liabilities	24,008,840	21,865,374	9.8%
Average net loans and finance lease receivables	18,193,535	16,213,098	12.2%
Average net loans and finance lease receivables, GEL	9,698,415	8,009,664	21.1%
Average net loans and finance lease receivables, FC	8,495,120	8,203,434	3.6%
Average client deposits and notes	19,813,930	15,876,171	24.8%
Average client deposits and notes, GEL	8,554,724	6,172,866	38.6%
Average client deposits and notes, FC	11,259,206	9,703,305	16.0%
Average liquid assets	9,474,612	8,178,417	15.8%
Average liquid assets, GEL	3,419,120	3,305,624	3.4%
Average liquid assets, FC	6,055,492	4,872,793	24.3%
Liquid assets yield	4.7%	4.3%	
Liquid assets yield, GEL	8.4%	8.9%	
Liquid assets yield, FC	2.6%	1.0%	
Loan yield	12.5%	11.5%	
Loan yield, GEL	15.6%	15.9%	
Loan yield, FC	8.9%	7.2%	
Cost of funds	4.7%	4.9%	
Cost of funds, GEL	8.8%	9.4%	
Cost of funds, FC	1.7%	1.8%	
Cost of client deposits and notes	4.0%	3.6%	
Cost of client deposits and notes, GEL	8.4%	8.3%	
Cost of client deposits and notes, FC	0.7%	0.6%	
Cost: income ratio (adjusted for one-off items)	29.8%	32.0%	

Net interest income

- Interest income amounted to GEL 2,748.3 million, up 21.8% y-o-y. The y-o-y increase in interest income was mostly attributable to increased loan portfolio coupled with higher loan yield (up 100 bps y-o-y in FY23, on the back of increasing rates in foreign currency).
- Interest expense amounted to GEL 1,132.8 million, up 5.4% y-o-y. The main driver of increased interest expense was a significant increase in deposit portfolio coupled with a 40 bps increase in cost of deposits, partly offset by reduced interest expense on amounts owed to credit institutions.
- Net interest margin stood at 6.5% (up 110 bps y-o-y).

Net non-interest income

- Net fee and commission income amounted to GEL 434.5 million, up 36.8% y-o-y, mainly due to settlement operations and advisory services.
- Net foreign currency (FX) gain has broadly normalised, following last year's higher activity levels, and amounted to GEL 365.7 million (down 21.5% y-o-y).
- Net other income (adjusted for a one-off GEL 22.6 million other income) was GEL 114.7 million, up 3.2x y-o-y, driven by the significant net gains on the sale of repossessed assets booked in the second and the fourth quarters of 2023.

Overall, the Group generated operating income (adjusted for one-off other income) of GEL 2,530.4 million, up 26.4% y-o-y, driven by strong income generation across core revenue lines, partly offset by lower net foreign currency gains reflecting a normalising trend.

Operating expenses, cost of risk, profit

GEL thousands	FY23	FY22	Change y-o-y
Salaries and other employee benefits	(419,454)	(362,019)	15.9%
Administrative expenses	(205,368)	(164,450)	24.9%
Depreciation, amortisation and impairment	(124,723)	(111,089)	12.3%
Other operating expenses	(4,508)	(3,628)	24.3%
Operating expenses	(754,053)	(641,186)	17.6%
Profit from associates	1,456	754	93.1%
Operating income before cost of risk (adjusted for one-off items)	1,777,777	1,361,580	30.6%
Expected credit loss on loans to customers	(124,298)	(128,678)	-3.4%
Expected credit loss on finance lease receivables	(2,762)	(3,208)	-13.9%
Other expected credit loss and impairment charge on other assets and provisions	(17,004)	12,818	NMF
Cost of risk	(144,064)	(119,068)	21.0%
Net operating income before non-recurring items (adjusted for one-off items)	1,633,713	1,242,512	31.5%
Net non-recurring items	–	1,038	-100.0%
Profit before income tax expense and one-off items	1,633,713	1,243,550	31.4%
Income tax expense (adjusted for one-off items)	(258,971)	(111,376)	132.5%
Profit (adjusted for one-off items)	1,374,742	1,132,174	21.4%
One-off other income	22,585	391,100	-94.2%
One-off income tax expense	–	(79,275)	-100.0%
Profit	1,397,327	1,443,999	-3.2%

Operating expenses and efficiency

- Operating expenses amounted to GEL 754.1 million (up 17.6% y-o-y). The rise in operating expenses was primarily related to overall business growth and ongoing investments in strategic areas. Additionally, in the fourth quarter of 2023, the Group incurred expenses related to the acquisition of Ameriabank as well as the consulting projects in IT and several other business areas (totalling GEL 10.5 million).
- For the full year of 2023, the Group delivered positive operating leverage, with the cost:income ratio at 29.8% versus 32.0% for the full year of 2022.

Cost of risk

- The Group maintained a healthy loan portfolio, with the cost of credit risk ratio of 0.7% in FY23 (0.8% in FY22).

Profitability

- The Group's profit (adjusted for a one-off) was GEL 1,374.7 million (up 21.4% y-o-y).
- ROAE (adjusted for a one-off) was 29.9% (32.4% in FY22).

Overview of financial results continued

Balance sheet highlights

GEL thousands	Dec-23	Dec-22	Change y-o-y
Liquid assets	9,984,238	10,367,600	-3.7%
Liquid assets, GEL	4,113,597	3,461,218	18.8%
Liquid assets, FC	5,870,641	6,906,382	-15.0%
Net loans and finance lease receivables	20,232,721	16,861,706	20.0%
Net loans and finance lease receivables, GEL	10,838,243	8,854,286	22.4%
Net loans and finance lease receivables, FC	9,394,478	8,007,420	17.3%
Client deposits and notes	20,522,739	18,261,397	12.4%
Client deposits and notes, GEL	8,829,820	6,692,834	31.9%
Client deposits and notes, FC	11,692,919	11,568,563	1.1%
Amounts owed to credit institutions	5,156,009	5,266,653	-2.1%
Borrowings from DFIs	2,124,264	1,867,454	13.8%
Short-term loans from central banks	2,101,653	1,715,257	22.5%
Loans and deposits from commercial banks	930,092	1,683,942	-44.8%
Debt securities issued	421,359	645,968	-34.8%
Risk-weighted assets (JSC Bank of Georgia standalone)	23,061,905	20,279,424	13.7%

Loan book

- Net loans and finance lease receivables amounted to GEL 20,232.7 million at 31 December 2023, up 20.0% y-o-y in nominal terms. Growth on a constant-currency basis was 19.6% y-o-y. On a constant currency basis, each segment recorded a strong growth of loan book: Retail Banking up 16.2% y-o-y, SME Banking up 11.4%, and Corporate and Investment Banking up 30.5% y-o-y.
- The NPLs to gross loans ratio reduced to 2.3% as at 31 December 2023 (down 40 bps y-o-y).
- The positive asset quality trend is reflected in improved Stage 3 loans to gross loans ratio to 2.5% as at 31 December 2023 compared with 3.4% as at 31 December 2022.

Non-performing loans

GEL thousands, unless otherwise noted	Dec-23	Dec-22	Change y-o-y
NPLs	467,656	471,577	-0.8%
NPLs to gross loans	2.3%	2.7%	
NPLs to gross loans, Retail Banking	1.9%	2.1%	
NPLs to gross loans, SME Banking	3.6%	3.2%	
NPLs to gross loans, Corporate and Investment Banking	1.7%	3.4%	
NPL coverage ratio	69.2%	66.4%	
NPL coverage ratio adjusted for the discounted value of collateral	117.6%	128.9%	
Stage 3 ratio	2.5%	3.4%	

Deposits

- Client deposits and notes amounted to GEL 20,522.7 million as at 31 December 2023 (up 12.4% y-o-y). On a constant currency basis, deposits increased by 12.2% y-o-y. The y-o-y growth was driven by both current/demand and time deposits.

Liquidity position

- Bank of Georgia continues to operate with comfortable levels of liquidity. At 31 December 2023, the Bank's IFRS-based liquidity coverage ratio (LCR) stood at 125.2% (132.4% at 31 December 2022), above the minimum requirement of 100%¹. The net stable funding ratio (NSFR) also stood at a high level of 130.4% at 31 December 2023 (131.9% at 31 December 2022). The loan-to-deposit ratio increased to 98.6% at 31 December 2023 versus 92.3% at 31 December 2022.

Capital position

- The Bank continues to operate with robust capital adequacy levels. At 31 December 2023, the Bank's Basel III CET1, Tier 1 and Total capital ratios stood at 18.2%, 20.0%, and 22.1%, respectively, all comfortably above the minimum requirements of 14.5%, 16.7% and 19.6%, respectively.

1. In January 2023, the NBG transitioned to IFRS-based accounting. The LCR and NSFR figures for 31 December 2022 are not IFRS-based.

Segment results¹

In the first quarter of 2023 we split the SME Banking segment from Retail Banking and transferred the majority of the Micro portfolio, where customers had business-related needs, to SME Banking. The remaining Micro portfolio has been transferred to Mass Retail. The SME segment has grown significantly over the past few years. In addition, the value proposition for business clients has been different from the value proposition for retail customers, leading to our decision to change the segmentation. The comparative figures have been restated accordingly to reflect this change.

Retail Banking²

Income statement highlights

GEL thousands, unless otherwise noted	FY23	FY22	Change y-o-y
Interest income	1,323,069	1,166,265	13.4%
Interest expense	(532,439)	(601,090)	-11.4%
Net interest income	790,630	565,175	39.9%
Net fee and commission income	302,555	221,495	36.6%
Net foreign currency gain	197,379	234,425	-15.8%
Net other income	18,471	18,898	-2.3%
Operating income	1,309,035	1,039,993	25.9%
Salaries and other employee benefits	(235,601)	(193,730)	21.6%
Administrative expenses	(133,419)	(104,789)	27.3%
Depreciation, amortisation and impairment	(97,938)	(86,546)	13.2%
Other operating expenses	(2,897)	(2,082)	39.1%
Operating expenses	(469,855)	(387,147)	21.4%
Profit from associates	1,391	700	98.7%
Operating income before cost of risk	840,571	653,546	28.6%
Cost of risk	(83,847)	(164,099)	-48.9%
Profit before non-recurring items and income tax	756,724	489,447	54.6%
Net non-recurring items	-	1,241	-100.0%
Profit before income tax expense and one-off items	756,724	490,688	54.2%
Income tax expense (adjusted for one-off items)	(121,126)	(43,342)	179.5%
Profit (adjusted for one-off items)	635,598	447,346	42.1%
One-off income tax expense	-	(33,147)	-100.0%
Profit	635,598	414,199	53.5%

Balance sheet highlights

GEL thousands, unless otherwise noted	FY23	FY22	Change y-o-y
Net loans and finance lease receivables	8,502,529	7,304,874	16.4%
Net loans and finance lease receivables, GEL	6,547,120	5,307,288	23.4%
Net loans and finance lease receivables, FC	1,955,409	1,997,586	-2.1%
Client deposits and notes	12,597,938	10,923,787	15.3%
Client deposits and notes, GEL	4,115,260	2,863,880	43.7%
Client deposits and notes, FC	8,482,678	8,059,907	5.2%
<i>of which:</i>			
Time deposits	6,528,765	5,329,886	22.5%
Time deposits, GEL	2,562,840	1,801,029	42.3%
Time deposits, FC	3,965,925	3,528,857	12.4%
Current accounts and demand deposits	6,069,173	5,593,901	8.5%
Current accounts and demand deposits, GEL	1,552,420	1,062,851	46.1%
Current accounts and demand deposits, FC	4,516,753	4,531,050	-0.3%
Assets under management	2,486,547	1,953,970	27.3%

1. In 'Segment results', loan and deposit portfolios are given for JSC Bank of Georgia standalone.

2. FY22 income tax expense was adjusted for a one-off GEL 33.1 income tax expense due to an amendment to the corporate taxation model in Georgia. As a result, ROAE was adjusted for this one-off item. Comparisons given in text are with adjusted figures of respective periods. You can see the unadjusted ROAE at the bottom of 'Key Ratios' table.

Overview of financial results continued

Key ratios

GEL thousands, unless otherwise noted	FY23	FY22
ROAE (adjusted for one-off items)	39.6%	31.7%
Net interest margin	6.0%	5.0%
Loan yield	14.1%	13.7%
Loan yield, GEL	16.6%	17.0%
Loan yield, FC	6.4%	5.9%
Cost of funds	4.8%	5.9%
Cost of client deposits and notes	3.0%	2.7%
Cost of client deposits and notes, GEL	8.2%	8.5%
Cost of client deposits and notes, FC	0.8%	0.6%
Cost of time deposits	5.1%	4.3%
Cost of time deposits, GEL	11.2%	11.2%
Cost of time deposits, FC	1.5%	1.0%
Cost of current accounts and demand deposits	0.8%	0.6%
Cost of current accounts and demand deposits, GEL	2.8%	2.8%
Cost of current accounts and demand deposits, FC	0.2%	0.1%
Cost: income ratio	35.9%	37.2%
Cost of credit risk ratio	1.0%	2.2%
ROAE (reported)	39.6%	29.3%

Performance highlights

- Operating income amounted to GEL 1,309.0 million (up 25.9% y-o-y). The y-o-y increase was driven by growth in both net interest income and net fee and commission income, partly offset by the normalisation of net foreign currency gains and lower net other income.
- Operating expenses amounted to GEL 469.9 million (up 21.4% y-o-y). The y-o-y increase in operating expenses was driven by business growth and continuing investments in strategic areas. In addition, the growth in operating expenses was partly due to the allocated costs with respect to the acquisition of Ameriabank and ongoing business consulting projects.
- The cost of credit risk ratio improved significantly to 1.0% (2.2% in FY22).
- Overall, Retail Banking generated a profit of GEL 635.6 million (up 42.1% y-o-y).
- Retail Banking's net loans and finance lease receivables stood at GEL 8,502.5 million (up 16.4% y-o-y) as at 31 December 2023. On a constant currency basis, the loan book increased by 16.2% y-o-y. Both the y-o-y and the q-o-q growth was mainly driven by consumer loans, followed by mortgage loans.
- 77.0% of the loan book was denominated in GEL at 31 December 2023 versus 72.7% at 31 December 2022.
- Client deposits and notes stood at GEL 12,597.9 million at 31 December 2023 (up 15.3% y-o-y). On a constant currency basis, deposits increased by 15.1% y-o-y. The strong y-o-y increase in deposits was mainly driven by time deposits, followed by current accounts and demand deposits.
- The share of GEL-denominated client deposits increased to 32.7% as at 31 December 2023 versus 26.2% at 31 December 2022.

SME Banking

Income statement highlights

GEL thousands, unless otherwise noted	FY23	FY22	Change y-o-y
Interest income	553,281	467,707	18.3%
Interest expense	(297,268)	(264,914)	12.2%
Net interest income	256,013	202,793	26.2%
Net fee and commission income	40,574	34,792	16.6%
Net foreign currency gain	38,357	43,183	-11.2%
Net other income	6,049	2,503	141.7%
Operating income	340,993	283,271	20.4%
Salaries and other employee benefits	(61,641)	(57,800)	6.6%
Administrative expenses	(25,523)	(22,022)	15.9%
Depreciation, amortisation and impairment	(12,206)	(13,193)	-7.5%
Other operating expenses	(410)	(492)	-16.7%
Operating expenses	(99,780)	(93,507)	6.7%
Profit from associates	65	54	20.4%
Operating income before cost of risk	241,278	189,818	27.1%
Cost of risk	(32,316)	(8,603)	NMF
Profit before income tax expense and one-off items	208,962	181,215	15.3%
Income tax expense (adjusted for one-off items)	(34,094)	(16,310) ¹	109.0%
Profit adjusted for one-off items	174,868	164,905	6.0%
One-off income tax expense	–	(12,475)	-100.0%
Profit	174,868	152,430	14.7%

Balance sheet highlights

GEL thousands, unless otherwise noted	FY23	FY22	Change y-o-y
Net loans and finance lease receivables	4,550,840	4,064,034	12.0%
Net loans and finance lease receivables, GEL	2,570,051	2,208,103	16.4%
Net loans and finance lease receivables, FC	1,980,789	1,855,931	6.7%
Client deposits and notes	1,876,967	1,508,932	24.4%
Client deposits and notes, GEL	1,197,070	852,922	40.3%
Client deposits and notes, FC	679,897	656,010	3.6%
<i>of which:</i>			
Time deposits	84,245	65,626	28.4%
Time deposits, GEL	61,408	41,930	46.5%
Time deposits, FC	22,837	23,696	-3.6%
Current accounts and demand deposits	1,792,722	1,443,306	24.2%
Current accounts and demand deposits, GEL	1,135,662	810,992	40.0%
Current accounts and demand deposits, FC	657,060	632,314	3.9%

1. FY22 income tax expense was adjusted for a one-off GEL 12.5 income tax expense due to an amendment to the corporate taxation model in Georgia. As a result, ROAE was adjusted for this one-off item. Comparisons given in text are with adjusted figures of respective periods. You can see the unadjusted ROAE at the bottom of 'Key ratios' table.

Overview of financial results continued

Key ratios

GEL thousands, unless otherwise noted	FY23	FY22
ROAE (adjusted for one-off items)	22.6%	24.0%
Net interest margin	4.9%	4.3%
Loan yield	11.2%	10.0%
Loan yield, GEL	13.8%	13.5%
Loan yield, FC	7.9%	6.4%
Cost of funds	6.4%	6.1%
Cost of client deposits and notes	1.7%	1.0%
Cost of client deposits and notes, GEL	3.1%	2.4%
Cost of client deposits and notes, FC	-0.4%	-0.7%
Cost of time deposits	7.7%	6.4%
Cost of time deposits, GEL	10.8%	10.8%
Cost of time deposits, FC	1.2%	0.8%
Cost of current accounts and demand deposits	1.4%	0.7%
Cost of current accounts and demand deposits, GEL	2.7%	1.9%
Cost of current accounts and demand deposits, FC	-0.5%	-0.7%
Cost:income ratio	29.3%	33.0%
Cost of credit risk ratio	0.7%	0.1%
ROAE (reported)	22.6%	22.2%

Performance highlights

- Operating income amounted to GEL 341.0 million (up 20.4% y-o-y). The y-o-y increase was mainly driven by strong net interest income generation, partly offset by the reduced net foreign currency gain.
- Operating expenses were GEL 99.8 million, up 6.7% y-o-y.
- The cost of credit risk ratio stood at 0.7% (0.1% in FY22).
- Overall, SME Banking generated a profit of GEL 174.9 million (up 6.0% y-o-y).
- Net loans and finance receivables stood at GEL 4,550.8 million at 31 December 2023, up 12.0% y-o-y. On a constant currency basis, the loan book increased by 11.4% y-o-y.
- GEL-denominated loans remained broadly stable at 56.5% of total SME Banking loans at 31 December 2023, compared with 54.3% at 31 December 2022.
- Client deposits and notes amounted to GEL 1,877.0 million at 31 December 2023, up 24.4% y-o-y. On a constant currency basis, deposits increased by 24.1% y-o-y.
- GEL-denominated deposits represented 63.8% of total SME Banking deposits at 31 December 2023, compared with 56.5% at 31 December 2022.

Corporate and Investment Banking (CIB)

Income statement highlights

GEL thousands, unless otherwise noted	FY23	FY22	Change y-o-y
Interest income	803,408	554,135	45.0%
Interest expense	(283,171)	(177,364)	59.7%
Net interest income	520,237	376,771	38.1%
Net fee and commission income	83,718	49,543	69.0%
Net foreign currency gain	88,369	123,993	-28.7%
Net other income (adjusted for one-off items)	89,035	14,299	522.7%
Operating income (adjusted for one-off items)	781,359	564,606	38.4%
Salaries and other employee benefits	(86,237)	(80,978)	6.5%
Administrative expenses	(27,217)	(18,079)	50.5%
Depreciation, amortisation and impairment	(5,319)	(5,292)	0.5%
Other operating expenses	(624)	(1,283)	-51.4%
Operating expenses	(119,397)	(105,632)	13.0%
Profit from associates	-	-	-
Operating income before cost of risk (adjusted for one-off items)	661,962	458,974	44.2%
Cost of risk	(30,549)	79,461	NMF
Profit before non-recurring items and income tax (adjusted for one-off items)	631,413	538,435	17.3%
Net non-recurring items	-	-	-
Profit before income tax expense and one-off items	631,413	538,435	17.3%
Income tax expense (adjusted for one-off items)	(95,274)	(44,040)	116.3%
Profit adjusted for one-off items	536,139	494,395	8.4%
One-off other income ¹	22,585	391,100	-94.2%
One-off income tax expense	-	(33,653)	-100.0%
Profit	558,724	851,842	-34.4%

Balance sheet highlights

GEL thousands, unless otherwise noted	FY23	FY22	Change y-o-y
Net loans and finance lease receivables	6,463,690	4,926,264	31.2%
Net loans and finance lease receivables, GEL	1,714,253	1,321,797	29.7%
Net loans and finance lease receivables, FC	4,749,437	3,604,467	31.8%
Client deposits and notes	5,256,172	4,824,646	8.9%
Client deposits and notes, GEL	3,734,682	3,021,179	23.6%
Client deposits and notes, FC	1,521,490	1,803,467	-15.6%
<i>of which:</i>			
Time deposits	1,416,400	1,520,701	-6.9%
Time deposits, GEL	1,295,713	1,412,130	-8.2%
Time deposits, FC	120,687	108,571	11.2%
Current accounts and demand deposits	3,839,772	3,303,945	16.2%
Current accounts and demand deposits, GEL	2,438,969	1,609,049	51.6%
Current accounts and demand deposits, FC	1,400,803	1,694,896	-17.4%
Letters of credit and guarantees (off-balance sheet exposures)	1,973,156	1,812,231	8.9%
Assets under management	2,193,090	1,480,894	48.1%

1. Due to the settlement of a legacy claim, the fair value revaluation of the receivable resulted in a one-off other income of GEL 22.6 million posted in FY23. Net other income was adjusted for these one-offs. Due to the settlement of the same legacy claim, FY22 net other income was adjusted for a one-off GEL 391.1 million. FY22 income tax expense was adjusted for a one-off GEL 33.7 million. FY22 income tax expense was adjusted for a one-off GEL 33.7 million. As a result, ROAE was adjusted for one-off other income and one-off tax expense where applicable and Cost:income ratios were adjusted for one-off other income where applicable. Comparisons given in text are with adjusted figures of respective periods. You can see the unadjusted ROAE and unadjusted cost: income ratio at the bottom of the 'Key ratios' table. You can see the unadjusted ROAE and unadjusted cost:income ratio at the bottom of the 'Key ratios' table.

Overview of financial results continued

Key ratios

GEL thousands, unless otherwise noted	FY23	FY22
ROAE (adjusted for one-off items)	26.0%	39.1%
Net interest margin	6.2%	5.6%
Loan yield	11.5%	9.3%
Loan yield, GEL	14.7%	14.7%
Loan yield, FC	10.3%	7.7%
Cost of funds	4.1%	2.6%
Cost of client deposits and notes	7.2%	6.2%
Cost of client deposits and notes, GEL	9.8%	9.4%
Cost of client deposits and notes, FC	0.3%	-0.1%
Cost of time deposits	10.3%	10.4%
Cost of time deposits, GEL	10.7%	11.1%
Cost of time deposits, FC	2.2%	1.1%
Cost of current accounts and demand deposits	5.5%	3.9%
Cost of current accounts and demand deposits, GEL	9.0%	7.7%
Cost of current accounts and demand deposits, FC	0.1%	-0.2%
Cost:income ratio (adjusted for one-off items)	15.3%	18.7%
Cost of credit risk ratio	0.4%	-1.0%
Concentration of top ten clients	7.3%	5.9%
ROAE (reported)	27.1%	67.4%
Cost:income (reported)	14.9%	11.1%

Performance highlights

- Operating income (adjusted for a one-off GEL 22.6 million other income) amounted to GEL 781.4 million, up 38.4%, driven by significant growth in every core revenue line, except for the net foreign currency gain that broadly normalised in 2023.
- Operating expenses were up 13.0% y-o-y to GEL 119.4 million.
- The cost of credit risk ratio was 0.4% in FY23 versus -1.0% in FY22.
- Overall, Corporate and Investment Banking posted a profit (adjusted for a one-off GEL 1.5 million net other income) of GEL 536.1 million, up 8.4% y-o-y.
- Net loans and finance receivables stood at GEL 6,463.7 million at 31 December 2023 (up 31.2% y-o-y). On a constant currency basis, the loan book increased by 30.5% y-o-y.
- GEL-denominated loans represented 26.5% of total Corporate and Investment Banking loans at 31 December 2023, compared with 26.8% at 31 December 2022.
- The concentration of top ten Corporate and Investment Banking clients was 7.3% of total gross loans at 31 December 2023 (5.9% at 31 December 2022).
- Client deposits and notes amounted to GEL 5,256.2 million at 31 December 2023 (up 8.9% y-o-y). On a constant currency basis, deposits increased by 9.0% y-o-y.
- GEL-denominated deposits stood at 71.1% of total Corporate and Investment Banking deposits at 31 December 2023, compared with 62.6% at 31 December 2022.

Belarusky Narodny Bank (BNB) Income statement highlights

GEL thousands, unless otherwise noted	FY23	FY22	Change y-o-y
Net interest income	48,486	37,511	29.3%
Net fee and commission income	7,379	11,500	-35.8%
Net foreign currency gain	41,606	64,493	-35.5%
Net other income	2,009	1,170	71.7%
Operating income	99,480	114,674	-13.2%
Operating expenses	(65,514)	(55,432)	18.2%
Operating income before cost of risk	33,966	59,242	-42.7%
Cost of risk	2,648	(25,827)	NMF
Net non-recurring items	-	(203)	-100.0%
Profit before income tax expense	36,614	33,212	10.2%
Income tax expense	(8,477)	(7,684)	10.3%
Profit	28,137	25,528	10.2%

Balance sheet highlights

GEL thousands, unless otherwise noted	Dec-23	Dec-22	Change y-o-y
Cash and cash equivalents	407,456	640,018	-36.3%
Amounts due from credit institutions	18,759	74,778	-74.9%
Investment securities	70,411	60,361	16.6%
Loans to customers and finance lease receivables	716,905	538,166	33.2%
Other assets	66,636	68,043	-2.1%
Total assets	1,280,167	1,381,366	-7.3%
Client deposits and notes	1,048,512	1,034,124	1.4%
Amounts owed to credit institutions	50,852	172,389	-70.5%
Debt securities issued	6,810	2,745	148.1%
Other liabilities	25,268	20,670	22.2%
Total liabilities	1,131,442	1,229,928	-8.0%
Total equity	148,725	151,438	-1.8%
Total liabilities and equity	1,280,167	1,381,366	-7.3%

During 2023 BNB continued to be focused on its core domestic retail and small business customers.

During a few months of 2023, as a result of the ongoing Russia-Ukraine war, the NBG's official exchange rate of GEL versus the Belarusian Ruble (BYN) was not updated due to inactivity on the source platform. On 3 October 2023, the NBG's official exchange rate of GEL versus the BYN was reinstated, resulting in a 23.3% depreciation of BYN against GEL. BNB's performance was adversely affected by this change in exchange rate.

BNB's capital ratios, calculated in accordance with the National Bank of the Republic of Belarus' standards, were above the minimum requirements at 31 December 2023 – Tier 1 capital adequacy ratio at 9.9% (minimum requirement of 7.0%) and Total capital adequacy ratio at 13.8% (minimum requirement of 12.5%).

GOVERNANCE

Governance at a glance

2023 key highlights:

Evaluated Board effectiveness

An externally facilitated Board effectiveness and performance evaluation was carried out during the year, in accordance with the requirements of the 2018 UK Corporate Governance Code. Clare Chalmers Ltd, a specialist consultancy firm, was engaged to undertake the effectiveness evaluation of the Board, its Committees, individual Directors and the Chair of the Board.

Further details of the process and its outcome can be found on page 196.

Progressed succession planning

During the year, succession planning has been a key topic of discussion. Cecil Quillen was appointed as Chair of the Remuneration Committee with effect from 1 January 2023. We also engaged Korn Ferry, an external recruitment consultant, to assist with the appointment of Andrew McIntyre as a new Non-executive Director and aid with the future succession of the succession of the Audit Chair.

Further information on our work on succession planning can be found on pages 195 and 207 to 209.

Enhanced ESG policies

We remain committed to ensuring a robust ESG strategy and during the year approved two additional ESG policies: the Responsible Supply Chain Policy and the Environmental Policy.

Further information on our work on ESG can be found on pages 60 to 142.

Listened to stakeholders

Board members have undertaken numerous engagement opportunities with our employees and stakeholders, including:

- AGM held on 19 May 2023
- Multiple investor roadshows
- Three Employee Voice meetings
- Meetings with the National Bank of Georgia ('NBG') and other local stakeholders.

Further details can be found on pages 52 to 59, 189, 252 and 210.

Reviewed diversity

We remain committed to ensuring the Company is an inclusive organisation reflecting all aspects of diversity. During the year we reviewed and confirmed the diversity within the Board membership, including gender and ethnicity as well as broader characteristics.

Further details on our commitment can be found on pages 186 to 187, 194 and 210 to 212.



Governance at a glance continued

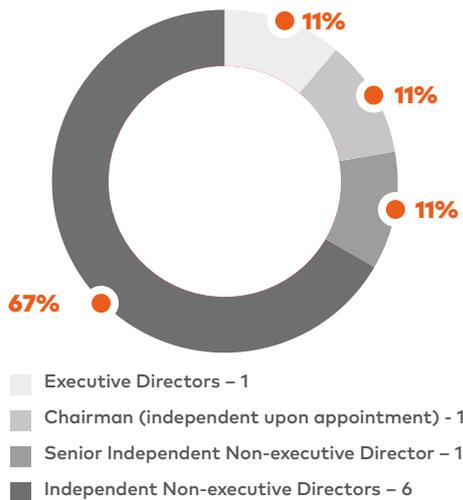
Board diversity

We recognise that a Board consisting of individuals with a wide range of backgrounds and experiences will contribute to the Company's long-term success.

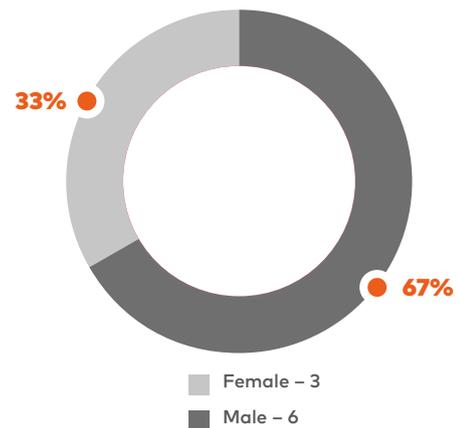
2023 in numbers:

As at 31 December 2023

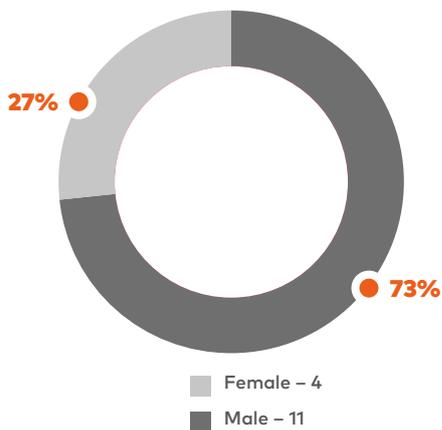
Composition of the Board



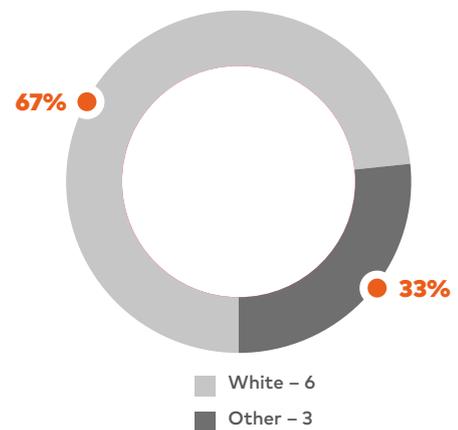
Gender diversity of the Board



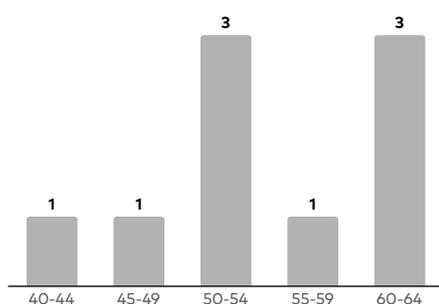
Gender diversity of the Executive Management Team



Ethnic diversity of the Board



Age diversity of the Board



Board independence

Board meeting attendance

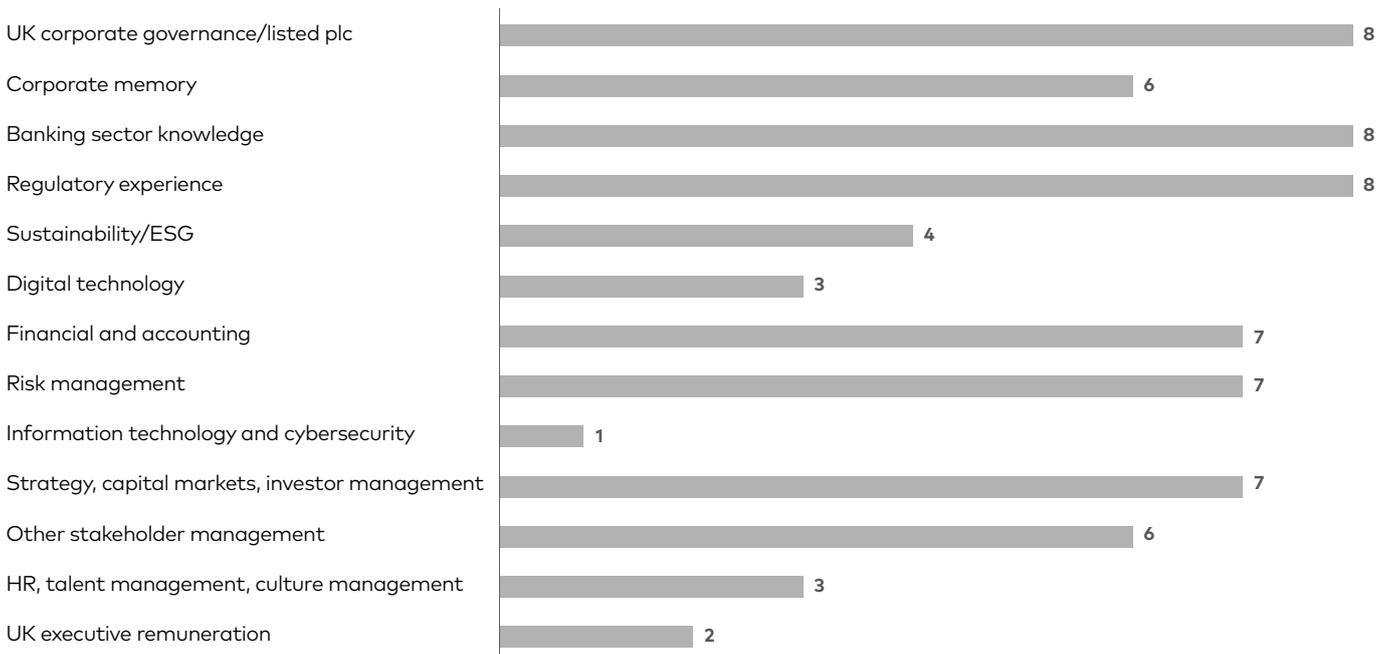
Details of Board attendance in 2023 are as follows:

Members	No. of meetings attended
Mel Carvill*	8/8 scheduled and 4/4 ad hoc
Alasdair Breach*	8/8 scheduled and 4/4 ad hoc
Tamaz Georgadze*	8/8 scheduled and 4/4 ad hoc
Archil Gachechiladze	8/8 scheduled and 4/4 ad hoc
Hanna Loikkanen*	8/8 scheduled and 4/4 ad hoc
Mariam Megvinetukhutsesi*	8/8 scheduled and 4/4 ad hoc
Véronique McCarroll*	8/8 scheduled and 4/4 ad hoc
Jonathan Muir*	8/8 scheduled and 4/4 ad hoc
Cecil Quillen*	8/8 scheduled and 4/4 ad hoc

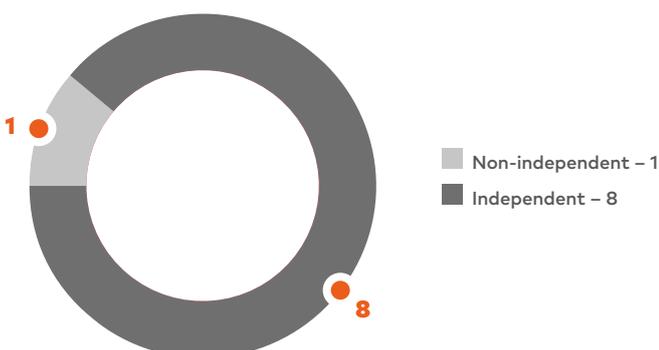
* Denotes Independent Director.

Board skills and experience

The Board continues to have a strong mix of experienced individuals able to provide an external perspective on the business and constructive challenge. The below skills matrix sets out the expertise of the Non-executive Directors:



Board independence as at 31 December 2023



Director tenure as at 31 December 2023



Directors' Governance Statement



Mel Carvill
Chairman of the Board

"Strategic leadership and stakeholder engagement have been key areas of focus to further support the long-term sustainable growth of the Group."

Chairman's introduction

Dear Shareholders,

On behalf of the Board, I am pleased to present the Company's Governance report for the year ended 31 December 2023.

Corporate governance

We remain committed to upholding high standards of corporate governance. We believe maintaining compliance with the Principles of the UK Corporate Governance Code 2018 (the 'Code'), along with our openness to evolve and improve our governance framework, contributes to the long-term success of the Group. In addition, the Bank complies with the NBG Corporate Governance Code to ensure that the highest standards are applied. Our robust framework of governance, risk and internal controls supported by the knowledge, skills and experience of the Directors and the Executive Management Team provides us with confidence in the decisions we make and the strategic direction we are taking.

This governance statement details how the Company has complied with the Code and outlines our governance framework and the activities of the Board and its Committees during the year.

Strategic focus

With our purpose – Helping people achieve more of their potential – at the heart of everything we do and aligned with our culture, we continue to be a leader in the Georgian banking sector, committed to achieving strong employee and customer satisfaction, profitability and shareholder returns.

During the year under review we have been focused on the Company's strategic agenda. We welcomed a number of external speakers to Board meetings and our two-day in-person strategy meeting to provide further insight into wider geopolitical and macroeconomic factors, and consider customer and investor perspectives regarding the strategic direction of the Group.

The strategy days were a great success, enabling the Board to delve deeper into stakeholder views and strategic discussion. They provide us with the time to focus on the long-term strategic direction of the Company required to optimise sustainability and shareholder value.

During 2023, the Board considered a potential opportunity in Armenia presented by the Executive management team. We agreed that value could be derived from exploring this opportunity in an adjacent high-growth economy and agreed for management to engage with the potential target to gauge detailed information and evaluate the upside through a thorough due diligence process. Discussions with key investors through roadshows and Board meetings throughout the year highlighted that there was appetite and support for the Group's excess capital to be carefully deployed for international growth.

Following analysis, discussions with advisers and other key parties, a potential opportunity to acquire Ameriabank CJSC ('Ameriabank'), a leading universal bank in Armenia, one of the fastest-growing economies in the region, was identified as a leading opportunity for international growth for the Group. Following extensive due diligence and Board discussions with the management and external advisors during 2023 and into 2024, we unanimously recommended the conditional acquisition of 100% of shares of Ameriabank to the shareholders of the Company. Since year end, at a General Meeting of the Company on 14 March 2024, 83.60% of issued share capital voted, with 100.0% votes in favour of the acquisition. Further information regarding this transaction can be found on pages 13 to 14.

Board effectiveness

We were pleased to appoint Clare Chalmers Ltd (the 'Evaluator') to undertake our effectiveness evaluation for 2023 and welcomed the opportunity to receive external feedback on our

governance arrangements and Board dynamics. We found the process was a useful experience that provided positive feedback on the Board's effectiveness as well as useful suggestions on how we can optimise performance. The evaluation process is detailed on page 196 of this report and further information regarding the outcomes and action plan can be found in the Nomination Committee Report on page 212.

We have already begun to consider and implement suggestions provided by the Evaluator, including the introduction of a Bank-wide Risk Registry. More information can be found in the Risk Committee Report on pages 224 to 228.

Succession

During 2023 we continued to execute our succession plans to comply with the NBG seven year independence requirement, with Hanna Loikkanen stepping down as Chair of the Remuneration Committee and replaced by Cecil Quillen with effect from 1 January 2023.

During the year we undertook a search for an additional Non-executive Director with the appropriate skills, knowledge and experience to succeed as Audit Chair in the future. We were pleased to welcome Andrew McIntyre as a Non-executive Director and member of the Audit Committee and Nomination Committee as announced to the market on 15 March 2024. Al Breach stepped down as a Non-executive Director and a member of the Remuneration Committee, Risk Committee, and Nomination Committee on the same date. On behalf of the Board and the Company, I would like to thank Al Breach for his significant contributions to the Company over the years.

Succession planning will remain a key focus throughout 2024, ensuring we appropriately refresh the Board – taking into consideration both the Code and the new nine-year NBG independence requirements, as well as taking further steps towards achieving our target of 40% of women on the Board by 2025. During succession planning and

appointments we remain conscious of the importance of achieving the right blend of skills, experience and diversity to provide the appropriate level of oversight, challenge and corporate knowledge.

Further information on succession planning and the appointment process is available in the Nomination Committee report on pages 207 to 209.

Engagement with stakeholders

The Board is focused on achieving the best outcomes for our stakeholders by ensuring they are given the opportunity to raise their voice and for the Board to listen. We have continued to engage with our employees through Employee Voice meetings, and continued to receive updates on eNPS and the values and culture survey. Whilst in Georgia, I have continued to take every opportunity to liaise with both internal and external stakeholders including executives, senior management, employees, external advisors and senior governmental regulatory advisors. I also met with shareholders at the Company's AGM and many investors during the investor roadshow. As a Board we acknowledge

that any opportunity to meet with stakeholders helps inform the Board's decisions and shape the business as we move forward. As always, my fellow Directors and I look forward to engaging with more stakeholders during 2024.

More information on our stakeholder engagement and how we consider stakeholders when making key decisions can be found on pages 52 to 59.

Looking ahead

2024 will be an important year as we move forward with the integration of Ameriabank into the Group, embed succession planning and continue to enhance our governance, risk and internal controls frameworks. I look forward to developing the Board's agenda for 2024, incorporating the Evaluator's suggestions.

I would like to thank the Directors for their support during 2023 and their additional commitments and focus as we explored and considered the future of the Company.

Mel Carvill
Chairman of the Board
24 April 2024

Section 172 Statement

In discharging its duty to act in good faith and in a way that is the most likely to promote the long-term success of the Company, Directors must take into consideration the interests of the various stakeholders of the Company. Throughout this report, we detail how we have identified and given consideration to our various stakeholders. See page 52 for our Section 172 statement (which is incorporated to the Strategic Report), and on how the Board has engaged with our stakeholders.

Statement of compliance with the UK Corporate Governance Code

The Board believes good governance enhances performance, reduces risk and promotes the long-term success of the Company for the benefit of our stakeholders. The Board is committed to ensuring high standards of corporate governance are maintained, and the Company continues to take steps to enhance and evolve its governance framework and underlying governance structure in line with best practice. This Governance Report – which forms part of the Directors' Report – and the reports of the Board Committees describe how during 2023 the Company has applied the main principles and complied with the relevant provisions of the Code. The Code is publicly available at the FRC's website: www.frc.org.uk.

The Board confirms that, for the year ended 31 December 2023, the Company has complied with all provisions of the Code. The Board is aware of the publication of the revised Corporate Governance Code 2024 which will apply to the Company's reporting period starting on 1 January 2025, excluding Provision 29 which will apply to the reporting period starting on 1 January 2026. The Board and its committees have received updates from Management, the Company Secretary and the Company's External Auditor regarding the changes to the Code and have taken steps to prepare for the proposed changes. In particular, the Audit Committee has undertaken substantial work during 2023 to ensure that the Bank is well positioned and where needed, has started to implement the documentation and process changes. The Audit Committee members also oversaw the Company's feedback to the FRC under the consultation on the proposed changes to the Code.

Directors' Governance Statement continued

Division of responsibilities Governance structure

The Board is composed of nine Directors, eight of whom are independent Non-executive Directors. The Board is assisted in fulfilling its responsibilities by four principal committees: Nomination, Audit, Risk and Remuneration. Their Terms of Reference are reviewed annually to ensure they are aligned with the Code and function effectively. The relevant committee recommends any amendments to the Board.

The current Terms of Reference are available at: <https://www.bankofgeorgiagroup.com/governance/documents>.

Roles and responsibilities

The roles of Chairman, Senior Independent Director and CEO are held by separate individuals. Their clearly defined responsibilities, as well as those of Non-executive Directors, are set out in writing and regularly reviewed by the Board. The division of responsibilities can be found on our website: <https://bankofgeorgiagroup.com/storage/documents/Roles%20and%20Responsibilities.pdf>

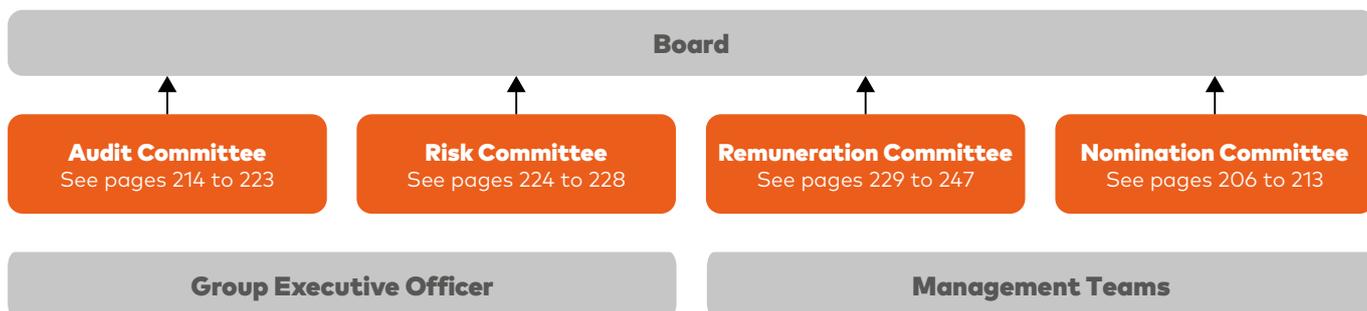
Leadership and purpose The role of the Board

The Board is responsible for the overall management of the Group and provides strong leadership and support to the Executive Management to deliver the Group's strategic aims. The Board ensures management strikes the right balance between delivering on short-term objectives and ensuring sustainable long-term growth.

The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the effective oversight of the Company's business. The Board recognises its duties under the UK Companies Act 2006 to promote the long-term success of the Company, considering not only the views and interests of our shareholders but also our various stakeholders, including our employees, customers, investors, regulators, suppliers and communities as a whole. Each Director understands their statutory duty to consider and represent the Company's various stakeholders in deliberations and decision-making. More details about how the Directors have fulfilled their duties under Section 172

of the Companies Act 2006 can be found on pages 52 to 59.

The Board retains a schedule of matters reserved for its decision, to safeguard the areas material to the delivery of the Company's strategy. This ensures the necessary framework and resources are in place for the Group to meet its stated objectives. The Schedule of Matters Reserved for the Board is available on our website at: <https://www.bankofgeorgiagroup.com/governance/documents>.



Operation of the Board

The Board, led by the Chair, fosters a culture of openness and transparent decision-making. This is supported by clearly defined roles, and open communication channels both in and outside of Board meetings.

Meeting agendas are developed in conjunction with the Company Secretary, UK General Counsel, the Chair, Directors and the CEO, ensuring adequate time is allocated to all items to support effective and constructive discussion. The Chair and CEO receive regular input from the Non-executive Directors ahead of Board meetings to ensure any matters raised by them are included on the agenda. As a key responsibility of the Non-executive Directors is to challenge and provide counsel to management, Board meetings are chaired efficiently and effectively to allow the views of all Directors to be considered.

The Non-executive Directors review and challenge proposals and recommendations presented by management and share their ideas by drawing on experience gained outside the Company, providing alternative suggestions to management where suitable. To maximise efficiency and the opportunity for adequate discussion and challenge, Directors ensure written materials submitted through the electronic meeting portal are thoroughly reviewed in advance, and presenters are available for questions and further discussion on key matters both before and during the meeting. The Board invites senior management, internal and external subject matter experts, and representatives from key teams to attend Board meetings to present key matters, answer questions and provide further detail. This strengthens the Board's knowledge and understanding of the Group, the sector and the macroeconomic environment.

The Senior Independent Non-executive Director supports the Chairman by acting as an intermediary for other Non-executive Directors and liaising with the Non-executive Directors outside of the Board and Committee meetings. The Chairman meets with the Non-executive Directors without the CEO present as required.

Key activities of the Board during 2023

During the year the Board held eight meetings and three ad hoc meetings. Six Board meetings were held in Georgia, where all Directors attended in person, with the others held in London and via video conference. Attendance at these meetings is set out on page 187.

At each quarterly meeting the Board receives updates from the CEO, its committees and the Company Secretary and is presented with local and regional macroeconomic and geopolitical updates, finance reports and competitor analysis. The Board also reviews the minutes of previous meetings and receives updates on matters raised or outstanding. Throughout the year the Board discusses and closely monitors the financial performance and strategic direction of the Group.

During 2023 the Board received presentations and deep-dive sessions in key business areas, including the following topics:

- CSR.
- Corporate Banking.
- Digital channels and strategy.
- ESG.
- Human capital development.
- IT and data analytics.
- Mass Retail Banking.
- Recovery Plan.
- Regulatory changes.
- SME Banking.
- Values, culture and principles.
- Board effectiveness review.
- International opportunities.

A non-exhaustive list of the key Board activities considered, reviewed and monitored during the year is set out below.

Strategy

- Reviewed the Company's business principles, purpose and strategy.
- Reviewed performance against strategy.
- Received regular updates from key areas of the Group's operations.
- Received presentations from external speakers regarding the international geopolitical environment.
- Continued to monitor the ongoing impact of the Russia-Ukraine war.
- Received updates on key projects
- Attended a two-day in-person strategy meeting.

Further information about the strategy meeting can be found on page 192.

Financial performance

- Reviewed and approved quarterly, half-year and full-year results.
- Received quarterly Group financial performance updates.
- Declared a final dividend in respect of the period ended 31 December 2022 of GEL 5.80 per share, and an interim dividend in respect of the period ended 30 June 2023 of GEL 3.06 per ordinary share, in line with the Company's dividend and capital distribution policy.
- Approved an increase of up to GEL 148 million in its share buyback and cancellation programme, which commenced in February 2023.
- Approved the launch of a GEL 62 million share buyback and cancellation programme in the second half of 2023.
- Completed its previous GEL 260.7 million buyback and cancellation programme, having repurchased and cancelled 3,254,705 ordinary shares, representing 6.6% of the Company's issued share capital.
- Reviewed key financial metrics including the annual budget and quarterly forecasts.
- Reviewed and approved the Group's Annual Report and Accounts.
- Reviewed and approved the Notice of Annual General Meeting.

Governance, regulation, and compliance

- Conducted an externally facilitated effectiveness evaluation of the Board, its Committees, individual Directors and the Chairman of the Board.
- Discussed Board succession planning and began recruitment for the Audit Chair.
- Received governance updates and considered legislative and governance developments and their impact on the Company.
- Reviewed conflicts of interest.
- Reviewed and approved amended governance documents including Roles and Responsibilities, Terms of Reference, Matters Reserved for the Board and other Board-owned policies.
- Approved the new Responsible Supply Chain Policy and the Environmental Policy.

Culture and engagement with stakeholders

- Received reports about engagement with shareholders and other stakeholders, including reports from the investor roadshow.
- Received the results of employee and customer surveys.
- Discussed employee retention strategies.
- Reviewed the Bank's equity pay gap.
- Reviewed the Bank's CSR initiatives.
- Received reports on engagement with the NBG.
- Received reports from the designated Non-executive Director for engagement with the workforce.
- Reviewed the findings of the employee values and culture survey noting areas of opportunity.

Directors' Governance Statement continued

Board strategy days

In February 2023 the Board attended a dedicated two-day in-person strategy meeting.

Purpose	<ul style="list-style-type: none">• To discuss and review the Company's strategy and performance, considering stakeholder views and the long-term success of the Company.
Attendees	<ul style="list-style-type: none">• The Board.• External speakers from the banking sector and fintech sector.
Key themes and discussions	<ul style="list-style-type: none">• Review of the Company's strategy and performance.• Customer perspectives.• Investor perspectives.
Outcomes	<ul style="list-style-type: none">• The Board agreed that there was appetite and support for the Group's excess capital to be deployed for international growth.

Culture

Aligning with purpose, values and strategy

People are at the heart of our strategy and guide everything we do. We aspire to support them at different stages of their lives – empowering our customers with an integrated ecosystem of products

and services, empowering our employees with a fair and inclusive workplace and opportunities for personal and professional growth, and empowering people in our communities by fostering financial inclusion and education with our core products and services, as well as with our community projects.

Our brand values and business principles – developed in consultation with the Board and management, and taking into consideration eNPS surveys, employee feedback and the Barrett Organisational Culture and Values assessment – have been designed to ensure our purpose is achieved.

Our brand values

Motivation
Courage
Creation/Action
Encouragement

Our business principles

Fairness
Customer-centricity
Teamwork
Development
Innovation
Operational excellence

Board meetings and stakeholder engagement during 2023

February 2023

- Ad hoc meeting
- 4Q22 and FY2022 Preliminary Results
- Strategy meeting

March 2023

- Board meeting
- Approval of FY2022 Annual Report and the Notice of Annual General Meeting
- Employee Voice meeting

May 2023

- Ad hoc meeting
 - 1Q23 Results
 - Annual General Meeting
- All resolutions were passed with the requisite majority. Further details about the meeting can be found on <https://bankofgeorgiagroup.com/information/meetings>.

June 2023

- Board meeting
- Employee Voice meeting

Taking into account employee feedback – including as raised in the Employee Voice meetings (see below for details on this forum) – and how the values and principles were being embedded to date, the Board reviewed and considered these brand values and business principles again during the period and confirmed that they remained appropriate.

Tone from the top

We strive to cultivate a culture of collaboration and learning, and promote this throughout the Group by setting the tone at the top – demonstrating the Company's values and principles through our decisions and actions. In conjunction with management, the Board ensures the implementation of appropriate policies and procedures clearly setting the expectation that every employee acts ethically and transparently in all their dealings. This fosters an environment where business and compliance are interlinked.

Our CEO has made culture one of his leadership priorities and is actively

promoting diversity as one of the cornerstones of culture. The percentage of women in the Executive Committee equivalent and direct reports for the Group was 48.8% as at 31 October 2023 – the date of the most recent FTSE Women Leaders Review. According to the statistics in this external report on FTSE 250 companies, the Group is 12th overall and ranked 2nd in the banking sector. To encourage all employees to participate in the development of the Group's culture, our CEO writes a vlog for employees, records video messages, updates the Group with examples of employees going the extra mile to inspire, highlights where employees have shown potential, and holds live discussions where employees can ask questions and talk directly with him. More information on our employee engagement initiatives can be found on pages 53 to 54 and 119 to 132, and later in this report.

In line with the recommendations of the Code, Hanna Loikkanen has been appointed as the designated Non-executive Director to engage with

the workforce. Three Employee Voice meetings, which aim to support the exchange of opinions, ideas and views between the Board and employees – were held in March, June and September 2023, facilitated by Hanna Loikkanen and with all Board members invited to participate. A total of 61 employees from across the business attended, discussing the current employee experience, challenges and opportunities, and how to increase employee engagement and the attractiveness of the Bank as an employer. Employees valued the opportunity to have face-to-face time with members of the Board and share their thoughts on the Company.

Separately, several Board members provide regular mentoring to members of the Executive Management team and senior management on leadership, employee engagement and culture creation. The Board regularly make themselves available to the business and attend social gatherings with mid and senior level employees to hear directly from employees.

Monitoring and measuring

During 2023, the Board continued to monitor and assess the Group's culture.

We received regular updates on our employees to ensure they are listened to and that outcomes from interactions are

followed up. We also received an update on the scores from the internal eNPS and Employee Engagement survey which was undertaken by Korn Ferry, the details of which can be found on pages 130 to 131 in our Empowering employees section. Every employee is encouraged to participate

in the development of our culture, and the Board has received updates on the processes by which the culture is being shaped. We also receive updates on Net Promotor Score ('NPS') and customer satisfaction, including how the Company performs versus its peers.

The Board considers that below activities are effective ways for the Directors and Executive Management to gain insight into the Group's culture and employee satisfaction.

People	Customers	External Recognition
<ul style="list-style-type: none"> • Employee Voice • eNPS • Employee Engagement scores • Retention • Career progression • Talent development • Diversity and inclusion • Whistleblowing and ethics reports • Completion of mandatory training 	<ul style="list-style-type: none"> • NPS • Customer satisfaction 	<ul style="list-style-type: none"> • Awards • Competitor analysis

August 2023

- Ad hoc meeting
- Approval of Interim Dividend
- Launch of buyback and cancellation programme
- 2Q23 and HY23 Results

September 2023

- Board meeting
- Employee Voice meeting

November 2023

- 3Q23 Results

December 2023

- Board meeting

Directors' Governance Statement continued

We were pleased to see high levels of engagement with the eNPS and Employee Engagement survey and that the scores have increased from 2022. This increase is attributed to the development of key initiatives including:

- the Employee Experience team gathering regular feedback from employees and providing insights into issues and solutions;
- the enhancement of the onboarding experience to become more structured and uniform;
- the refinement of process and promotion criteria at the Bank level which has created transparent guidelines for every position,

simplifying career paths and empowering employees with a clear view of their professional trajectory;

- the enhancement of collaboration and engagement through improved interpersonal communication; and
- the comprehensive annual review of employee pay to recognise the intrinsic value of each role and respond to market dynamics.

These concerted efforts collectively foster a positive and motivating work environment, aligning with our corporate ethos of prioritising employee satisfaction and professional development.

91% of our employees completed the Risk and Compliance programme, an improvement on 86% in 2022. We recognise that further improvement is required in this area as we strive for 100% completion to enhance risk culture. Initiatives to increase the effectiveness of this training programme are underway, including improving the user experience of the courses and content, and reviewing the courses to change the frequency of required retaking where necessary.

In 2024, the Board will continue to engage with our employees, monitor culture, further improve employee experiences, and monitor the output from the eNPS, Employee Engagement surveys and other appropriate metrics which provide insight into the Group's culture.

Composition, succession and evaluation

Diversity

We believe diversity of skills, background, knowledge, experience, geographic location, nationality, and gender is important to effectively govern the business. The Board and its Nomination Committee work to ensure the Board continues to have the right balance of skills, experience, knowledge and independence necessary to discharge its responsibilities in accordance with the highest standards of governance.

The Board considers the following targets when reviewing Board composition, drawing on the FTSE Women Leaders Review, the Parker Review and the Listing Rules and Disclosure Guidance and Transparency Rules:

- 40% of women on the Board and leadership teams by the end of 2025;
- at least one woman in the Chair, Senior Independent Director, Chief Executive Officer or Finance Director roles by the end of 2025; and
- one Director from a minority ethnic background on the Board by 2024

Compliance with these targets is discussed further in the Nomination Committee Report on pages 210 to 212. In respect of the target outlined in the second bullet point above, and for the purposes of LR 9.8.6R(9), the Company has met this target as our Senior Independent Director is a woman. We are proud that in the recently released 2024 FTSE Women Leaders Review for the FTSE 250, with 48.8% women in the Executive Committee equivalent and direct reports, we placed 12th overall and 2nd for the banking sector. Female representation on the Board is 33%.

As a FTSE 250 company the Board is also mindful of the aims of the Parker Review for companies to have at least one Director from an ethnic minority background by 2024. We are pleased to confirm that the Company has met this target, with three members of the Board from a minority ethnic background.

The Company notes the Parker Review is asking companies to consider setting a percentage target for senior management team that will be occupied by ethnic minority executives in December 2027. Given the majority of the senior management identify as being from an ethnic minority background, it is believed that setting a target for our Group would be artificial. Further information on diversity can be found on pages 210 to 212.

As part of the ongoing succession cycle, the Board takes into consideration all aspects of diversity during the process for recruiting new Non-executive Directors. Our approach to diversity is balanced with the need to appoint Directors who can best serve the interests of the Company and shareholders, as well as having relevant experience for a banking business substantially based in Georgia. Further information on the composition, evaluation and succession of the Board can be found on pages 208 to 209.

Diversity and Inclusion Policy

The Group's Diversity and Inclusion Policy applies to all employees of the Group, all functions, all units in the Group and all subsidiaries, with regard to age, gender, ethnicity, sexual orientation, disability and socioeconomic background.

The Board, Audit Committee, Nomination Committee, Risk Committee and Remuneration Committee have regard for the Diversity and Inclusion Policy when reviewing their composition, succession planning and future appointments.

More information on the Group's Diversity and Inclusion Policy can be found on page 211 in the Nomination Committee Report.

As part of the annual review of Board-owned policies, in September 2023 the Board approved the following policies:

- Diversity and Inclusion Policy
- Anti-discrimination and Anti-harassment Policy
- Human Rights Policy

These policies are clear and easy to follow, and are based on international best practice.

Composition and independence

The Board's composition is formally reviewed on an annual basis. We consider that the overall size and composition is appropriate, considering the independence of character and integrity of all the Directors. Each of our Non-executive Directors occupies – and/or has previously occupied – senior positions in a broad range of relevant associated sectors, bringing valuable insights to the Board's deliberations and contributing significantly to decision making. No individual or group of individuals can dominate the decision-making process and no undue reliance is placed on any individual.

The Board has assessed the independence of the Chairman and each of the seven Non-executive Directors in line with Principle G and Provisions 9 and 10 of the Code. The Board considers that the Chairman and each Non-executive Director act in an independent and objective manner. We consider that our Non-executive Directors are free from any business interest or relationship that could materially interfere with the exercise of their judgement in accordance with the Code. Further information on the review of the Board and Committee compositions can be found on pages 208 to 209.

Time commitment

The Board is satisfied that each Non-executive Director dedicates the necessary amount of time to the Company's affairs and their role. Considering the matters above, the Board believes the Non-executive Directors have retained their independence and that it is appropriate to put them forward for election or re-election at the AGM.

Succession planning

The succession plan for the Board and its Committees is a continuous process taking into consideration both short- and long-term plans for the refreshment and retirement of Directors. During the year, in particular, the Board has been mindful of the NBG independence requirements that stipulate a Non-executive Director's independence is affected when they have served on the Board more than seven years. To comply with this rule, Hanna Loikkanen stepped down as Chair of the Remuneration Committee and was replaced by Cecil Quillen with effect from 1 January 2023.

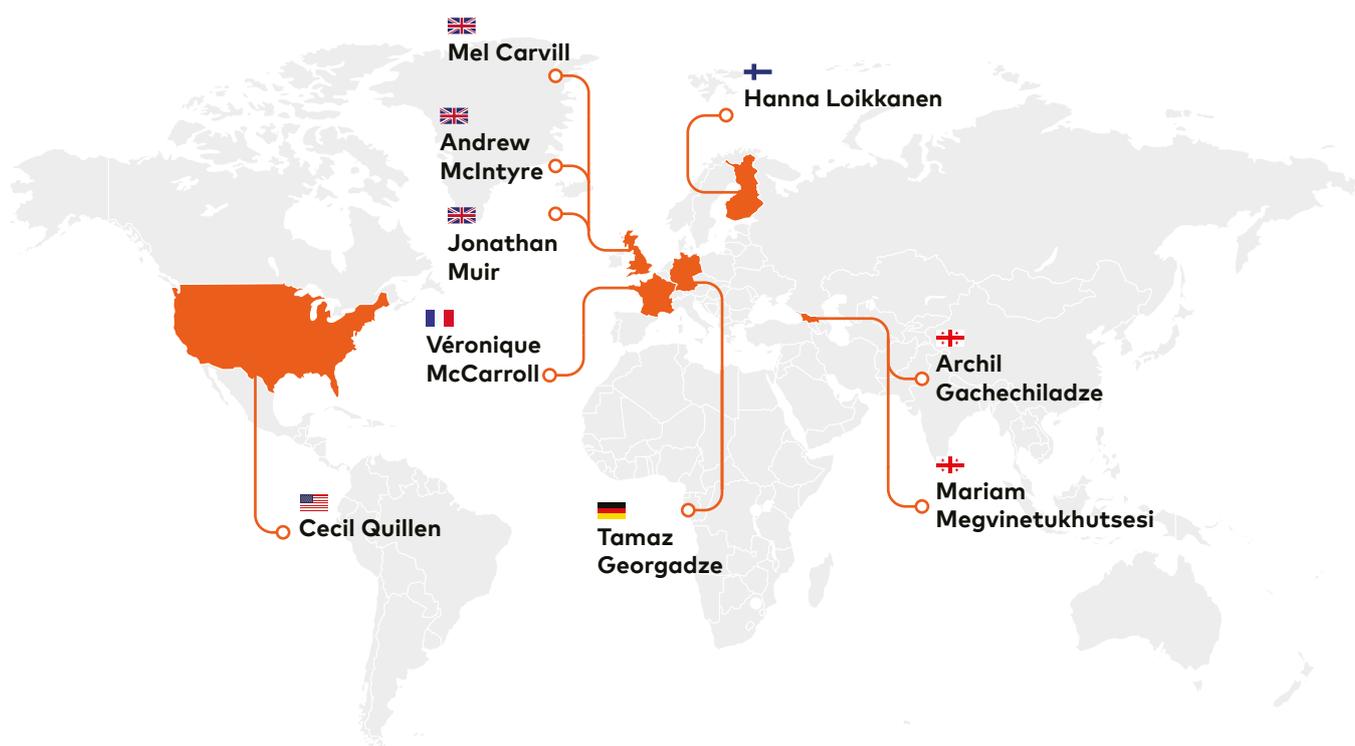
Under the NBG independence requirement at the time of reviewing the Directors succession planning, Jonathan Muir was considered to be non-independent and unable to Chair the Audit Committee from July 2024. Accordingly, during the year we undertook a search for an additional Non-executive

Director with the appropriate skills, knowledge and experience to succeed Jonathan Muir as Audit Chair in the future and we were pleased to identify Andrew McIntyre as our preferred candidate – confirming his appointment on 15 March 2024 as announced to the market on the same day. For this recruitment process, the Committee engaged Korn Ferry, an executive search firm to support the Committee and ensure a broad selection of appropriate candidates was reviewed. Korn Ferry has no other connection with Bank of Georgia or its Directors.

Since year end, Al Breach stepped down as a Non-executive Director and a member of the Remuneration Committee, Risk Committee, and Nomination Committee on 15 March 2024.

At the end of 2023, the NBG updated the independence requirement increasing this from seven to nine years. The Committee will take this into consideration when reviewing succession planning during 2024.

Additional consideration was given to the succession of the CEO from different time horizon perspectives, including contingency and long-term planning. Further information on succession planning and the Director appointment process can be found on page 209 of the Nomination Committee Report.



Directors' Governance Statement continued

External effectiveness evaluation

In line with best practice and in accordance with the UK Code and the FRC Guidance on Board Effectiveness, the performance of the Board, its Committees, the Chairman and the individual Directors is evaluated annually. The evaluation is externally evaluated every three years and during 2023 was externally facilitated by Clare Chalmers Ltd – the process of which is detailed below. The Evaluator has no other connection to the Company or the individual Directors and is therefore independent.

<p>1. Evaluation design</p> <p>Recognising that there are different ways an external evaluation can be conducted, we reflected on the approach we thought would be most beneficial and provide the most value, including interviews and an open question on views on culture. This was taken into consideration when reviewing potential evaluators and the selection of an appropriate evaluator.</p>	<p>2. Selection and appointment of an independent evaluator</p> <p>Invitations to tender were issued to several providers and interviews were conducted with those who offered to provide services. The Chairman and the Senior Independent Director considered the experience and approach of each provider, and a preferred evaluator was identified. Following recommendation from the Chairman and the Senior Independent Director, the Board appointed Clare Chalmers Ltd as the external evaluator and agreed the timeline and process of the evaluation.</p>	<p>3. Design and scope of evaluation</p> <p>The Chair and the UK General Counsel met with the Evaluator to establish the evaluation process. The evaluation focused on Board composition and culture, Board oversight, stakeholders, Board efficiency, the Committees, and Board and Committee papers. A meeting between the Chairman and the Evaluator was held to agree the focus and scope of the evaluation and the framework for the interview agenda.</p>
<p>6. Interviews</p> <p>The Evaluator conducted one-to-one interviews with the members of the Board and a selection of other regular meeting attendees, including the CFO, CRO, the UK General Counsel, Head of Human Capital Management, Head of Internal Audit and the EY Audit Partner. The Evaluator followed the agreed interview agenda and discussed further questions and topics as appropriate.</p>	<p>5. Board and Committee observations</p> <p>On 15 and 16 June 2023, the Evaluator attended the meetings of the Board, Audit Committee, Nomination Committee, Risk Committee and Remuneration Committee in person in Tbilisi.</p>	<p>4. Document review</p> <p>The Evaluator conducted a thorough document review, including but not limited to the Board and Committee papers, Board and committee minutes, Committee Terms of Reference, the Board calendar and forward agenda planners, director training materials, the skills matrix, the outputs of the last Board evaluation, and the 2022 Annual Report.</p>
<p>7. Analysis, presentations and discussions</p> <p>The initial findings of the external evaluation were discussed with the Chair and the UK General Counsel prior to presenting the results to the Board and its Committees in September 2023.</p>	<p>8. Actions</p> <p>Key suggestions were put forward by the Evaluator for our review and consideration. The Board and its Committees reviewed these suggestions, and a schedule of actions was created to monitor their implementation and adoption.</p>	<p>9. Progress</p> <p>In December 2023 the Nomination Committee reviewed progress to date against the actions – and will continue to monitor this throughout 2024.</p>
<p>Key outcome topics</p>		

Managing the agenda and materials

Succession planning

Risk and compliance

Additional time for strategic discussions

Further information regarding the 2023 effectiveness evaluation, the key outcomes and progress made against the agreed action plan can be found on page 212 of the Nomination Committee Report.

Board induction, training, professional development and independent advice

On appointment each Director participates in an induction programme during which they meet members of senior management and receive information about the role of the Board and individual Directors, each Board Committee and their respective delegated powers. They are also advised by the UK General Counsel and Company Secretary of their legal and regulatory obligations as a Director of a company premium-listed on the London Stock Exchange.

Induction sessions are designed to be interactive and are tailored to individuals based on their previous experience and knowledge. In addition, Directors are informed of the Company's strategy and structure, and how the business operates. We are committed to ensuring the continued development of our Directors so they can build on their expertise and develop an ever-more detailed understanding of the Business and the markets in which Group companies operate.

All our Directors participated in ongoing training and professional development throughout 2023, including briefings and presentations by the UK General Counsel, our Company Secretary, members of management and our professional advisors. During the year the Directors received updates on regulatory and legislative changes, including but not limited to: the FRC's minimum standards for audit committees; the FRC's consultation and proposed updates to the Code; proposed and actual changes to the UK Listing Regime; the Economic Crime and Corporate Transparency Act ('ECCTA'); changes to the NBG rules regarding conflicts of interest, persons closely associated and ESG guidelines; changes to Georgian data protection requirements; and proxy advisor voting guidelines.

Audit Committee members also received updates on developments in audit and accounting, including: delayed primary legislation relating to the audit and corporate governance reform; mandatory climate-related financial disclosures; the FRC's consultation and proposed updates to the Code; TCFD reporting; and the ECCTA.

During the year the Directors also received training materials on Directors' duties. All Directors have access to the advice of the UK General Counsel and Company Secretary, as well as independent professional advice at the Company's expense, on any matter relating to their responsibilities.

Audit, risk and internal control

The Group has a comprehensive system of risk management and internal controls in place, designed to ensure risks are identified, assessed and mitigated, and that the Group's objectives are attained. The Board believes risk culture is at the heart of the Group's risk management framework. Further information on the risk framework is available on page 144 and information on the risk culture of the Group is available on page 145.

The Board recognises its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects. The Board has overseen the process for determining whether the Annual Report and Accounts present a fair, balanced and understandable assessment of the Group's position and performance, business model and strategy. A statement on this is made on page 248.

During the year the Audit Committee has retained focus on the review and improvement of internal controls, despite delays to the UK legislation required to establish the Audit, Reporting and Governance Authority. Further information on internal controls can be found in the Audit Committee Report on page 222.

The Board is accountable for reviewing and approving the effectiveness of the internal controls operated by the Group, including financial, operational and compliance controls, and risk management. Further information on the Group's internal controls is available on page 145 and information on the effectiveness review is available on page 146.

The Board recognises its responsibility in respect of the Group's risk management process and system of internal controls, and oversees the activities of the Group's external auditor and risk management function supported by the Audit and Risk Committees.

The Group's risk management approach is further discussed in the risk management section of the Strategic Report on pages 143 to 148. For details on the management of principal risks and uncertainties please refer to pages 149 to 169. Please refer to pages 214 to 223 for further details on the role of the Audit Committee and pages 224 to 228 for further details on the role of the Risk Committee.

Remuneration

The Remuneration Committee ensures our remuneration policies and practices supporting the Company's strategy and promoting its long-term sustainable success. Directors exercise independent judgement and discretion when authorising remuneration outcomes, taking account Company and individual performance and wider circumstances. The Committee has adopted a formal and transparent procedure for developing policy on executive remuneration and determining Director and senior management remuneration. No Director is involved in deciding their own remuneration outcome.

Detailed information regarding the Company's remuneration arrangements can be found on pages 229 to 247 of the Directors' Remuneration Report.

Board of Directors

Date of appointment

March 2022



Mel Carvill

Committee memberships

N Re

Skills and experience

Mr Carvill has extensive international experience across a broad range of companies in the financial sector. He qualified as a Chartered Accountant at Coopers & Lybrand and is a Fellow of the Institute of Chartered Accountants in England and Wales. He holds an Advanced Diploma in Corporate Finance, is a Chartered Insurer and an Associate of the Chartered Insurance Institute, as well as a Fellow of the Chartered Institute for Securities and Investment.

Career

Mr Carvill worked at the Generali Group from 1985 until 2009, holding various positions including Chief Risk Officer, Head of Corporate Finance and M&A and of Strategic Planning. He also served as Head of Western Europe, Americas and Middle East at Generali. In 2009 he joined PPF Partners, a private equity fund investing in Central Eastern Europe and Asia, where he held the position of President until 2014, and then worked for the wider PPF Group, latterly serving as an advisor. Mr Carvill served on company boards in European and Asian markets, including as senior independent director of Sanne Group plc.

Other appointments

- Vice-chairman of Aviva-Cofco Life Insurance Company Ltd
- Director of Clearbank Group Holdings Ltd
- Chairman of Financial Services Opportunities Investment Fund Ltd
- Member of the operating board of Genesis Investment Management LLP
- Director of Guernsey Investment Fund
- Director of Home Credit B.V.

Date of appointment

January 2019



Archil Gachechiladze

CEO

Committee memberships

Skills and experience

Mr Gachechiladze has over 20 years of experience in financial services in both local and international organisations. He received his undergraduate degree in Economics from Tbilisi State University and holds his MBA with distinction from Cornell University. He is also a CFA Charterholder and a member of the CFA Society in the UK.

Career

Mr Gachechiladze held senior positions between 1998 and 2009 at the World Bank's CERMA, KPMG, The European Bank for Reconstruction and Development (EBRD), Salford Equity Partners, Lehman Brothers Private Equity (currently Trilantic Capital Partners) and TBC Bank. In 2009 he joined the Bank as Deputy CEO, Corporate Banking and has since held various roles with the Bank and the Group, such as Deputy CEO, Investment Management, CFO of BGEO Group and Deputy CEO, Corporate and Investment Banking. Prior to his appointment as CEO, Mr Gachechiladze served as CEO of Georgian Global Utilities (formerly part of BGEO Group PLC).

Date of appointment

February 2018



Hanna Loikkanen

Senior Independent
Non-executive Director

Committee memberships

Re A N

Skills and experience

Ms Loikkanen has over 25 years of experience working with financial institutions in Russia and Eastern Europe. She holds a master's degree in Economics and Business Administration from Aalto University and has attained a certificate in Corporate Sustainability Management from Yale SOM.

Career

Ms Loikkanen has worked for Nordea Finance in various senior management positions in Poland, the Baltic States and Scandinavia with a focus on business development, strategy and business integration; for SEB in Moscow where she was responsible for the restructuring of SEB's debt capital market operations in Russia; and for MeritaNordbanken in St Petersburg where she focused on trade finance and correspondent banking. In 2004, Ms Loikkanen joined FIM, a Finnish investment bank, to run their brokerage and corporate finance operations in Russia. From 2007 to 2015 Ms Loikkanen worked at the Moscow office of Swedish asset management company East Capital, managing a private equity fund focusing on investments in financial institutions in the region. She previously served as an independent director of BGEO Group PLC, which included positions on their Nomination and Risk Committees.

Other appointments

- Executive director of OnBoardSolution Oy
- Chief Investment Officer at FinnFund (Finnish Fund for Industrial Cooperation Ltd)
- Non-executive director of VEF AB
- Non-executive director of Eastnine AB
- Non-executive board member of Caucasus Nature Fund

Date of appointment

March 2024

**Andrew McIntyre**

Independent Non-executive Director

Committee memberships

A N

Skills and experience

Mr McIntyre is a qualified Chartered Accountant with broad experience of financial services businesses operating around the world. Since retiring from Ernst & Young in 2016, he has built a portfolio career, predominantly in the financial services industry. He holds a master's degree from Cambridge University in Medical Sciences and Music.

Career

Mr McIntyre was a partner at Ernst & Young from 1988 to 2016, specialising in international financial services. He was based in the firm's London offices during this time, apart from a period spent in the Zurich office between 2004 and 2010. At Ernst & Young, he acted for some of the firm's largest financial services clients and held various management positions, including as a member of the UK firm's board. Mr McIntyre is the senior independent director of C. Hoare & Co. and is a non-executive director of Lloyds Bank Corporate Markets plc. He has previously held board positions at National Bank of Greece S.A., Ecclesiastical Insurance Group plc and the Centre for Economic Policy Research.

Other appointments

- Senior independent director of C. Hoare & Co
- Non-executive director of Lloyds Bank Corporate Markets plc
- Non-executive director of Target Group Limited
- Trustee and treasurer of the Foundling Museum

Date of appointment

February 2018

**Tamaz Georgadze**

Independent Non-executive Director

Committee memberships

Re Ri N

Skills and experience

Mr Georgadze has extensive experience with a wide range of international companies. He holds two PhDs, one in Economics from Tbilisi State University and the other in Agricultural Economics from Justus-Liebig Universität Gießen, Germany. Mr Georgadze also studied Law at Justus-Liebig Universität Gießen and graduated with honours.

Career

Mr Georgadze worked as an aide to the President of Georgia in the Foreign Relations Department from 1994 to 1995. He had a ten-year career at McKinsey & Company in Berlin, where he served as a Partner from 2009 to 2013. At McKinsey & Company, he conducted engagements with banks in Germany, Switzerland, Russia, Georgia and Vietnam, focusing on strategy, risk identification and management, deposit and investment products, operations and sales. In 2013, Mr Georgadze founded Raisin, which launched the first global deposit platform in Europe and he continues to serve as its CEO. Mr Georgadze previously served as an independent non-executive director of BGEO Group PLC, which included positions on their Audit, Nomination and Risk Committees.

Other appointments

- General director at Raisin GmbH
- Member of Digital Finance Forum at the Ministry of Finance of Germany
- Member of the main management board of Bitkom, the German association of software companies and telco providers

Date of appointment

February 2018

**Jonathan Muir**

Independent Non-executive Director

Committee memberships

A N

Skills and experience

Mr Muir has over 30 years' experience working as a professional in accounting and finance. He graduated with first class honours from St. Andrews University in the UK. He is a British-qualified Chartered Accountant and a member of the Institute of Chartered Accountants of England and Wales.

Career

Mr Muir was a partner at the global audit and consulting company Ernst & Young from 1985 to 2000. From 2003 to 2013, he was Vice President of Finance and Control, then CFO of TNK-BP, which he joined after serving as CFO of SIDANCO, one of TNK-BP's heritage companies. Mr Muir is an executive director (CEO) of LetterOne Holdings SA and is CEO of LetterOne Investment Holdings SA. LetterOne is an international investment business consisting of two groups which target investments in the healthcare, energy, telecoms and technology, and retail sectors. Mr Muir previously served as an independent non-executive director of BGEO Group PLC including positions on its Audit and Nomination Committees.

Other appointments

- Director of LetterOne Holdings SA and of LetterOne Investment Holdings SA

Board of Directors continued

Date of appointment

February 2018



Cecil Quillen

Independent Non-executive Director

Committee memberships

Re A N

Skills and experience

Mr Quillen has extensive legal and commercial experience in Europe and the US, particularly with respect to regulated financial institutions and emerging markets. He received his undergraduate degree from Harvard and his law degree from the University of Virginia.

Career

Mr Quillen is a lawyer and a London-based US partner of global law firm Linklaters LLP, where he is a leading US capital markets practitioner in the London market. He works on a broad spectrum of securities and finance matters; a particular focus of his practice has been transactions in the CIS and in central and eastern Europe. Mr Quillen became a partner of Linklaters in 1996 and was resident in the firm's New York office before transferring to the London office in 2000. He is admitted to practice in New York and the District of Columbia and is a registered foreign lawyer in England and Wales.

Other appointments

- Partner at Linklaters LLP
- Officer of the Securities Law Committee of the International Bar Association
- Officer of the Advisory Committee for Securities Regulation in Europe of the Practising Law Institute
- Trustee of the University of Virginia Law School Foundation
- Trustee of Harvard Global Foundation and UK Friends of Harvard University
- Trustee of the Dulwich Picture Gallery

Date of appointment

October 2018



Véronique McCarroll

Independent Non-executive Director

Committee memberships

Ri N

Skills and experience

Ms McCarroll has over 30 years' experience in financial services, with a strong focus on corporate and investment banking, risk management and digital banking. She graduated from ESSEC (Ecole Supérieure des Sciences Economiques et Commerciales) in 1985.

Career

Ms McCarroll started her career with Banque Indosuez in Capital Markets in 1986, serving in various front office fixed income and then market risk management roles. She was an executive director at Crédit Agricole CIB, in charge of Strategy and Business Transformation, and spent 19 years in consulting firms, helping large banking clients on risk and finance matters, including as a Partner at McKinsey & Company, Oliver Wyman and Andersen/Ernst & Young. As a Deputy CEO at Orange Bank S.A., Ms McCarroll has responsibility for finance, data office, risk and compliance and SME subsidiary, having previously headed Strategy and Innovation for Mobile Finance and Digital banking across Europe at Orange. She also teaches Finance at Paris Dauphine University.

Other appointments

- Non-executive director of Moonstone Lending Fund
- Deputy CEO – Finance, Risk and Compliance, Orange Bank S.A.

Date of appointment

March 2021



Mariam Megvinetukhutsesi

Independent Non-executive Director

Committee memberships

Ri N

Skills and experience

Ms Megvinetukhutsesi has extensive governance and financial experience. She received her undergraduate degree in Banking and Finance from Tbilisi State University and holds an MSc in Finance and Investments from the University of Edinburgh.

Career

Ms Megvinetukhutsesi has 20 years' prior experience in financial services, including in banking appointments at the European Bank for Reconstruction and Development from 1997 to 2007 and as Deputy CEO at TBC Bank from 2009 to 2014. Previously she served as Head of Georgia's Investors Council Secretariat from 2015 to 2019, promoting reforms for improvement of Georgia's investment climate. Ms Megvinetukhutsesi provides consulting services to businesses on governance and financial management.

Board Committees

Remuneration Committee

Re

Risk Committee

Ri

Nomination Committee

N

Audit Committee

A

Chair of Committee

Mr Al Breach served as an Independent Non-Executive Director of Bank of Georgia Group Plc, as a member of the Remuneration, Risk and Nomination Committees, and served on the Supervisory Board, until 15 March 2024.

Management Team



Archil Gachechiladze

Executive Director and CEO of Bank of Georgia Group PLC and CEO of Bank of Georgia

See page 198 for his biography



Sulkhvan Gvalia

Deputy CEO, Chief Financial Officer

Appointed: May 2019

Skills and experience: Sulkhvan has extensive experience in banking, having served in various senior roles at Bank of Georgia, including Deputy CEO – Chief Risk Officer (2005-2013) and Deputy CEO – Head of Corporate Banking (2013-2016). Prior to his recent appointment, Sulkhvan was the founder and CEO of E-Space Limited – the only Georgian company developing electric car

charging infrastructure in Georgia. Sulkhvan started his career in banking at TbilUniversalBank and served as its Deputy CEO before its acquisition by Bank of Georgia in November 2004.

Education: Sulkhvan holds a bachelor's degree in law from Tbilisi State University.



Nutsiko Gogilashvili

Deputy CEO, Mass Retail Banking

Appointed: September 2022

Skills and experience: Nutsiko joined Bank of Georgia in 2016 as Head of Strategic Processes of Corporate and Investment Banking, responsible for human capital and customer experience initiatives in the Corporate and Investment Banking business.

Prior to her recent appointment, Nutsiko was Head of Human Capital Management and Customer Experience during 2019-2022, directly reporting to the CEO.

Before joining Bank of Georgia, Nutsiko was at TBC Bank where she held the role of Head of Strategic Planning and Budgeting. Before taking up this role, during 2011-2014, Nutsiko worked as an analyst at JP Morgan in London, covering different products.

Education: Nutsiko holds a master's degree in finance from Bayes Business School and a bachelor's degree in economics from Moscow State Institute of International Relations.

Management Team continued



Davit Chkonia

Deputy CEO, Chief Risk Officer

Appointed: July 2022

Skills and experience: Prior to his current role, Davit served as a senior advisor and Director of International Business at Bank of Georgia during 2021-2022. Before joining the Bank, he held senior positions in local and international organisations. He was Deputy CEO/Chief Risk Officer at TBC Bank during 2017-2020. Previous to that, Davit was Director at BlackRock in London, where he advised financial institutions and regulators on risk management, balance sheet

strategy and regulation, Senior Vice President at PIMCO, responsible for the risk advisory practice. During 2009-2011, Davit Chkonia worked at European Resolution Capital.

Education: Davit holds an MBA from the Wharton School of the University of Pennsylvania and a bachelor's degree in finance from San Jose State University.



Eteri Iremadze

Deputy CEO, Premium Banking

Appointed: March 2021

Skills and experience: Eteri was appointed Head of SOLO in May 2019 and became Deputy CEO in March 2021, and has been leading SOLO and WM businesses since April 2021

Eteri joined Bank of Georgia early in her career in 2006 in Corporate Banking, in various roles, including senior positions. During 2009-2016 she was Head of Blue Chip Corporate Banking Unit, responsible for structured lending, M&A, significant buyouts and project financing.

Prior to her recent appointment, Eteri spent two years as Head of Strategic Projects Department at Georgian Global Utilities (formerly part of BGEO Group PLC).

Education: Eteri holds an MBA from Grenoble Business School and a bachelor's degree in economics and commerce from Tbilisi State University.



Mikheil Gomarteli

Deputy CEO, Strategic Projects Direction

Appointed: September 2022

Skills and experience: Mikheil joined Bank of Georgia in 1997 and served in various senior and executive roles.

Prior to this appointment, Mikheil was Deputy CEO, leading the Bank's Retail Banking business since 2009. Throughout his time with the Bank, Mikheil has been instrumental to Retail Banking and digital

transformations and was behind many key initiatives launched during the past few years.

Education: Mikheil holds a bachelor's degree in economics from Tbilisi State University.



Zurab Kokosadze

Deputy CEO, Corporate and Investment Banking

Appointed: March 2021

Skills and experience: Zurab became Head of Corporate Banking in June 2020 and became Deputy CEO, leading Corporate and Investment Banking direction in March 2021.

Zurab joined Bank of Georgia in 2003 as a Junior Corporate Banker and has progressed through various positions, being in senior roles

prior to his recent appointment. He served as Head of Corporate Banking, under Deputy CEO, during 2017-2020.

Education: Zurab holds an MBA from Grenoble Graduate School of Business and a bachelor's in business administration from Caucasus School of Business.



David Davitashvili

Deputy CEO, Data and Information Technology

Appointed: July 2022

Skills and experience: David joined Bank of Georgia in 2006 and served in various senior roles, including Deputy Chief Operating Officer, responsible for collections, cash operations, procurement, and information security, and Head of Internal Audit from 2009 to 2017, covering both banking and non-banking subsidiaries.

Education: David holds an Executive MBA from Bayes Business School and a bachelor's degree and a master's degree in management and microeconomics from Tbilisi State University.



Vakhtang Bobokhidze

Co-director of International Business

Appointed: January 2023

Skills and experience: Vakhtang joined the Bank in 2005 as a Quality Control Manager and progressed through a number of positions, including Analyst-Developer, IT Business Consultant, Director of IT Department, culminating in his appointment as Deputy CEO in charge of IT in March 2018. From January 2021 to June 2022 he served as Deputy CEO in charge of IT, Data Analytics, and Digital Channels.

Education: Vakhtang received his bachelor's degree in computer sciences, economics and master's degree in informatics from Tbilisi State University.

Management Team continued



Tornike Kuprashvili
Head of SME Business Banking

Appointed: April 2024

Skills and experience: Tornike joined Bank of Georgia in 2014 as a Principal Corporate Banker and during his 10 year career he has progressed through the career path within Corporate Banking business. He held various senior roles in Corporate Banking Business, including Head of Corporate Rehabilitation and Head of Corporate Banking Department, directly reporting to Deputy CEO during

2020-2024. Prior to joining Bank of Georgia, Tornike worked at KPMG Tbilisi office for 3 years as an Audit assistant.

Education: Tornike holds bachelor of business administration from Caucasus School of Business.



Ana Kostava
Chief Legal Officer

Appointed: June 2020

Skills and experience: Ana joined Bank of Georgia in April 2018 as Senior Group Lawyer (2018-2020). Prior to that, Ana was an Associate at Dechert LLP during 2015-2018. Ana has experience working at the World Trade Organization Appellate Body Secretariat and European Court of Human Rights. She started her career in law as Associate at Legal Partners Associated LLC in 2010. Since 2015, Ana has been an Associate Lecturer at Free University of Tbilisi.

Education: Ana holds an LLM from University of Cambridge and an LLB from Caucasus University, Caucasus School of Law. She also holds a Harvard Law School Executive Education Certificate of Leadership in Corporate Counsel.



Levan Gomshiashvili
Chief Marketing and Digital Officer

Appointed: May 2019

Skills and experience: Levan was appointed Chief Marketing Officer in May 2019 and additionally became Chief Digital Officer in February 2023. Levan has extensive experience in marketing, having worked in different roles, including creative manager and chief marketing officer in international and local companies. Before joining the Bank, Levan was the founder of HOLMES&WATSON, a creative agency, where he served as an Account Manager for clients operating in different

sectors. Levan is also the founder of Tbilisi School of Communication, an educational facility focused on executive education.

Education: Levan holds a master's degree in management from the University of Edinburgh and a bachelor's degree in management from Saint Petersburg State University of Economics and Finance.



Elene Okromchedlishvili

Head of Human Capital Management

Appointed: September 2022

Skills and experience: Elene joined the Bank in 2017 and held various positions, including Head of IFRS Reporting Unit responsible for the Bank's stand-alone financial statements and those of its subsidiaries, and Head of Operational Efficiency and Cost management Unit. Prior to her recent appointment, Elene served as Head of Business Processes, Lean Transformation and Transactions.

Before joining the Bank, Elene worked at EY, progressing to the position of senior auditor.

Education: Elene holds an MBA from IE Business School and a bachelor's degree in business administration from Free University Tbilisi.



Giorgi Gureshidze

Head of Operations

Appointed: September 2023

Skills and experience: Prior to this role, Giorgi had a diverse professional experience during 2017-2023 at Georgia Global Utilities (GGU – formerly part of BGEO Group PLC) where he held various positions, including Investment Analyst, Head of Financial Analysis and Research, and Head of Strategic Projects and Business Development, before serving as Chief Financial Officer of the company during 2020-2023. He played an instrumental role in the first Green Eurobond issuance from the region on the Irish stock exchange in 2020 and in the sale of GGU, the largest private transaction in Georgia.

Giorgi started his career working as an Auditor at Deloitte and also worked as an Investor Relations Manager at TBC Bank.

Education: Giorgi holds a bachelor's degree in Economics and Global Affairs from Yale University.



Andro Ratiani

CEO of Digital Area

Appointed: February 2021

Skills and experience: Andro started his career in Bank of Georgia in 2002 and re-joined in January 2018 as Head of Innovation. He has extensive experience in financial services. Previous to Bank of Georgia, Andro was Director/Global Head of Product Management at IHS Markit, based in New York, responsible for global and US strategic technology projects for syndication lending. Before that, he was at

UBS AG Investment Bank and Wealth Management Bank in New York, and at Wells Fargo.

Education: Andro holds a master's degree in technology management from Columbia University and a bachelor's degree in business administration from University of Hawaii.

Nomination Committee Report

Leading on the promotion of Board dynamics through effective succession planning, Board evaluations and a robust executive talent pipeline.

Membership of Nomination Committee

Committee membership	Date of membership
Mel Carvill (Chair)	10 March 2022
Alasdair Breach*	24 February 2018
Tamaz Georgadze	24 February 2018
Véronique McCarroll	1 October 2018
Mariam Megvinetukhutsesi	12 March 2021
Jonathan Muir	24 February 2018
Hanna Loikkanen	24 February 2018
Cecil Quillen	24 February 2018

* Alasdair Breach resigned as a Non-executive Director and as a member of the Committee on 15 March 2024.

The skills and experience each member contributes can be found on pages 198 to 200.

All members of the Committee are independent Non-executive Directors of the Board. The CEO and other members of management may be invited to attend meetings to provide insight into key developments.

Meeting attendance

Details of the members' attendance at the meetings of the Committee are as follows:

Committee membership	No. of meetings attended
Mel Carvill (Chair)	4/4 scheduled
Alasdair Breach	4/4 scheduled
Tamaz Georgadze	4/4 scheduled
Véronique McCarroll	4/4 scheduled
Mariam Megvinetukhutsesi	4/4 scheduled
Jonathan Muir	4/4 scheduled
Hanna Loikkanen	4/4 scheduled
Cecil Quillen	4/4 scheduled

Regular attendees at meetings

CEO, UK General Counsel and Company Secretary.

Key objectives of the Committee

The Nomination Committee focuses on the following matters:

Board leadership

- Identifies the skills, knowledge and experience required for effective leadership, managing the balance of the Board through effective succession planning.

Board Committees

- Monitors the size, structure and composition of the Board's Committees.

Succession planning

- Ensures appropriate Board skills, knowledge, experience and independence.

Talent pipeline

- Monitors senior leadership pipeline and initiatives to develop and promote internal talent.

Diversity and inclusion

- In accordance with the Diversity and Inclusion Policy, considers the perspectives and attributes of the Board and senior leadership.

The Committee's Terms of Reference set out its role and authority, and can be found on the corporate website at

www.bankofgeorgiagroup.com/governance/documents

2024 action plan

In the coming year the main areas of focus for the Committee will be:

- Succession planning.
- Director induction.
- Diversity and inclusion.
- Talent pipeline.
- Internal Board Evaluation and progression of external evaluation actions.
- Ameriabank structure and board composition.



Mel Carvill
Chair of Nomination
Committee

"The Committee remains focused on succession planning and ensuring the appropriate balance of the Board. We were pleased with the external evaluation process and look forward to embedding the recommendations during 2024 and beyond."

Dear Shareholders,

I am pleased to present the Nomination Committee (the 'Committee') Report, providing an overview of the work of the Committee and its activities during the year – particularly our role in ensuring the Board has the right skills, experience, knowledge and diversity to deliver our strategy and ensure long-term sustainable success.

Board and Committee evaluations

The Committee carefully reviewed and considered the 2022 Board evaluation and the progress of actions. In addition, it carefully considered its external Board evaluation to ensure it provided the most impactful outcomes for the Board and its Committees.

After a tender process we engaged Clare Chalmers Ltd as our external evaluator and were pleased with the evaluation results and areas of opportunity to improve further. On behalf of the Committee, we would like to thank Clare Chalmers Ltd for their guidance.

Information on the progress of the 2022 internal evaluation outcomes can be found on page 213 and information regarding the 2023 external evaluation can be found on pages 212.

Succession planning

We have been cognisant of the additional independence requirements placed on us by the NBG and carefully balance these with the importance of retaining appropriate corporate memory. When reviewing and considering succession planning the Committee takes care to ensure resignations happen in an orderly manner to comply with the NBG and Code independence requirements.

During the year we undertook a search for an additional Non-executive Director with the appropriate skills, knowledge and experience to succeed as Audit Chair in the future – and were pleased to identify Andrew McIntyre as our preferred candidate.

Since year end, and in accordance with our succession planning procedures, Andrew McIntyre was appointed as a Non-executive Director and member of the Audit Committee and Nomination Committee on 15 March 2024 and Alasdair Breach stepped down as a Non-executive Director and a member of the Remuneration Committee, Risk Committee, and Nomination Committee on the same date. On behalf of the Committee, I would like to welcome Andrew McIntyre and thank Alasdair Breach for his significant contributions to the Company over the years.

Further information on succession planning can be found on pages 208 and information on the Director appointment process can be found on pages 209.

Diversity and inclusion

Whilst there is always more that can be done, the Committee is proud of the work and achievements of the Company regarding diversity and inclusion. We remain committed to further enhancing our female representation on the Board to 40% by 2025 and are pleased to have met the new regulatory requirements, which includes having a female director in a senior position and a director from a minority ethnic background. Further details on this and our commitment to diversity can be found on pages 210 to 212.

Looking ahead

During 2024, the Committee will focus on supporting the smooth integration of Ameriabank CJSC, ensuring an appropriate structure and board composition is established for the Group. The Committee will also continue to implement succession planning for the Board and senior management.

I invite you to read more about our work in the following report.

Mel Carvill
Chair of the Nomination Committee
24 April 2024

Nomination Committee Report continued

Key Committee meeting topics during 2023

March	June	September	December
<ul style="list-style-type: none"> Executive succession planning; 2022 internal Board evaluation; External evaluation approach; Independence and re-election of Directors; and 2022 Nomination Committee Report. 	<ul style="list-style-type: none"> Skills matrix; Board succession planning; Board composition; Board diversity; Employee Voice/workforce engagement update; and External evaluation process. 	<ul style="list-style-type: none"> Board succession planning; Board composition; Workforce diversity; Employee Voice/workforce engagement update; External evaluation results; and Corporate governance review. 	<ul style="list-style-type: none"> Board succession planning; Board composition; and External evaluation – action deep dive.

Key activities during the year

Topic	Summary of activity	Find out more
Succession planning	Reviewed the Board composition with regards to succession planning.	Page 208
New Non-executive Director search	Identified the required Board skills and knowledge and identified a new Non-executive Director.	Page 209
External Board evaluation	Identified an external evaluator, identified an appropriate review process and considered the results of the external Board evaluation.	Page 209
Workforce engagement	Received updates on workforce engagement and the Employee Voice programme.	Page 210

Board skills and experience

For balanced and effective decision making, it is important the Board has a broad range of skills and experience. The Committee maintains a skills matrix of the Board to identify areas for enhancement, allowing the mapping of the Board's skills against the evolving needs of the business and ensuring any future search for Non-executive Directors is focused. A summary of the Board skills matrix can be found on page 187.

Board composition and succession planning

A key focus during the year was the NBG independence rules, tenure and potential future Board retirements, and the impact on the Board and its Committees. The Committee remains committed to ensuring we have a well-balanced Board with the appropriate skills, knowledge, experience and diversity to support the continued growth of the Group. During 2023 the Committee considered the size, structure, tenure and diversity of the Board, as well as the skills and experience of each Director.

Following this review, and taking into consideration the NBG and Code independence requirements in place at the time, it was agreed the Board would undertake a search of external candidates with the appropriate skills, knowledge and experience, retaining a focus on diversity,

to support the Company and ensure a robust pipeline of potential candidates.

At the end of 2023, the NBG updated the independence requirement increasing this from seven to nine years. The Committee will take this into consideration when reviewing succession planning during 2024.

All changes to the Board and its Committees are overseen by the Committee and strong succession planning remains a key focus.

Senior management and talent pipeline

We are committed to talent development programmes and initiatives within the Group. We develop the skills of our existing executive managers and develop a pipeline of new executive, senior and middle managers through coaching, mentoring and leadership programmes. We continue to expand our programmes to include employees at lower levels.

Our talent development programmes are transparent and promote teamwork and development in line with our business principles. We aim to nurture managers who:

- have the courage to give and seek honest feedback;
- realise 'a stronger me plus a stronger you make a stronger us';
- value meritocracy;

- encourage dialogue over an authoritative decision-making style; and
- favour cooperation over individualistic or 'heroic' behaviour.

During 2023 the Bank continued initiatives to encourage talent development, with a focus on young talent and those with high potential.

Bank of Georgia runs Leaderator, the most-recognised student internship programme on the market, designed to provide opportunities for young people to develop various skills and competencies, explore business and operational units, and gain practical experience with real projects. 376 employees have participated in Leaderator since its launch in 2017. Further details regarding Leaderator can be found in the Empowering employees section of this report on page 125.

During the year the Committee reviewed and approved the appointment of Vakhtang Bobokhidze to Co-director of International Business and the appointment of Giorgi Gureshidze as Head of Operations. In addition, the Committee received updates on members of the Executive Management Team and proposed promotions.

Further information on talent management can be found in the Empowering employees section on page 126 to 127.

During 2023 the Committee received reports on the talent pipeline across the Group for senior management positions and has, alongside the Board, dedicated time to strengthening the Management Team as part of the wider strategic development of the Group.

Board and Committee changes

To ensure compliance with the requirements of the NBG and the UK Code, Hanna Loikkanen stepped down as Chair of the Remuneration Committee and was replaced by Cecil Quillen with effect from 1 January 2023. Cecil Quillen has been a member of the Remuneration Committee since 24 February 2018 and the Committee believes he brings relevant and necessary skills to the position, gained through his prior experiences and roles as detailed on page 200.

Following this review, and as a result of the required refreshment of the Board to meet independence requirements, it was agreed that Andrew McIntyre be appointed as a Non-executive Director and member of the Audit Committee and Nomination Committee with effect from 15 March 2024.

The Committee received the resignation of Alasdair Breach on 15 March 2024 as announced to the market on the same day.

The Committee is pleased to welcome Andrew McIntyre to the Company and is looking forward to working with him to support the continued success of the Company.

Board appointment process Engagement of external recruitment advisor

External recruitment advisor:
Korn Ferry

Key search criteria:

Successful senior executive finance career, either as a CFO or former audit partner; technically adept; experience of UK listed company environment; relevant geographic experience; various characteristics, traits and drivers; appointment to be in accordance with the Diversity and Inclusion Policy and to consider diversity targets; appointment, experience and character also to be in accordance with JSC Bank of Georgia Nomination Policy and the Georgian Regulatory Framework for administrators of Commercial Banks.

Following the decision to review Board composition, the Committee agreed the remit and required skills, experience, independence and diversity of any new appointment. The Committee, with support from the UK General Counsel and Company Secretary:

**Evaluated
Board skills and
requirements:**

The Committee undertook a review of Board knowledge, skills and experience, balanced with tenure and independence requirements of the NBG and Code. Further information on the Boards skills can be found on page 187 and information on Board independence can be found on pages 187 and 210.

**Undertook a
candidate search:**

The Committee agreed to engage an external recruitment consultant, Korn Ferry, to support the candidate search. The Committee instructed Korn Ferry with a job profile for the skills and experience required with a strong focus towards receipt of diverse candidates. Other than providing employee engagement research to the Group, Korn Ferry has no further connection with Bank of Georgia or its Directors.

**Reviewed the
candidates:**

Following receipt of a list of candidates, the Chair and the UK General Counsel met with Korn Ferry to create a short-list of candidates with the appropriate knowledge, skills, experience and time to undertake the role. The Committee reviewed the short-list and established an interview panel, consisting of the Chair and the Audit Committee Chair, to meet with candidates.

**Interviewed
candidates:**

The Chair and Audit Committee Chair met with five candidates before narrowing our search to the final two. The Committee then reviewed the knowledge, skills and experience of the candidates.

**Arranged an
Executive
Management Team
meet and greet**

The candidates were given the opportunity to meet the Executive Management Team to help their own understanding of the Group.

**Invited the
candidate to
observe a meeting**

Having identified a preferred candidate, the Committee recommended they attend the next quarterly meeting to observe and ensure an opportunity for both parties to assess cultural fit.

**Made
recommendation
for Board approval**

The Committee reviewed and considered the appointment of the preferred candidate and recommended their appointment to the Board. The Board considered the recommendation and, following approval of the new Director, an announcement was released to the market.

On appointment our Non-executive Directors are sent a letter of appointment setting out the terms and conditions of their directorship, including the fees payable and the expected time commitment. Each Non-executive Director is expected to commit approximately a minimum of 25-35 days per year to the role. Additional time commitment is required to fulfil their roles as Board Committee members and/or Board Committee Chairs, as applicable. The Committee remains satisfied that all Non-executive Directors dedicate the necessary amount of time to contribute to the effectiveness of the Board.

Nomination Committee Report continued

Election by shareholders

All Non-executive Directors undertake a fixed term of three years subject to annual re-election by shareholders. The fixed term can be extended and, consistent with best practice, does not exceed nine years, subject to defined circumstances as identified by the Committee.

Following the Board effectiveness review, and with careful consideration of a range of factors including Directors' other commitments, the Committee recommended to the Board the re-election of Mel Carvill, Archil Gachechiladze, Tamaz Georgadze, Hanna Loikkanen, Véronique McCarrroll, Mariam Megvinetukhutsesi, Jonathan Muir and Cecil Quillen, and the election of Andrew McIntyre at the 2024 AGM. As Alasdair Breach resigned as a Director on 15 March 2024, he will not stand for re-election.

Board induction

Each Director, upon appointment, receives a comprehensive and tailored induction to the Company, details of which are set out on page 197.

Andrew McIntyre will undergo a comprehensive and tailored induction during 2024 and further information regarding this will be provided in next year's Annual Report.

During the year Committee members were briefed on recent developments regarding diversity and inclusion in the UK, and wider diversity initiatives, and were provided information on appointment processes, independence criteria and review of the NBG requirements.

Workforce engagement

Mel Carvill, Hanna Loikkanen and Mariam Megvinetukhutsesi undertook a series of Employee Voice meetings during the year, engaging with 61 employees. These meetings, which aim to support the exchange of opinions, ideas and views between the Board and employees, are facilitated by Hanna Loikkanen as the designated Non-executive Director for workforce engagement. The Employee Voice meetings discuss the current employee experience, challenges and opportunities, how to increase employee engagement, and the attractiveness of the Bank as an employer, and ensure appropriate time for attendees to raise any items they deem appropriate. Further information on workforce engagement can be found in the Empowering employees section on pages 119 to 132.

After the Employee Voice meetings, participants' feedback is gathered in an anonymous format and a summary is presented by the designated Non-executive Director at the next Committee meeting for discussion. Overall, employee feedback has been positive. Employees have noted that "the environment was good and pleasant for the meeting,

where everyone could state their opinion freely and ask questions"; "it was a very interesting conversation... a very informal and friendly environment was created by board members, thank you for this opportunity".

The Committee believes the designated Non-executive Director for workforce engagement, with supplementary engagement from the wider Board as required, remains appropriate for the Company to receive fair and balanced views across the Bank and continue to monitor and assess opportunities to further enhance workforce engagement.

Time commitments and conflicts of interest

Prior to accepting any external appointments, Directors are required to seek the Board's consent. The Board believes other external directorships and positions provide the Directors with valuable expertise, enhancing their ability to act as Non-executive Directors of the Company. The number of external directorships and positions should, however, be limited – particularly for Executive Directors – to ensure they can dedicate the amount of time necessary to contribute effectively to the Board.

Independence, tenure and time commitments

As part of the Board effectiveness review, the Committee asks Board members to evaluate their own contribution. For each Non-executive Director, the Committee reviews the time commitment required, considering any external directorships, their length of service and their independence of character and integrity. Based on these reviews the Committee makes a recommendation to the Board regarding the suitability of each Non-executive Director for re-election.

The Board has assessed the independence of the Chairman and each Non-executive Director in line with Principle G and Provision 9 of the Code, and is of the opinion that the Chairman and each Non-executive Director acts in an independent and objective manner. We consider that, under the UK Corporate Governance Code, all of our Non-executive Directors are independent and free from any relationship that could affect their judgement.

As part of a wider assessment, the Committee considered the extent to which the length of time on the board of a predecessor company, BGEO Group Limited (BGEO), could impact the independence of the independent Directors. Hanna Loikkanen was originally appointed to the Board of BGEO on 24 October 2011, before resigning on 19 December 2013. She was reappointed to the Board of BGEO on 12 June 2015. The Committee concluded that the 18-month gap was deducted from any tenure calculations.

The Committee considered and noted the following:

- There were substantial changes in the executive management upon demerger of BGEO in 2018 and since (only one out of the 11 executive managers have remained since early 2018 and there has been two changes of CEO).
- There were substantial changes in the nature of the business and management personnel upon the demerger in May 2018.
- There are no other factors the Board considered could impinge on the independence of the Directors.

The Board also notes that, in respect of succession and the recruitment of appropriate members to the Board in our geographical, geopolitical and market environment:

- Any new Board member must clearly understand the operating, economic and political environment in Georgia and the region to give full and proper oversight.
- The Bank is a regulated company in Georgia, so Board members must meet the regulator's various requirements for the Supervisory Board, and be willing to take responsibility for an emerging-market-focused Group.

Considering the matters above, the Board considers that all current Directors have retained their independence and strongly recommends their election or re-election by shareholders.

The Board believes the mirror-board structure, where the same members sit on the Board of the Company and the Supervisory Board of JSC Bank of Georgia, with the same roles in the mirror committees, remains the best structure for the governance of the Group.

As noted in last year's report, the Committee was overseeing an orderly transition of changes to the Board, in accordance with the seven-year NBG independence requirement. Accordingly, Hanna Loikkanen stepped down as Remuneration Committee Chair but remained a member of the Committee with effect from 1 January 2023.

Diversity, equity and inclusion

The Board has adopted a Diversity and Inclusion Policy incorporating a wide range of factors including, but not limited to, ethnicity, sexual orientation, disability and socioeconomic background – mirroring current best practice, which was reviewed by the Board in September 2023.

The Board encourages a diverse and inclusive work environment. The Committee will continue to examine ways the Board can become more diverse, and the Group is also working to maintain high levels of female representation at senior management level. In 2020 we committed to a target of 33% female representation on the Board, which was achieved in 2021 and has been maintained. During 2023 the Committee received an update on the following targets:

- 40% of women on the Board and Leadership teams by the end of 2025;
- at least one woman in the Chair or Senior Independent Director role on the Board, and/or one woman as Chief Executive or Finance Director by the end of 2025; and
- one Director from a minority ethnic background on the Board by 2024.

The Committee has continued to monitor and assess its progress against these objectives during the year. The Board has been carefully considering its composition and intends to have 40% of women on the Board by the end of 2025. The Committee noted that the Senior Independent Director of the Company is female and the Board remains committed to meeting this obligation.

Archil Gachechiladze, Tamaz Georgadze and Mariam Megvinetukhutsesi are Georgian and identify as being from other ethnic groups, including Arab. It is noted that being of minority ethnic background takes into account many different aspects, such as country of birth, nationality, language spoken at home, skin colour, national and geographical origin, and religion. Georgia has its own distinct and ancient language with its own script, its own religion in the orthodox church of Georgia, and a unique geographic location at the intersection of Europe, Asia and Middle Eastern countries and cultures.

The Board considers diversity to be important for the future development of the business, including the need to be representative of Georgian society. During the year the Committee continued to review the diversity of skills and experience, gender, social and ethnic

backgrounds, cognitive and personal strengths throughout the Group, amongst other factors including merit and other objective criteria.

The Company notes the Parker Review is asking companies to consider setting a percentage target for senior management team that will be occupied by ethnic minority executives in December 2027, however given the majority of the senior management are from an ethnic minority background, setting a target for our Group would be artificial.

The Committee noted that, with the Group's workforce primarily based in Georgia, its ethnic make-up is different to that of a UK-based group. The Board itself is highly diverse in terms of nationality, with our nine Directors being citizens of six different countries. The Committee continues to have regard for all diversity factors, including gender and ethnicity, in any future appointments, as well as the appropriate knowledge, skills and experience, in accordance with the Group's Diversity and Inclusion Policy.

Whilst the Committee is pleased with the progress made in increasing diversity within senior management positions and the Board, we recognise there is always further work to do. We continue to score highly on gender diversity of the Executive Committee and direct reports. The Committee was pleased to note that, in the 2023 edition of the FTSE Women Leaders Review, the Company was ranked 12th overall and 2nd in the banking sector for female representation in the Executive Committee and direct reporting positions – with a combined total of 48.8%. This reflects some of the talent development and management processes and initiatives we have in place, as detailed below.

Details regarding equal opportunity and diversity are also provided in the Empowering employees section on pages 120 to 122.

In September 2023 the Board was pleased to approve the significantly improved Diversity and Inclusion Policy which outlines the Company's commitment to ensuring a diverse and inclusive culture within the Group and recognises that this is crucial to the Group's success, innovation, and progress.

The Group has committed to several principles within this Policy to continue its transformation.

The Board also approved an Anti-Discrimination and Anti-Harassment Policy in September 2023.

Through this Policy the Group commits to the elimination of discrimination and harassment of any form within the Group. The Policy sets out the principles and guidelines to support the Company to become a better institution for its employees, customers and all other stakeholders.

The Group's work on diversity and inclusion and anti-discrimination and anti-harassment is based on, but not limited to, the following relevant local legal requirements and international standards:

- United Nations' Universal Declaration of Human Rights
- Charter of Fundamental Rights of the European Union
- International Labour Organization's Fundamental Instruments
- Convention on the Elimination of all forms of Discrimination against Women
- United Nations' Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- United National Global Compact
- International Finance Corporation's Performance Standards

These policies will be kept under regular review and updated in accordance with local legal requirements and international standards.

The policies can be found on the Group's website at <https://www.bankofgeorgiagroup.com/governance/documents>.

In accordance with Listing Rule 9.8.6(10), as at the reference date of 31 December 2023, the composition of the Board and executive management was as follows:

Board and Executive Management gender representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, SID and Chair)	Number in executive management	Percentage of executive management
Male	6	66.67%	2	11	73.33
Female	3	33.33%	1	4	26.67

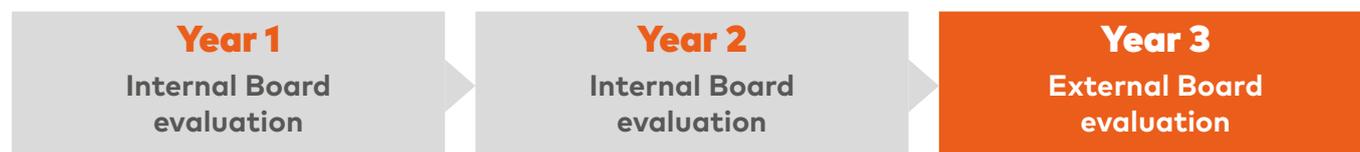
Nomination Committee Report continued

Board and Executive Management ethnic representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, SID and Chair)	Number in executive management	Percentage of executive management
White British or Other White (including minority-white groups)	6	66.67%	2	-	-
Mixed/Multiple Ethnic Groups	-	-	-	-	-
Asian/Asian British	-	-	-	-	-
Black/African/Caribbean/Black British	-	-	-	-	-
Other Ethnic Group, including Arab	3	33.33%	1	15	100%
Not specified/prefer not to say	-	-	-	-	-

The information presented in the above tables was collected on a self-reporting basis by the Directors, who were asked to confirm which of the categories specified in the prescribed tables were most applicable to them.

Board evaluation



During 2023 the performance and effectiveness of the Board and its committees was reviewed through an externally facilitated evaluation process conducted by Clare Chalmers Ltd.

The Board undertook a careful approach in ensuring the external evaluation was appropriate and that the evaluator understood the sector and its challenges. Clare Chalmers Ltd has no connection with the Company or its individual Directors.

In conducting this evaluation, the Board set out to ensure the process not only met the requirements of the Code but also had a clear focus on enhancing the effectiveness of the Board and its committees. Details of the evaluation process can be found on page 196 and its outcomes are detailed below.

Key outcomes of the 2023 external Board evaluation

Opportunities	Actions
Managing the agenda and materials	The Board felt it would benefit from updates from other external parties with regards to shareholder and stakeholder feedback. It was agreed the Board would receive additional external updates as required.
Succession planning	The Board remains focused on succession planning, ensuring Board departures are appropriately managed and continuing to monitor senior management succession planning. In addition, the Board felt it would benefit from considering enhancements to the skills matrix during 2024.
Risk and compliance	To consider a consolidated, Bank-wide assurance plan to centralise the work of the Risk, Compliance, and Internal Audit functions.
Additional time for strategic discussions	In addition to the work undertaken in managing the agenda and materials, the Board felt additional discussion on strategy and further Board strategy sessions would be positive in supporting the continued growth of the Group. It was agreed the Board would continue to hold annual strategy days.

Review of Directors' performance

The performance of the Directors was assessed as part of the external evaluation process. Following careful consideration, the Committee determined that each Director continued to perform effectively and that each should be recommended for re-election by shareholders at the 2024 AGM.

Review of Chair's performance

The performance of the Chair was assessed as part of the external evaluation process. Following careful consideration, the Committee determined that the Chair continued to perform effectively and that he should be recommended for re-election by shareholders at the 2024 AGM.

Progress on areas of focus from the 2022 internal Board evaluation

In 2022 an internal evaluation of the effectiveness of the Board, its committees, the individual Directors and the Chair was undertaken. Throughout 2023 the Committee reviewed the key actions arising from the internal evaluation and reviewed the progress against each. A summary is outlined below:

Opportunities	Actions	Progress during 2023
Managing the agenda and materials	The Board would benefit from additional time for discussion, supported by more focused papers and timely receipt of papers.	During the year Board papers have become more focused and the quality has improved. In addition, there has been a focus on ensuring the timely delivery of meeting papers to allow more time for review. The presenters have also been briefed to focus on material items of reports and allow more time for questions and discussions.
Additional time for strategic discussions	The Board felt it would benefit from a strategy day to ensure appropriate time to deep-dive on specific items and receive updates from other speakers. In addition, the Board thought it would be beneficial to receive updates on the evolving economies in Georgia and the region.	A two-day strategy meeting was held during 2023 and further updates on this can be found on page 192. The Board has received updates on the evolving economies in Georgia and the region.
Additional risk and compliance reporting	The Group has a robust and well-developed risk and compliance function. To maintain this in an evolving legal and regulatory landscape the Board recognised it was important to continue to receive updates on the proposed Audit Reporting and Governance Authority reforms, the Listing Rule updates regarding diversity, and the NBG rules on independence.	These suggestions were added to the Board and committee agendas and updates are provided on a regular basis. Additional information on this is available as follows: <ul style="list-style-type: none"> • Internal controls – pages 145, 197, 215 and 222. • Diversity – pages 186 to 187, 194, 210 to 212. • Independence – pages 187 and 210. • Updates on legal and regulatory developments – pages 197.

Review of the Committee's performance

The Committee undertook an evaluation of its own effectiveness as part of the external review. The Committee was pleased with the findings, noting its professional and structured processes with discipline and a clear remit under the Chair.

The findings of the review were considered by the Committee at its September 2023 meeting. The Committee was satisfied with the results of the evaluation and is confident it continues to operate and perform appropriately and fulfil its responsibilities. For more information on the Board and Committee evaluation and its outcomes see page 196.

Audit Committee Report

Ensuring robust financial reporting and internal controls to support the long-term success of the Company.

Membership of Audit Committee

Committee membership	Date of membership
Jonathan Muir (Chair)	24 February 2018
Hanna Loikkanen	24 February 2018
Cecil Quillen	24 February 2018

The skills and experience each member contributes can be found on pages 198 to 200.

All members of the Committee are independent Non-executive Directors of the Board. Committee members have the right to attend meetings, as well as any other Non-executive Directors of the Board. Other individuals, including the CEO, CFO and CRO, and other members of the Management Team, may be invited to attend meetings to provide insight into key developments.

In accordance with the Code, we are pleased to confirm the Committee meets the requirements of comprising at least three independent Directors. Furthermore, the Board is satisfied that Jonathan Muir has recent and relevant financial experience.

The Committee as a whole has competence relevant to the financial and banking sector in which the Company operates, and holds the relevant combination of skills and experience to discharge its responsibilities.

Meeting attendance

Details of the members' attendance at the meetings of the Committee are as follows:

Committee membership	No. of meetings attended
Jonathan Muir (Chair)	4/4 scheduled 5/5 ad hoc*
Hanna Loikkanen	4/4 scheduled 5/5 ad hoc*
Cecil Quillen	4/4 scheduled 5/5 ad hoc*

* There was one ad hoc meeting during the year where the Audit Committee and Risk Committee met jointly

Regular attendees at meetings

CEO, CFO, CRO, Head of Internal Audit, CLO, UK General Counsel, Company Secretary and representatives of the External Auditor. Invitations to attend meetings are extended to all Directors.

Collaboration with the Risk Committee

The Committee also works closely with the Risk Committee to ensure both Committees are updated and aligned on matters of common interest, to maintain a broad and full view of the Group's risk management and internal control matters. Joint meetings of the Risk and Audit Committees are held quarterly, with ad hoc meetings scheduled as required.

Key objectives of the Committee

The Audit Committee focuses on the following matters:

Financial reporting

- Ensures the integrity of the Company's financial and non-financial reporting.
- Ensures disclosures are fair, balanced and understandable.

Risk management and internal controls

- Ensures adequacy and effectiveness of our systems of internal controls.
- Ensures appropriate compliance monitoring.
- Ensures appropriate whistleblowing procedures and monitors any developments.
- Reviews procedures for detecting and reporting on fraud.

Internal Audit

- Monitors and reviews the effectiveness of the Internal Audit function.
- Approves the Internal Audit plan.
- Considers an independent third-party review of the Internal Audit function.

External Audit

- Ensures the Company complies with audit tender and rotation obligations.
- Determines the External Auditor's remuneration, terms of engagement, independence, conflicts, and ensures appropriate qualifications, experiences and resources of the external auditor.
- Reviews the External Auditor's effectiveness.
- Monitors, reviews and approves any non-audit services and associated fees.

The Committee's Terms of Reference set out its role and authority, and can be found on the corporate website at <https://bankofgeorgiagroup.com/governance/documents>.

2024 action plan

In the coming year the main areas of focus for the Committee will be:

- Approving the financial statements for the year ended 31 December 2023.
- Reviewing the key areas of financial judgement and estimates used by management.
- Assisting the Board in the review of the effectiveness of the Group's risk management and internal controls.
- Reviewing the performance of the external auditors.
- Reviewing the performance of Internal Audit and monitoring progress of the Internal Audit Plan.
- Overseeing plans for compliance with new 2024 UK Corporate Governance Code, particularly in relation to Internal Controls.
- Providing required reporting and assurance on the acquisition of Ameriabank.
- Ensuring Ameriabank is integrated into the risk, reporting and internal control framework of the Bank.



Jonathan Muir

Chair of Audit Committee

"The Committee has worked with the Board and management to ensure robust operational controls and processes are embedded."

Dear Shareholders,

I am pleased to report on the activities of the Audit Committee (the 'Committee') throughout 2023 on behalf of the Board, and to provide details on how the Committee operated and discharged its responsibilities.

Financial statements

The Committee's role is to recommend the financial statements to the Board and review the Group's financial reporting and accounting policies, including formal announcements and trading statements relating to the Company's financial performance. We continued to ensure the integrity of the Company's published financial information, and reviewed the judgements made by management and the assumptions and estimates on which they were based.

The Committee receives a report at each meeting on specific areas of accounting and quality of earnings, and where material judgement has been applied. These areas are discussed, challenged, and the opinion of the external auditor sought before final conclusions on appropriate treatment are reached. Such areas in 2023 included Expected Credit Loss (ECL) provisions and impairments, impact of sanctions, cost capitalisation and accounting/valuation for repossessed assets.

Internal controls

The Committee has reviewed and challenged management across a number of areas during 2023, including the monitoring of the control framework during the changing environment. This change in particular focused on the

impact of the Russia-Ukraine war on inflation, influx of migrants and resultant change in money flows into Georgia and the Bank. It has overseen work on critical areas such as loan loss provisions and the accounting treatment of key non-recurring items. The Committee heard how management assessed the ECL provision in light of current economic conditions, and challenged the assumptions and controls around the model used to assess their impact. An update on the ECL provision was provided at regular Committee meetings, with further updates provided at ad hoc meetings to review and approve the quarterly and annual financial results.

The Committee is responsible for ensuring the Bank maintains a risk-aware culture. We receive regular reports on financial crime risk management, including fraud risks and sanctions compliance, information security and data protection risks, and compliance-related matters, among others. These will continue to be areas of focus in 2024.

Internal Audit

During the year the Committee has continued to oversee the role and effectiveness of the Internal Audit function. We have reviewed and approved the Internal Audit Plan and its execution for 2023, and approved the Internal Audit Plan for 2024. We recognise the importance of the Internal Audit function to the control environment and have been working closely with Internal Audit to further enhance the outputs during the year. At each meeting, the Committee also reviews the key results of the Internal Audit work, challenging management where appropriate and ensuring that

remediation plans are in place and executed.

Further information on our work with Internal Audit is available on pages 218 to 219.

Viability statement

The Committee also received reports and held regular discussions regarding the ongoing viability of the Company and its liquidity status. The Committee continued to focus on the key issues relevant to the Group's financial reporting, and worked with management and EY to review any changes required in response to the introduction of new accounting or regulatory guidance.

Further information on our work and the process in assessing the viability statement is available on pages 221 to 222.

External Audit

We oversee the relationship with Ernst & Young LLP ('EY'), the Group's external auditor, reviewing EY's effectiveness, independence, objectivity and compliance with ethical, professional and regulatory requirements. We reviewed and approved the 2023 audit plan and audit fees. We continue to monitor management's responsiveness to the External Auditor's findings and recommendations.

Preparation for planned financial governance changes

A key legislative and regulatory change proposed by the UK Government will result from the measures proposed by the Department for Business, Energy

Audit Committee Report continued

& Industrial Strategy, arising from its consultation into restoring trust in audit and corporate governance and the proposed revisions to the UK Corporate Governance Code, including enhanced focus on internal controls. The Committee undertook substantial work during 2023 to review the proposals and ensure that the Group was well positioned, where needed, to begin to implement the documentation and process changes. The Audit Committee members oversaw the Company feedback to the FRC under the consultation on the proposed changes to the Code.

Acquisition of Ameriabank CJSC

The Committee undertook extensive work in respect of the Ameriabank CJSC ('Ameriabank') acquisition to ensure appropriate due diligence, feasibility, working capital and reporting. Further information on the work undertaken by the Committee is set out on page 223. During 2024 the Committee will focus on ensuring appropriate process and control around reporting and compliance.

Committee composition

Due to the seven year NBG independence requirement in place during the year, it was important to identify a potential Non-executive Director to join the Committee and aid the succession planning of the Committee. Following this process, it was determined that Andrew McIntyre has the requisite skills, knowledge and experience to be appointed as a member, and future Chair of the Committee. I look forward to working with Andrew and the experience he will bring to the Committee.

More information of the appointment process, led by the Nomination Committee, is available in the Nomination Committee Report on pages 209.

Work with the Risk Committee

We have continued to work closely with our colleagues on the Risk Committee on matters including liquidity, adequacy of capital (including adequate buffers), Risk Registry, AML and sanction controls, information security, cybersecurity and compliance.

The Committee will continue to play an active role in continuing to oversee the development of the Group's risk management and internal control processes during 2024.

Further detail of the Committee's work during the year is set out in the following report.

Jonathan Muir

Chair of the Audit Committee

24 April 2024

Key Committee meeting topics during 2023

March	June	September	December
<ul style="list-style-type: none"> Internal Audit performance. Internal Audit KPIs and KBOs. Internal Audit progress and findings. Internal Audit team; Finance and accounting update, including on ECL provisions. Ongoing litigation update. 2022 Annual Report and Accounts. External Auditor report. 	<ul style="list-style-type: none"> Internal Audit progress and findings. Internal Audit Plan. Internal Audit KPIs and KBOs; Finance and accounting update including remediation of Audit findings and Impairment of Assets review. Ongoing litigation update. External Auditor update including subsidiary audits. Legal and regulatory developments. Data protection update. External Auditor effectiveness review. 	<ul style="list-style-type: none"> Internal Audit progress and findings. Internal Audit Plan. Finance and accounting update, including valuation approach. Ongoing litigation update. External Auditor update. Legal and regulatory developments. External Auditor effectiveness review. Audit-owned policies. Committee effectiveness result. Audit quality results. 	<ul style="list-style-type: none"> Internal Audit progress and findings. Internal Audit Plan. Finance and accounting update. Ongoing litigation update. External Auditor update. Legal and regulatory developments. NBG data protection requirements. External Audit Plan. Review of FRC recommendations on the 2022 Annual Report. Entity rationalisation. Update on actions in relation to amendments to the UK Corporate Governance Code including on Internal Controls.

At each of the quarterly meetings the Audit Committee met with the External Audit and Internal Auditor without management present. During the year there were five ad hoc meetings, one of which was held jointly with the Risk Committee.

Key activities during the year

Topic	Summary of activity	Find out more (where applicable)
External Audit	Oversaw the external audit process and a review of the effectiveness of the external audit.	Pages 219 to 221
Internal Audit	<ul style="list-style-type: none"> Internal Audit Plan. Internal Audit function review. KPIs. Internal Audit progress. Internal Audit risk assessment and follow-up methodology. Internal Audit organisational structure. 	Pages 218 to 219
Capital distribution	Reviewed the capital distribution proposals in relation to share buybacks and dividends.	-
AML and sanctions compliance risk management	Oversaw the enhancement of the Group's AML and sanctions compliance risk management in conjunction with the Risk Committee.	Pages 216 and 219
Regulatory and governance updates	Reviewed the latest regulatory developments and the work undertaken in relation to internal controls, the Code, NBG, and Accounting Standards.	Page 215

Audit Committee Report continued

Committee effectiveness

As part of the wider Board and Committee effectiveness review, an internally facilitated evaluation of the Committee's effectiveness was undertaken during 2023. The findings were considered by the Board at its September 2023 meeting.

The review concluded the Committee functioned well and had the appropriate composition to fulfil its duties, and that the interaction between the Committee and the Board was appropriate. The Committee agreed the practice of organising joint meetings of the Audit and Risk Committees continued to be a success and enhanced effectiveness. The Committee was pleased with the results of the evaluation and will continue to consider areas in which it can improve in the future to the benefit of the Company. For more information on the evaluation of the Board and Committees see pages 196 and 212.

Meetings with the auditors

During the year the Committee met privately, without management present, with EY and the Head of Internal Audit. The Chair of the Committee also held discussions with the lead audit partner in advance of meetings. The focus of these private meetings was to encourage discussion of any concerns in more detail, directly with the external auditor and the Bank's Head of Internal Audit. In addition, the Chair of the Committee has maintained regular dialogue with the external auditor throughout the year.

One of the Committee's key responsibilities is reviewing the integrity of the financial statements, considering the appropriateness of accounting policies and practices, and reviewing the significant issues and judgements considered in relation to the financial statements. The Committee received detailed reporting from the CFO and the external auditor in respect of the

key areas of management's judgements, reporting and audit during the year.

The Committee and the external auditor, without management present, discussed the key areas of audit focus, the suitability of the accounting policies adopted, and whether management's key reporting estimates and judgements were appropriate. Considering the external auditor's assessment of risk, and using our own independent knowledge of the Group, we reviewed and challenged, where necessary, the actions, estimates and judgements of management in relation to the preparation of the financial statements.

The significant governance and control matters, financial judgements and significant issues considered by the Committee in relation to the financial statements are addressed below.

Matters considered	Action taken by the Audit Committee
Governance	<ul style="list-style-type: none"> Reviewed governance processes and policies. Reviewed the Terms of Reference of the Committee. Oversaw the creation of a team responsible for working with KPMG to assess readiness for internal control reporting under new UK regulations. Undertook an externally facilitated Committee effectiveness evaluation. Undertook a review of the effectiveness of the external auditor. Reviewed control assessments around non-financial disclosures.
Financial reporting	<ul style="list-style-type: none"> Reviewed the appropriateness and disclosure of accounting policies and practices. Reviewed the Annual Report and Accounts content and advised the Board on whether the Annual Report and Accounts was fair, balanced and understandable. Reviewed changes to deferred tax balances and disclosures following announced changes to the Georgian Tax Code at the end of 2022. Reviewed the accounting treatment of a number of significant items, including advisory fees received at G&T, gain on the sale of repossessed assets and change to interchange fee commission. Reviewed the Company's annual and interim financial statements and quarterly accounts relating to the Company's financial performance, including a review of the significant financial reporting policies and judgements contained therein. Reviewed the stress scenarios of the ongoing economic environment and the continuing Russia-Ukraine war. Reviewed and recommended the going concern and viability statements to the Board for its approval.
Internal Audit	<ul style="list-style-type: none"> Reviewed reports of internal audits and monitored action points and follow-up actions arising. Approved the annual Internal Audit Plan and budget for 2022 and 2023. Approved Internal Audit function KPIs. Reviewed the Internal Audit satisfaction survey results and issues statistics. Approved amendments to the Group Internal Audit Charter. Monitored and reviewed the effectiveness of the Company's Internal Audit function, including overseeing an independent review.

Matters considered	Action taken by the Audit Committee
Litigation	<ul style="list-style-type: none"> Reviewed litigations that could be material to the Company, and whether provisions for contingent liabilities were required in respect of such cases. For further information please see Note 22 to the Consolidated Financial Statements on page 327.
ECL provisions	<ul style="list-style-type: none"> Reviewed the controls around the development of the model used to assist in determining the appropriate provisions. Reviewed key inputs of the model, including economic scenarios and management overlays. Assessed outputs against peers and industry. Sought external audit opinion and views on the model and its output. Reviewed and challenged the judgements used and resolution of any model deficiencies.
Global sanctions	<ul style="list-style-type: none"> Oversaw the response and controls on additional measures to address the risks associated with significant inflows of Russian nationals. Reviewed the assessment of AML and sanctions risk and any impact on the Company.
Accounting for repossessed assets	<ul style="list-style-type: none"> Agreed the approach for revaluation of repossessed assets.
Group reorganisation	<ul style="list-style-type: none"> Reviewed the approach and accounting provisions for the Group reorganisation.

The Committee also received regular reports on recoveries and loan write-offs, information security strategy, data protection and cyber risks.

Internal Audit

The Committee is responsible, on behalf of the Board, for overseeing the Internal Audit function, which serves as the Group's independent assurance over the adequacy and effectiveness of the systems and processes of risk management and control across the Group.

Internal Audit is led by the Head of Internal Audit, who reports functionally to the Chair of the Audit Committee and administratively to the CEO. They have direct access to the Committee and the opportunity to discuss matters with the Committee without other members of management present.

The Committee also monitors the staffing of the Internal Audit department, as well as the team's qualifications and experience. The Committee continues to monitor the effectiveness of the Internal Audit function and receives regular updates on internal audits and remediation actions.

The Committee monitors the scope, extent and effectiveness of the Group's Internal Audit function. It reviews and approves the Internal Audit Policy and Internal Audit Plan, which is designed using a risk-based approach aligned with the Group's overall strategy. Regular reports are received from Internal Audit on audit activities, significant findings and corrective measures and follow-ups. In certain cases the Committee invites heads of divisions and departments to present their responses and mitigating actions regarding Internal Audit findings.

The Committee considered the quality of the reporting by Internal Audit to the Committee and its ability to address unsatisfactory results. In addition, the independent assessment of the function confirmed its independence and many areas of compliance with international standards, while identifying areas for improvement. These formed the basis of a plan of action to enhance efficiency and overall effectiveness.

The effectiveness of the Internal Audit function and its work is continually monitored using a variety of inputs reported on a quarterly basis, including quality of reports, status of completion of the Audit Plan and execution of remediation actions. In addition, regular meetings are held between the Audit Chair and Head of Internal Audit to discuss ongoing matters and results. On this basis, the Committee concluded that the Internal Audit function is effective and retains appropriate independence.

External audit

A material responsibility of the Committee is to oversee the external audit process on behalf of the Board. During its oversight and review of the external audit process the Committee:

- approved the annual external audit plan, which included setting the areas of responsibility, scope and key risks identified;
- oversaw the audit engagement, including the degree to which the external auditor was able to assess key accounting and audit judgement;

- reviewed the findings of the external audit with the external auditor, including the level of errors identified;
- monitored management's responsiveness to the external auditor's findings and recommendations;
- reviewed the qualifications, expertise and resources of the external auditor;
- monitored the external auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements;
- reviewed audit fees;
- monitored the rotation of key partners in accordance with applicable legislation; and
- recommended the appointment, reappointment or removal, as applicable, of the external auditor.

FRC Minimum Standard

The Committee considered the FRCs External Audit: Minimum Standard (the 'Minimum Standard') issued in May 2023 and confirms that the Committee's activities during the year have been performed in compliance.

More information on the application of the Bank's accounting policies can be found on pages 275 to 287.

Audit Committee Report continued

Auditor independence

The Committee has adopted a Non-audit Services Policy to safeguard the auditor's independence and objectivity. The Policy was reviewed and updated in September 2023.

The provision of non-audit services by our External Auditors aligns with the current EU Statutory Audit regime, the FRC Ethical Standard 2019 (the 'Ethical Standard') and the Code. Any work other than for the audit or review of interim statements to be undertaken by the external auditor now requires authorisation by the Committee, except in very narrow circumstances. The Policy is available on our website <https://bankofgeorgiagroup.com/governance/documents>.

In accordance with the Minimum Standard and the Code, the Committee has formally assessed the independence of EY. This included the review of a report from EY describing its arrangements to identify, report and manage any conflicts of interest, and its policies and procedures for maintaining independence and monitoring compliance with relevant requirements, and the review of the value of non-audit services provided by EY.

The Committee also reviewed and discussed EY's independence in respect of the non-audit services provided for the acquisition of Ameriabank. The Committee received an update from EY confirming their continued independence and the Committee agreed that it remained satisfied of EY's independence.

EY has also confirmed its independence throughout the year within the meaning of the regulations on this matter and in accordance with its professional standards. As indicated in Note 26 to the Consolidated Financial Statements on page 332, the total fees paid to EY for the year ended 31 December 2023 were GEL 7.210 million, of which GEL 4.620 million related to work other than the audit of year-end or review of the interim accounts.

The Committee asserts that engaging EY on occasions for non-audit work is the most efficient method of having those services delivered to the Company, and does not consider that this work compromised EY's independence. Further information regarding non-audit services can be found below.

External auditor fees

The total fees paid to EY in the year ended 31 December 2023 were GEL 7.210 million, of which:

Audit Services

- GEL 0.971 million – audit of these financial statements
- GEL 1.048 million – audit of financial statements of subsidiaries

Non-Audit Services

- GEL 0.571 million – audit-related services
- GEL 4.620 million – other non-audit services

Further disclosure on the remuneration paid to EY can be found in Note 26 on page 332.

Non-audit services

A review of the Non-audit Services Policy has been undertaken, and it was confirmed that the policy is in accordance with the FRC Ethical Standard issued in December 2019, which limits the non-audit services External Auditor may provide to the Company.

In all circumstances where it is proposed to engage the External Auditors to perform non-audit work in accordance with this policy, this is subject to the approval of the Audit Committee after it has properly assessed potential threats to the independence of the external auditors and the safeguards applied in the Ethical Standard.

EY undertook non-audit services in the form of assurance work carried out in connection with the announcement of the Company's 2023 half-year results. This non-audit service is of direct benefit to shareholders.

EY also undertook non-audit services in respect of the acquisition of Ameriabank. It was considered that EY was best placed to undertake such services due to having suitable scale, experience and independence to be able to execute the work within the required timeframe particularly in light of the geopolitical environment, lack of alternative providers and historically low non-audit service fees to date. As the level of costs incurred in connection with the acquisition was likely to exceed a 1:1 non-audit fee to audit fee ratio and the 70% non-audit services fee cap provision of the Ethical Standard, EY requested a two-year waiver from the FRC in respect of US\$ 950,000 of fees for reporting accounting work in connection with the Ameriabank transaction. The waiver was granted by the FRC.

The Committee recognises and supports the importance of auditor independence. It reviewed EY's performance of non-audit services during 2023 and is satisfied that it did not – and will not – impair its independence. As a result, the value of non-audit services work by EY was GEL 4.620 million in 2023 (2022: GEL 0.012 million), representing approximately 64.1% of the total fees paid to EY as set out in Note 26 to the Accounts on page 332.

Audit tender and lead partner rotation

EY was appointed as auditor of Bank of Georgia Group PLC in 2018 and reappointed by shareholders at the 2023 AGM. The Committee was also authorised to set the remuneration of the auditor, with 98.52% and 100% of votes in favour for each resolution respectively.

Since the rotation of the audit partner during 2021, Peter Wallace has served as the lead audit partner for the Company. The Committee believes this supports the continuance of EY's independence.

Although the Group was not required to put the external audit contract out to tender before 2027, the NBG transition rules had required EY to rotate out from the JSC Bank of Georgia audit following the 2022 audit. The Chair of the Committee led a thorough, carefully considered process, resulting in the identification of a preferred and second-choice audit firm. However, due to the impact of the Russia-Ukraine war, neither was able to effectively support Bank of Georgia Group PLC audit or accept the position.

During the process the Bank applied for and was granted by the NBG a two-year waiver in respect of the mandatory audit rotation, allowing EY to remain in place for the 2023 and 2024 audits after seeking assurance from EY that it remained independent.

During 2023 the Company complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Committee Responsibilities) Order 2014.

Auditor reappointment

There are a number of areas the Committee considers in relation to EY as the external auditor: its performance; reappointment and length of service; effectiveness of the external audit process; independence and the provision of non-audit services; objectivity; and remuneration.

The Committee reviewed and made a recommendation to the Board in relation to the continued appointment of EY as the external auditor. Furthermore, the Committee approved EY's remuneration and terms of engagement for the 2023 financial year.

During the year the Committee reviewed and approved the external audit plan for 2023 which was presented by EY together with its key areas of risk and details of the proposed audit approach.

External Auditor effectiveness

The Committee and management undertake a formal questionnaire to provide feedback on the external audit process. The Committee reviews the findings and, where necessary, arranges any follow-up sessions to obtain further information. In addition, the Committee has an established framework for assessing the effectiveness of the external audit process. This includes:

External auditor

Assurance from the external auditor covering independence (further information available on page 220) and matters raised in the FRC's Annual Quality Review inspection reports and remedial actions taken (if any).

Management

Management will take part in and receive the output from a survey of those involved in the external audit process. Furthermore, assurance on the disclosure process from the provision of information to the auditors is sought from the CEO and CFO to ensure disclosures are appropriate.

Audit process

Assess delivery of the Audit Plan and independent auditor's report including the materiality level set by the External Auditor and the process to identify financial statement risk and key areas of focus. Throughout the year there will be regular communications between the external auditor and both the Committee and management, including discussion of regular papers prepared by management and EY. Assurance on the operation of the audit quality process at EY is received and reviewed by the Committee.

Audit Committee

The Committee assesses the output of the annual Committee effectiveness evaluation to identify any opportunities of improvement or areas of concern. In addition, the Committee will review the output from the survey on the external audit process and discuss the findings with EY. A review of the final audit report is undertaken, noting key areas of auditor judgement and the reasoning behind the conclusions reached.

The Committee has regular discussions with EY without management present and with management without EY present, to discuss the external audit process.

Outcome

Following consideration of all elements of the audit effectiveness review process – in addition to taking account of the engagement and communication between the Audit Committee, management and external auditor – the Committee confirmed it was satisfied that the external audit process provided by EY had been delivered effectively. The Committee concluded that EY had demonstrated a depth of knowledge and an appreciation of complex issues, whilst providing constructive, independent and objective challenge to management. The Committee requested that debrief sessions be held between the external auditor and the finance management teams across the organisation to consider any areas to enhance the audit process control environment.

The Committee is satisfied that the relationships between the external auditor and management allow for scrutiny of views on both sides, and is pleased the evaluation highlighted the ability and willingness of the external auditor to challenge management's views in a constructive and proportionate manner.

The Committee recommended to the Board that EY be reappointed as auditor of the Company, and the Directors will be proposing the reappointment and determination of EY's remuneration at the 2024 AGM.

Going concern

The Group has prepared forecasts, including various sensitivities, taking into account the principal risks and uncertainties identified on pages 149 to 169. Having considered these forecasts the Directors remain of the view that the Group has sufficient capital and access to capital to conduct its business for at least the next 12 months. The Committee reviewed the forecasts and the Directors' expectations based thereon, and agreed that they were reasonable. Accordingly the Consolidated Financial Statements have been prepared on a going concern basis.

Viability statement

In accordance with provision 31 of the Code, the Board is required to make a statement in the Annual Report and Accounts regarding the Group's viability over a specified time horizon. Details on our work in developing and assessing the viability statement can be found below.

Developing a robust viability statement

In collaboration with the Risk Committee, and considering the FRC guidance, we spent time considering the timeframe over which the viability statement should be made, as well as an assessment of

the period of coverage, which we agreed should be three years. This period is considered appropriate as the budget and business processes are based on a three-year horizon. It also considers that uncertainty increases as the time horizon extends.

Audit Committee Report continued

Stage 1: Risk identification

A review of the principal risks to viability over the period was undertaken, including risks that would impact the solvency and liquidity of the Group either separately or jointly.

Stage 2: Risk assessment

Each identified risk was carefully reviewed in accordance with our risk appetite, existing control framework and the quantum of risk.

Stage 3: Scenario sensitivity analysis

Management undertook stress-testing to review plausible circumstances and how this may affect the business over the long-term, as well as reverse stress-testing to consider what level of disruption may cause the Company to fail.

Stage 4: Conclusions

The Audit Committee considered the findings from the analysis. The conclusion was presented to the Board to provide the opportunity for review and challenge.

Assessing the Group's viability

In assessing the Group's viability over the three-year time horizon, the Committee considered different types of information including:

- The Group's business model and strategic plans.
- Current capital position and projections over the relevant period.
- Liquidity and funding profile and projections over the relevant period.
- The Group's risk profile, including any breaches of risk appetite, and principal and emerging risks that could have a significant negative impact on the Group.
- The effectiveness of the Group's risk management framework and internal control processes.
- Stress-testing and reverse stress-testing.

Our full viability statement can be found on page 170.

Whistleblowing, conflicts of interest, anti-bribery and anti-corruption, and data protection

The Audit Committee ensures there are effective procedures in place relating to whistleblowing. The Whistleblowing Policy is reviewed annually and allows employees and stakeholders to anonymously raise concerns about business practices. The Group uses an advanced, independent whistleblowing reporting channel and case management tool, WhistleB. The Company has continued to promote the importance of the whistleblowing process and procedures to employees.

In line with the Code, responsibility for the whistleblowing process sits with the Board. The Audit Committee continues to monitor the use of the system. Updates on whistleblowing procedures, the actions undertaken to promote the WhistleB platform, and the case management tools are provided to the Audit Committee quarterly.

The Audit Committee reviews the Group's Anti-bribery and Anti-corruption Policy and procedures and receives reports from management on a regular basis in relation to any actual or potential wrongdoing.

The Audit Committee received reports on any Code of Conduct and Ethics violations. There were 27 claims in the year ended 31 December 2023. Only one instance was substantiated which related to unethical behaviour and misconduct. The employees were mandated to familiarise themselves with the Bank's corporate guidelines and related rules of conduct and ethics. There were no other significant findings during 2023.

The Committee also oversees compliance with GDPR and receives regular updates from the Bank's Personal Data Protection Officer.

Risk management and internal controls

Although the Board assumes ultimate responsibility for the Group's risk management and internal control framework, its work is supported by the Audit Committee and the Risk Committee. The Audit Committee assists the Board in fulfilling its responsibility to review the adequacy and effectiveness of the controls over financial reporting.

The Committee also monitors the Group's compliance with corporate governance policies and procedures related to anti-bribery and anti-corruption, conflicts of interest and whistleblowing.

During the year the Committee received updates on the UK Corporate Governance reform – in particular on the Audit, Reporting and Governance Authority reforms. The Committee has discussed proposals and started preparations it envisages would be required, and will carefully monitor the progress of further regulatory updates.

With the ongoing Russia-Ukraine war and wider geopolitical developments, the Committee kept the evolving sanctions landscape under review and ensured the Company remained compliant with sanctions. The Group's compliance programme ensured there were processes in place to manage these risks and reviews performed to evaluate sanctions compliance.

The Committee is supported by a number of sources of internal assurance within the Group in order to discharge its responsibilities. Risks are regularly reviewed and management provides updates to the Committee on how they are managed within particular business areas. It also receives reports from the Internal Audit team and reports on any compliance issues and litigation updates.

The Internal Audit Plans for 2023 and 2024 included a thorough risk heatmap. The Internal Audit Plan is risk-based and aligns with the Company's strategy. We challenged the reports by management and Internal Audit and requested data regarding compliance with key policies and procedures related to operational risk.

With respect to external assurance, the Committee reviews the external auditor's reports presented to the Committee, which include its observations on risk management and internal financial controls identified as part of its audit.

Further information on our risk management and internal controls can be found in the Risk Committee Report on pages 224 to 228.

Fair, balanced and understandable reporting

The Committee reviewed drafts of this Annual Report and Accounts to consider whether it is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee continued to gain assurance that there is a robust process of review and challenge at different levels within the Group to ensure balance and consistency. Details of our process is set out below:



FRC correspondence

During the year the FRC conducted a review of the Company's 2022 Annual Report and Accounts in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures and wrote a letter to the Company regarding their findings. The FRC stated that there were 'no questions or queries' in relation to the 2022 Annual Report and Accounts which they wished to raise with the Company. The FRC highlighted certain matters which the Company were invited to consider in relation to preparation of the 2023 Annual Report and Accounts, to improve on in future reporting for the benefit of the users and stakeholders. The Committee reviewed the letter from the FRC, and the Company's response letter, and noted the matters highlighted to Company for future reporting which have been addressed in the 2023 Annual Report and Accounts.

The FRC's letter noted that the scope of their review was limited to the 2022 Annual Report and Accounts and did not benefit from detailed knowledge of the Group's business. In line with FRC requirements, the letter provides no assurance that the 2022 Annual Report and Accounts are correct in all material respects. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Acquisition of Ameriabank CJSC

The Committee undertook extensive work in respect of the Ameriabank acquisition to ensure appropriate due diligence, feasibility, working capital and reporting. The Committee received updates from management regarding their findings during the due diligence process and the accounting methodology adopted by Ameriabank was reviewed and considered appropriate.

The Committee has also received updates from management regarding financials and the Ameriabank finance team which were considered to be strong. The Committee has identified areas of opportunity to enhance controls and to align with the Company's approach as a UK listed entity.

During 2024 the Committee will focus on ensuring appropriate processes and controls are in place, particularly in respect of reporting and compliance.

Risk Committee Report

Safeguarding the Group by ensuring a robust oversight of the Group's ERM framework and risk management activities.

Membership of Risk Committee

Committee membership	Date of membership
Véronique McCarroll (Chair)	1 October 2018 1 January 2022 (Chair)
Alasdair Breach*	24 February 2018
Tamaz Georgadze	24 February 2018
Mariam Megvinetukhutsesi	12 March 2021

* Alasdair Breach resigned as a Non-executive Director and as a member of the Committee on 15 March 2024.

The skills and experience each member contributes can be found on pages 198 to 200.

All members of the Committee are independent Non-executive Directors of the Board. Committee members have the right to attend Committee meetings, as well as any other Non-executive Directors of the Board. Other individuals including the Chair of the Board, Group CEO, CFO, CRO, other representatives of the Group's risk function, CLO, Internal Audit and External Auditor may be invited to attend all or part of any meeting if deemed appropriate and necessary with the agreement of the Committee Chair. The Bank's CRO is David Chkonia, who has full access to the Committee and attends all its meetings.

Meeting attendance

Details of the members' attendance at the meetings of the Committee are as follows

Committee membership	No. of meetings attended
Véronique McCarroll (Chair)	4/4 scheduled 1/1 ad hoc*
Alasdair Breach	4/4 scheduled 1/1 ad hoc*
Tamaz Georgadze	4/4 scheduled 1/1 ad hoc*
Mariam Megvinetukhutsesi	4/4 scheduled 1/1 ad hoc*

* There was one ad hoc meeting during the year where the Audit Committee and Risk Committee met jointly.

Regular attendees at meetings

CRO, CEO, UK General Counsel and Company Secretary. Invitations to attend meetings are extended to all Directors.

Collaboration with the Audit Committee

The Committee also works closely with the Audit Committee to ensure both Committees are updated and aligned on matters of common interest, to maintain a broad and full view of the Group's risk management matters. Joint meetings of the Risk and Audit Committees are held quarterly, with ad hoc meetings scheduled as required.

Key objectives of the Committee

The Risk Committee focuses on the following matters:

Risk oversight

- Provides advice in relation to risk exposures.
- Oversees risk management policies, processes and infrastructure.
- Oversees, supports and evaluates the risk management roles of the senior management team.

Risk appetite

- Reviews Group risk appetite in line with the strategy and the regulatory requirements.
- Supports the Board to ensure the risk profile is in line with the overall strategy, and well managed within a sound and comprehensive risk appetite framework.

Risk management

- Identifies and monitors risk exposure and the risk management infrastructure.
- Assesses the strength and effectiveness of the risk management and internal control framework.
- Assesses the Group's capability to identify, measure and manage new types of risk.
- Assesses, reviews and challenges the emerging and principal risks facing the Company.
- Assesses the adequacy and quality of the Risk Management function in conjunction with the Audit Committee.
- Oversees risk management policies, processes, methodologies and infrastructure.
- Reviews the principal risks and uncertainties disclosures in the Half-year and Annual Reports.

The Committee's Terms of Reference set out its role and authority, and can be found on the corporate website at www.bankofgeorgiagroup.com/governance/documents

2024 focus areas

In the coming year the main areas of focus for the Committee will be:

- Continuing to monitor and review the risks and potential threats caused by the Russia-Ukraine war, particularly in relation to compliance, information security and fluctuations in interest and FX rates, as well as consideration for longer-term economic impacts.
- Updating and enhancing the risk appetite framework, including new metrics as appropriate in relation to operational or AML risks.
- Creating a Bank-wide Risk Registry to provide a comprehensive view of risk within the Bank – including operational, financial, strategic and compliance risk.
- Overseeing the integration of recently acquired Ameriabank in the risk governance framework of the Group.



Véronique McCarroll

Chair of Risk Committee

“The Committee has continued to support the ongoing enhancement of the Group’s risk management framework, challenging how the Group assesses, monitors and mitigates risk.”

Dear Shareholders,

As the Chair of the Risk Committee (the ‘Committee’), I am pleased to report on the Company’s Risk Committee activities and focus during 2023 on behalf of the Board, and to provide details on how the Committee operated and discharged its responsibilities.

Risk oversight

The Committee has assisted the Board in providing oversight of the Group’s overall risk exposure profile in what continues to be a challenging global macroeconomic environment. The ongoing impact of the Russia-Ukraine war and wider global macroeconomic factors have remained a focus area during 2023 and we received regular updates via reports from the CRO – particularly in relation to international sanctions, liquidity risk and credit risk exposures in the Bank’s loan book and customer portfolios.

The Committee reviewed the processes in place to assess, monitor and mitigate the risks linked with these events, together with continuing to monitor the developments and changes to the operational risk management framework, the organisational structure of the Risk department, the redefinition of the ERM framework and reporting to the Committee, as agreed in 2023. The risk appetite framework is now well embedded in the Group’s risk governance and regularly monitored in line with the Group’s strategy, capital planning and regulatory requirements. This year, the Bank reported its Internal Capital Adequacy Assessment Process

(ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports as requested by the NBG, which were also reviewed by the Committee.

The Committee has continued to support CRO David Chkonia with the enhancement of the Group’s risk management framework, including embedding the three-lines-of-defence model, developments to the operational risk management framework and improving the organisational structure of the Risk department. The Committee has been pleased with the developments as well as the improvements made in reporting to the Committee through risk reports and risk dashboards.

Risk management framework

The Committee confirmed it is pleased with the ongoing implementation of and improvements to the Group’s risk management framework, together with the Group’s operational risk management framework, which has enabled the proactive management of the operational risks of the business and ensured our operational risk profile remains robust.

During the year the Committee undertook a deep-dive review of the Corporate Banking top exposures to review single-name and specific sector concentration risk. Special attention was also directed to the monitoring of liquidity risk in the light of the international banking context in the first half of the year, the enhancement of the of AML screening and monitoring systems, and consumer

lending risk models and processes. The Committee recognises the importance of monitoring other risks such as information security, climate risks or cyber risk which may affect the business.

Regulatory requirements

The Bank regularly engages in discussions on regulatory changes with the NBG and other stakeholders, such as government bodies or banking and business associations, to assess and manage the impacts of these changes. The Committee is regularly updated on regulatory developments and compliance with the NBG requirements.

Committee effectiveness evaluation

We were delighted to welcome Clare Chalmers Ltd as our Evaluator to undertake an effectiveness evaluation of the Committee during 2023. We were pleased with the evaluation results and the suggestions on how the Committee can improve further, which we will keep under review during 2024.

Further detail of the Committee’s work during the year is set out in the following report.

Véronique McCarroll
Chair of the Risk Committee
24 April 2024

Risk Committee Report continued

Key Committee meeting topics during 2023

March	June	September	December
<ul style="list-style-type: none"> • Risk Report. • IFRS-based NBG Basel III capital requirements. • Unsecured consumer lending transformation project. • Risk KPIs and KBOs. • Stress test assumptions, ICAAP and ILAAP progress. 	<ul style="list-style-type: none"> • Risk Report. • AML initiatives and alerts monitoring dashboard review in light of the rise in international sanctions. • Group risk structure. • NBG stress test exercise. • Liquidity risk exposure profile and potential deposit outflows scenarios. • ICAAP and ILAAP reports. 	<ul style="list-style-type: none"> • Risk Report. • Liquidity Coverage Ratio in the perspective of new NBG modelling requirements. • Received an update on the unsecured consumer lending transformation project outcome. • Liquidity risks and Interest Risk Rate. • Committee Terms of Reference for recommendation to the Board. • Related Party Transaction (RTP) Policy. • External committee effectiveness report. 	<ul style="list-style-type: none"> • Risk Report. • Liquidity Coverage Ratio. • Corporate loan book deep-dive analysis, including specific outlook on top sector and single-name exposures. • NBG Review Assessment on ALM and structural interest rate risk.

Key activities during the year

Activity	Summary of Activity	Find out more (where applicable)
RPT Policy	Reviewed and considered the RPT Policy and recommended its approval by the Board.	-
Organisation structure and operational risk management framework	Oversaw the continued implementation of the new organisation structure and operational risk management framework.	-
Bank-wide Risk Registry	In conjunction with the Audit Committee, considered and agreed to introduce a Bank-wide Risk Registry to provide a comprehensive view of risk within the Bank – including operational, financial, strategic and compliance risk.	Page 224
AML and sanctions compliance risk management	Oversaw the enhancement of the Group's AML and sanctions compliance risk management.	Pages 227 to 228
ICAAP/ILAAP	Reviewed the development and documentation of the ICAAP/ILAAP reports requested by the NBG.	Page 227
Liquidity Risks and Interest Risk Rate	Reviewed the liquidity trends, current liquidity buffer and interest rate risk exposure.	Page 227

Committee effectiveness

The Committee undertakes an annual review of its effectiveness. During 2023 the performance and effectiveness of the Board and its Committees were reviewed through an externally facilitated evaluation process conducted by Clare Chalmers Ltd. As part of the process, Clare Chalmers Ltd reviewed documents and observed the Committee in person at the June 2023 meeting held in Tbilisi.

The Committee was presented with the evaluation report and reviewed the findings and proposals at the September 2023 meeting. The Committee was described as a constructive forum benefiting from the knowledge of its Non-executive Directors, the Risk team and external consultants, highlighting that dynamic discussions take place between these parties.

Following the evaluation the Committee and the Audit Committee agreed upon the creation of a Bank-wide Risk Registry to provide a comprehensive view of risk within the Bank – including operational, financial, strategic and compliance risks. The Committee will continue to consider areas where it can improve in the future to the benefit of the Company.

Reporting to the Committee

During the year the Committee received and considered a range of reports, updates and presentations from the CRO, the wider Risk team and management. The Committee is pleased with the continued increase in quality of reports and the growing risk culture across the business.

External risks

Prior to each quarterly Committee meeting the Board considers the macroeconomic situation and geopolitical risks, providing context for the Committee's discussions on the Group's management of risks.

During the year the Committee continued to receive and discuss updates on political and geopolitical events relating to the economies of Georgia's key trading partners, as well as the impact those events may have on the Georgian economy.

Challenges in relation to increased client inflows were highlighted as potential risks to some entities using legal channels for sanction evasion/avoidance, and were mitigated through heightened monitoring capabilities in the front and back offices, increased AML resources and systems for sanctions screening, and enhanced due diligence for SWIFT transactions from or to Russia – with all transactions in online stopped by default. Georgia continues to align its regulatory framework with that of the EU, and during the year these areas continued to be a focus of monitoring and review by the Committee to ensure each of the risks was being mitigated satisfactorily.

Credit risk

1. Consumer lending

During the year the Committee reviewed and received updates on the Unsecured Consumer Lending Transformation project to redesign the unsecured consumer risk management process with the aim of streamlining the collaboration of all involved directions.

A new set of risk models was developed by the Bank's data scientists in collaboration with McKinsey, providing the Bank with a best-in-class model governance framework. The new models rely on fewer variables, which enables easier monitoring and greater stability. Implementation of the new risk band management methodology is designed to maintain risk levels and adjust the underwriting strategy continuously. Risk levels are aligned with the Bank's risk appetite and any deviation in the risk profile is pre-determined, allowing the Bank to improve alignment between the main stakeholders and adjust the policy to preserve the current risk level.

2. Corporate loan book

The Committee receives regular updates regarding the Company's financial risks and loan book, including profiles of the businesses with the most significant exposures; management's plans to manage exposures through initiatives including increasing local currency loans and de-dollarisation of the portfolio; analysis of retail borrowers' debt-bearing capacity; capital buffers; and capital adequacy. Reports are discussed at scheduled meetings and, where necessary, during informal interim calls with management. The Committee continues to monitor the credit risk exposure, sector and single name concentration of the corporate loan book, as well as the total foreign currency share of the retail loan book.

In December 2023 the Committee, at its request, reviewed a deep-dive analysis of the corporate loan book. The analysis focused on changes to the concentration of exposures, higher-risk areas within sectors, watch points and mitigation levers. The results presented an analysis of the aggregate corporate portfolio showing single-name and sector exposures, as well as a specific analysis and economic outlook of four sectors: hotel; residential real estate development; commercial real estate; and healthcare. It was assessed that the largest risk exposures were carefully selected at origination, and that the Bank had enough mitigation capabilities to manage the related risks.

Financial risks

In the first half of the year, the Committee requested and reviewed a deep dive analysis on the liquidity risk exposure of the Bank, in the light of the international banking context and the

liquidity problems that several banks had faced in the US and Europe. The results evidenced the Bank's solid liquidity position and healthy balance sheet, with no major residual interest rate risks linked to its securities portfolios.

The Committee and the Audit Committee received updates on the ICAAP and ILAAP, reviewed the reports and ensured the Bank's capital ratios were within the regulatory requirements. The Committee also reviews stress testing results, including internally developed stress-tests and those using the criteria specified by the NBG. The NBG stress testing results demonstrated that the Company has a suitable buffer in line with the requirement threshold.

During the year the Bank undertook an independent consultation review of the Group's Interest Rate Risk in the Banking Book ('IRRBB'), which was initiated by the NBG in coordination with the ERBD and performed by an independent consultant, ALM Vision. The Committee was pleased that the Bank's current exposure to IRRBB was assessed as compliant with international standards.

Operational risks

Jointly with the Audit Committee, the Risk Committee reviews the operational risk profile through a comprehensive risk heat-map and a description of the top incidents and key risk scenarios. Compliance risk and financial crime risk, including internal and external fraud risk, remain areas of focus. The Audit and Risk Committees received a report considering fraud risks and the actions being undertaken to mitigate them. The Committee considered the events that had caused business disruption, their root causes, mitigating actions and remediation plans.

Furthermore, the Committee continued to review monitoring metrics and agreed to include an additional metric for operational risk monitoring, together with the redesign and implementation of a new operational risk management framework implemented in 2023 that aims to enhance first-line engagement in the processes and improve operational risk management governance. The Bank has also established an Operational Risk Management Committee to further improve decision-making processes.

AML and financial crime risks

AML and sanctions compliance risk management has been a key focus for the Committee during 2023. The Committee has reviewed and discussed the risks and actions taken by the Bank regarding these matters. The Committee has overseen the creation of the Transaction Online Screening and Global Banking Business Direction to create a first line of defence and increase the effectiveness of the AML function. Improvements have also

Risk Committee Report continued

been made to offline monitoring tools, allowing monitoring to take place more frequently and improving reporting in this area. Sanctions training was enhanced during the year to provide a general understanding of different sanctions regimes and the Bank's internal methodologies pertaining to client onboarding and transaction screening.

IT and information security risks

Strong IT infrastructure is key to ensuring the Bank is resilient and able to maintain necessary systems and processes. During the year the Audit and Risk Committees worked together to oversee the development of a risk-based information security approach, which included the implementation of a cyber risk management framework and maintenance of a cyber risk register.

The Bank has established a cybersecurity risk management framework to align with risk methodology and compliance with the new Georgian laws on information security, and to develop appropriate cyber response plans. A key achievement during the year was the introduction of a vandal-protected backup storage system to ensure neither external nor malicious internal actors can harm the core database backup in any technological way.

Following the appointment of a DDoS mitigation service provider in 2023, which has the capability to defend the Bank's infrastructure from larger DDoS attacks and keep services available, the Committee continues to see positive progress of the cyber response plans with IT and other key stakeholders actively engaged.

Emerging risks

The Committee continues to monitor emerging risks, including those related to climate and ESG, and oversees the implementation of the TCFD disclosures. Climate risk analysis is now embedded in the credit approval request process and was also included in the corporate loan book analysis. For more details on climate action, please see pages 99 to 118 of the Sustainable Business section.

ERM

The Committee considered a wide range of risks facing the Group, both principal and emerging, across all key areas of risk management. The Committee assists the Board in setting the Group's Risk Appetite Statement and updating the Company's risk appetite metrics. During the year the Committee continued to work closely with the Audit Committee to ensure the risk management framework and systems of internal controls operate effectively and in compliance with the UK Corporate Governance Code and FRC guidance.

Management reviewed the risk mitigation tools and control functions and reported to the Committee and the Audit Committee on their assessment of the effectiveness of these controls. The Committee completed a robust review of the principal risk disclosures and other relevant risk management disclosures, and provided recommendations to the Board on their inclusion in the Half-year and Annual Report.

In conjunction with the Audit Committee, the Committee reviewed the viability statement as detailed on page 170.

Directors' Remuneration Report



Cecil Quillen
Chair of the Remuneration Committee

What is in this report?

This Directors' Remuneration Report includes:

- The Annual Statement by the Chair of the Remuneration Committee and the Annual Report on Remuneration describe the implementation of Bank of Georgia Group PLC Directors' Remuneration Policy and discloses the amounts earned relating to the year ended 31 December 2023.

A summary of the current Remuneration Policy approved at the 2022 AGM is set out on pages 243 to 247, the full text of which can be found on our website at <https://bankofgeorgiagroup.com/governance/documents>.

The report complies with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. It has been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the Listing Rules.

Overview

The members of the Remuneration Committee during the year were as follows:

Committee membership	Date of membership
Cecil Quillen	24 February 2018. Chair since 1 January 2023.
Al Breach	24 February 2018
Tamaz Georgadze	24 February 2018
Hanna Loikkanen	20 September 2019
Mel Carvill	10 March 2022

Cecil Quillen became Chair of the Committee on 1 January 2023, having previously been a member. Al Breach stepped down from the Board and the Committee on 15 March 2024.

All members of the Committee are independent Non-executive Directors of the Board. The skills and experience that each member contributes can be found on pages 198 to 200.

The members' meeting attendance for the year is set out below.

Committee member	No. of meetings attended
Cecil Quillen (Chair)	3/3 scheduled 1/1 ad hoc
Al Breach	3/3 scheduled 1/1 ad hoc
Tamaz Georgadze	3/3 scheduled 1/1 ad hoc
Hanna Loikkanen	3/3 scheduled 1/1 ad hoc
Mel Carvill	3/3 scheduled 1/1 ad hoc

In addition to formal meetings held during the year, the Committee also participated in various telephone discussions.

There is a standing invitation for other Board members to attend meetings. The CEO and other members of management may be invited to attend meetings to provide more insight into key issues and developments. Other attendees at Committee meetings who provided advice or assistance on remuneration matters from time to time include the CEO, the Head of Human Capital and Employee Experience Management, Business Processes and Lean Transformation Capital Management, the Chief Legal Officer and the UK General Counsel. Attendees at Committee meetings do not participate in discussions or decisions

related to their own remuneration, which helps avoid conflicts of interest.

The Remuneration Committee is principally responsible for establishing and implementing a Remuneration Policy that rewards fairly and responsibly and is designed to support the Company's strategy and promote its long-term sustainable success. The Committee takes into account pay and employment conditions elsewhere in the Group, and oversees any major changes in employee remuneration structures.

The Committee's terms of reference set out the Committee's role and authority, and can be found on the corporate website at <https://bankofgeorgiagroup.com/governance/documents>

The Committee considers outside guidelines, for example the Investment Association Principles of Remuneration. The UK General Counsel attends events organised by investor bodies, proxy advisors, accountancy firms, law firms, regulatory bodies and similar organisations to keep the Committee up to date with developing market practice.

Directors' Remuneration Report continued

Dear Shareholders,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2023.

The Remuneration Committee received market and stakeholder updates, set the KPIs for and considered the remuneration of the CEO, of the executives and of the wider workforce. It also underwent an external evaluation and strengthened its Terms of Reference.

Shareholders voted 92.83% in support of the Remuneration Report at the 2023 AGM. The Committee discussed the feedback from engagement with specific investors on remuneration matters and on our remuneration structure. The Board appreciates such engagement and, as ever, continues to be available to stakeholders on such matters.

Remuneration Structure

The Committee believes the Director's Remuneration Policy (the 'Policy') is in the best interests of the Group. It is consistent with the regulatory requirement of the National Bank of Georgia ('NBG'), and has very strong alignment with the interests of shareholders.

The structure dictates that a high proportion of the salary, and all performance-related pay, is in deferred shares (no cash bonus). This creates strong medium- to long-term alignment with shareholders. Nil-cost options are allocated at the time of grant, rather than vesting, which ensures maximum alignment with shareholders. Performance-related deferred shares are subject to an extensive malus and clawback regime.

The key elements of the Policy are as follows:

- In accordance with the NBG's requirements, share salary is fixed in monetary value in the contract, which is translated into deferred shares. Vesting and holding periods are set out in the Policy and are over a total period of five years for salary shares.
- Performance-based remuneration is capped at a maximum of 100% of salary (cash and share salary).
- The vesting and holding periods for discretionary performance-based remuneration result in shares being released over a period of eight years from the beginning of the work year – an increase from the six-year period under the previous Policy.

- Pension entitlements for Executive Directors and senior management are in line with the Georgian workforce, at 0-2% contribution by the Bank with a further 0-2% contribution by the Georgian Government.
- Shareholding guidelines require Executive Directors to build and maintain a shareholding requirement equivalent to 200% of total salary, to be built up and maintained for two years post-employment. Given the high proportion of remuneration in deferred shares, and the length of deferral, Executive Directors who have been with the Company more than a couple of years will naturally hold a higher amount than the shareholding guidelines at any particular time.
- No cash bonus and no LTIP.

There is an increased focus on clawback and malus in the forthcoming changes to the UK Corporate Governance Code to be effective from 2025. We believe that this is an area in which the Company is already ahead of market practice and so is able to disclose early ahead of the forthcoming Code:

- Malus and clawback provisions are extensive, and were expanded further in 2022 – see page 246 for a summary.
- Clawback applies for two years from date of vesting, an increase from one year under the previous Policy.
- There are additional 'bad leaver' provisions in the Executive Director's contract, allowing for the forfeiture of all unvested discretionary deferred shares in certain circumstances.

The period of two years is appropriate as it allows enough time for matters to come to light and be considered. Malus and clawback were not utilised in the last reporting period. The Executive Director's contract includes the malus and clawback provisions.

Context of remuneration

The Committee considered market updates on remuneration proposals, market practice, proxy advisors' updates and reports and policies.

Following previous feedback from a major shareholder, we disclose the total shareholdings of top management in this report. Also, further to feedback in previous years, there is a higher overall weighting for financial KPIs than for non-financial KPIs for the CEO's performance-related pay.

Given the importance of ESG matters to stakeholders, the Committee selected KPIs for the CEO relating to material ESG matters. The Company identified financial inclusion as a key material ESG area given our position as a systemic bank in an emerging economy. This year we have introduced two additional financial

inclusion metrics: sCoolApp Monthly Active Users and the number of self-employed borrower clients. See pages 86 to 91 in the Sustainable Business section for further information on financial inclusion and the reasons for selection as a material area of focus.

The Group's purpose is helping people achieve more of their potential, and KPIs are chosen to reflect sustainable growth so the Company can support its customers. This is underpinned by a structure that defers remuneration, in shares, for up to eight years.

The Group's values, identified by an employee engagement exercise, are motivation, courage, creation/action and encouragement. Our business principles, identified by a management team exercise based on the outcome of the employee engagement exercise, are teamwork, development, fairness, customer-centricity, operational excellence, and innovation. The CEO is held accountable for these values and principles by the Net Promoter Score (NPS) and Employee Net Promoter Score (eNPS) KPIs.

The Committee set the KPIs for the CEO for 2023 early in the year, including threshold, target and maximum levels for each and weightings for each. Relevant KPIs were also cascaded to each member of senior management who also had additional KPIs in accordance with their roles and responsibilities.

Terms of Reference

The Committee reviewed its Terms of Reference and made recommendations for changes to the Board. These included adding wording, in accordance with best practice, that remuneration policies and practices should be, amongst other matters, (i) linked to the successful delivery of the Group's long-term strategy and linked to Environmental, Social and Governance related targets where appropriate, and (ii) open to the use of discretion to override formulaic outcomes and/or to recover or withhold sums or share awards under appropriate circumstances.

Workforce remuneration matters

During the year, the Committee considered the results of market comparisons to salaries in the Bank, including at entry positions, mass positions and senior positions. Further, a position levelling and job ranking exercise was carried out by the Human Capital Management department and the Committee noted that work was ongoing to make levelling factors more specific and applicable to performance evaluations.

Progress was also made in the review of front office compensation packages to resolve any gaps with the market.

The Committee discussed equal pay gap and raw gender pay gap data. Work is ongoing to continue various talent development activities to support professional and career progression of employees in lower positions.

The Committee considered minor amendments to workforce remuneration policies for employees of the Bank. The policies cover fixed and variable remuneration as well as benefits. Employees can be awarded deferred shares via the Employee Equity Compensation Plan on a discretionary basis. The alignment with the Group's values and its long-term sustainable success is enhanced by this scheme.

The Committee considered and approved an overview of the employee bonuses for 2023. These are divided along business lines and comprise both cash bonuses and share bonuses.

Year on year, for 2023 the average cash salary increased by 23.5%, the average deferred share salary decreased by 5.2% and the average employee total bonus increased by 10.1%.

Hanna Loikkanen is a member of the Remuneration Committee and designated Non-executive Director to engage with the workforce. She facilitated three informal discussions known as 'Employee Voice' to engage with the workforce. All Board members are invited to participate in these meetings, which aim to facilitate the exchange of opinions, ideas and views between the Board and the workforce and allow the workforce to raise matters (including remuneration). Further information on the output from these meetings can be found in the Directors' Governance Statement on page 210.

The Committee also considered the performance of senior management against each of their KPIs (which were each weighted) and their overall performance and approved the discretionary awards. Remuneration for senior management is predominantly in deferred shares.

2023 performance-based remuneration for Executive Director

2023 was another successful year during which the Group, led by the CEO, continued to deliver on our strategic priorities. Focus on customer needs and product quality translated into profit before tax of GEL 1,634 million (adjusted for one-offs) and an ROAE of 29.9% (adjusted for one-offs). Cost:income ratio was a historical low at 29.8%. The continued strength of the loan portfolio translated into a lower cost of credit risk ratio of 0.7%.

The Group closed the year with a Net Promoter Score of 59.3, highlighting its dedication to customer satisfaction and an Employee Net Promoter Score of 55.6. As stated in the 'Further stakeholder considerations' section above we have expanded the accountability of the CEO for "Developing ESG in line with the Group's material areas of focus", with four different metrics measured and disclosed in the KPI table below in this report.

The Committee considered the personal contribution of the CEO to the fulfilment of the Group's strategy and to the overall corporate performance. The Group achieved excellent results under his leadership and in part through his initiatives.

During 2023 the CEO executed the strategy set by the Board for careful deployment of surplus capital in a thorough and efficient manner. He carried out thorough due diligence and negotiations and presented to the Board the attractively accretive acquisition of Ameriabank. This was achieved with no dilution for shareholders and the Group continued to implement its capital distribution policy.

Shareholders received a final dividend for 2022 in July following the 2023 AGM. An interim dividend of GEL 3.06 per share was paid in October 2023. In February 2023, the Board approved an increase of up to GEL 148 million in its share buyback and cancellation programme. In August 2023, the Board approved the launch of a GEL 62 million share buyback and cancellation programme. As disclosed in the Preliminary Financial Results release, for full year 2023 the Board intends to recommend to shareholders at the AGM a final dividend of GEL 4.94 per share. In addition, the Board has also approved an extension of the buyback and cancellation programme by an additional GEL 100 million. The Committee noted that the market cap increased 47% during 2023 from GBP 1,237 million at FY 2022 to GBP 1,817 million at FY 2023.

Each KPI was considered against the threshold, target and maximum level and in accordance with these calculations Mr Gachechiladze was awarded 97.0% of his maximum opportunity, which was paid in deferred shares. The Remuneration Committee concluded that the level of deferred share award as calculated against the KPIs remained appropriate and it did not exercise discretion.

The level of award is considered to be appropriate as it reflected his very strong performance against all KPIs including financial metrics, strategic and ESG metrics, the experience of shareholders in terms of value creation (through the buybacks, dividends and the share price movement) and the wider stakeholder experience of the Company (including the increase to the employees' salaries and bonuses).

You can read the KPI calculations and disclosures, and notes on each KPI, in the section entitled 'Basis for determining Mr Gachechiladze's discretionary deferred share remuneration in respect of 2023' later in this Report.

Remuneration Committee effectiveness review and priorities for 2024

An independent evaluator, Clare Chalmers Ltd (the 'Evaluator') undertook an external review of the Committee in 2023. They reviewed Committee papers, interviewed members of the Committee, management and others and observed the Committee meeting in person.

The Evaluator noted that the Committee changed its Chair at the beginning of year, and credit was given to the outgoing Chair for her efforts in engagement with shareholders. I was judged as Chair to be aware of the major issues and UK listing context. The Committee was observed as having good discussions on the issues and aiming to strike a balance between different stakeholders. Those members of the Board who are not members of the Committee expressed to the Evaluator that feedback to the Board is good.

In 2024, the Committee's priority will be to consider and consult on a new Remuneration Policy, which will be put to shareholders at the 2025 AGM in accordance with the three-year cycle.

Cecil Guillen

Chair of the Remuneration Committee
24 April 2024

Directors' Remuneration Report continued

Annual Report on Remuneration Shareholder context

Below are the shareholder voting figures for the most recent Directors' Remuneration Report (2022), as presented at our AGM on 19 May 2023:

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Report	34,832,255	92.82	2,692,899	7.18	37,525,154	408

The Directors' Remuneration Policy was last approved by shareholders at our AGM on 20 June 2022. The Policy received the following votes from shareholders:

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Policy	26,378,680	67.62	12,629,820	32.38	39,008,500	250

In response to the significant minority of votes against the Policy, the Committee undertook an extensive shareholder engagement exercise covering 50% of our shareholder base, with focus on those who voted against the Policy (as well as including many who did not). We extensively disclosed on the process, the results and action taken in the previous year's Annual Report. You can read more about this in the 'Shareholder Engagement and response' section in the Chair's Letter of the Directors' Remuneration Report 2022 at <https://bankofgeorgiagroup.com/reports/annual>.

How the Remuneration Committee addressed the factors in provision 40 of the UK Code

The Remuneration Committee pays close attention to the requirements of the UK Corporate Governance Code ('the Code') in determining the Policy and its structure. This includes the factors set out in provision 40 of the Code:

Principle	Approach
Clarity	The rationale is clear: the Executive Director and senior management are incentivised towards the medium- to long-term success of the Company. Targets for annual bonuses are aligned to the Group's strategic priorities. This provides clarity to shareholders and other stakeholders on the relationship between the successful delivery of the Group's strategy and remuneration paid.
Simplicity	The Policy is designed to retain simplicity while complying with all relevant regulatory requirements and meeting shareholder expectations. Remuneration elements include fixed pay (base salary comprising cash salary and deferred salary shares, pension and benefits) and variable pay (discretionary deferred shares and no cash bonus).
Risk	By its nature, having such a high proportion of the remuneration in shares deferred over several years, the structure drives the CEO and senior management to mitigate reputational and behavioural risks or short-termism in their actions and decisions, and avoids conflicts of interest. The Policy also has minimum shareholding and post-employment shareholding requirements.
Predictability	The Policy describes the purpose, operation and maximum potential of each remuneration element and illustrates a range of potential outcomes for Executive Directors. Weighted KPIs and ranges for the targets of KPIs are used in the financial year's performance review.
Proportionality	Outcomes reward performance proportionately by reference to performance targets, although the Remuneration Committee retains its discretion to adjust the award as it considers appropriate. For further considerations on proportionality, see the 'CEO's pay and comparators – peers' section on page 237, which includes a list of possible peers. The CEO's performance-based remuneration is subject to extensive malus and clawback provisions.
Alignment to culture	A high proportion of remuneration paid in deferred shares rather than cash promotes alignment with the culture and long-term success of the Company. Further, the CEO's performance KPIs include: (i) Employee Net Promoter Score; and (ii) developing ESG in line with the Group's material areas of focus. See the Chair's Letter for further explanation of the alignment to the Group's purpose and values.

Advisors

The Committee was not advised by remuneration consultants during 2023 or 2024 to date. The Committee received additional advice on compliance from Baker & McKenzie LLP, the Group's legal advisors, and is of the view that this advice was objective and independent.

Single total figure of remuneration for the sole Executive Director (audited)

The table below sets out the remuneration earned by the Company's Executive Director, Archil Gachechiladze, in respect of his employment with the Company for the years ended 31 December 2023 and 31 December 2022.

Mr Gachechiladze's current service agreements provide for salary in the form of cash and deferred shares. In addition, he is eligible to receive discretionary deferred share remuneration up to a maximum of 100% of total salary. The current Policy has applied since 1 January 2022.

For 2023, 80.2% of Mr Gachechiladze's remuneration as set out in the table below is in the form of deferred shares. Deferred shares will vest in tranches, with vesting and holding periods of up to eight years from the start of the work year in accordance with the Policy.

	Cash salary ¹ (US\$)	Deferred share salary ² (US\$)	Taxable benefits ³ (US\$)	Pension benefits ⁴ (US\$)	Dividend equivalents ⁵ (US\$)	Total fixed pay (US\$)	Discretionary deferred share remuneration ⁶ (US\$)	Total variable pay (US\$)	Single total figure (US\$)
2023	370,000	2,200,000	62,597	3,400	722,386	3,358,383	2,492,902	2,492,902	5,851,285
2022	370,000	2,200,000	58,054	3,400	282,676	2,914,130	2,490,343	2,490,343	5,404,473

Notes:

- Expressed in US Dollars but paid in British Pounds and Lari, as applicable, converted into the respective currency as at the date of payment. Accordingly, there may be variations in the numbers above and those provided in the accounts.
- Deferred share salary. The figures show the value of the underlying nil-cost options over BOGG shares granted in respect of the 2023 and 2022 work years. For 2023, Mr Gachechiladze was awarded 71,694 BOGG shares, the number of shares were calculated by reference to US\$ 30.6859 share price which is the average share price of the five working days before 25 December 2022. For 2022 Mr Gachechiladze was awarded 106,034 BOGG shares, the number of shares was calculated by reference to a US\$ 20.7481 share price (which is the average share price of the five working days before 25 December 2021). For each award, the shares vest on the first anniversary of the start of the work year but are subject to holding periods so that 40% is released on the second anniversary, and 20% is released on each of the third, fourth and fifth anniversaries, of the start of the work year, all subject to the terms of his service agreement.
- Benefits. The figures show the gross taxable value of Mr Gachechiladze's health, life and personal accident insurance and tax equalisation payments.
- Pensions. The figures show the aggregate employer contributions for the relevant years into the Group's defined contribution pension scheme. Under the Group's defined contribution pension scheme, normal retirement age is 65. Mr Gachechiladze receives up to 2% employer contribution, in line with other Georgian employees.
- Dividend equivalents. The figure shows the dividend value paid in respect of nil-cost options exercised in the relevant year. The difference in dividend equivalents is a result of total number of deferred shares held and of the Group's dividend growth and not of a change in Policy or in the application of Policy.
- Discretionary deferred share remuneration. The figures show the value of the underlying nil-cost options over BOGG shares granted in respect of bonus awards in the relevant year. For 2023 Mr Gachechiladze was awarded 51,462 shares. The number of shares were calculated by reference to the closing share price on 12 February 2024 (the working day before the meeting) which was US\$48.4416 (based on the official share price of GBP 38.40 per share converted into Dollars using an exchange rate of 1.2615, being the official exchange rate published by the Bank of England on the same date). For 2022 Mr Gachechiladze was awarded 74,962 BOGG shares. For 2022 the number of shares were calculated by reference to the closing share price on 9 February 2023 (the working day before the meeting) which was US\$ 33.2214 (based on the official share price of GBP 27.30 per share converted into Dollars using an exchange rate of 1.2169, being the official exchange rate published by the Bank of England on the same date). In each cash the discretionary remuneration is deferred and any discretionary deferred shares will vest as follows: 40% vests immediately, and 15% will vest on each of the third, fourth, fifth and sixth anniversaries of the start of the work year; each tranche is subject to a further two-year holding period and so are released on the fifth, sixth, seventh and eighth anniversaries of the start of the work year. The awards are subject to the leaver provisions as described in the Policy available at <https://bankofgeorgiagroup.com/governance/documents>. The means of determining the number of shares underlying this remuneration and the terms and conditions are described in the Policy. The basis for determining Mr Gachechiladze's 2023 discretionary award is described on pages 234 to 235.
- Mr Gachechiladze was reimbursed for reasonable business expenses, on provision of valid receipts in line with Company policy.
- No money or other assets are received or receivable by Mr Gachechiladze in respect of a period of more than one financial year. The Company does not operate an LTIP.
- The number of shares awarded pursuant to the deferred share salary and discretionary deferred share remuneration is fixed on grant. No discretion has been exercised as a result of share price appreciation or depreciation. Discretionary deferred shares are subject to one-year targets which are satisfied pre-grant. No amounts were recovered or withheld in 2019, 2020, 2021, 2022 or 2023. The values reported at grant are not attributable to share price appreciation.

It is notable that the deferred share salary is released over a five-year period, and discretionary deferred share remuneration vests in tranches over a total vesting and holding period of eight years from the start of the work year, during which actual share prices will also vary.

The following table sets out details of total remuneration for the CEO, Mr Gachechiladze, for the period from 28 January 2019 (effective date of appointment) to 31 December 2023, and his discretionary compensation as a percentage of maximum opportunity.

Note that 2019 was not a complete year, that in 2020 part of his cash salary was voluntarily reduced, and that variations in share price affect the total figure of remuneration for 2019, 2020 and 2021 – these years used a share salary of 75,000 deferred shares for a complete year and a maximum discretionary opportunity of 75,000 deferred shares plus cash salary equivalent in deferred shares. The cash value of the maximum discretionary deferred remuneration varied according to the last closing share price before the date of relevant Remuneration Committee meeting.

	2019	2020	2021	2022	2023
Single total figure of remuneration (US\$)	3,558,415 ¹	1,561,020	3,886,930	5,404,473 ⁴	5,851,285
Discretionary compensation as a percentage of maximum opportunity (%)	100%	0% ²	97.0% ³	96.9%	97.0%

Notes:

- 2019 was not a complete year as Mr Gachechiladze was appointed from 28 January 2019.
- Mr Gachechiladze did not receive a bonus for the 2020 work year after the NBG informed the Remuneration Committee that, as the Bank had utilised the Pillar 2 or conservation buffers, no bonus should be granted – please see the Chair's Letter in the Directors' Remuneration Report of the Annual Report and Accounts 2021 for further information. For 2020, the approved discretionary deferred share award, which considered KPIs disclosed in the 2020 Directors' Remuneration Report and subsequently approved by shareholders, was 67% of maximum opportunity (but was not paid, as per the previous sentence). Mr Gachechiladze's 2020 cash salary (and that of executive management) was voluntarily reduced by 20% from 1 March 2020 to 31 December 2020, and the amount donated to charity by Mr Gachechiladze – half of the remaining cash salary for that period – has not been taken into account and has been retained in the above amount.
- The increase in remuneration in 2021 compared to 2020 is attributable partly to the reinstatement of the normal cash salary as per Note 2, partly to the bonus being paid, and partly to variations in share price. Share salary and bonus were calculated in accordance with the share price at the time; for each of 2019, 2020 and 2021, share salary would have been 75,000 shares for a complete year, and for 2022 and 2023 was cash converted into deferred shares in accordance with the approved Policy and NBG requirements.
- Share salary and bonus were calculated using a cash value converted into deferred shares in accordance with the amounts in and terms of the approved Policy and NBG requirements.

Directors' Remuneration Report continued

Basis for determining Mr Gachechiladze's discretionary deferred share remuneration in respect of 2023

Mr Gachechiladze's KPIs included both financial and non-financial components. They largely track the Group's published KPIs as he is expected to deliver on the Group's key strategic, financial and ESG priorities.

The following table sets out the financial KPIs set for Mr Gachechiladze in respect of 2023, and his performance against them. The table below provides further explanation of each KPI.

The financial KPIs were selected to reflect key financial metrics for our investors and the sustainable health of our business. The Remuneration Committee ensures targets set are relevant drivers of required annual performance. KPIs also take into account stakeholders of the Group and its culture, alongside non-financial strategic priorities, and were disclosed in last year's Annual Report.

To improve accountability, we have included four metrics within the Developing ESG KPI to help measure our key initiative of financial inclusion in Georgia: Digital Transactional Monthly Active Users, Payments Monthly Active Users, sCool App Monthly Active Users and Self-employed borrower clients.

KPI with weighting % (Numbering refers to the notes below the table)	Threshold (25%)	Target (70%)	Max (100%)	Achievement	Weighted performance outcome (see corresponding notes below for further explanation)
Financial KPIs – 60%					
1. ROAE (15%) 20+% is the medium term target, in line with strategy, although the KPI has been made more challenging	20.0%	23.5%	26.5%	29.9%	15.0%
				See note 1 below	
2. Cost:income ratio (15%)	36.9%	34.9%	32.9%	29.8%	15.0%
				See note 2 below	
3. COR (15%) Cost of credit risk ratio	1.4%	1.2%	0.9%	0.7%	15.0%
				See note 3 below	
4. PBT (15%) Profit before tax	GEL 1,110mln	GEL 1,210mln	GEL 1,310mln	GEL 1,634mln	15.0%
				See note 4 below	
Non-financial KPIs – 20%					
5. NPS (6%) Net Promoter Score	40.0	45.0	60.0	59.3	5.9%
				See note 5 below	
6. eNPS (6%) Employee Net Promoter Score	46.0	54.0	62.0	55.6	4.6%
				See note 6 below	
7. Developing ESG in line with the Group's material areas of focus (8%)					
• Transactional MAU	1,000,000	1,100,000	1,170,000	1,182,399	2.0%
• Payments MAU	1,100,000	1,200,000	1,300,000	1,248,713	1.7%
• sCoolApp MAU	50,000	70,000	100,000	89,641	1.8%
• Self-employed borrower clients	50,000	57,000	64,000	54,705	1.1%
				See note 7 below	
					KPI total: 6.6%
Individual KPIs 20%					
8. Individual Key Business Objectives	Below	Met	Exceeded	Exceeded	20%
				See note 8 below	
Total					97.0%

Further information on each KPI (corresponding to the numbering in the table above):

- Return on Average Equity (ROAE): 29.9% achieved (adjusted for one-offs). ROAE reported was 30.4%. ROAE is a long-standing metric of the Company and a key indicator of profitability for shareholders. Our communicated medium-term target remains 20%+. ROAE was 32.4% in 2022, 25.8% in 2021, 13.0% in 2020 and 26.1% in 2019 (adjusted for one-offs in 2022 and 2019). The Committee notes that the achievement of 29.9% represents a high result.
- Cost:income ratio: 29.8% achieved (adjusted for one-offs). Unadjusted cost:income ratio was 29.5%. Cost:income was 32.0% in 2022 (adjusted for one-offs), 37.2% in 2021, 39.7% in 2020 and 37.8% in 2019 (adjusted for one-offs).
- Cost of Credit Risk ratio (COR): 0.7% achieved. The Group has maintained strong loan portfolio quality and its costs of credit risk ratio was below its guided normalised range of 1.0-1.2%. Cost of credit risk ratio was 0.8% in 2022, 0.0% in 2021, 1.8% in 2020 and 0.9% in 2019.
- Profit before tax (PBT): GEL 1,634 million achieved (adjusted for one-offs). PBT reported was 1,656 million. PBT was GEL 1,244 million in 2022 (adjusted for one-offs), GEL 802 million in 2021, GEL 316 million in 2020 and GEL 573 million in 2019 (adjusted for one-offs). PBT is an important measure of overall performance for any business.
- Net Promoter Score (NPS): 59.3 achieved in the fourth quarter 2023. NPS is based on external research and is one of the key metrics for measuring customer satisfaction. Based on external research by IPM Georgia, surveying a random sample of

customers with face-to-face interviews. The Bank believes that satisfaction feeds customer loyalty, which in turn impacts the sustainable profitability and the long-term success of the Group. NPS was 58.4 in 2022, 55 in 2021, 46 in 2020 and 37 in 2019.

6. Employee Net Promoter Score (eNPS): 55.6 achieved. Employee NPS is calculated by the response to a confidential survey of employees. It is based on the question, "On a scale of 0-10, how likely are you to recommend Bank of Georgia as a place to work?" Responses of 9 and 10 are counted as promoters; 7 and 8 are neutral; and 0-6 are detractors. eNPS is calculated as the percentage of promoters minus the percentage of detractors. eNPS was 52.9 in 2022, 61 in 2021, 58 in 2020 and 46 in 2019. This metric feeds into profitability of the Bank through higher retention rates and thus lower recruitment requirements. It also supports the Bank in the recruitment of the best talent, which is crucial in a small market like Georgia. To ensure employee engagement and open lines of communication, the CEO held town halls and periodic live sessions with employees and maintained a CEO vlog on Workplace.
7. Developing ESG in line with the Group's material areas of focus: Following a materiality assessment to gain a multi-stakeholder perspective, and then a mapping of topics by importance to stakeholders and to business, three pillars were identified for the Bank's most material ESG impact areas: employee engagement, sustainable financial inclusion, and education/financial education. Two metrics were originally identified in respect of sustainable financial inclusion: Digital MAU (also called digital transactional monthly active users in this Annual Report) and Payments MAU and added as KPIs. Two further metrics were added as KPIs in 2023 to reflect other areas of society: the sCool App for school students MAU and Self-employed borrower clients. The results are disclosed in the table above.

Please see the Sustainable Business section on the importance of financial inclusion for individuals and businesses in our emerging economy, on pages 86 to 91.

8. Individual Key Business Objectives ('KBOs'): Outperformance achieved. The CEO's KBOs were (i) the strategic deployment of excess capital including careful international growth where merited and (ii) enhancement of the relationship with the Regulator. The Board reviewed the strategy in February 2023 following discussions with key investors through roadshows and meetings with the Board throughout the year, which had highlighted that there was appetite and support for the Group's excess capital to be deployed for international growth. Archil Gachechiladze's subsequent implementation of the strategy during 2023 was carried out in a thorough and efficient manner. He presented several potential targets to board meetings that were carefully and appropriately chosen for strategic growth in underserved emerging markets. These were weighed against the merits of other deployment of capital, including additional returns to shareholders. He carried out thorough due diligence and negotiations and presented to the Board the attractively accretive acquisition of Ameriabank. Ameriabank is a leading universal bank in Armenia, a neighbouring country to Georgia with a similarly high GBP growth rate. It is a leading franchise in the local market with further upside to grow, especially in the retail and SME segments, and to increase in digitalisation.

Mr Gachechiladze led the negotiations, ultimately resulting in an acquisition price of 0.65x net asset value as at 31 October 2023 implying a 2.6x price-to-earnings ratio. Further the cost of the acquisition was achieved with the Group's surplus capital and with no dilution for shareholders. Importantly, the Company's dividend and capital distribution policy and payout ratio of 30-50% did not change. This model implementation of his main Individual KBO was outstanding.

Additionally, Mr Gachechiladze worked carefully with the regulator to enhance our relationship in 2023. Our main entity, Bank of Georgia, is classified as a systemically important financial institution in its jurisdiction. We are aware of our responsibilities and, whilst working in a fully compliant manner with all respective regulations, we also remain committed to achieving a constructive relationship with the regulator. Closely working with the regulator throughout the international expansion project, as well as in constructive dialogue on many regulatory changes that the Georgian banking sector has implemented during the year, Mr Gachechiladze has assisted the Group in achieving the desirable outcomes.

Overall, the CEO outperformed against most of the KPIs. The Committee considered the outstanding personal contribution of the CEO to the overall corporate performance and noted the Group achieved excellent results under his leadership and in part through his initiatives.

As well as the stakeholder matters covered by KPIs, the Committee also noted the wider stakeholder picture. Shareholders received a final dividend for 2022 in July following the 2023 AGM. An interim dividend of GEL 3.06 per share was paid in October 2023. In February 2023, the Board approved an increase of up to GEL 148 million in its share buyback and cancellation programme. In August 2023, the Board approved the launch of a GEL 62 million share buyback and cancellation programme. As disclosed in the Preliminary Financial Results release, for full year 2023 the Board intends to recommend to shareholders at the AGM a final dividend of GEL 4.94 per share. In addition, the Board has also approved an extension of the buyback and cancellation programme by an additional GEL 100 million. The Committee noted that the market cap increased 47% during 2023 from GBP 1,237 million at FY 2022 to GBP 1,817 million at FY 2023.

From an employee perspective, the Committee was pleased to note that the average employee bonus for 2023 increased by 10.1% year-on-year, the average cash salary increased by 23.5% while the average employee deferred share salary (which is paid to the more senior managers) decreased by 5.2%. The change in total remuneration for the CEO was minimal (0.1% increase for bonus, with cash salary and deferred shares salary each unchanged at 0.0%).

In accordance with the results of the KPIs as determined above, taking into account Mr Gachechiladze's outstanding performance, the Remuneration Committee awarded the CEO 97% of the maximum deferred share opportunity, which was paid in deferred shares. This level of award is considered to be appropriate for performance but also as it reflected the experience of shareholders in terms of value creation (through the buybacks, dividends and the increase in share price) and the wider experience of stakeholders of the Company (including the increases to the employees' salaries and bonuses).

Alignment with shareholders is built into the structure by the award being entirely in deferred shares, which have a total vesting and holding period of eight years from the beginning of the work year. The discretionary deferred shares in relation to Mr Gachechiladze's 2023 performance-based remuneration are awarded in accordance with the Policy. There is no cash bonus and the Company does not operate an LTIP. The Remuneration Committee concluded that the level of deferred share award as calculated against the KPIs remained appropriate and did not exercise discretion. As the number of deferred discretionary shares to be awarded is determined in shares and fixed on the grant date, share price appreciation/depreciation did not impact the Remuneration Committee's decision to increase the number of shares to be awarded to Mr Gachechiladze for the 2023 financial year.

Directors' Remuneration Report continued

Percentage change in remuneration of Directors and employees

The following table details the percentage change in the remuneration awarded to Directors, compared with the average percentage change in the per capita remuneration awarded to the Group's employees, in line with the requirements of the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019. Given the small number of employees employed by the Bank of Georgia Group PLC entity (fewer than five), we instead make a comparison against the Group. A comparison of full-time UK employees in compliance with the requirements of the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 is included in the notes to the table.

The 'Single total figure of remuneration' table on page 233 includes an explanation of cash salary, deferred share salary, taxable benefits and discretionary deferred remuneration of the Executive Director in the notes to the table.

Year-on-year change in pay for Directors compared to the Group's employees as a whole for FY2023

	Executive Director		Non-Executive Directors								
	Average employee	Archil Gachechiladze ³	Mel Carvill ⁵	Hanna Loikkanen ⁶	Al Breach ⁷	Jonathan Muir	Tamaz Georgadze ⁸	Cecil Quillen	Véronique McCarroll ⁹	Mariam Meghvinetukhutsesi ¹⁰	
Total cash salary	23.5%	0.0%	29.9%	-3.6%	0.0%	0.0%	0.0%	4.6%	0.0%	0.0%	
Total deferred share salary ¹	-5.2%	0.0%	-	-	-	-	-	-	-	-	
Taxable benefits	0.5%	7.8%	-	-	-	-	-	-	-	-	
Total bonus ²	10.1%	0.1%	-	-	-	-	-	-	-	-	

Year-on-year change in pay for Directors compared to the Group's employees as a whole for FY2022

	Executive Director		Non-Executive Directors								
	Average employee	Archil Gachechiladze ³	Neil Janin ⁴	Mel Carvill ⁵	Hanna Loikkanen ⁶	Al Breach ⁷	Jonathan Muir	Tamaz Georgadze ⁸	Cecil Quillen	Véronique McCarroll ⁹	Mariam Meghvinetukhutsesi ¹⁰
Total cash salary	26.3%	0.0%	(77.0)%	100%	0.0%	0.0%	0.0%	(6.6)%	0.0%	7.9%	41.6%
Total deferred share salary ¹	28.9%	30.5%	-	-	-	-	-	-	-	-	-
Taxable benefits	14.1%	1748.3%	-	-	-	-	-	-	-	-	-
Total bonus ²	27.6%	39.0%	-	-	-	-	-	-	-	-	-

Year-on-year change in pay for Directors compared to the Group's employees as a whole for FY2021

	Executive Director		Non-Executive Directors								
	Average employee	Archil Gachechiladze ³	Neil Janin ⁴	Hanna Loikkanen ⁶	Al Breach ⁷	Jonathan Muir	Tamaz Georgadze ⁸	Cecil Quillen	Véronique McCarroll ⁹	Mariam Meghvinetukhutsesi ¹⁰	
Total cash salary	(5.7)%	20%	0.0%	2.7%	(3.4)%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total deferred share salary ¹	89.9%	35%	-	-	-	-	-	-	-	-	
Taxable benefits	1.9%	229.2%	-	-	-	-	-	-	-	-	
Total bonus ²	66.0%	NMF	-	-	-	-	-	-	-	-	

Year-on-year change in pay for Directors compared to the Group's employees as a whole for FY2020

	Executive Director		Non-Executive Directors						
	Average employee	Archil Gachechiladze ³	Neil Janin ⁴	Hanna Loikkanen ⁶	Al Breach ⁷	Jonathan Muir	Tamaz Georgadze ⁸	Cecil Quillen	Véronique McCarroll ⁹
Total cash salary	(2.8)%	(16.7)%	0.0%	6.5%	(1.8)%	(0.6)%	(0.6)%	(0.6)%	7.2%
Total deferred share salary ¹	(27.3)%	(22.4)%	-	-	-	-	-	-	-
Taxable benefits	(4.4)%	(42.8)%	-	-	-	-	-	-	-
Total bonus ²	(43.1)%	NMF	-	-	-	-	-	-	-

Notes:

- The number of salary shares for Mr Gachechiladze was constant at 75,000 shares per annum for 2019, 2020 and 2021 share prices, with share prices at 31 December 2019 (US\$ 21.466), 31 December 2020 (US\$ 16.652) and 31 December 2021 (US\$ 22.480) used for the deferred shares salary comparison, but in accordance with the 2022 Policy and NBG requirements the deferred share salary is based on a fixed cash value for 2022 onwards.
- Total bonus in each case is discretionary deferred share remuneration for Mr Gachechiladze, which was not granted for 2020 (hence NMF), and deferred discretionary share remuneration and/or any cash bonus in the case of other employees of the Group.
- Mr Gachechiladze's 2020 cash salary was voluntarily reduced by 20% from 1 March 2020 to 31 December 2020 (as was the cash salary of senior management). The amount was contributed to charity by Mr Gachechiladze – half of the remaining cash salary for that period – has not been taken into account. The increase in cash salary in 2021 compared to 2020 is therefore fully attributable to the reinstatement of the normal cash salary. Mr Gachechiladze was appointed on 28 January 2019 and therefore for the FY2020 table (which shows the changes from 2019) his 2019 remuneration was scaled up pro rata to a full year for comparison reasons. Mr Gachechiladze did not receive a bonus for FY2020 after the NBG informed the Remuneration Committee that, as the Bank had utilised the Pillar 2 or conservation buffers, no bonus should be granted – please see the Chair's Letter in the Directors' Remuneration Report of the Annual Report and Accounts 2021 for further information.
- Neil Janin stepped down from the PLC Board on 10 March 2022 and from the JSC Board on 31 March 2022.

5. Mel Carvill was appointed to the PLC Board on 10 March 2022. JSC Bank of Georgia fees include those paid for Supervisory Board member services performed pending official approval from the NBG and technical registration, which was confirmed on 1 July 2022.
6. Hanna Loikkanen was appointed to the Remuneration Committee on 20 September 2019, and as its Chair on 26 September 2020. She stepped down as Chair on 1 January 2023, but remained a member of the Committee.
7. Al Breach stepped down as Chair of the Remuneration Committee on 26 September 2020 but remained a member of the Committee.
8. Tamaz Georgadze stepped down as Chair of the Risk Committee on 31 December 2021 but remained a member of the Risk Committee.
9. Véronique McCarroll was appointed to the JSC Board on 11 February 2019. She was appointed as Chair of the Risk Committee on 1 January 2022.
10. Mariam Megvinetukhutsesi was appointed to the PLC Board, and as a member of the Risk Committee and the Nomination Committee, on 12 March 2021. She was appointed to the JSC Board, and as a member of its Risk Committee and Nomination Committee, on 6 May 2021.
11. Cecil Quillen was appointed as Chair of the Remuneration Committee on 1 January 2023.
12. The Company has fewer than five UK (parent company) employees and the percentage changes could be considered distortive. Year-on-year changes for UK employees from 2019 to 2020 for cash salary was 1.8% and for bonus was 29.6%; year-on-year changes from 2020 to 2021 for cash salary was -4.0% and bonus was -2.9%; year-on-year changes from 2021 to 2022 for cash salary was 12.2% and bonus was -4.4%; year-on-year changes from 2022 to 2023 for cash salary was 7.1% and bonus was 10.0%; deferred share salary and taxable benefits are not applicable for all years.

CEO's pay and comparators – peers

It is noted that the Group has fewer than 250 UK employees and is therefore not required to disclose ratios of the CEO's pay against UK pay – indeed, given in fact has fewer than five UK employees, to do so would be distortionary. Instead, the Committee benchmarked the CEO's remuneration against FTSE 250 and FTSE small cap companies in financial services. Moreover, CEO pay was benchmarked against comparable peer financial services companies in emerging markets (in particular other former Soviet republics and South Africa), comparable listed companies in financial services in the UK, and all UK-listed companies based in Georgia: Halyk Savings Bank of Kazakhstan JSC; OTP Bank Nyrt; Moneta Money Bank a.s.; Erste Group Bank AG; Capitec Bank Holdings; Investec Plc; FirstRand Ltd; Raiffeisen Bank International AG; Virgin Money UK PLC; One Savings Bank PLC; Close Brothers Group PLC; Nationwide Building Society; Georgia Capital PLC and TBC Bank Group PLC.

The delayed receipt of the majority of salary and of all performance-based remuneration (in deferred shares vesting and being released across several years) means that the time value of money and also the risk of salary and performance-based remuneration not vesting (due to malus but also due to shares lapsing in the event of early termination under certain circumstances) were factored in.

The view of the Board and the Committee is that the Company's CEO must fit a number of important criteria and that there are very few candidates globally who could satisfy these criteria. Our CEO must be of high overall calibre, with significant international training and experience, and in particular sufficient banking expertise effectively to run a systemically significant financial institution.

The CEO must be able to communicate with and lead Georgian colleagues, interact effectively with Georgian regulators and play a role in the Company and in the larger national community which is commensurate with the Company's significant role in the Georgian economy. At the same time, the CEO must be an internationally credible investor-facing figure who can lead a premium-listed FTSE 250 constituent of the London Stock Exchange.

The relevant candidate pool for a role such as this is understandably significantly limited and the number of persons who could meet both these Georgian and international criteria is very small. Such persons are in very high demand and command competitive compensation. We aim to achieve fair and competitive remuneration commensurate with the size, nature and complexity of the business and the roles, whilst ensuring compliance with institutional and regulatory policies.

The Committee carried out further research in early 2023, seeking to assess CEO compensation at comparable organisations, to the extent practicable, although relevant available information is limited and often non-public for many such organisations. We have also assessed relative compensation levels on the basis of recruitment approaches, over the past few years, to senior management talent from organisations in surrounding countries, where remuneration packages for financial roles can be more generous and significantly higher, for persons with relevant experience, than those which the Company provides.

Directors' Remuneration Report continued

Further details of fixed and discretionary deferred share compensation granted during 2023 (audited)

The following table details nil-cost options over BOGG shares granted to Mr Gachechiladze in 2023.

	Deferred share salary	Discretionary deferred share remuneration
Number of underlying shares and basis on which award was made	71,694 granted for the 2023 work year on the basis of the Policy available at https://bankofgeorgiagroup.com/governance/documents	74,962 granted for the 2022 work year on the basis of the Policy available at https://bankofgeorgiagroup.com/reports/annual
Type of interest	Nil-cost option	Nil-cost option
Cost to Group	US\$ 2,200,000	US\$ 2,490,343
Face value	US\$ 2,200,000	US\$ 2,490,343
	Cash payments equal to the dividends paid on the underlying shares will be made upon vesting (if applicable)	Cash payments equal to the dividends paid on the underlying shares will be made upon vesting (if applicable)
Percentage of award receivable if minimum performance achieved	100% of the award will be receivable, since it is part of salary set out in the service contract and accordingly is not subject to performance measures or targets over the vesting period.	100% of the award will be receivable, since it is based on 2022 performance (and is not an LTIP award) and accordingly is not subject to performance measures or targets over the vesting period.
Exercise price	Nil. The options form part of the Executive Director's salary under the Policy and so no payment is required upon exercise. There has been no change in exercise price.	Nil. The options form part of the Executive Director's performance-based remuneration under the Policy and so no payment is required upon exercise. There has been no change in exercise price.
Vesting period	100% of award vested in 2024 but is subject to holding periods so that 40% is released in 2025, and 20% is released in each of 2026, 2027 and 2028.	40% immediately and 15% on each of the third, fourth, fifth and sixth anniversaries of the work year. Each tranche is subject to a further two-year holding period.
Performance measures	None. See the Policy available at https://bankofgeorgiagroup.com/governance/documents	See the Policy available at https://bankofgeorgiagroup.com/governance/documents

Notes: Figures calculated as described in Note 2 of the 'Single total figure of remuneration' for the Executive Director.

Single total figure of remuneration for Non-executive Directors (audited)

The table below sets out the remuneration received by each Non-executive Director for 2022 and 2023.

	Bank of Georgia Group PLC fees (US\$)		JSC Bank of Georgia fees (US\$)		Pension Related Benefits (US\$)		Total (US\$)	
	2022	2023	2022	2023	2022	2023	2022	2023
Mel Carvill ¹	83,934	103,587	157,735	210,313	–	–	241,669	313,900
Neil Janin ²	19,582	–	52,578	–	–	–	72,160	–
Alasdair Breach	53,405	53,405	96,391	96,391	–	–	149,796	149,796
Tamaz Georgadze ³	53,405	53,405	96,391	96,391	–	–	149,796	149,796
Hanna Loikkanen ⁴	71,582	68,516	129,022	124,934	–	–	200,604	193,450
Véronique McCarroll ⁵	48,932	48,932	96,204	96,204	–	–	145,136	145,136
Mariam Meghvinetukhutsesi ⁶	46,835	46,835	87,631	87,631	1,437	1,722	135,903	136,188
Jonathan Muir	53,405	53,405	96,391	96,391	–	–	149,796	149,796
Cecil Quillen ⁷	56,471	59,537	100,479	104,567	–	–	156,950	164,104
Total	487,551	487,622	912,822	912,822	1,437	1,722	1,401,810	1,402,166

Notes:

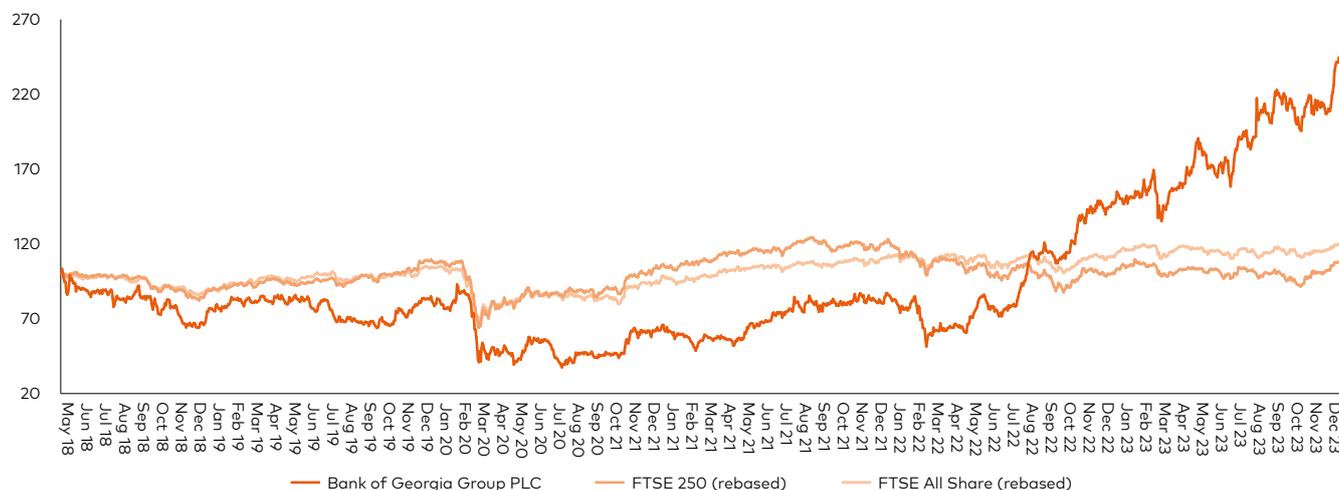
- Mel Carvill was appointed to the PLC Board on 10 March 2022. JSC Bank of Georgia fees in 2022 included fees paid for Supervisory Board member services performed pending official approval from the NBG and technical registration, which was confirmed on 1 July 2022.
- Neil Janin stepped down from the PLC Board on 10 March 2022 and from the JSC Board on 31 March 2022.
- Tamaz Georgadze stepped down as Chair of the Risk Committee on 1 January 2022 but remained a member of the Committee.
- Hanna Loikkanen stepped down as Chair of the Remuneration Committee on 1 January 2023 but remained a member of the Committee.
- Véronique McCarroll was appointed as Chair of the Risk Committee on 1 January 2022, having previously been a member.
- Georgian law requires that the JSC Bank of Georgia provides pension contributions for Mariam Meghvinetukhutsesi, as a Georgian resident, into the mandatory Georgian government pension scheme at a level of 2% of her fee. This pension scheme applies only to JSC Bank of Georgia and does not apply to Bank of Georgia Group PLC.
- Cecil Quillen was appointed as Chair of the Remuneration Committee on 1 January 2023, having previously been a member.
- The maximum amount for Non-executive Director base fees, including the Chairman, as provided for in BOGG PLC's Articles of Association, is GBP 750,000. This does not affect JSC fees. The Non-executive Directors do not receive any taxable benefits or variable remuneration.

Payments to former Directors and payments for loss of office

No payments were made to former Directors or in respect of loss of office during the year ended 31 December 2023.

Total Shareholder Return ('TSR')

We note the group demerged and relisted as two separate businesses with separate listed shares in May 2018. The following graph compares the TSR of Bank of Georgia Group PLC with the companies comprising the FTSE 250 index and the FTSE All Share index, for the period since BOGG's listing on the Premium segment of the LSE on 21 May 2018 until 31 December 2023.



Relative importance of spend on pay

The following table shows the difference in remuneration paid to all employees of the Group between 2022 and 2023, as well as the difference in value of distribution paid to shareholders by way of dividends and buybacks between 2022 and 2023.

	Remuneration paid to all employees of the Group	Distributions to shareholders by way of dividends and buybacks
Year ended 31 December 2023 (US\$)	169,438,514	216,330,023
Year ended 31 December 2022 (US\$)	131,910,967	106,060,435
Percentage change	28.4%	104.0%

Notes:

- Difference in remuneration paid to all employees of the Group was for reasons including salary and bonus increases, growth in number of employees and growth due to GEL appreciation against the US Dollar.
- The Company did not make any other significant distributions in 2022 and 2023. In 2022 US\$ 38,660,254 was for buybacks and cancellation and US\$ 67,400,181 for dividends. In 2023 US\$ 65,397,932 was for buybacks and cancellation and US\$ 150,932,091 for dividends. Figures are converted into US\$ using an average US\$/GEL exchange rate.

Directors' Remuneration Report continued

Directors' interests in shares (audited)

The following table sets out the respective holdings of the Company's shares of each Director as at 31 December 2023 and 2022.

	As at 31 December 2022				As at 31 December 2023			
	Number of BOGG shares held directly	Number of vested but unexercised BOGG shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Number of unvested and unexercised held under option BOGG shares through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Total number of interests in BOGG shares	Number of BOGG shares held directly	Number of vested but unexercised BOGG shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Number of unvested and unexercised held under option BOGG shares through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Total number of interests in BOGG shares
Mel Carvill ¹	–	N/A	N/A	–	–	N/A	N/A	–
Archil Gachechiladze ²	209,225	N/A	414,753	623,978	399,505	N/A	318,702	718,207
Alasdair Breach ³	30,000	N/A	N/A	30,000	30,000	N/A	N/A	30,000
Tamaz Georgadze	5,000	N/A	N/A	5,000	5,000	N/A	N/A	5,000
Hanna Loikkanen	–	N/A	N/A	–	–	N/A	N/A	–
Véronique McCarroll	–	N/A	N/A	–	–	N/A	N/A	–
Mariam Megvinet-Ukhutsesi	4,102	N/A	N/A	4,102	4,102	N/A	N/A	4,102
Jonathan Muir	–	N/A	N/A	–	–	N/A	N/A	–
Cecil Quillen	2,900	N/A	N/A	2,900	2,900	N/A	N/A	2,900

Notes:

- As at 2023 year-end, MDB Ltd, a PCA of Mel Carvill, held 19,018 ordinary shares.
- On 3 January 2023, Mr Gachechiladze received 71,694 nil-cost options over ordinary shares in respect of deferred salary shares for the 2023 work year. On 22 February 2023, Mr Gachechiladze exercised options in respect of 106,688 shares, of which 23,045 were withheld to satisfy tax liabilities. The net gain of these options was US\$2,730,108. On 23 March 2023, Mr Gachechiladze exercised options in respect of 106,034 shares, of which 22,904 were withheld to satisfy tax liabilities. The net gain of these options was US\$2,600,306. On 31 March 2023, Mr Gachechiladze received 74,962 nil-cost options over ordinary shares in respect of discretionary deferred shares for the 2022 work year. On 8 June 2023, Mr Gachechiladze exercised options in respect of 29,985 shares, of which 6,477 were withheld to satisfy tax liabilities. The net gain of these options was US\$898,711. On 19 March 2024 Mr Gachechiladze exercised options in respect of 162,893 shares, of which 35,185 were withheld to satisfy tax liabilities and on 20 March 2024, Mr Gachechiladze received 45,785 nil-cost options over ordinary shares in respect of the deferred salary shares for the 2024 work year. These will be reported in the 2024 Annual Report and Accounts and are not included in the table above, which is as at 31 December 2023. As at the last practicable date of 17 April 2024, Mr Gachechiladze's total number of share interests is 728,807.
- At 2023 year-end, Gemsstock Fund, which Mr Breach manages, held 1,255,318 beneficial holdings in ordinary shares or economic interests in financial instruments with a similar economic effect. This is not included in the table.

As at 31 December 2023, Mr Gachechiladze's total vested and unvested and direct shareholding was 718,207 shares, representing approximately 1.6% of the share capital of BOGG. Mr Gachechiladze's connected persons do not have any interests in the shares of the Company.

The Policy is heavily weighted towards remuneration in deferred salary shares and discretionary compensation in deferred shares. The Policy and the long vesting periods, even for salary shares, naturally results in the Executive Director and our Executive Management team holding a significant number of unvested shares and achieves a delay between performance and vesting. This is reinforced further by formal guidelines on shareholding and on post-employment shareholding in the Policy (200% of total salary to be built up within five years). Further, Mr Gachechiladze is expressly contractually bound to build up and to hold this level for two years post-employment. As at 31 December 2023, Mr Gachechiladze met the shareholding requirement.

There are no shareholding requirements for Non-executive Directors, and they are not awarded incentive shares. Changes in shareholding for PLC Directors between 31 December 2023 and the last practicable date of 17 April 2024 are as shown in the notes to the table above.

Executives' interests in shares

In response to a shareholder feedback request to show our Executive Management team's level of total shareholding, to demonstrate their level of alignment with shareholders, below we disclose the shareholdings of our top executives as at 31 December 2023 (unvested shares vest in tranches over several years):

	Total vested and unvested and direct shareholding in number of shares
Archil Gachechiladze	718,207
Sulkhan Gvalia	290,304
Davit Chkonia	84,297
David Davitashvili	57,913
Nutsiko Gogilashvili	34,202
Eteri Iremadze	101,674
Zurab Kokosadze	100,265
Zurab Masurashvili	36,373
Mikheil Gomarteli	396,990
Vakhtang Bobokhidze	174,723
Levan Gomashvili	24,293
Ana Kostava	19,017
Elene Okromchedlishvili	5,278
Giorgi Gureshidze	0
Andro Ratiani	1,294

Details of Non-executive Directors' terms of appointment

The Company has entered into letters of appointment with each Non-executive Director. The letters of appointment require them to provide one month's notice prior to termination and, for the majority of current Non-executive Directors (Hanna Loikkanen, Tamaz Georgadze, Jonathan Muir and Cecil Quillen) are effective from 24 February 2018 – with Véronique McCarroll's letter of appointment being effective from 1 October 2018, Mariam Megvinetukhutsesi's from 12 March 2021, Mel Carvill's from 10 March 2022 and Andrew McIntyre's from 15 March 2024. Al Breach resigned on 15 March 2024. Each Non-executive Director is put forward for election at each AGM following his or her appointment. Continuation of a Non-executive Director's employment is conditional on his or her continued satisfactory performance and re-election by shareholders at each AGM.

A succession plan adopted by the Board provides for a tenure of six years on the Bank of Georgia Group PLC Board. Upon the expiry of such a tenure, the Board will consider if the appointment of the relevant Non-executive Director will cease at the next AGM. If the Board determines that, in order to maintain the balance of appropriate skills and experience it requires, it is important to retain a Non-executive Director beyond the relevant six-year period, the Board may offer the Non-executive Director a letter of appointment for an additional one-year term. Such a 'reappointment' may be renewed no more than twice, and the usual six-year tenure extended to a maximum of nine years, if circumstances were to warrant such extension.

Remuneration Committee effectiveness review

An external review of the Committee was undertaken in 2023 by Clare Chalmers Ltd. Further details of the overall evaluation process including the selection of the Evaluator, are set out on pages 196 and 212. The Evaluator attended a Committee meeting in person and separately interviewed each of the members of the Committee as well as members of management involved in informing and advising the Committee (including the Head of Human Capital Management and the UK General Counsel). The Evaluator noted that the Committee changed its Chair at the beginning of the year, and credit was given to the outgoing Chair for her efforts in engagement with shareholders. The new Chair was judged to be aware of the major issues and UK listing context. The Committee was observed as having good discussions on the issues and aiming to strike a balance between different stakeholders. Those members of the Board who are not members of the Committee expressed to the Evaluator that feedback provided to the Board by the Committee is good. The Evaluator recommended early engagement with shareholders on the Remuneration Policy, and the Committee will take this into account this year ahead of the Policy to be put forward for shareholder approval at the 2025 AGM.

Directors' Remuneration Report continued

Implementation of Remuneration Policy for 2024

Details of how the current Policy will be implemented for the 2024 financial year are set out below. There will be no significant change in the way the Policy will be implemented in 2024, and no significant deviations from the procedure for the implementation of the Policy as set out in the Policy.

For Archil Gachechiladze:

Fixed pay

Total cash salary (combined BOGG and Bank)	US\$ 370,000
Total deferred share salary (combined BOGG and Bank)	US\$ 2,200,000 in deferred shares
Pension	The Executive Director and the Company each contribute 0-2% and the Georgian Government contributes between 0-2% of total remuneration from the Bank, all in line with Georgian legislation and with the pension arrangements for the Georgian workforce.
Benefits	Details of the benefits received by Executive Director are on page 245.

There are circumstances in which unvested deferred shares may lapse, and very limited circumstances in which such shares may vest immediately (i.e. when an Executive Director's employment is terminated without cause) and these are summarised in the Policy.

Discretionary deferred share remuneration

Opportunity	Maximum is 100% of total salary (total cash salary and total deferred share salary as explained in the table and notes to the Policy) in deferred shares.
Deferral terms	<p>The Remuneration Committee will determine whether an award is merited, based on an Executive Director's achievement of the KPIs set for the work year and the performance of the Group during the work year. If Mr Gachechiladze is awarded discretionary deferred shares, 40% will vest immediately and 15% will vest on each of the third, fourth, fifth and sixth anniversaries of the start of the work year. Each tranche will be subject to a further holding period of two years. This decision will be set out in the 2024 Director's Remuneration Report.</p> <p>Upon vesting, Mr Gachechiladze will receive (in addition to the vested shares) cash payments equal to the dividends paid (if any) on the underlying shares between the date the award was made and the vesting date.</p>
Performance measures	<p>The Remuneration Committee has set Mr Gachechiladze's KPIs for 2024:</p> <ol style="list-style-type: none">1. Return on average equity (ROAE)2. Cost:income ratio3. Cost of credit risk ratio (COCR)4. Profit before tax (PBT)5. Lowest team member performance6. NPS7. eNPS8. ESG/impact metrics9. Individual Key Business Objectives

See the Policy available at <https://bankofgeorgiagroup.com/governance/documents>, for details of malus and clawback, and of provisions regarding lapse of shares in the event of termination of the contracts (natural malus).

For Non-executive Directors:

The table below shows the fee structure for Non-executive Directors for 2024. Non-executive Directors' fees are determined by the Board.

Component	Purpose and link to strategy	Operation	Opportunity
Base cash fee	<p>The fee for the Board is competitive enough to attract and retain individuals.</p> <p>The Chairman receives a fee that reflects the extra time committed and responsibility.</p> <p>The Senior Independent Non-executive Director receives a higher base fee, which reflects the extra time commitment and responsibility.</p>	Cash payment on a quarterly basis.	<p>The amount of remuneration may be reviewed from time to time by the Board.</p> <p>Fees may also be amended and varied if there are genuinely unforeseen and exceptional circumstances which necessitate such review. In such circumstances, any significant increase shall be the minimum reasonably required.</p> <p>The maximum aggregate BOGG PLC fees for all Non-executive Directors which may be paid by the PLC itself is GBP 750,000, which is consistent with the PLC's Articles of Association.</p>
Cash fee for each Committee membership	Additional fee to compensate for additional time spent discharging Committee duties.	Cash payment on a quarterly basis.	<p>The amount of remuneration for the membership may be reviewed from time to time by the Board.</p> <p>The Chairman does not receive Committee fees.</p>

The Board intends to review the amount of remuneration during the year.

Where required by Georgian Law, Non-Executive Directors resident in Georgia will receive pension contributions of 2% of fees payable to the Georgian National Pension fund.

Summary of Directors' Remuneration Policy

The Remuneration Policy was approved at the AGM on 16 June 2022. To comply with NBG requirements, as disclosed in the 2021 Annual Report, the amendments to the Policy are deemed effective as of 1 January 2022. It is intended that approval of the Remuneration Policy will be sought at three-year intervals, unless amendments to the Policy are required, in which case further shareholder approval will be sought. No changes are proposed for 2024. The full Policy is available at <https://bankofgeorgiagroup.com/governance/documents>.

It is a provision of this Policy that the Group will honour all pre-existing obligations and commitments that were entered into prior to this Policy taking effect. The terms of those pre-existing obligations and commitments may differ from the terms of the Policy and may include (without limitation) obligations and commitments under service agreements (as detailed in the information below), deferred share remuneration schemes and pension and benefit plans.

The Remuneration Committee retains its discretion under the Policy to make minor amendments to the Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining prior shareholder approval.

The tables in this section provide a summary of the Directors' Remuneration Policy.

Remuneration Policy table for Executive Directors

Cash salary	<p>Purpose and link to strategy</p> <p>To reflect the role and required duties, skills, experience and individual contribution to the Group, and to encourage commitment to the Group and recruit and retain high-calibre talent.</p> <p>Operation</p> <p>Fixed in the Executive Director's service agreements. The level of cash salary is reviewed when a service agreement is up for renewal or if there is a significant change in circumstances, and the Executive Director and Remuneration Committee agree to consequent changes to their agreements.</p>	<p>Opportunity</p> <p>The level of cash salary in the Executive Directors' service agreements will be no more than the Remuneration Committee considers reasonable, based on his or her duties, skills and experience.</p> <p>The total amount payable to the current CEO and sole Executive Director, Mr Gachechiladze, is US\$ 370,000 per annum.</p> <p>Performance measures</p> <p>N/A</p>
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Directors' Remuneration Report continued

Deferred share salary

Purpose and link to strategy

To closely align the Executive Directors' and shareholders' interests, and to promote long-term value creation and share price growth.

Operation

Awarded annually in the form of nil-cost options in respect of the work year, and released over five years from the start of the year in which the salary is earned, as follows: 100% of the deferred share salary vests on the first anniversary of the start of the work year and is subject to holding periods so that 40% is released on the second anniversary, and 20% is released on each of the third, fourth and fifth anniversaries of the start of the relevant work year. Upon vesting, the Executive Director also receives cash payments equal to the dividends paid on the underlying shares between the date the award was made and the vesting date.

Lapse provisions (natural malus) for an incomplete year are built into the deferred share salary. Extended malus and clawback provisions do not apply to the deferred share salary as the awards attach to salary already earned.

Opportunity

The value of deferred share salary for Mr Gachechiladze is fixed at the equivalent of US\$ 2,200,000 per annum, to be awarded in deferred shares. The number of shares shall normally be calculated using the average price of the shares over the five working days prior to 25 December of the year immediately preceding the year of award.

Performance measures

N/A

Discretionary deferred shares

Purpose and link to strategy

In the context of overall Group performance, to motivate and reward an Executive Director in relation to his or her contribution to the achievement of the KPIs set for him or her by the Remuneration Committee towards the beginning of the year.

Performance-based remuneration is solely in the form of deferred shares (no cash), designed to closely align the interests of an Executive Director with shareholders, avoid inappropriate risk-taking for short-term gain, and encourage long-term commitment to the Group.

Operation

The Remuneration Committee will determine annually the number of shares to be awarded, based on the Executive Director's achievement of his or her KPIs set for the work year and the performance of the Group during that year. Awards are made annually entirely in the form of nil-cost options over shares based on performance against the targets. There is no contractual right to discretionary deferred shares and the Remuneration Committee reserves the right to award no discretionary deferred share remuneration if the Group's performance is unsatisfactory.

Discretionary deferred shares will vest as follows: 40% vests immediately, and 15% will vest on each of the third, fourth, fifth and sixth anniversaries of the start of the work year. Each tranche will be subject to a further holding period of two years (effectively, discretionary deferred shares are released over eight years from the beginning of the work year).

Upon vesting, the Executive Director also receives cash payments equal to the dividends paid on the underlying shares between the date the award was made and the vesting date.

Extended malus and clawback applies as per the notes to the Policy table approved at the 2022 AGM.

Opportunity

The maximum discretionary deferred shares that may be awarded in respect of the previous work year is capped at 100% of total salary (which includes cash and deferred share salaries), as set out in the notes to the Policy table approved at the 2022 AGM.

Performance measures

KPIs for the Executive Director are set near the start of each work year and reflect the Executive Director's targeted contribution to the Group's overall key strategic and financial objectives for the work year. KPIs may also include non-tangible factors such as self-development, mentoring and social responsibility.

<p>Pension</p>	<p>Purpose and link to strategy The Group complies with pension requirements set by the Georgian Government.</p> <p>Operation Pension provision will be in line with Georgian pension legislation, which may change from time to time. There is no provision for the recovery or withholding of pension payments.</p>	<p>Opportunity In line with current Georgian legislation, the Executive Director and the Bank each contribute 0-2% of total remuneration from the Bank, and the Georgian Government may contribute a further small amount (0-2% depending on income levels). Pension contributions will only increase above this level if mandated by Georgian legislation or if mandated by any other applicable legislation.</p> <p>The same arrangement applies to employees across the Group in Georgia.</p> <p>Performance measures N/A</p>
<p>Benefits</p>	<p>Purpose and link to strategy Non-cash benefits are in line with Georgian market practice and designed to be sufficient to attract and retain high-calibre talent.</p> <p>Operation Benefits consist of: life insurance; health insurance; incapacity/disability insurance; directors' and officers' liability insurance; physical examinations; tax gross-ups and tax equalisation payments; company car and driver; mobile phone costs; personal security arrangements (if requested by the Executive Director); assistance with completing tax returns (where required); relocation costs for Executive Director; and close family and legal costs.</p> <p>Other benefits may be provided from time to time if considered reasonable and appropriate.</p>	<p>Opportunity There is no prescribed maximum on the value of benefits payable to an Executive Director.</p> <p>The maximum amount payable depends on the cost of providing such benefits to an employee in the location at which the Executive Director is based.</p> <p>Performance measures N/A</p>
<p>Shareholding guidelines</p>	<p>Purpose and link to strategy To ensure Executive Directors build and hold a significant shareholding in the Group over the long term, and to align Executive Directors' interests with those of shareholders.</p> <p>To ensure departing Executive Directors make long-term decisions and maintain an interest in the ongoing success of the Group, post-employment.</p> <p>Operation Executive Directors are required to build and then maintain a shareholding with 200% equivalent of total salary (which includes cash and deferred share salaries), with such amount to be built up within a five-year period from appointment as an Executive Director. All beneficially owned shares, as well as unvested (net of tax) and vested deferred share salary and discretionary deferred shares, count towards the Required Shareholding (as such, awards are not subject to any performance conditions after grant).</p> <p>Executive Directors are to retain the lower of the Required Shareholding or the Executive Director's actual shareholding at the time employment ceases, for a period of two years from the date on which employment ceases, unless the Remuneration Committee determines otherwise. It is noted that a good leaver may hold substantially higher than this in unvested shares alone.</p> <p>In very exceptional circumstances, for example in the event of a serious conflict of interest, the Remuneration Committee has the discretion to vary or waive the Required Shareholding, but must explain any exercise of its discretion in the Group's next Remuneration Report.</p> <p>It should be emphasised that there is no present intention to use this discretion.</p>	<p>Opportunity N/A</p> <p>Performance measures N/A</p>

Directors' Remuneration Report continued

Malus and clawback, and shareholding guidelines

Discretionary deferred shares are subject to malus and clawback for Executive Directors in the following circumstances:

- misconduct in the performance or substantial failure to perform duties by the Executive, or material breach of applicable regulations and/or the Bank's internal policies;
- significant financial losses, serious failure of risk management or serious damage to the reputation of BOGG or the Bank caused by misconduct or gross negligence (including inaction) of the Executive;
- material misstatement or material errors in the financial statements that relate to the area of responsibility of the Executive or can be attributed to action or inaction of the Executive's performance of their duties;
- deliberately misleading BOGG or the Bank in relation to financial performance;
- failure to continue to meet the fitness and properness criteria for an Executive of the Bank;
- material increase with respect to the required regulatory capital of the Bank that can be attributed to the action or inaction of the Executive;
- misconduct that contributed to the imposition of material regulatory or other similar sanctions;
- payments based on erroneous or misleading data, for which malus and clawback apply to discretionary deferred remuneration awarded for the year in question; and
- significant increases in the Bank's regulatory capital requirements (for clawback to apply such failures/problems are to have been caused by or attributable to the actions or inactions of the Executive).

The Remuneration Committee has the right to withhold the release of already-awarded discretionary deferred share remuneration if mandated by the needs of preservation of the Bank's regulatory capital.

The above provisions form part of Mr Gachechiladze's service contract. The Group has also amended the Executive Equity Compensation plan to allow shares to be lapsed, including to zero, or clawed back in accordance with the provisions in the Executive Director's contracts.

Clawback is for up to two years from vesting and, for Mr Gachechiladze, the Group also has unusually strong malus provisions where unvested discretionary deferred shares lapse when the service contract is terminated under certain circumstances, including for 'Cause' such as gross misconduct, failure to perform duties, material breach of obligations and/or unethical behaviour. This may be several years' worth of discretionary deferred shares.

The shareholding guidelines, to build and then maintain a shareholding with a 200% equivalent of total salary and then to maintain such for two years post-employment, are set as express provisions in Mr Gachechiladze's contract.

Remuneration Policy table for the Non-executive Directors

<p>Chairman's and Non-executive Directors' fees</p>	<p>Purpose and link to strategy</p> <p>To attract and retain high-performing Non-executive Directors with the requisite skills, knowledge, experience, independence and other attributes to add value to the Group.</p> <p>To reflect the responsibilities and time commitment dedicated by Non-executive Directors.</p> <p>Operation</p> <p>All fees are paid in cash on a quarterly basis. Fees may be reviewed from time to time by the Board (but not necessarily changed), considering the time commitment, responsibilities and technical skills required to make a valuable contribution to the Board – with reference to comparators, benchmarking, results of the annual review and other guidance. Fees may also be amended and varied if there are genuinely unforeseen and exceptional circumstances necessitating such review and, in such circumstances, any significant increase shall be the minimum reasonably required. The Board reserves the right to structure Non-executive Directors' fee differently at its absolute discretion.</p> <p>Non-executive Directors receive a base fee. Additional Committee fees are payable to compensate for time spent discharging Bank and Committee duties.</p> <p>There is no remuneration in the form of deferred share salary or discretionary deferred shares or any variable or performance-linked remuneration or incentives.</p> <p>Non-executive Directors are reimbursed for reasonable business expenses, including travel and accommodation, which are incurred in the course of carrying out duties under their letters of appointment, on provision of valid receipts.</p>	<p>Opportunity</p> <p>The maximum aggregate BOGG PLC fees for all Non-executive Directors which may be paid for PLC fees under the PLC's Articles of Association is GBP 750,000.</p> <p>A specific maximum has not been set for the individual base cash fee.</p> <p>The Senior Independent Non-executive Director receives a higher base fee, which reflects the extra time commitment and responsibility.</p> <p>The Chairman receives a fee that reflects the extra time commitment and responsibility. The Chairman does not receive Committee fees.</p> <p>Performance measures</p> <p>N/A</p>
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Service agreements

At the date of this Annual Report, Mr Gachechiladze is the sole Executive Director of the Company. Mr Gachechiladze has a service agreement with an effective date of 28 January 2019 with the Company for an indefinite term (subject to annual re-election at the AGM), which is terminable by either party on four months' notice unless for cause where notice served by the Company shall have immediate effect.

Mr Gachechiladze also has a service agreement with JSC Bank of Georgia with an effective date of 1 January 2022 (as per the NBG Code requirements, signed 22 June 2022 after the Policy had been approved at AGM) for an employment term of three years from the effective date, which is terminable by the JSC Bank of Georgia with immediate effect and by the Executive Director on not less than four months' notice.

Non-executive Directors' letters of appointment

Each Non-executive Director is required to submit himself or herself for annual re-election at the AGM. The letters of appointment for Non-executive Directors provide for a one-month notice period, although the Group may terminate the appointment with immediate effect without notice or pay in lieu of notice if the Non-executive Director has committed any serious breach or non-observance of his or her obligations to the Group, is guilty of fraud or dishonesty, brings the Company or him/herself into disrepute, or is disqualified as acting as a Non-executive Director, among other circumstances. Upon termination, the only remuneration a Non-executive Director is entitled to is accrued fees as at the date of termination, together with reimbursement of properly incurred expenses incurred prior to the termination date.

The service agreements and letters of appointment are available for inspection at the Company's registered office.

Signed on behalf of the Remuneration Committee and the Board of Directors

Cecil Quillen

Chair of the Remuneration Committee

24 April 2024

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and consolidated and separate financial statements in accordance with applicable law and regulations.

Company law requires us to prepare financial statements for each financial year. As required, we have prepared the accompanying consolidated and separate statements in accordance with UK-adopted international accounting standards (IFRS).

Directors cannot approve the consolidated and separate financial statements contained within this Annual Report unless they are satisfied they are a true and fair reflection of the state of affairs of Bank of Georgia Group PLC (the 'Company') and the Group, and of the profit or loss of the Company and the Group for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, Group financial statements are required to be prepared in accordance with UK-adopted international accounting standards (IFRS).

In preparing the accompanying consolidated and separate financial statements, Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going-concern basis, unless it is inappropriate to presume that the Company and Group will continue in business.

Directors are also responsible for keeping adequate accounting records that sufficiently show and explain the Company's and the Group's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable us to ensure that the consolidated and separate financial statements comply with the Companies Act 2006. The Directors are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that each comply with that law and those regulations. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are also responsible for the maintenance and integrity of the Company's website.

Each of the Directors whose names and functions are listed in Board of Directors on pages 198 to 200 – confirm that, to the best of their knowledge:

- the consolidated and separate financial statements, prepared in accordance with UK-adopted international accounting standards (IFRS), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole; and

- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties they face.

The Directors consider the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable, and give shareholders the information needed to assess the Group's position and performance, business model and strategy.

By order of the Board

Mel Carvill
Chair
24 April 2024

Archil Gachechiladze
CEO
24 April 2024

Directors' Report

The Directors present their Annual Report and the audited Consolidated Financial Statements for the year ended 31 December 2023.

Strategic Report

The Strategic Report on pages 4 to 183 was approved by the Board of Directors on 24 April 2024 and signed on its behalf by Archil Gachechiladze, Chief Executive Officer.

Management Report

This Directors' Report, together with the Strategic Report on pages 4 to 183, forms the Management Report for the basis of the Disclosure Guidance and Transparency Rules 4.1.5R.

Information contained elsewhere in the Annual Report

Information required to be included in this Directors' Report can be found elsewhere in the Annual Report as indicated in the table below, and is incorporated into this report by reference:

Information	Location in the Annual Report
Future developments, including research and development activities	pages 4 to 183
Going Concern Statement	page 170
Viability Statement	page 170
Risk management	pages 144 to 148
Principal risks and uncertainties	pages 149 to 169
Directors' Governance Statement	pages 184 to 197
The Board of Directors	pages 198 to 200
Nomination Committee Report	pages 206 to 213
Audit Committee Report	pages 214 to 223
Risk Committee Report	pages 224 to 228
Related-party disclosures	Note 33 on page 359
Climate-related financial disclosures	pages 100 to 114
GHG emissions	pages 115 to 118
Energy consumption	page 82
Energy-efficient action	pages 82 to 85
Employee matters, including employee engagement	pages 119 to 132 and Nomination Committee Report page 210
Environmental matters	pages 60 to 142
Share capital	Note 23 on pages 328 to 329
Engagement with suppliers, customers and others in a business relationship with the Company	pages 52 to 59
Information on the Group's financial risk management objectives and policies, and its exposure to credit risk, foreign currency risk and financial instruments	Note 30 on pages 335 to 350

Directors' Report continued

Information to be disclosed in accordance with the Listing Rule 9.8.4R

The following information, required to be disclosed in accordance with Listing Rule 9.8.4R, is not applicable unless stated otherwise:

- the amount of interest capitalised during the period under review and details of any related tax relief;
- information in relation to the publication of unaudited financial information;
- any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Group;
- details of any non-pre-emptive issues of equity for cash by the Group;
- any non-pre-emptive issues of equity for cash by the Group or by any unlisted major subsidiary undertaking;
- parent participation in a placing by a listed subsidiary;
- any contract of significance in which a Director of Bank of Georgia Group PLC is or was materially interested; and
- any waiver of dividends by a shareholder.

Articles of Association

The Articles of Association of Bank of Georgia Group PLC may only be amended by a special resolution at a general meeting of the shareholders. The process for the appointment and removal of Directors is included in the Company's Articles of Association, available at: <https://www.bankofgeorgiagroup.com/governance/documents>.

Share capital and rights attaching to the shares

Details of the movements in share capital during the year are provided in Note 23 to the Consolidated Financial Statements on pages 328 to 329 of this Annual Report.

As at 31 December 2023 there was a single class of 45,766,293 ordinary shares of one pence each in issue, each with one vote – of which 57,191 ordinary shares were held in treasury pending cancellation. As of 17 April 2024 there was a single class of 45,590,314 ordinary shares, of which 115,000 ordinary shares were held in treasury pending cancellation.

The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association. Holders

of ordinary shares are entitled, subject to any applicable law and the Company's Articles of Association, to:

- have shareholder documents made available to them, including notice of any general meeting;
- attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- participate in any distribution of income or capital.

Under the terms of a demerger agreement between the Company and Georgia Capital PLC, the latter has agreed that for so long as its percentage holding in the Company (directly or indirectly) is greater than 9.9% of the voting rights exercisable at the Company's general meetings, these voting rights will be exercised in general meetings of the Company in accordance with votes cast by all other shareholders.

This agreement was put in place to ensure Georgia Capital PLC will not be able to influence the voting outcomes of the Company's shareholder resolutions at general meetings. Votes will be made in accordance with the following mechanism:

- on a resolution proposed to a general meeting, all shareholders of the Company (other than JSC Georgia Capital and its concert parties) will be entitled to vote at their discretion on a poll vote (each an 'Initial Vote'); and
- following the closing of the Initial Vote(s), the poll will reopen as soon as possible for the sole purpose of enabling the shares held by JSC Georgia Capital (or its concert parties) to be voted in each case proportionally (calculated to two decimal places) in accordance with the votes cast on each resolution on an Initial Vote (the 'Proportional Voting Mechanism').

As the latest practicable date before Annual Report released of 17 April 2024, the 'Effective Rule 9 Threshold' (as defined in the Company's 2018 listing prospectus and in summary being the level of holding of the Company's shares carrying voting rights above which a mandatory offer would be triggered under Rule 9 of the Takeover Code once the shares held by Georgia Capital are removed from the denominator) is 10,966,545 shares – representing 24.05% of the Company's issued share capital.

The latest Effective Rule 9 Threshold is available on the FAQ section of our website. There are no other restrictions on exercising voting rights, except in situations where the Company is legally entitled to impose such a restriction

– for example, under the Articles of Association where amounts remain unpaid in the shares after request, or the holder is otherwise in default of an obligation to the Company. The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

The Company is permitted to make market purchases of its own shares provided it is duly authorised by its members in a general meeting, and subject to and in accordance with section 701 of the Companies Act 2006. Authority was given by special resolution at the AGM of the Company on 19 May 2023 for the Group to purchase up to 4,711,853 shares – approximately 10% of the Group's shares. This authority will expire at the conclusion of the Company's AGM in 2024 or, if earlier, the close of business on 19 June 2024.

A renewal of the authority to make market purchases will be sought from shareholders at each AGM. Purchases of ordinary shares will be made within guidelines established from time to time by the Board. Any purchase of ordinary shares would be made only out of the available cash resources of the Company. Ordinary shares purchased by the Company may be held in treasury or cancelled.

During 2023 Apex Group Fiduciary Services Limited, acting as a trustee of the BOG Group Employee Trust, purchased 172,951 ordinary shares with a nominal value of one pence per share – representing 0.4% of the issued share capital as at 31 December 2023. In addition, acting as a trustee of the Rubicon Executive Equity Compensation Trust, Apex Group Fiduciary Services Limited purchased 585,864 ordinary shares with a nominal value of one pence per share – representing 1.3% of the issued share capital as at 31 December 2023. The trusts hold the shares for the purpose of satisfying awards to beneficiaries.

At the 2023 AGM the Directors were given the power to (a) allot shares up to a maximum nominal amount of GBP 157,046.07, representing approximately one third of the Company's issued share capital as at 23 March 2023; and (b) allot equity securities up to an aggregate nominal amount of GBP 157,046.07, in connection with an offer by way of a rights issue: (i) to holders of shares in proportion (as close as practicable) to their existing holdings; and (ii) to holders of other equity securities as required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities, such amount to be reduced

by the aggregate nominal amount of shares allotted or rights to subscribe for or to convert any securities into shares granted under paragraph (a), and subject to the Directors having the right to make such exclusions or other arrangements as they may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.

These authorities will expire at the conclusion of the 2024 AGM – or, if earlier, at the close of business on 19 August 2024 – and approval will be sought at that meeting to renew a similar authority for a further year. None of the ordinary shares carry any special rights regarding control of the Company.

There are no restrictions on transfers of shares, other than:

- certain restrictions which may from time to time be imposed by law or regulations such as those relating to insider dealing or pursuant to the Company's Inside Information Disclosure Policy;
- pursuant to the Company's Securities Dealing Policy and Code, whereby the Directors and designated employees require approval to deal in the Company's shares or cannot deal at certain times; and
- where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

Results and dividends

The Group made a profit before taxation and one-offs of GEL 1,633.71 million for the year ended 31 December 2023. The Group's profit after taxation for the year was GEL 1,397.33 million.

The Company may by ordinary resolution declare dividends provided that no such dividend shall exceed the amount recommended by the Company's Directors. The Directors may also pay such interim dividends as appear to be justified by the profits of the Group available for distribution. As Bank of Georgia Group PLC is a holding company, the Group relies primarily on dividends and other statutorily (if any) and contractually permissible payments from its subsidiaries to generate the funds necessary to meet its obligations and pay dividends to its shareholders.

In the AGM of 19 May 2023, shareholders approved the Board recommended a final dividend of GEL 5.80 per ordinary share in respect of the period ended 31 December

2022, payable to ordinary shareholders of the Group on 14 July 2023. On 17 August 2023, the Board declared an interim dividend of GEL 3.06 in respect of the period ended 30 June 2023, payable to shareholders on 27 October 2023.

In June 2023, the Company completed its GEL 260.7 million buyback and cancellation programme. The Board of Directors approved a further GEL 62 million share buyback in August 2023.

The distributions are consistent with the Group's capital and distribution policy, announced in September 2021, to target a dividend/share buyback payout ratio in the range of 30-50% of annual profits. The Board believes these to be in the best interests of the Company and its shareholders.

The Board intends to recommend a final dividend in respect of the year ended 31 December 2023 of GEL 4.94 per ordinary share.

Equity Settled Option Plan

The Group operates two employee benefit trusts (EBTs) – one for Executive Management and the other for employees below the executive level (the 'ESOP') – which hold ordinary shares on-trust for the benefit of employees and former employees of the Group and their dependents, and which are used in conjunction with the Group's employee share schemes. Whilst ordinary shares are held in the EBT, the voting rights in respect of these ordinary shares may be exercised by the trustees of the EBT.

In accordance with ESOP documentation, Apex Group Fiduciary Services Limited has waived its right to receive any dividends. This waiver will remain in place indefinitely, unless otherwise instructed by the Company. The Company has committed that new shares issued in satisfaction of deferred share compensation from the time of the Company's listing on the premium segment of the London Stock Exchange will not exceed 10% of Bank of Georgia Group PLC's ordinary share capital over any ten-year period.

Powers of Directors

The Directors may exercise all powers of the Company subject to applicable legislation and regulations and the Company's Articles of Association.

Conflicts of interest

In accordance with the Companies Act 2006, the Directors have adopted a policy and procedure for the disclosure and authorisation (if appropriate) of conflicts of interest. These have been followed during 2023.

The Company's Articles of Association also contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of their duty under Company Law.

Directors' remuneration

Directors' fees are determined by the Remuneration Committee from time to time and must be in accordance with the Directors' Remuneration Policy last approved by shareholders in 2022. The fees paid to the Non-executive Directors in 2023, pursuant to their letters of appointment, are shown on page 238. The fees paid to our sole Executive Director for the period 1 January 2023 to 31 December 2023, pursuant to his service agreements, are shown on page 233.

Directors' interests

The Directors' beneficial interests in ordinary shares of Bank of Georgia Group PLC as at 31 December 2023 are shown on page 240, together with any changes in those interests between the financial year-end and the date on which this Directors' Report was approved by the Board.

Company Secretary

Computershare Company Secretarial Services Limited is the appointed Company Secretary to Bank of Georgia Group PLC.

Computershare is a global company delivering governance solutions to listed and private companies through professional expertise and innovative technologies.

Re-election of Directors

In line with the UK Corporate Governance Code's recommendations all Directors seek re-election annually. Accordingly, all Directors who wish to continue on the Board will stand for election or re-election in 2024.

The Board will set out in its Notice of Annual General Meeting the qualifications of each Director and support for re-election as applicable.

Directors' Report continued

Annual General Meeting

The Notice of Annual General Meeting is circulated to all shareholders at least 20 working days prior to such meeting. All shareholders are invited to attend the AGM, where there is an opportunity to ask the Chairman and the Chairs of the Board Committees questions.

Shareholders are also invited to submit questions ahead of the AGM by email and responses are provided ahead of the proxy voting deadline where practicable. As recommended by the UK Corporate Governance Code, all resolutions proposed at the 2024 AGM will be voted on separately – and the voting results will be announced to the LSE and made available on the Company's website as soon as practicable after the meeting. These will include all votes cast for and against and those withheld, and all proxies lodged prior to the meeting.

For further information on shareholder and stakeholder engagement see pages 52 to 59.

Directors' responsibilities

Statements explaining the responsibilities of the Directors for preparing the Annual Report and consolidated and separate financial statements can be found on page 248 of this Annual Report.

A further statement is provided confirming that the Board considers the Annual Report, taken as a whole, to be fair, balanced and understandable and provides

the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further information on the fair, balanced and understandable statement assessment can be found on page 223.

Indemnity

Subject to applicable legislation, every current and former Director or other officer of the Company (other than any person engaged by the Company as auditor) shall be indemnified by Bank of Georgia Group PLC against (broadly) any liability in relation to Bank of Georgia Group PLC, other than (broadly) any liability to the Company or a member of the Group, or any criminal or regulatory fine. In addition, the Company has put in place Directors' and Officers' indemnity insurance.

Significant agreements

Bank of Georgia Group PLC is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company. The Company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

Presence outside of Georgia

We have our registered office in London (see page 273) and additional offices in Budapest, Istanbul and Tel Aviv, as well as the BNB Bank in Belarus and Ameriabank CJSC in Armenia.

Political donations

The Group did not make any political donations or expenditure during 2023. Authority to make political donations and incur political expenditure will be put to shareholder vote at the 2024 AGM.

Code of Conduct and Ethics

The Board has adopted a Code of Conduct and Ethics relating to the lawful and ethical conduct of the business, supported by the Group's core values. The Code of Conduct and Ethics has been communicated to all Directors and employees, and all are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Group operates.

Our Code of Conduct and Ethics is available on our website at: <https://www.bankofgeorgiagroup.com/governance/documents>.

Independent auditors

The NBG granted an extension in respect of the local mandatory audit rotation to allow EY to continue as auditor of Bank of Georgia Group PLC for the 2024 audit. A resolution to reappoint EY as auditor of Bank of Georgia Group PLC will be put to shareholders at the 2024 AGM.

Major interests in shares

As at 31 December 2023 the following interests in the ordinary share capital of the Company have been notified to the Directors:

Shareholder	No. of voting rights	% of voting rights
JSC Georgia Capital	9,009,849	19.71%
M&G PLC	2,214,571	4.84%
Dimensional Fund Advisors (DFA) LP	1,877,694	4.11%
JP Morgan Asset Management (UK) Ltd	1,846,062	4.04%
BlackRock Investment Management (UK)	1,637,535	3.58%
Vanguard Group Inc	1,524,432	3.33%

Source: Georgeson, Computershare

Notes:

- JSC Georgia Capital will exercise its voting rights at the Group's general meetings in accordance with the votes cast by all other Group shareholders, as long as JSC Georgia Capital's percentage holding in Bank of Georgia Group PLC is greater than 9.9%.

For the period 1 January 2024 up to and including 17 April 2024 (the latest practicable date for inclusion in this report), there have been no further notifications pursuant to DTR 5.

It should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

The respective regulatory filings by shareholders are available on the Company's website at <https://bankofgeorgiagroup.com/news/regulatory> and the LSE website at <https://www.londonstockexchange.com>.

Post-balance-sheet events

On 19 February 2024, the Company announced that it and its subsidiary, JSC Bank of Georgia, had conditionally agreed to acquire 100% of the total issued share capital of Ameriabank CJSC, a leading universal bank in Armenia. At a General Meeting of the Company held on 14 March 2024, 83.60% of issued share capital voted, with 100.0% votes in favour of the acquisition. Having received all necessary shareholder and regulatory approvals as of 29 March 2024, the acquisition was completed on 3 April 2024 after which the Company acquired 60% and JSC Bank of Georgia acquired 30% of issued share capital. ERBD retained a 10% shareholding in Ameriabank's total issued share capital, subject to the Shareholders' Put and Call Option Agreement as disclosed in the class 1 circular published by the Company on 19 February 2024.

Al Breach stepped down as a Non-executive Director and a member of the Remuneration Committee, Risk Committee and Nomination Committee with effect from 15 March 2024.

Andrew McIntyre was appointed as a Non-executive Director and member of the Audit Committee and Nomination Committee with effect from 15 March 2024.

On 8 April 2024, the Company changed its registered office to 29 Farm Street, London, United Kingdom, W1J 5RL

Further information regarding the events after the reporting period can be found in Note 35 on pages 361 to 362.

Statement of disclosure of information to the External Auditor

We confirm that, so far as we are aware, there is no relevant audit information of which the Company's auditor is unaware – and we have taken all steps that we reasonably believe should be taken as Directors to make ourselves aware of any relevant audit information and to establish that the Company's statutory auditor is aware of such information.

The Directors' Report on pages 248 to 253 was approved by the Board of Directors on 24 April 2024 and signed on its behalf:

By order of the Board

Computershare Company Secretarial Services Limited
Company Secretary
24 April 2024

FINANCIAL STATEMENTS

Independent Auditor's Report

To the Members of Bank of Georgia Group PLC

Opinion

In our opinion:

- Bank of Georgia Group plc's (the 'Group') group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bank of Georgia Group Plc (the 'Company' or 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise:

Group

- Consolidated statement of financial position as at 31 December 2023
- Consolidated income statement for the year then ended
- Consolidated statement of comprehensive income for the year then ended
- Consolidated statement of changes in equity for the year then ended
- Consolidated statement of cash flows for the year then ended
- Related notes 1 to 35 to the financial statements, including a summary of significant accounting policies
- Information marked as 'audited' within the Directors' Remuneration Report

Parent company

- Statement of financial position as at 31 December 2023
- Statement of changes in equity for the year then ended
- Statement of cash flows for the year then ended
- Related notes 1 to 35 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting included;

- Evaluating the appropriateness of management's key assumptions made in the Group's forecasts. In assessing the reasonableness of management's assumptions, incorporating a consideration of the principal risks and uncertainties facing the Group including the potential longer-term impacts of the ongoing conflict between Russia and Ukraine, as well as appropriate mitigating factors.
- Assessing the level of liquidity available to the Group to support its ongoing needs and projected compliance with capital requirements and external debt covenants for a period of 12 months from the date of authorisation of the financial statements.
- Evaluating the reasonableness of management's adverse forecast scenarios and associated stress testing, and their impact on the Group's liquidity and capital positions and compliance with external debt covenants.
- Obtaining the reverse stress test performed by management and assessing the plausibility of management actions available to mitigate the impact of the reverse stress test.
- Assessing the adequacy of the going concern disclosures provided within the financial statements by evaluating whether they were consistent with management's assessment and in compliance with the relevant reporting requirements.

Independent Auditor's Report continued

To the Members of Bank of Georgia Group PLC

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> We performed an audit of the complete financial information of four components and specified audit procedures on balances for a further two components. The components where we performed full or specific audit procedures accounted for 94% of profit before tax, 97% of Revenue and 97% of Total assets.
Key audit matters	<ul style="list-style-type: none"> Allowance for Expected Credit Loss and application of IFRS 9 'Financial Instruments'. Measurement of fair value of investment properties.
Materiality	<ul style="list-style-type: none"> Overall Group materiality of GEL 83m which represents 5% of profit before tax.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the twenty-three reporting components of the Group, we selected six components covering entities within the United Kingdom, Georgia and Belarus, which represent the principal business units within the Group.

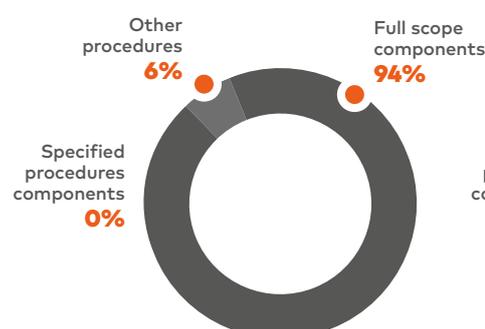
Of the six components selected, we performed an audit of the complete financial information of four components ('full scope components') which were selected based on their size or risk characteristics. For the remaining two components ('specified procedures components'), we performed specified audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 94% (2022: 98%) of the Group's profit before tax, 97% (2022: 97%) of the Group's Revenue and 97% (2022: 98%) of the Group's Total assets. For the current year, the full scope components contributed 94% (2022: 87%) of the Group's profit before tax less non-recurring items, 97% (2022: 93%) of the Group's Revenue and 95% (2022: 92%) of the Group's Total assets. We also instructed two locations to perform specified procedures over cash at bank balances.

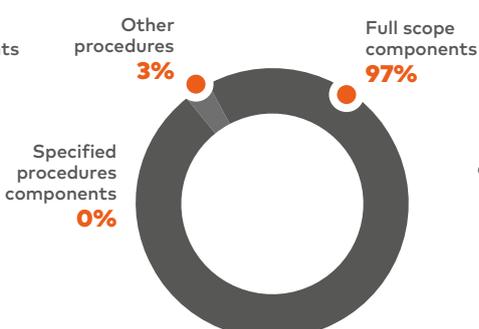
Of the remaining seventeen components that together represent 6% of the Group's profit before tax, none are individually greater than 2% of the Group's profit before tax. For these components, we performed other procedures, analytical reviews and testing of consolidation journal entries and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

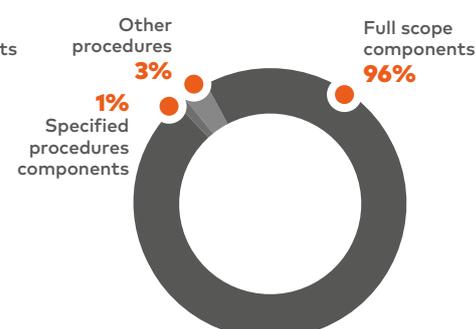
Profit before tax



Revenue



Total assets



Changes from the prior year

As part of the current year audit, we have assigned JSC BGEO Group as a full scope component. Previously it was a specific scope component, the change in assigned scope was due to its increase in size relative to the Group.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the four full scope components, audit procedures were performed on all four of these directly by the primary audit team. For the two specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits component teams and holds meetings with these teams and the client. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in Georgia. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, and reviewing relevant audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process.

The programme of our visit to a component team located in Belarus was impacted by travel restrictions due to the war in Ukraine. For this location, oversight of the work was performed remotely through detailed review of component team audit work.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that climate-related risk is an emerging risk as described on page 148 of the Risk Management section of the Annual Report. This is explained on pages 100 to 118 in the required Task Force On Climate Related Financial Disclosures and on pages 149 to 170 in the principal risks and uncertainties. All of these disclosures form part of the 'Other information,' rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on 'Other information'.

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

There are no significant judgements or estimates relating to climate change in the notes to the financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 168 and 169 and the and the Risk management in Note 30; and whether these have been appropriately reflected in the asset values and liabilities recognised. As part of this evaluation, we performed our own risk assessment, supported by our climate change specialists, to determine the risks of material misstatement in the financial statements from climate change.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued

To the Members of Bank of Georgia Group PLC

Allowance for Expected Credit Loss ('ECL') and application of IFRS 9 'Financial Instruments'

Expected credit loss allowance related to Loans to customers of GEL 328m (2022: GEL 326m), Note 9

Risk

Our response to the risk

The ECL provision is calculated using a combination of a collective provisioning model and specific loan provisions based on discounted cash flow analyses and regression-based forward-looking estimates.

The allowance for expected credit loss is highly judgemental and changes in assumptions could have a material impact on reported profits.

Both collective and specific provisioning depend on a number of assumptions and judgements including:

- allocation of loans to stage 1, 2, 3 or Purchased and Originated Credit-Impaired ('POCI') using criteria set in accordance with IFRS 9 'Financial Instruments';
- accounting interpretations and modelling assumptions used to build and run the models for calculating the expected credit loss ('ECL');
- inputs and assumptions used to estimate the impact of multiple economic scenarios, including weightings applied;
- estimation of probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'), including the valuation of collateral; and
- measurement of individually assessed provisions, including expected future cash flows and the valuation of collateral.

There are also risks related to:

- the accuracy and completeness of underlying loan data used in the ECL model; and
- the accuracy and adequacy of financial statement disclosures.

As a consequence of the judgement involved in establishing the allowance, there is a greater risk of misstatement in ECL charges, either by fraud or error, including through the potential override of controls by management.

Information on the impairment of loans to customers is included in Note 9, Loans to Customers and Note 30, Risk Management, to the consolidated financial statements.

- We obtained an understanding, performed walkthroughs and evaluated the design and operating effectiveness of key controls across the processes relevant to the ECL. This includes controls over data accuracy and completeness, credit monitoring, allocation of borrowers into their respective impairment stages, individual provisioning and production of journal entries and disclosures.
- Using our credit risk specialists, we assessed and challenged the Group's IFRS 9 provisioning methodology to determine whether the accounting standard had been complied with consistently and any changes made to the methodology were appropriate.
- Using our credit risk specialists, we tested the assumptions, inputs and formulae used in the ECL model to confirm that the model was consistent with the stated methodology. This included assessing the appropriateness of the model design and formulae used, and recalculating the PD, LGD and EAD, on a sample basis.
- Our credit risk specialists performed a detailed review and testing of the changes made in the models. We performed a recalculation of the ECL on a sample basis, including procedures over staging and underlying risk parameters.
- We assessed the appropriateness of the macroeconomic scenarios used by management and tested whether they had been properly applied in the ECL calculations.
- We tested the completeness and accuracy of key data inputs used in the ECL model by reconciling loans and advances between the underlying source systems and the ECL model.
- We challenged the criteria used to allocate assets to stage 1, 2, 3 or POCI in accordance with IFRS 9, including management overlays applied specifically to determine SICR and staging. For a sample of loans, we independently assessed whether they had been allocated to the appropriate stage, considering potential indicators of significant increase in credit risk or default and challenged management as to the rationale for movements between stages.
- We performed procedures to address the existence and valuation of collateral for loans where expected cash flows from collateral were impacting the estimation of loan losses. Involving our valuation specialists, we assessed the reasonableness of valuation methodology of collaterals.
- We evaluated the adequacy and appropriateness of disclosures related to ECL for compliance with the requirements of IFRS.

Key observations communicated to the Audit Committee

Although the estimation of the expected credit loss is by nature highly judgemental, based on the results of our audit procedures, we concluded that the ECL provision is appropriate as at 31 December 2023. Specifically, we highlighted the following to the Audit Committee:

- We considered the overall valuation and treatment of collateral to be materially reasonable.
- Staging, inputs and assumptions are appropriately applied to the ECL calculation.
- Financial statements disclosures on loans and receivables and the ECL allowance are in compliance with the requirements of IFRS 9.

Valuation of investment properties

Investment property of GEL 124m (2022: GEL 167m) Note 15

Risk

The Group applies the fair value model for its investment property. The Group engaged a professional valuer to determine the fair value for a selection of its investment properties. Real estate valuations are inherently uncertain and subject to an estimation process.

The Group's real estate properties are located primarily in Georgia, where the secondary market is relatively illiquid, which increases the judgement involved in determining these valuations.

Information on the valuation of investment properties is included to Note 3, Summary of Significant Accounting Policies, Note 15, Investment Properties, Note 31, Fair Value Measurements, to the consolidated financial statements.

Our response to the risk

We engaged our Real Estate specialists to evaluate a sample of the Group's real estate valuations. The specialists' assessment included evaluation of the competence and objectivity of the external valuers engaged by the Group, analysis of the methods and assumptions used and testing of the data provided by the valuers.

In respect of properties, which were not subject to individual valuation by the external valuer, we assessed management's assumptions relating to changes in the prices of such properties for the reporting period. We corroborated these by reviewing the market overview reports prepared by external valuers, and by reference to our understanding of the Group's real estate portfolio and observable market information.

We reviewed the presentation and disclosure of investment properties in the financial statements are in accordance with relevant accounting standards.

Key observations communicated to the Audit Committee

Based on the results of our audit procedures, we concluded that:

- The valuation of investment properties as at 31 December 2023 is reasonable, including management's specialist valuations and relevant adjustments.
- The financial statements disclosures are appropriate and in compliance with relevant accounting standards.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be GEL 83m (2022: GEL 62m), which is 5% (2022: 5%) of Group of profit before tax. We believe that profit before tax provides us with the most appropriate measure for the users of the financial statements given the Group is profit making; it is consistent with the wider industry and is the standard for listed and regulated entities and we believe it reflects the most useful measure for users of the financial statements.

We determined materiality for the Parent Company to be GEL 83m (2022: GEL 62m), which is the lower of GEL 110m (2% of equity) and the Group materiality. We believe that equity reflects the most useful measure for users of the financial statements as the Parent Company's primary purpose is to act as a holding company with investments in the Group's subsidiaries, not to generate operating profits and therefore a profit based measure is not relevant.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely GEL 41.5m (2022: GEL 31m). We have set performance materiality at this percentage due to various considerations including the past history of misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was GEL 12.5m to GEL 36.5m (2022: GEL 4m to GEL 29m).

Independent Auditor's Report continued

To the Members of Bank of Georgia Group PLC

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of GEL 4.15m (2022: GEL 3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 3 to 253, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 170;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 170;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 170;
- Directors' statement on fair, balanced and understandable set out on page 248;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 150 to 170;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 197; and
- The section describing the work of the audit committee set out on pages 215 to 223.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 248, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company'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 the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are relevant regulations of the UK Listing Authority ('UKLA'), as well as the various Georgian legal and regulatory requirements applying to the components of the Group, of which the most material are the regulations of the National Bank of Georgia.

Independent Auditor's Report continued

To the Members of Bank of Georgia Group PLC

- We understood how Bank of Georgia Group plc is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and its regulators; reviewed minutes of the Board and its committees; and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's risk management framework ('RMF') and internal control processes. We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk which included management, internal audit and legal enquiries, testing of internal control, journal entry testing, analytical procedures, tests of detail and focused testing as referred to in the Key Audit Matters section above. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of Group legal counsel, money laundering reporting officer, internal audit, certain senior management executives and focused testing. We also performed inspection of key regulatory correspondence from the relevant regulatory authorities.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk which included management, internal audit and legal enquiries, testing of internal control, journal entry testing, analytical procedures, tests of detail and focused testing as referred to in the Key Audit Matters section above. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- The Group operates in the banking industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the company on 25 January 2018 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 7 years, covering the years ending 31 December 2017 to 31 December 2023.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Wallace (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

24 April 2024

Consolidated Statement of Financial Position

As at 31 December 2023 (Thousands of Georgian Lari)

	Notes	2023	2022	2021
Assets				
Cash and cash equivalents	6	3,101,824	3,584,843	1,520,562
Amounts due from credit institutions	7	1,752,657	2,433,028	1,931,390
Investment securities	8	5,129,757	4,349,729	2,595,664
Loans to customers and finance lease receivables	9	20,232,721	16,861,706	16,168,973
Accounts receivable and other loans	10	47,562	397,990	3,680
Prepayments		37,511	43,612	40,878
Foreclosed Assets*	12	271,712	119,924	3,216
Right-of-use assets	11	138,695	117,387	80,186
Investment properties	15	124,068	166,546	226,849
Property and equipment	13	436,955	398,855	378,808
Goodwill	16	41,253	33,351	33,351
Intangible assets	14	167,862	149,441	144,251
Income tax assets	17	2,520	864	292
Other assets*	18	245,072	215,058	255,245
Assets held for sale		27,389	29,566	46,731
Total assets		31,757,558	28,901,900	23,430,076
Liabilities				
Client deposits and notes	19	20,522,739	18,261,397	14,038,002
Amounts owed to credit institutions	20	5,156,009	5,266,653	4,318,445
Debt securities issued	21	421,359	645,968	1,518,685
Lease liability	11	141,934	114,470	87,662
Accruals and deferred income		129,355	106,366	80,157
Income tax liabilities	17	199,058	99,533	110,868
Other liabilities	18	167,268	158,691	183,349
Total liabilities		26,737,722	24,653,078	20,337,168
Equity				
Share capital	23	1,506	1,563	1,618
Additional paid-in capital		465,009	506,304	492,243
Treasury shares		(71)	(83)	(75)
Capital redemption reserve		112	55	-
Other reserves		21,385	14,564	(3,223)
Retained earnings		4,510,780	3,709,170	2,588,463
Total equity attributable to shareholders of the Group		4,998,721	4,231,573	3,079,026
Non-controlling interests		21,115	17,249	13,882
Total equity		5,019,836	4,248,822	3,092,908
Total liabilities and equity		31,757,558	28,901,900	23,430,076

The financial statements on pages 263 to 362 were approved by the Board of Directors and signed on its behalf by:

Archil Gachechiladze
Chief Executive Officer
Bank of Georgia Group PLC
Registered No. 10917019

24 April 2024

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

The accompanying Notes on pages 271 to 362 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31 December 2023 (Thousands of Georgian Lari)

	Notes	2023	2022	2021
Interest income calculated using EIR method		2,734,208	2,236,307	1,822,307
Other interest income		14,053	20,574	28,737
Interest income		2,748,261	2,256,881	1,851,044
Interest expense		(1,112,568)	(1,056,829)	(882,474)
Deposit insurance fees		(20,247)	(17,717)	(14,629)
Net interest income	24	1,615,446	1,182,335	953,941
Fee and commission income		707,765	559,465	390,829
Fee and commission expense		(273,283)	(241,974)	(158,398)
Net fee and commission income	25	434,482	317,491	232,431
Net foreign currency gain		365,711	466,094	109,099
Net gains/(losses) on extinguishment of debt		564	(8,717)	(2,892)
One-off other income from settlement of legacy claim	10	22,585	391,100	-
Net other gains/(losses)	28	114,171	44,809	73,098
Operating income		2,552,959	2,393,112	1,365,677
Salaries and other employee benefits	26	(419,454)	(362,019)	(281,087)
Administrative expenses	26	(205,368)	(164,450)	(129,524)
Depreciation, amortisation and impairment	11, 13, 14	(124,723)	(111,089)	(93,618)
Other operating expenses		(4,508)	(3,628)	(3,723)
Operating expenses		(754,053)	(641,186)	(507,952)
Profit/(loss) from associates		1,456	754	(3,781)
Operating income before cost of risk		1,800,362	1,752,680	853,944
Expected credit loss on loans to customers	27	(124,298)	(128,678)	(1,452)
Expected credit loss on finance lease receivables	27	(2,762)	(3,208)	(4,950)
Other expected credit loss	27	2,549	(16,189)	9,899
Impairment charge on other assets and provisions	27	(19,553)	29,007	(54,909)
Cost of risk		(144,064)	(119,068)	(51,412)
Net operating income before non-recurring items		1,656,298	1,633,612	802,532
Net non-recurring items		-	1,038	(590)
Profit before income tax expense		1,656,298	1,634,650	801,942
Income tax expense	17	(258,971)	(190,651)	(74,824)
Profit for the year		1,397,327	1,443,999	727,118
Total profit attributable to:				
- shareholders of the Group		1,391,277	1,439,507	723,806
- non-controlling interests		6,050	4,492	3,312
		1,397,327	1,443,999	727,118
Basic earnings per share:	23	31.2967	30.9946	15.2240
Diluted earnings per share:	23	30.4252	30.3328	14.8801

The accompanying Notes on pages 271 to 362 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023 (Thousands of Georgian Lari)

	2023	2022	2021
Profit for the year	1,397,327	1,443,999	727,118
Other comprehensive (loss)/income			
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent years, net of tax:</i>			
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	25,000	29,232	(39,573)
– Realised gain on financial assets measured at FVOCI	(8,330)	(7,921)	(30,044)
– Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement	1,046	6,568	(1,643)
– Loss from currency translation differences	(41,176)	(18,278)	(7,184)
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent years, net of tax	(23,460)	9,601	(78,444)
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent years:</i>			
– Net gain (loss) on investments in equity instruments designated at FVOCI	1,776	(1,369)	884
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent years, net of tax	1,776	(1,369)	884
Other comprehensive (loss)/income for the year, net of tax	(21,684)	8,232	(77,560)
Total comprehensive income for the year	1,375,643	1,452,231	649,558
Total comprehensive income attributable to:			
– shareholders of the Group	1,369,869	1,447,816	646,749
– non-controlling interests	5,774	4,415	2,809
	1,375,643	1,452,231	649,558

The accompanying Notes on pages 271 to 362 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023 (Thousands of Georgian Lari)

	Attributable to shareholders of the Group						Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Capital redemption reserve	Retained earnings			
31 December 2020	1,618	526,634	(54)	71,227	-	1,939,122	2,538,547	11,368	2,549,915
Profit for the year	-	-	-	-	-	723,806	723,806	3,312	727,118
Other comprehensive income for the year	-	-	-	(74,430)	-	(2,627)	(77,057)	(503)	(77,560)
Total comprehensive income for the year	-	-	-	(74,430)	-	721,179	646,749	2,809	649,558
Increase in equity arising from share-based payments	-	45,289	18	-	-	-	45,307	-	45,307
Purchase of treasury shares under share-based payments	-	(79,680)	(39)	-	-	-	(79,719)	-	(79,719)
Dividends to shareholders of the Group (Note 23)	-	-	-	-	-	(71,838)	(71,838)	-	(71,838)
Increase in share capital of subsidiaries	-	-	-	(20)	-	-	(20)	20	-
Dividends of subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	(315)	(315)
31 December 2021	1,618	492,243	(75)	(3,223)	-	2,588,463	3,079,026	13,882	3,092,908
Profit for the year	-	-	-	-	-	1,439,507	1,439,507	4,492	1,443,999
Other comprehensive income for the year	-	-	-	17,876	-	(9,567)	8,309	(77)	8,232
Total comprehensive income for the year	-	-	-	17,876	-	1,429,940	1,447,816	4,415	1,452,231
Increase in equity arising from share-based payments	-	82,288	27	-	-	-	82,315	-	82,315
Purchase of treasury shares under share-based payments	-	(68,227)	(35)	-	-	-	(68,262)	-	(68,262)
Dividends to shareholders of the Group (Note 23)	-	-	-	-	-	(196,514)	(196,514)	-	(196,514)
Increase in share capital of subsidiaries	-	-	-	(89)	-	-	(89)	19	(70)
Purchase of treasury shares	-	-	(112,719)	-	-	-	(112,719)	-	(112,719)
Cancellation of treasury shares	(55)	-	112,719	-	55	(112,719)	-	-	-
Dividends of subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	(1,067)	(1,067)
31 December 2022	1,563	506,304	(83)	14,564	55	3,709,170	4,231,573	17,249	4,248,822
Profit for the year	-	-	-	-	-	1,391,277	1,391,277	6,050	1,397,327
Other comprehensive income for the year	-	-	-	6,787	-	(28,195)	(21,408)	(276)	(21,684)
Total comprehensive income for the year	-	-	-	6,787	-	1,363,082	1,369,869	5,774	1,375,643
Increase in equity arising from share-based payments	-	72,009	46	-	-	-	72,055	518	72,573
Purchase of treasury shares under share-based payments	-	(106,295)	(32)	-	-	-	(106,327)	-	(106,327)
Dividends to shareholders of the Group (Note 23)	-	-	-	-	-	(396,627)	(396,627)	-	(396,627)
Increase in share capital of subsidiaries	-	-	-	34	-	-	34	38	72
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	-	241	241
Purchase of treasury shares	-	(7,009)	(164,847)	-	-	-	(171,856)	-	(171,856)
Cancellation of treasury shares	(57)	-	164,845	-	57	(164,845)	-	-	-
Dividends of subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	(2,705)	(2,705)
31 December 2023	1,506	465,009	(71)	21,385	112	4,510,780	4,998,721	21,115	5,019,836

The accompanying Notes on pages 271 to 362 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023 (Thousands of Georgian Lari)

	Notes	2023	2022	2021
Cash flows from operating activities				
Interest received		2,711,087	2,299,639	1,866,371
Interest paid		(1,130,065)	(1,018,118)	(898,342)
Fees and commissions received		616,371	522,586	380,264
Fees and commissions paid		(235,775)	(241,974)	(158,398)
Net cash inflow from real estate		9,601	7,111	27,677
Net realised gain from foreign currencies		355,473	453,998	134,851
Recoveries of loans to customers previously written off	9	47,029	84,542	81,329
Cash received from/(paid for) derivatives		-	-	(235)
Other income received	10	381,746	11,799	8,651
Salaries and other employee benefits paid		(346,880)	(279,704)	(235,780)
General and administrative and operating expenses paid		(200,534)	(171,389)	(140,191)
Cash flows from operating activities before changes in operating assets and liabilities		2,208,053	1,668,490	1,066,197
<i>Net (increase)/decrease in operating assets</i>				
Amounts due from credit institutions		624,130	(902,255)	(25,839)
Loans to customers and finance lease receivables		(3,662,487)	(2,332,975)	(2,750,486)
Prepayments and other assets*		11,775	(6,912)	(19,417)
Foreclosed assets*		159,204	(11,700)	(5,907)
<i>Net increase/(decrease) in operating liabilities</i>				
Amounts due to credit institutions		(103,488)	1,019,092	1,090,386
Debt securities issued		(45,504)	(73,772)	91,775
Client deposits and notes		2,213,868	5,509,461	520,034
Other liabilities		23,913	94,581	826
Net cash flows from/(used in) operating activities before income tax		1,429,464	4,964,010	(32,431)
Income tax paid		(161,102)	(202,558)	(4,649)
Net cash flows from/(used in) operating activities		1,268,362	4,761,452	(37,080)
Cash flows from/(used in) investing activities				
Net (purchases) sales of investment securities		(747,379)	(1,807,355)	(86,798)
Purchase of investments in associates		(642)	-	-
Purchase of investments in subsidiaries		(3,716)	-	-
Proceeds from sale of investment properties and assets held for sale		47,950	92,690	124,805
Proceeds from sale of property and equipment and intangible assets		550	3,658	1,822
Purchase of property and equipment and intangible assets		(155,370)	(121,666)	(97,575)
Dividends received		232	-	401
Net cash flows used in investing activities		(858,375)	(1,832,673)	(57,345)
Cash flows (used in) from financing activities				
Repurchase of debt securities issued	21	(20,980)	(617,194)	(28,825)
Repayment of the principal portion of the debt securities issued	21	(230,995)	(31,581)	(46,706)
Proceeds from Tier 2 notes issued	21	78,921	-	-
Proceeds from Additional Tier 1	20	-	148,120	-
Cash payments for the principal portion of the lease liability	11	(32,151)	(25,980)	(29,518)
Dividends paid		(398,156)	(196,948)	(71,985)
Purchase of treasury shares under share-based payments		(106,327)	(68,262)	(79,719)
Purchase of treasury shares		(171,856)	(112,719)	-
Net cash used in financing activities		(881,544)	(904,564)	(256,753)
Effect of exchange rates changes on cash and cash equivalents				
		(11,280)	40,400	(99,263)
Effect of expected credit losses on cash and cash equivalents				
		(182)	(334)	48
Net increase/(decrease) in cash and cash equivalents		(483,019)	2,064,281	(450,393)
Cash and cash equivalents, beginning of the year		6	3,584,843	1,520,562
Cash and cash equivalents, end of the year		6	3,101,824	1,520,562

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

Separate Statement of Financial Position

As at 31 December 2023 (Thousands of Georgian Lari)

Bank of Georgia Group PLC has elected for the exemption not to present the separate income statement in accordance with section 408 of the Companies Act 2006. The Company's individual balance sheet shows the Company's profit and loss for the financial year determined in accordance with this Act.

In 2023 the Company completed an internal reorganisation process intended to optimise its subsidiaries' holding structure. The reorganisation resulted in the extinguishment of its outstanding loan towards the subsidiary as well as receipt of additional investment in the subsidiary through dividend in specie distribution recognised as part of profit or loss. The reorganisation did not have any economic substance and was accounted as a common control transaction with no effect on the Group's consolidated financial statements.

	Notes	2023	2022	2021
Assets				
Cash and cash equivalents	6	50,970	10,850	384
Investments in subsidiaries	2	5,451,902	4,981,658	4,981,658
Other assets		8,426	177	104
Total assets		5,511,298	4,992,685	4,982,146
Liabilities				
Interest-bearing loans and borrowings		16,987	1,675,941	2,064,708
Other liabilities		5,748	802	46
Total liabilities		22,735	1,676,743	2,064,754
Equity				
Share capital	23	1,506	1,563	1,618
Additional paid-in capital		592,075	599,084	599,084
Treasury shares		(2)	-	-
Capital redemption reserve		112	55	-
Retained earnings		2,160,240	2,010,537	2,176,026
Net profit/(loss) for the period		2,734,632	704,703	140,664
Total equity		5,488,563	3,315,942	2,917,392
Total liabilities and equity		5,511,298	4,992,685	4,982,146

The financial statements on pages 263 to 362 were approved by the Board of Directors and signed on its behalf by:

Archil Gachechiladze
 Chief Executive Officer
 Bank of Georgia Group PLC
 Registered No. 10917019

24 April 2024

The accompanying Notes on pages 271 to 362 are an integral part of these financial statements.

Separate Statement of Changes in Equity

For the year ended 31 December 2023 (Thousands of Georgian Lari)

	Share capital	Additional paid-in capital	Treasury shares	Capital redemption reserve	Retained earnings	Total equity
31 December 2020	1,618	599,084	–	–	2,245,890	2,846,592
Total comprehensive income	–	–	–	–	140,664	140,664
Dividends to shareholders of the Group (Note 23)	–	–	–	–	(69,864)	(69,864)
31 December 2021	1,618	599,084	–	–	2,316,690	2,917,392
Total comprehensive income	–	–	–	–	705,284	705,284
Dividends to shareholders of the Group (Note 23)	–	–	–	–	(194,015)	(194,015)
Purchase of treasury shares	–	–	(112,719)	–	–	(112,719)
Cancellation of treasury shares	(55)	–	112,719	55	(112,719)	–
31 December 2022	1,563	599,084	–	55	2,715,240	3,315,942
Total comprehensive income	–	–	–	–	2,734,632	2,734,632
Dividends to shareholders of the Group (Note 23)	–	–	–	–	(390,155)	(390,155)
Purchase of treasury shares	–	(7,009)	(164,847)	–	–	(171,856)
Cancellation of treasury shares	(57)	–	164,845	57	(164,845)	–
31 December 2023	1,506	592,075	(2)	112	4,894,872	5,488,563

The accompanying Notes on pages 271 to 362 are an integral part of these financial statements.

Separate Statement of Cash Flows

For the year ended 31 December 2023 (Thousands of Georgian Lari)

	2023	2022	2021
Net cash flows used in operating activities			
Interest income received	5,772	1,499	156
Fees and commissions paid	(750)	(714)	(759)
Salaries and other employee benefits paid	(2,785)	(3,064)	(3,408)
General and administrative expenses paid	(5,349)	(2,269)	(3,134)
Net cash flows from/(used in) operating activities before income tax	(3,112)	(4,548)	(7,145)
Income tax paid	(2,053)	-	-
Net cash flows used in operating activities	(5,165)	(4,548)	(7,145)
Net cash flows from investing activities			
Dividends received	607,539	322,717	70,185
Net cash flows from investing activities	607,539	322,717	70,185
Net cash (used in)/from financing activities			
Borrowings received	-	-	7,128
Dividends paid	(390,155)	(194,015)	(69,864)
Purchase of treasury shares	(171,856)	(112,719)	-
Net cash flows (used in)/from financing activities	(562,011)	(306,734)	(62,736)
Effect of exchange rates changes on cash and cash equivalents	(243)	(969)	(119)
Net increase/(decrease) in cash and cash equivalents	40,120	10,466	185
Cash and cash equivalents, beginning of the year	10,850	384	199
Cash and cash equivalents, end of the year	50,970	10,850	384

The accompanying Notes on pages 271 to 362 are an integral part of these financial statements.

Notes to Consolidated Financial Statements

(Thousands of Georgian Lari)

1. Principal activities

Bank of Georgia Group PLC ('BOGG') is a public limited liability company incorporated in England and Wales with registered number 10917019. BOGG holds 99.56% of the share capital of JSC Bank of Georgia (the 'Bank') as at 31 December 2023, representing the Bank's ultimate parent company. Together with the Bank and other subsidiaries, the Group makes up a group of companies (the 'Group') and provides banking, leasing, brokerage and investment management services to corporate and individual customers. The shares of BOGG ('BOGG Shares') are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities, effective 21 May 2018. The Bank is the Group's main operating unit and accounts for most of the Group's activities.

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

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally, and exchanges currencies. Its main office is in Tbilisi, Georgia. At 31 December 2023, the Bank has 189 operating outlets in all major cities of Georgia (31 December 2022: 211, 31 December 2021: 211). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia.

BOGG's registered legal address is 29 Farm Street, London, W1J 5RL, United Kingdom.

As at 31 December 2023, 31 December 2022 and 31 December 2021, the following shareholders owned more than 3% of the total outstanding shares of BOGG. Other shareholders individually owned less than 3% of the outstanding shares.

Shareholder	31 December 2023	31 December 2022	31 December 2021
JSC Georgia Capital**	19.71%	20.60%	19.90%
M&G Investment Management Ltd	4.84%	4.10%	2.86%
Dimensional Fund Advisors (DFA) LP	4.11%	3.67%	3.13%
JP Morgan Asset Management	4.04%	2.60%	1.17%
BlackRock Investment Management (UK)	3.58%	2.31%	1.57%
Vanguard Group Inc	3.33%	3.20%	2.42%
Gemsstock Ltd	2.57%	2.47%	0.04%
Others	57.82%	61.05%	68.91%
Total*	100.00%	100.00%	100.00%

* For the purposes of calculating percentage of shareholding, the denominator includes total number of issued shares, which includes shares held in the trust for the share-based compensation purposes of the Group.

** JSC Georgia Capital will exercise its voting rights at the Group's general meetings in accordance with the votes cast by all other Group Shareholders, as long as JSC Georgia Capital's percentage holding in Bank of Georgia Group PLC is greater than 9.9%.

As at 31 December 2023, the members of the Board of Directors of BOGG owned 760,209 shares or 1.7% (31 December 2022: 665,980 shares or 1.4%, 31 December 2021: 516,116 shares or 1.0%) of BOGG. Interests of the members of the Board of Directors of BOGG were as follows:

Shareholder	31 December 2023, shares held	31 December 2022, shares held	31 December 2021, shares held
Neil Janin*	N/A	N/A	32,880
Mel Carvill*	-	-	N/A
Archil Gachechiladze	718,207	623,978	442,234
Al Breach	30,000	30,000	30,000
Tamaz Georgadze	5,000	5,000	5,000
Hanna Loikkanen	-	-	-
Jonathan Muir	-	-	-
Cecil Quillen	2,900	2,900	2,900
Véronique McCarroll	-	-	-
Mariam Megvinetukhutsesi	4,102	4,102	3,102
Total	760,209	665,980	516,116

* Neil Janin stepped down from the Board in 2022 and was replaced by Mel Carvill.

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

2. Basis of preparation

General

In accordance with the exemption permitted under section 408 of the Companies Act 2006, the separate income statement of BOGG is not presented as part of these financial statements. BOGG's income for the year is disclosed within the separate statement of financial position and the separate statement of changes in equity.

The financial statements of Bank of Georgia Group PLC are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with UK-adopted international accounting standards as at 31 December 2023.

These financial statements are prepared under the historical cost convention except for:

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

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

Going concern

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

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

As described in Note 30 to the financial statements, the Group has identified Climate Risk as an emerging risk. However, qualitative analysis of the impact of climate change and low-carbon transitions on traditional banking risk and on the sectors in which our clients are active lead us to believe that there is currently no material short (less than 2 years) to medium (2 to 5 years) term impact of climate change expected. The Group continues to refine its assessment of such risks and will reassess whether the impact of climate-related risks on its financial position and performance need to be considered in future reporting periods.

2. Basis of preparation continued

Subsidiaries and associates

The consolidated financial statements as at 31 December 2023, 31 December 2022 and 31 December 2021 include the following subsidiaries and associates:

Subsidiaries	Proportion of voting rights and ordinary share capital held			Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
	31 December 2023	31 December 2022	31 December 2021					
BGEO Group Limited	100.00%	100.00%	100.00%	United Kingdom	29 Farm Street, London, W1J 5RL	Holding Company	14/10/2011	-
JSC BGEO Group	100.00%	100.00%	100.00%	Georgia	29a Gagarini Street, Tbilisi, 0105	Investment	28/5/2015	-
▫ JSC Idea	100.00%	100.00%	100.00%	Georgia	3 Pushkin Street, Tbilisi, 0105	Insurance	26/12/2018	-
▫ JSC Bank of Georgia	99.56%	99.55%	99.55%	Georgia	29a Gagarini Street, Tbilisi, 0105	Banking	21/10/1994	-
▫ Bank of Georgia Representative Office UK Limited	100.00%	100.00%	100.00%	United Kingdom	29 Farm Street, London, W1J 5RL	Information sharing and market research	17/8/2010	-
▫ Tree of Life Foundation NPO (formerly known as Bank of Georgia Future Foundation, NPO)	100.00%	100.00%	100.00%	Georgia	3 Pushkin Street, Tbilisi 0105	Charitable activities	25/8/2008	-
▫ Bank of Georgia Representative Office Hungary	100.00%	100.00%	100.00%	Hungary	1054 Budapest, Szabadság tér 7; Bank Center	Representative office	18/6/2012	-
▫ Representative Office of JSC Bank of Georgia in Turkey	100.00%	100.00%	100.00%	Turkey	Süleyman Seba Caddesi No:48 A Blok Daire 82 Akaretler Beşiktaş 34357 Istanbul	Representative office	25/12/2013	-
▫ Georgia Financial Investments, LLC	100.00%	100.00%	100.00%	Israel	7 Menahem Begin, Ramat Gan 52681	Information sharing and market research	9/2/2009	-
▫ Benderlock Investments Limited	100.00%	100.00%	100.00%	Cyprus	Arch. Makariou III 58, IRIS TOWER, 8th floor, Flat/Office 702 P.C. 1075, Nicosia	Investments	12/5/2009	13/10/2009
▫ JSC Belaruskly Narodny Bank	99.98%	99.98%	99.98%	Belarus	Nezavisimosty Avenue 87A, Minsk, 220012	Banking	16/4/1992	3/6/2008
▫ BNB Leasing, LLC	99.90%	99.90%	99.90%	Belarus	Nezavisimosty Avenue 87A, room 3, Minsk, 220012	Leasing	30/3/2006	3/6/2008
▫ Georgian Leasing Company, LLC	100.00%	100.00%	100.00%	Georgia	3-5 Kazbegi Street, Tbilisi	Leasing	29/10/2001	31/12/2004
▫ Prime Leasing	100.00%	100.00%	100.00%	Georgia	Didube-Chughureti district, Ak. Tsereteli Avenue №114, Tbilisi	Leasing	27/1/2012	21/1/2015
▫ JSC BG Financial	100.00%	100.00%	100.00%	Georgia	79 David Agmashenebeli Avenue, 0102, Tbilisi	Investment	7/8/2015	-
▫ JSC Galt & Taggart	100.00%	100.00%	100.00%	Georgia	79 David Agmashenebeli Avenue, 0102, Tbilisi	Brokerage and asset management	19/12/1995	28/12/2004
▫ Branch Office of 'BG Kapital' JSC in Azerbaijan	100.00%	100.00%	100.00%	Azerbaijan	1C Mikayil Mushvig, Kempinski Hotel Badamdar, 6th floor, Yasamal. AZ1006, Baku	Representative office	28/12/2013	-
▫ Galt and Taggart SPV 2 LLC*	100.00%	0.00%	0.00%	Georgia	Krtsanisi district, Pushkin street N3, Tbilisi	Representative office	22/9/2023	-
▫ Galt and Taggart Holdings Limited	100.00%	100.00%	100.00%	Cyprus	Arch. Makariou III 58, IRIS TOWER, 8th floor, Flat/Office 702 P.C. 1075, Nicosia	Investments	3/7/2006	-
▫ BG Capital (Belarus), LLC	100.00%	100.00%	100.00%	Belarus	5A-3H, K.Chornogo lane, Minsk, 220012	Brokerage	19/2/2008	-

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

2. Basis of preparation continued

Subsidiaries	Proportion of voting rights and ordinary share capital held			Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
	31 December 2023	31 December 2022	31 December 2021					
▷ JSC Digital Area (former JSC Polymath Group)	100.00%	100.00%	100.00%	Georgia	79 David Agmashenebeli Avenue, 0102, Tbilisi	Digital	8/6/2018	-
▷ JSC Extra area	100.00%	99.34%	98.68%	Georgia	79 David Agmashenebeli Avenue, 0102, Tbilisi	Digital	22/5/2019	-
▷ Easy Box LLC	100.00%	100.00%	100.00%	Georgia	41, Pekini Street, Tbilisi	Transportation	22/12/2020	-
▷ JSC Optimo Global	100.00%	100.00%	0.00%	Georgia	41, Pekini Street, Tbilisi	Digital	8/11/2022	-
▷ OPTIMO, FE LLC**	100.00%	0.00%	0.00%	Uzbekistan	Mirabadski District, 81-38, Tashkent	Digital	31/8/2023	-
▷ JSC Delivery***	81.38%	25.75%	0.00%	Georgia	6 A. Andronikashvili Street II Dead End, Tbilisi	Digital	14/12/2017	8/11/2022
▷ El. Biletebi LLC****	83.34%	0.00%	0.00%	Georgia	Aleksandre Kazbegi, N29, apartment N6, Tbilisi	Digital	11/12/2008	29/9/2023
▷ Ticketing Area LLC*****	100.00%	0.00%	0.00%	Georgia	41, Pekini Street, Tbilisi	Digital	6/7/2023	-
▷ Solo, LLC	100.00%	100.00%	100.00%	Georgia	79 David Agmashenebeli Avenue, 0102, Tbilisi	Trade	22/4/2015	-
▷ JSC United Securities Registrar of Georgia	100.00%	100.00%	100.00%	Georgia	74a Chavchavadze Avenue, Tbilisi, 0162	Registrar	29/5/2006	-
▷ JSC Express Technologies	100.00%	100.00%	100.00%	Georgia	1b, Budapest Street, Tbilisi, 0160	Investments	29/10/2007	-
▷ JSC Georgian Card	99.41%	99.41%	99.41%	Georgia	221 Nutsbidze Street, Tbilisi, 0168	Card processing	17/1/1997	20/10/2004
▷ Direct Debit Georgia, LLC	100.00%	100.00%	100.00%	Georgia	Luxemburg 25, Tbilisi, 0160	Electronic payment services	7/3/2006	-
▷ LLC Didi Digomi Research Center	100.00%	100.00%	100.00%	Georgia	80-82, D.Agmashenebeli Street, Tbilisi, 0102	Communication services	23/4/2007	-
▷ Metro Service +, LLC	100.00%	100.00%	100.00%	Georgia	74a Chavchavadze Avenue, Tbilisi, 0162	Business servicing	10/5/2006	-
Premium Compliance Advisory, LLC	100.00%	100.00%	100.00%	Georgia	Kazbegi Street 3-5, Tbilisi	Various	17/2/2012	-

Associates	Proportion of voting rights and ordinary share capital held			Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
	31 December 2023	31 December 2022	31 December 2021					
JSC Credit info	21.08%	21.08%	21.08%	Georgia	2 Tarkhnishvili Street, Tbilisi	Financial intermediation	14/2/2005	14/2/2005
JSC Tbilisi Stock Exchange	24.04%	24.04%	24.04%	Georgia	72 Vazha-Pshavela Avenue, Tbilisi	Financial intermediation	8/5/2015	23/12/2016

* JSC BG Financial established a new company – LLC Galt and Taggart SPV 2 on 22 September 2023 and has increased its capital by GEL 304,900.

** OPTIMO, FE LLC was established on 31 August 2023, in the Republic of Uzbekistan. Authorised capital amounts to 1,224,150,000 UZS, which is equivalent to 264,874 GEL.

*** JSC Digital Area invested US\$ 1,108,535 in JSC Delivery in 2023 and owns an 81.38% stake.

**** JSC Digital Area bought 83.34% worth of shares in El. Biletebi LLC in 2023 and total investment amounts to GEL 1,200,000.

***** JSC Digital Area established a new company, LLC Ticketing Area, on 6 July 2023 and has increased its capital by GEL 1,000,000.

3. Summary of significant accounting policies

Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2023. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

Business combinations and goodwill

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Investments in associates

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

Common control transactions

The Group generally accounts for common control transaction at cost. Those transactions involving the acquisition of investment in a subsidiary, associate or joint venture are accounted at the fair value of the consideration given. When the purchase consideration does not correspond to the fair value of the investment acquired the investment is accounted at fair value with the corresponding effect recognised in the acquirer's standalone income statement.

Accounting for common control transactions has no effect on the Group's consolidated financial statements.

Investments in subsidiaries and associates in parent company financial statements

For the purposes of parent company financial statements, investments in subsidiaries and associates are accounted at cost less any impairment. Dividends from a subsidiary or an associate are recognised in the parent company financial statements when the parent's right to receive the dividend is established.

Fair value measurement

The Group measures financial instruments, such as trading and investment securities, certain loans to customers, derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 31.

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

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

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

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

3. Summary of significant accounting policies continued

Financial assets and liabilities

Classification and measurement for financial assets and liabilities

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

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

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

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

All derivative instruments are measured at FVTPL.

Measurement of financial instruments at initial recognition

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

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

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

Subsequent measurement of financial instruments

Financial instruments measured at amortised cost

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

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

The details of these conditions are outlined below.

Business model

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

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

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

3. Summary of significant accounting policies continued

There are three business models available under IFRS 9:

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

Solely Payments of Principal and Interest (SPPI)

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

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

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

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

Debt instruments at FVOCI

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

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

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

Equity instruments at FVOCI – option

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

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

Financial assets at FVTPL

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

Derivatives recorded at FVTPL

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

Financial guarantees, letter of credits and other financial commitments

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

3. Summary of significant accounting policies continued

Non-financial guarantees

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

Cash and cash equivalents

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

Borrowings

The Group classifies issued financial instruments or their components as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions and amounts due to customers (including promissory notes issued). The Group initially recognises these liabilities at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost, using the effective interest rate (EIR) method. Gains and losses are recognised in the consolidated income statement when the borrowings are derecognised as well as through the amortisation process.

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

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated income statement.

Subordinated debt

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

Leases

The Group as a lessee

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

Recognition of right-of-use asset and lease liability

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

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

Recognition exemptions

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

Modifications of lease contracts

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

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

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

3. Summary of significant accounting policies continued

The Group as a lessor

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

Finance lease

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

Operating lease

The Group presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term as net other income.

Impairment of financial assets

Overview of the ECL principles

The Group records an allowance for ECL for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial assets'.

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

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

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

Staged approach to the determination of ECLs

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

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

Unless POCI, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

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

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

3. Summary of significant accounting policies continued

Derecognition of financial assets and liabilities

Derecognition of financial assets

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

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

Derecognition and modification of financial assets

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

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

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

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

Forbearance and modified loans

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

Derecognition of financial liabilities

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

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

Foreclosed assets

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

Foreclosed assets are valued at the lower of cost and net realisable value.

The majority of the Group's foreclosed assets consists of the real estate assets repossessed during recovery of defaulted loans. Such assets are specific and not ordinarily interchangeable, respectively the Group applies specific identification of their individual costs. Realisation gain/loss from above assets are included under Net other gains/(losses) in the Group's consolidated income statement.

3. Summary of significant accounting policies continued

Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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

Taxation

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

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

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

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

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

Uncertain tax positions

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

Investment properties

The Group recognises investment property initially at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Group's investment property is determined on the basis of various sources including reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

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

Property and equipment

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

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

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

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

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

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

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

Goodwill impairment

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

3. Summary of significant accounting policies continued

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

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

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

Intangible assets

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

Intangible assets acquired separately are initially measured at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. The economic lives of intangible assets are assessed to be finite and amortised over four to 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets.

Provisions

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

Share-based payment transactions

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

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The awards of shares in monetary terms are measured by reference to the monetary value (as awarded) adjusted for the time value of money where necessary.

The cost of equity-settled transactions is recognised together with the corresponding increase in equity as part of additional paid-in capital, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ('the vesting date'). The subsequent holding period does not imply any employment service provision from the share recipient side, therefore it does not affect the expense recognition period. The consolidated income statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

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

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

Equity

Share capital

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

Additional paid-in capital

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

Treasury shares

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

3. Summary of significant accounting policies continued

Dividends

The Group recognises dividends as liabilities and deducts them from equity at the reporting date only if they are declared before or on the reporting date and do not require further approval. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue. All expenses associated with dividend distribution are added to the dividend amount and recorded directly through equity.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed, unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Income and expense recognition

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

Interest and similar income and expense

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

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

Fee and commission income

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

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

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

Customer loyalty programme

Customer loyalty programme points accumulated in the business are treated as deferred revenue and recognised in revenues gradually as they are earned. The Group recognises gross revenue earned from customer loyalty programmes when the performance obligation is satisfied, i.e. when the customer redeems the points.

Performance obligations satisfied at a point in time

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

Dividend income

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

Non-recurring items

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

Functional, reporting currencies and foreign currency translation

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

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

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

3. Summary of significant accounting policies continued

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

	Lari to GBP	Lari to US\$	Lari to EUR	Lari to BYN
31 December 2023	3.4228	2.6894	2.9753	0.8162
31 December 2022	3.2581	2.702	2.8844	1.073
31 December 2021	4.1737	3.0976	3.504	1.2101

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

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

Adoption of new or revised standards and interpretations

Amendments effective from 1 January 2023

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

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

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

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

Reclassifications

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

3. Summary of significant accounting policies continued

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

Consolidated Statement of Financial Position for the year ended 31 December 2022	As previously reported	Reclassification	As reclassified
Foreclosed Assets	–	119,924	119,924
Inventories	17,096	(17,096)	–
Other assets	317,886	(102,828)	215,058

Consolidated statement of cash flows for the year ended 31 December 2022	As previously reported	Reclassification	As reclassified
<i>Net (increase) decrease in operating assets</i>			
Prepayments and other assets	(18,612)	11,700	(6,912)
Foreclosed assets	–	(11,700)	(11,700)

Consolidated Statement of Financial Position for the year ended 31 December 2021	As previously reported	Reclassification	As reclassified
Foreclosed Assets	–	3,216	3,216
Inventory	11,514	(11,514)	–
Other assets	246,947	8,298	255,245

Consolidated statement of cash flows for the year ended 31 December 2021	As previously reported	Reclassification	As reclassified
<i>Net (increase) decrease in operating assets</i>			
Prepayments and other assets	(25,324)	5,907	(19,417)
Foreclosed assets	–	(5,907)	(5,907)

Standards issued but not yet effective

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

IAS 1 Presentation of Financial Statements

In January 2020 and July 2020, the IASB issued amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current'. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The amendments also clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments will be effective for annual periods beginning on or after 1 January 2024 with early adoption permitted.

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

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

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

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

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

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

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

Lack of Exchangeability – Amendments to IAS 21

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

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

3. Summary of significant accounting policies continued

Non-current Liabilities with Covenants – Amendments to IAS 1

On 31 October 2022, the IASB published *Non-current Liabilities with Covenants (Amendments to IAS 1)* to clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 1 January 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted.

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

Interest Rate Benchmark Reform

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

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

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

Business combination

On 25 May 2023, the Group acquired 45.63% of the voting shares in JSC Delivery, an online grocery shopping platform in Georgia. The Group had previously held 34.37% shares in the company and accounted for the shareholding as an investment in associate. Following the above transaction the shareholding was increased to 80% resulting in the Group obtaining control over the entity. The company was acquired with the purposes of entering the quick-commerce market.

The Group has simultaneously formed an agreement with one of the non-controlling interests (NCI) whereby the parties agreed on the sale/purchase of the additional 15.58% shareholding held by the NCI. As a result, the Group has recognised respective liability for NCI forward at the date of business combination.

The Group has elected to measure the remaining non-controlling interests in the acquiree at proportionate share of the net assets acquired.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of JSC Delivery as at the date of acquisition were:

	Fair value recognised on acquisition
Assets	
Cash and cash equivalents	468
Inventories	302
Property and equipment	263
Intangible assets	182
Other assets	64
	1,279
Liabilities	
Trade payables	(353)
Other liabilities	(1)
	(354)
Total identifiable net assets at fair value	
	925
Non-controlling interest measured at proportionate share of net assets	(41)
Fair value of Investment in Associate derecognised	(2,309)
NCI Forward liability	(1,270)
Goodwill arising on acquisition	5,765
Purchase consideration	3,070

On 29 September 2023, the Group additionally acquired 80% of EI. Biletebi LLC, an e-tickets selling platform with the purpose to enter the e-tickets market. The Group has elected to measure the remaining non-controlling interests in the acquiree at proportionate share of the net assets acquired.

3. Summary of significant accounting policies continued

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of El. Biletebi LLC as at the date of acquisition were:

	Fair value recognised on acquisition
Assets	
Cash and cash equivalents	595
Property and equipment	19
Intangible assets	745
Other assets	582
	1,941
Liabilities	
Advances received	(706)
Trade payables	(31)
	(737)
Total identifiable net assets at fair value	1,204
Non-controlling interest measured at proportionate share of net assets	(241)
Goodwill arising on acquisition	2,137
Purchase consideration	3,100

4. Significant accounting judgements and estimates

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

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

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

The last valuation was performed in 2022. Results of this valuation are presented in Note 15, while valuation inputs and techniques are presented in Note 31. The Group's properties are spread across the different parts of the country. While the secondary market in Georgia provides adequate market information for fair value measurements for small and medium-sized properties; valuation of large properties involves application of various observable and unobservable inputs to determine adjustments to the available comparable sale prices. These estimates and assumptions are based on the best available information, however, actual results could be different.

Allowance for financial assets

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

Definition of default, credit-impaired and cure (Note 30)

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

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

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

For other credit-impaired financial instruments, the exit criteria is determined as repayment of the entire overdue amount other than through refinancing or foreclosure.

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

4. Significant accounting judgements and estimates continued

Significant increase in credit risk (SICR)

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

- A significant increase in credit risk, expressed in the relative and/or absolute increase in the risk of default since initial recognition. SICR is determined based on comparison between credit risk ratings (internal or external) as of the origination date and credit risk ratings as of the reporting date for each financial asset individually. Thresholds are determined separately for corporate, retail, SME and other financial instrument portfolios, depending on initial grade assigned at origination. The threshold applied depends on the original credit quality of the borrowers. Higher threshold is set for those instruments with a low PD at origination.

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

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

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

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

Measurement of ECLs

ECL reflects an unbiased, probability-weighted estimate based on a combination of the following principal factors: PD, loss given default (LGD), and exposure at default (EAD), which are further explained below:

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

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

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

4. Significant accounting judgements and estimates continued

Assets considered in the ECL calculations

IFRS 9 requires cash flows expected from collateral and other credit enhancements to be reflected in the ECL calculation. The treatment and reflection of collateral for IFRS 9 purposes is in line with general risk management principles, policies and processes of the Group. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. The fair value of collateral affects the calculation of ECLs. It is generally assessed at inception and reassessed on an annual basis for all material exposures.

Management Overlays and improvements to the ECL methodology

In prior periods the Group applied a number of management overlays to the existing ECL methodology due to the unprecedented nature of the COVID-19 pandemic and the uncertainties associated with it. Such overlays related to staging of COVID-19 restructured loans as well as cure and recovery rates. Given a reasonable time has passed for the statistics to properly reflect the effects of COVID-19, the Group decided to remove respective management overlays which positively affected overall ECL of the Group. In addition, management re-estimated collateral realisation period for LGD calculations resulting in an increase of ECL. This together with the removal of management overlays and other minor improvements to the methodology resulted in the decrease of ECL by GEL 21.4 million for the Group in 2022.

Forward-looking information

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

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

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

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

Forward-looking variable assumptions

The most significant period end assumptions used for ECL estimate as at 31 December 2023 per geographical segments are set out below. The scenarios 'base', 'upside' and 'downside' were used for all portfolios.

Georgia

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

4. Significant accounting judgements and estimates continued

Belarus

Key drivers	ECL scenario	Assigned weight	As at 31 December 2023		Assigned weight	As at 31 December 2022		Assigned weight	As at 31 December 2021	
			2024	2025		2023	2024		2022	2023
GDP growth in %										
	Upside	25%	3.77%	3.13%	10%	2.66%	4.26%	25%	2.92%	5.01%
	Base case	50%	1.95%	0.49%	50%	0.31%	0.50%	50%	0.56%	1.24%
	Downside	25%	0.14%	-2.15%	40%	-2.05%	-3.26%	25%	-1.80%	-2.52%
BYN/US\$ exchange rate %										
	Upside	25%	0.66%	0.62%	10%	0.71%	0.65%	25%	0.56%	0.52%
	Base case	50%	1.00%	1.23%	50%	2.53%	1.65%	50%	2.44%	1.37%
	Downside	25%	1.31%	1.77%	40%	4.09%	2.41%	25%	4.05%	1.98%
CPI inflation rate in %										
	Upside	25%	-0.09%	-0.52%	10%	0.38%	-0.58%	25%	-0.07%	-0.85%
	Base case	50%	1.94%	1.82%	50%	2.20%	1.66%	50%	1.83%	1.38%
	Downside	25%	3.86%	4.01%	40%	3.93%	3.76%	25%	3.63%	3.46%

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

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

Sensitivity of ECL to forward-looking assumptions:

Key drivers	As at 31 December 2023				
	Reported ECL	Reported ECL coverage	ECL coverage by scenarios		
			Upside	Base case	Downside
Commercial loans	100,378	1.43%	1.37%	1.40%	1.44%
Residential mortgage loans	22,750	0.50%	0.49%	0.50%	0.51%
Micro and SME loans	71,661	1.76%	1.74%	1.76%	1.78%
Consumer loans	131,633	2.80%	2.75%	2.79%	2.86%
Gold – pawn loans	1,390	0.93%	0.92%	0.92%	0.93%

Key drivers	As at 31 December 2022				
	Reported ECL	Reported ECL coverage	ECL coverage by scenarios		
			Upside	Base case	Downside
Commercial loans	91,557	1.72%	1.58%	1.70%	1.81%
Residential mortgage loans	30,055	0.72%	0.71%	0.71%	0.73%
Micro and SME loans	63,502	1.66%	1.61%	1.65%	1.70%
Consumer loans	135,450	3.76%	3.70%	3.74%	3.84%
Gold – pawn loans	5,441	3.31%	3.30%	3.30%	3.31%

Key drivers	As at 31 December 2021				
	Reported ECL	Reported ECL coverage	ECL coverage by scenarios		
			Upside	Base case	Downside
Commercial loans	159,215	2.87%	2.82%	2.84%	2.86%
Residential mortgage loans	33,038	0.82%	0.80%	0.81%	0.85%
Micro and SME loans	74,441	1.99%	1.93%	1.96%	2.13%
Consumer loans	136,035	4.56%	4.46%	4.54%	4.70%
Gold – pawn loans	2,075	1.25%	1.25%	1.25%	1.26%

Aggregation of financial instruments for collective assessment

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

4. Significant accounting judgements and estimates continued

Determination of expected life for revolving facilities

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

Write-offs

The Group writes off financial assets when there is no reasonable expectation of recovery. The need for write-off of corporate loans is assessed individually, for mortgages and other loans secured by real estate, the number of overdue days after which the balances are considered to be irrecoverable and are to be written off comprised 1,460 days, while other non-secured portfolio is written-off after 150 days overdue. If the amount to be written off is greater than the accumulated loan loss allowance, the difference is first treated as an ECL expense. Any subsequent recoveries are credited to ECL expense.

Backtesting of ECL calculation model

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

Impact of climate-related risks on accounting judgements and estimates

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

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

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

While some indicators that are more influenced by climate change (e.g. energy prices) are factored into the current PD models where they have demonstrated statistical relevance, the Group currently does not use a specific climate risk related scenario in addition to the existing economic scenarios applied to derive the weighted-average ECL. The reason for this is lack of sufficient historical data and limitations in the risk assessments. Where climate factors have impacted the economy in the recent past or present, these impacts are implicitly embedded in the Group's IFRS 9 ECL models through the projected macroeconomic indicators (e.g. inflation rates) and individual analysis of corporate loan related cash flows.

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

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

5. Segment information

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

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

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

5. Segment information continued

- CIB – Corporate Investment Banking – comprises Corporate Banking and Investment Management operations in Georgia. Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and handles saving and term deposits for corporate and institutional customers. The Investment Management business principally provides brokerage services through Galt & Taggart.
- BNB – Comprising JSC Belarusky Narodny Bank mainly, principally providing retail and corporate banking services in Belarus.

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

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

During the financial year, the Group's operations were primarily concentrated in Georgia, except for BNB, which operates in Belarus.

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

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

The following table presents the income statement and certain asset and liability information regarding the Group's operating segments as at and for the year ended 31 December 2023:

	Retail Banking	SME	Corporate Investment Banking	BNB	Eliminations	Group Total
Net interest income	790,630	256,013	520,237	48,486	80	1,615,446
Net fee and commission income	302,555	40,574	83,718	7,379	256	434,482
Net foreign currency gain	197,379	38,357	88,369	41,606	–	365,711
Net gains/(losses) on extinguishment of debt	184	52	107	221	–	564
Other income from settlement of legacy claim	–	–	22,585	–	–	22,585
Net other gains/(losses)	18,287	5,997	88,928	1,788	(829)	114,171
Operating income	1,309,035	340,993	803,944	99,480	(493)	2,552,959
Operating expenses	(469,855)	(99,780)	(119,397)	(65,514)	493	(754,053)
Profit from associates	1,391	65	–	–	–	1,456
Operating income before cost of risk	840,571	241,278	684,547	33,966	–	1,800,362
Cost of risk	(83,847)	(32,316)	(30,549)	2,648	–	(144,064)
Net operating income before non-recurring items	756,724	208,962	653,998	36,614	–	1,656,298
Net non-recurring items	–	–	–	–	–	–
Profit before income tax	756,724	208,962	653,998	36,614	–	1,656,298
Income tax expense	(121,126)	(34,094)	(95,274)	(8,477)	–	(258,971)
Profit for the year	635,598	174,868	558,724	28,137	–	1,397,327
Assets and liabilities						
Total assets	14,247,054	5,969,620	10,366,433	1,280,167	(105,716)	31,757,558
Total liabilities	12,479,270	5,137,430	8,095,296	1,131,442	(105,716)	26,737,722
Other segment information						
Property and equipment	81,636	8,403	2,823	5,273	–	98,135
Intangible assets	40,937	5,919	2,681	7,031	–	56,568
Capital expenditure	122,573	14,322	5,504	12,304	–	154,703
Depreciation, amortisation and impairment	(97,938)	(12,206)	(5,319)	(9,260)	–	(124,723)

5. Segment information continued

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

	Retail Banking	SME	Corporate Investment Banking	BNB	Eliminations	Group Total
Net interest income	565,175	202,793	376,771	37,511	85	1,182,335
Net fee and commission income	221,495	34,792	49,543	11,500	161	317,491
Net foreign currency gain	234,425	43,183	123,993	64,493	-	466,094
Net gains/(losses) on extinguishment of debt	(1,943)	(730)	(5,740)	(304)	-	(8,717)
Other income from settlement of legacy claim	-	-	391,100	-	-	391,100
Net other gains/(losses)	20,841	3,233	20,039	1,474	(778)	44,809
Operating income	1,039,993	283,271	955,706	114,674	(532)	2,393,112
Operating expenses	(387,147)	(93,507)	(105,632)	(55,432)	532	(641,186)
Profit from associates	700	54	-	-	-	754
Operating income before cost of risk	653,546	189,818	850,074	59,242	-	1,752,680
Cost of risk	(164,099)	(8,603)	79,461	(25,827)	-	(119,068)
Net operating income before non-recurring items	489,447	181,215	929,535	33,415	-	1,633,612
Net non-recurring items	1,241	-	-	(203)	-	1,038
Profit before income tax	490,688	181,215	929,535	33,212	-	1,634,650
Income tax expense	(76,489)	(28,785)	(77,693)	(7,684)	-	(190,651)
Profit for the year	414,199	152,430	851,842	25,528	-	1,443,999
Assets and liabilities						
Total assets	13,231,085	5,432,635	9,006,313	1,381,366	(149,499)	28,901,900
Total liabilities	11,662,975	4,682,905	7,226,769	1,229,928	(149,499)	24,653,078
Other segment information						
Property and equipment	67,285	6,167	2,304	2,241	-	77,997
Intangible assets	28,252	5,567	1,965	4,886	-	40,670
Capital expenditure						
Depreciation, amortisation and impairment	(86,546)	(13,193)	(5,292)	(6,058)	-	(111,089)

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

	Retail Banking	Corporate Investment Banking	BNB	Eliminations	Group Total
Net interest income	582,531	331,706	39,676	28	953,941
Net fee and commission income	178,928	47,869	5,476	158	232,431
Net foreign currency gain (loss)	58,139	37,619	13,341	-	109,099
Net gains/(losses) on extinguishment of debt	(456)	(1,333)	(1,103)	-	(2,892)
Net other gains/(losses)	26,325	45,312	2,345	(884)	73,098
Operating income	845,467	461,173	59,735	(698)	1,365,677
Operating expenses	(389,915)	(79,060)	(39,675)	698	(507,952)
Profit from associates	(3,781)	-	-	-	(3,781)
Operating income before cost of risk	451,771	382,113	20,060	-	853,944
Cost of risk	(72,351)	22,662	(1,723)	-	(51,412)
Net operating income before non-recurring items	379,420	404,775	18,337	-	802,532
Net non-recurring items	20	(78)	(532)	-	(590)
Profit before income tax	379,440	404,697	17,805	-	801,942
Income tax expense	(32,956)	(38,473)	(3,395)	-	(74,824)
Profit for the year	346,484	366,224	14,410	-	727,118
Assets and liabilities					
Total assets	14,865,640	7,683,923	980,920	(100,407)	23,430,076
Total liabilities	13,017,394	6,573,918	846,263	(100,407)	20,337,168
Other segment information					
Property and equipment	48,095	3,103	2,031	-	53,229
Intangible assets	37,144	2,921	4,992	-	45,057
Capital expenditure					
Depreciation, amortisation and impairment	(80,127)	(8,551)	(4,940)	-	(93,618)

Notes to Consolidated Financial Statements continued (Thousands of Georgian Lari)

6. Cash and cash equivalents

	2023	2022	2021
Cash on hand	1,024,048	1,052,055	751,063
Current accounts with central banks, excluding obligatory reserves	713,212	805,503	126,627
Current accounts with credit institutions	652,244	965,046	414,214
Time deposits with credit institutions with maturities of up to 90 days	712,786	762,590	228,683
Cash and cash equivalents, gross	3,102,290	3,585,194	1,520,587
Less – Allowance for expected credit loss	(466)	(351)	(25)
Cash and cash equivalents, net	3,101,824	3,584,843	1,520,562

As at 31 December 2023, GEL 975,099 (2022: GEL 1,453,844, 2021: GEL 419,324) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned between 0.00%-10.35% interest per annum on these deposits (2022: up to 11.10%, 2021: up to 0.07%). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

As at 31 December 2023, cash and cash equivalents held by BOGG of GEL 50,970 (2022: GEL 10,850, 2021: GEL 384) is represented by placements on current accounts with Georgian and OECD banks.

7. Amounts due from credit institutions

	2023	2022	2021
Obligatory reserves with central banks	1,746,288	2,354,470	1,898,052
Time deposits with maturities of more than 90 days	–	15,721	28,939
Restricted cash	7,263	68,155	4,730
Amounts due from credit institutions, gross	1,753,551	2,438,346	1,931,721
Less – Allowance for expected credit loss	(894)	(5,318)	(331)
Amounts due from credit institutions, net	1,752,657	2,433,028	1,931,390

Obligatory reserves with central banks represent amounts deposited with the NBG and the National Bank of the Republic of Belarus (the 'NBRB'). Credit institutions are required to maintain cash deposits (obligatory reserve) with the NBG and with the NBRB, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by regulation. The Group earned up to 0.00% interest on obligatory reserves with NBG and NBRB for the years ended 31 December 2023 (2022: 0.00%, 2021: 0.00%).

8. Investment securities

	2023	2022	2021
Investment securities measured at FVOCI – debt instruments	4,424,160	3,960,299	2,586,083
Investment securities designated as at FVOCI – equity investments	8,004	10,893	9,581
Investment securities measured at FVTPL – debt instruments	435	–	–
Investment securities measured at FVTPL – equity instruments	6,852	–	–
Investment securities measured at FV	4,439,451	3,971,192	2,595,664

	2023	2022	2021
Investment securities measured at amortised cost	691,119	381,735	–
Less – Allowance for expected credit loss	(813)	(3,198)	–
Investment securities measured at amortised cost, net	690,306	378,537	–

	2023	2022	2021
Ministry of Finance of Georgia treasury bonds	1,891,684	1,470,473	1,312,001
Ministry of Finance of Georgia treasury bills	155,955	176,483	82,196
Foreign treasury bills	1,645,286	1,062,095	–
Foreign treasury bonds	54,151	92,817	79,156
Certificates of deposit of central banks	10,855	17,675	39,410
Other debt instruments	666,229	1,140,756	1,073,320
Investment securities measured at FVOCI – debt instruments	4,424,160	3,960,299	2,586,083

8. Investment securities continued

	2023	2022	2021
Ministry of Finance of Georgia treasury bonds	77,367	119,918	–
Foreign treasury bonds	–	12,230	–
Other debt instruments	613,752	249,587	–
Investment securities measured at amortised cost – debt instruments, gross	691,119	381,735	–
Less – Allowance for expected credit loss	(813)	(3,198)	–
Investment securities measured at amortised cost – debt instruments, net	690,306	378,537	–

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

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

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

Other debt instruments measured at FVOCI – debt instruments as at 31 December 2023 mainly comprises bonds issued by the European Bank for Reconstruction and Development of GEL 326,916 (2022: GEL 531,351, 2021: GEL 521,394), GEL-denominated bonds issued by the International Finance Corporation of GEL 203,617 (2022: GEL 56,523, 2021: GEL 203,351), GEL-denominated bonds issued by the Netherlands Development Finance Company of GEL Nil (2022: GEL 131,126, 2021: GEL 163,593), GEL-denominated bonds issued by the Black Sea Trade and Development Bank of GEL Nil (2022: GEL 200,913, 2021: GEL 65,407), US\$-denominated bonds issued by the National Bank Of Uzbekistan of GEL Nil (2022: GEL 12,230, 2021: GEL Nil) and GEL-denominated bonds issued by the Asian Development Bank of GEL 30,594 (2022: GEL 107,835, 2021: GEL 61,609).

Foreign treasury bonds and bills measured at FVOCI – debt instruments comprise of US Treasury Notes in the amount of GEL 1,621,219 (2022: GEL 1,062,095, 2021: GEL Nil), Ministry of Finance of the Republic of Lithuania treasury bonds in the amount of GEL Nil (2022: GEL Nil, 2021: GEL 15,992), United Kingdom treasury bonds in the amount of GEL Nil (2022: GEL 32,516, 2021: GEL Nil), Ministry of Finance of the Republic of Belarus treasury bonds in the amount of GEL 54,151 (2022: GEL 60,301, 2021: GEL 63,164) and US treasury bills in the amount of GEL 24,068 (2022: GEL Nil, 2021: GEL Nil).

For the period ended 31 December 2023 net gains on derecognition of investment securities comprised GEL 12,520 (2022: GEL 7,921, 2022: GEL 30,044) which is included in net other income.

As at 31 December 2023, allowance for ECL on investment securities measured at FVOCI comprised GEL 7,684 (2022: GEL 7,086, 2021: GEL 3,145).

9. Loans to customers and finance lease receivables

	2023	2022	2021
Commercial loans	7,017,617	5,315,666	5,554,184
Consumer loans	4,699,969	3,602,054	2,981,305
Residential mortgage loans	4,557,525	4,193,204	4,022,058
Micro and SME loans	4,073,022	38,25,663	3,731,756
Gold – pawn loans	150,228	164,554	165,417
Loans to customers at amortised cost, gross	20,498,361	17,101,141	16,454,720
Less – Allowance for expected credit loss	(327,812)	(326,005)	(404,804)
Loans to customers at amortised cost, net	20,170,549	16,775,136	16,049,916
Finance lease receivables, gross	73,487	95,348	124,952
Less – Allowance for expected credit loss	(11,315)	(8,778)	(5,895)
Finance lease receivables, net	62,172	86,570	119,057
Total loans to customers and finance lease receivables	20,232,721	16,861,706	16,168,973

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables continued

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

Expected credit loss

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

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	4,511,821	611,307	176,588	15,950	5,315,666
New financial asset originated or purchased	6,382,411	62,180	8	15,820	6,460,419
Transfer to Stage 1	218,262	(218,262)	–	–	–
Transfer to Stage 2	(408,616)	413,869	(5,253)	–	–
Transfer to Stage 3	(9,314)	(35,720)	45,034	–	–
Assets derecognised due to pass-through arrangement	(165,947)	(418)	(164)	–	(166,529)
Assets repaid	(4,279,698)	(318,744)	(96,967)	(10,324)	(4,705,733)
Resegmentation	76,352	(56)	2,959	–	79,255
Impact of modifications	(755)	733	(143)	9	(156)
Foreign exchange movement	105,029	4,490	(375)	83	109,227
Net other changes	60,821	111	(10,563)	664	51,033
Write-offs	–	–	(11,502)	–	(11,502)
Recoveries of amounts previously written off	–	–	8,723	957	9,680
Unwind of discount	–	–	(2,224)	416	(1,808)
Currency translation differences	(113,478)	(3,701)	(4,756)	–	(121,935)
Balance at 31 December 2023	6,376,888	515,789	101,365	23,575	7,017,617
Individually assessed	–	–	92,801	21,497	114,298
Collectively assessed	6,376,888	515,789	8,564	2,078	6,903,319
Balance at 31 December 2023	6,376,888	515,789	101,365	23,575	7,017,617

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	19,215	23,530	44,247	4,565	91,557
New financial asset originated or purchased	31,952	697	1	–	32,650
Transfer to Stage 1	3,811	(3,811)	–	–	–
Transfer to Stage 2	(5,004)	6,393	(1,389)	–	–
Transfer to Stage 3	(994)	(1,406)	2,400	–	–
Impact on ECL of exposures transferred between stages during the year	(1,777)	4,522	17,549	–	20,294
Assets derecognised due to pass-through arrangement	(529)	(9)	–	–	(538)
Assets repaid	(13,364)	(12,030)	(29,709)	(1,325)	(56,428)
Resegmentation	1,102	(1,224)	870	–	748
Impact of modifications	(1)	17	(149)	3	(130)
Foreign exchange movement	(14)	103	(641)	127	(425)
Net other measurement of ECL	(20,005)	16,327	17,249	4,195	17,766
Income statement (releases)/charges	(4,823)	9,579	6,181	3,000	13,937
Write-offs	–	–	(11,502)	–	(11,502)
Recoveries of amounts previously written off	–	–	8,723	957	9,680
Unwind of discount	–	–	(2,224)	416	(1,808)
Currency translation differences	(272)	82	(1,296)	–	(1,486)
Balance at 31 December 2023	14,120	33,191	44,129	8,938	100,378
Individually assessed	–	–	39,561	8,936	48,497
Collectively assessed	14,120	33,191	4,568	2	51,881
Balance at 31 December 2023	14,120	33,191	44,129	8,938	100,378

9. Loans to customers and finance lease receivables continued

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

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	8,862	2,601	14,085	4,507	30,055
New financial asset originated or purchased	8,396	–	–	–	8,396
Transfer to Stage 1	4,415	(4,415)	–	–	–
Transfer to Stage 2	(2,766)	9,962	(7,196)	–	–
Transfer to Stage 3	(3,612)	(1,152)	4,764	–	–
Impact on ECL of exposures transferred between stages during the year	(1,133)	(5,845)	5,016	–	(1,962)
Assets repaid	(1,516)	(747)	(8,701)	(3,395)	(14,359)
Impact of modifications	19	5	1,049	43	1,116
Foreign exchange movement	(1)	(3)	(46)	28	(22)
Net other measurement of ECL	(8,690)	1,632	3,842	3,318	102
Income statement (releases)/charges	(4,888)	(563)	(1,272)	(6)	(6,729)
Write-offs	–	–	(2,534)	(263)	(2,797)
Recoveries of amounts previously written off	–	–	1,385	543	1,928
Unwind of discount	–	–	215	94	309
Currency translation differences	(2)	(2)	(12)	–	(16)
Balance at 31 December 2023	3,972	2,036	11,867	4,875	22,750
Individually assessed	–	–	50	271	321
Collectively assessed	3,972	2,036	11,817	4,604	22,429
Balance at 31 December 2023	3,972	2,036	11,867	4,875	22,750

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables continued

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

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

9. Loans to customers and finance lease receivables continued

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	3,243,191	213,875	121,992	22,996	3,602,054
New financial asset originated or purchased	4,547,920	5,818	833	17,964	4,572,535
Transfer to Stage 1	289,459	(289,423)	(36)	–	–
Transfer to Stage 2	(473,300)	524,075	(50,775)	–	–
Transfer to Stage 3	(72,199)	(110,688)	182,887	–	–
Assets repaid	(3,179,954)	(107,858)	(69,753)	(12,030)	(3,369,595)
Resegmentation	(494)	(32)	517	–	(9)
Impact of modifications	699	(11)	(12,180)	(600)	(12,092)
Foreign exchange movement	5,109	65	524	89	5,787
Net other changes	(508)	(1,333)	21,566	595	20,320
Write-offs	–	–	(113,820)	(2,408)	(116,228)
Recoveries of amounts previously written off	–	–	25,870	1,376	27,246
Unwind of discount	–	–	4,199	530	4,729
Currency translation differences	(34,164)	(259)	(355)	–	(34,778)
Balance at 31 December 2023	4,325,759	234,229	111,469	28,512	4,699,969
Individually assessed	(1)	–	2,464	–	2,463
Collectively assessed	4,325,760	234,229	109,005	28,512	4,697,506
Balance at 31 December 2023	4,325,759	234,229	111,469	28,512	4,699,969

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

Notes to Consolidated Financial Statements continued (Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables continued

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

Gold – pawn loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	70	32	5,339	–	5,441
Transfer to Stage 1	32	(32)	–	–	–
Transfer to Stage 2	(19)	184	(165)	–	–
Transfer to Stage 3	(2)	(8)	10	–	–
Impact on ECL of exposures transferred between stages during the year	–	(1)	–	–	(1)
Assets repaid	(24)	(8)	1,007	–	975
Net other measurement of ECL	(13)	(143)	33	–	(123)
Income statement (releases)/charges	(26)	(8)	885	–	851
Write-offs	–	–	(5,438)	–	(5,438)
Recoveries of amounts previously written off	–	–	(13)	–	(13)
Unwind of discount	–	–	549	–	549
Balance at 31 December 2023	44	24	1,322	–	1,390
Collectively assessed	44	24	1,322	–	1,390
Balance at 31 December 2023	44	24	1,322	–	1,390

9. Loans to customers and finance lease receivables continued

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	4,934,312	374,933	226,925	18,014	5,554,184
New financial asset originated or purchased	4,574,787	34,779	693	6,969	4,617,228
Transfer to Stage 1	202,422	(202,422)	–	–	–
Transfer to Stage 2	(773,437)	803,734	(30,297)	–	–
Transfer to Stage 3	(5,553)	(98,586)	104,139	–	–
Assets derecognised due to pass-through arrangement	(23,721)	(20)	(83)	–	(23,824)
Assets repaid	(4,092,938)	(217,064)	(83,154)	(9,763)	(4,402,919)
Resegmentation	194,578	2,622	(6,567)	–	190,633
Impact of modifications	1,330	1,983	184	2	3,499
Foreign exchange movement	(512,131)	(89,055)	(24,259)	(1,843)	(627,288)
Net other changes	45,923	1,454	6,277	(653)	53,001
Write-offs	–	–	(55,962)	–	(55,962)
Recoveries of amounts previously written off	–	–	42,501	2,865	45,366
Unwind of discount	–	–	(1,921)	359	(1,562)
Currency translation differences	(33,751)	(1,051)	(1,888)	–	(36,690)
Balance at 31 December 2022	4,511,821	611,307	176,588	15,950	5,315,666
Individually assessed	–	–	159,486	13,603	173,089
Collectively assessed	4,511,821	611,307	17,102	2,347	5,142,577
Balance at 31 December 2022	4,511,821	611,307	176,588	15,950	5,315,666

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	14,338	6,893	135,061	2,923	159,215
New financial asset originated or purchased	23,237	166	230	2,997	26,630
Transfer to Stage 1	4,323	(4,323)	–	–	–
Transfer to Stage 2	(6,172)	12,308	(6,136)	–	–
Transfer to Stage 3	(485)	(1,503)	1,988	–	–
Impact on ECL of exposures transferred between stages during the year	(2,382)	(3,448)	28,233	–	22,403
Assets derecognised due to pass-through arrangement	(62)	–	(34)	–	(96)
Assets repaid	(10,492)	(4,325)	(59,872)	(3,151)	(77,840)
Resegmentation	5,404	(27)	(997)	–	4,380
Impact of modifications	30	104	1	2	137
Foreign exchange movement	(921)	(1,696)	(10,613)	(883)	(14,113)
Net other measurement of ECL	(6,810)	20,460	(25,291)	(547)	(12,188)
Income statement (releases)/charges	5,670	17,716	(72,491)	(1,582)	(50,687)
Write-offs	–	–	(55,962)	–	(55,962)
Recoveries of amounts previously written off	–	–	42,501	2,865	45,366
Unwind of discount	–	–	(1,921)	359	(1,562)
Currency translation differences	(793)	(1,079)	(2,941)	–	(4,813)
Balance at 31 December 2022	19,215	23,530	44,247	4,565	91,557
Individually assessed	–	–	37,492	4,493	41,985
Collectively assessed	19,215	23,530	6,755	72	49,572
Balance at 31 December 2022	19,215	23,530	44,247	4,565	91,557

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables continued

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

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	9,703	3,803	17,039	2,493	33,038
New financial asset originated or purchased	14,452	–	–	2,403	16,855
Transfer to Stage 1	5,673	(5,608)	(65)	–	–
Transfer to Stage 2	(3,236)	15,977	(12,741)	–	–
Transfer to Stage 3	(7,463)	(1,484)	8,947	–	–
Impact on ECL of exposures transferred between stages during the year	(1,807)	(10,903)	6,767	–	(5,943)
Assets repaid	(1,731)	(961)	(11,220)	(2,103)	(16,015)
Impact of modifications	4	1	937	64	1,006
Foreign exchange movement	(244)	(122)	(1,652)	(498)	(2,516)
Net other measurement of ECL	(6,487)	1,898	6,399	2,412	4,222
Income statement (releases)/charges	(839)	(1,202)	(2,628)	2,278	(2,391)
Write-offs	–	–	(4,445)	(730)	(5,175)
Recoveries of amounts previously written off	–	–	3,937	357	4,294
Unwind of discount	–	–	182	109	291
Currency translation differences	(2)	–	–	–	(2)
Balance at 31 December 2022	8,862	2,601	14,085	4,507	30,055
Individually assessed	–	–	576	–	576
Collectively assessed	8,862	2,601	13,509	4,507	29,479
Balance at 31 December 2022	8,862	2,601	14,085	4,507	30,055

9. Loans to customers and finance lease receivables continued

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

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	28,177	6,556	39,584	124	74,441
New financial asset originated or purchased	38,841	81	97	281	39,300
Transfer to Stage 1	7,921	(7,921)	-	-	-
Transfer to Stage 2	(8,873)	20,802	(11,929)	-	-
Transfer to Stage 3	(8,295)	(7,503)	15,798	-	-
Impact on ECL of exposures transferred between stages during the year	(962)	(9,903)	29,077	-	18,212
Assets repaid	(13,663)	(3,065)	(24,514)	(496)	(41,738)
Resegmentation	(5,935)	(129)	541	-	(5,523)
Impact of modifications	10	(24)	(1,147)	16	(1,145)
Foreign exchange movement	(1,071)	(114)	(3,448)	(67)	(4,700)
Net other measurement of ECL	(15,929)	6,764	18,514	762	10,111
Income statement (releases)/charges	(7,956)	(1,012)	22,989	496	14,517
Write-offs	-	-	(37,629)	(98)	(37,727)
Recoveries of amounts previously written off	-	-	11,875	79	11,954
Unwind of discount	-	-	1,262	58	1,320
Currency translation differences	(143)	(96)	(764)	-	(1,003)
Balance at 31 December 2022	20,078	5,448	37,317	659	63,502
Individually assessed	-	-	10,552	-	10,552
Collectively assessed	20,078	5,448	26,765	659	52,950
Balance at 31 December 2022	20,078	5,448	37,317	659	63,502

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables continued

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	2,635,438	215,026	107,642	23,199	2,981,305
New financial asset originated or purchased	3,313,393	7,566	969	15,493	3,337,421
Transfer to Stage 1	344,640	(344,445)	(195)	–	–
Transfer to Stage 2	(534,425)	608,146	(73,721)	–	–
Transfer to Stage 3	(121,557)	(167,897)	289,454	–	–
Assets repaid	(2,357,992)	(102,236)	(64,593)	(12,241)	(2,537,062)
Resegmentation	30,506	2,058	1,578	–	34,142
Impact of modifications	1,152	(84)	(24,515)	(1,236)	(24,683)
Foreign exchange movement	(86,830)	(4,100)	(1,319)	(610)	(92,859)
Net other changes	33,406	(79)	31,671	1,021	66,019
Write-offs	–	–	(171,142)	(4,431)	(175,573)
Recoveries of amounts previously written off	–	–	22,074	879	22,953
Unwind of discount	–	–	4,252	922	5,174
Currency translation differences	(14,540)	(80)	(163)	–	(14,783)
Balance at 31 December 2022	3,243,191	213,875	121,992	22,996	3,602,054
Individually assessed	–	–	2,650	–	2,650
Collectively assessed	3,243,191	213,875	119,342	22,996	3,599,404
Balance at 31 December 2022	3,243,191	213,875	121,992	22,996	3,602,054

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	57,083	19,410	58,731	811	136,035
New financial asset originated or purchased	131,916	1,199	478	4,325	137,918
Transfer to Stage 1	26,886	(26,872)	(14)	–	–
Transfer to Stage 2	(36,429)	72,075	(35,646)	–	–
Transfer to Stage 3	(61,445)	(37,845)	99,290	–	–
Impact on ECL of exposures transferred between stages during the year	(3,821)	(29,191)	48,501	–	15,489
Assets repaid	(41,829)	(8,884)	(38,047)	(3,763)	(92,523)
Resegmentation	531	156	456	–	1,143
Impact of modifications	121	(12)	(10,792)	122	(10,561)
Foreign exchange movement	(191)	(60)	(763)	(63)	(1,077)
Net other measurement of ECL	(32,188)	29,344	90,779	8,785	96,720
Income statement (releases)/charges	(16,449)	(90)	154,242	9,406	147,109
Write-offs	–	–	(171,142)	(4,431)	(175,573)
Recoveries of amounts previously written off	–	–	22,074	879	22,953
Unwind of discount	–	–	4,252	922	5,174
Currency translation differences	(36)	(11)	(201)	–	(248)
Balance at 31 December 2022	40,598	19,309	67,956	7,587	135,450
Individually assessed	–	–	1,054	–	1,054
Collectively assessed	40,598	19,309	66,902	7,587	134,396
Balance at 31 December 2022	40,598	19,309	67,956	7,587	135,450

9. Loans to customers and finance lease receivables continued

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

Gold – pawn loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	1,823	11	241	–	2,075
Transfer to Stage 1	27	(27)	–	–	–
Transfer to Stage 2	(16)	149	(133)	–	–
Transfer to Stage 3	(2,502)	(6)	2,508	–	–
Assets repaid	(18)	(6)	(30)	–	(54)
Net other measurement of ECL	756	(89)	3,412	–	4,079
Income statement (releases)/charges	(1,753)	21	5,757	–	4,025
Write-offs	–	–	(635)	–	(635)
Recoveries of amounts previously written off	–	–	(25)	–	(25)
Unwind of discount	–	–	1	–	1
Balance at 31 December 2022	70	32	5,339	–	5,441
Individually assessed	–	–	4,337	–	4,337
Collectively assessed	70	32	1,002	–	1,104
Balance at 31 December 2022	70	32	5,339	–	5,441

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables continued

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	4,491,078	382,118	241,821	8,376	5,123,393
New financial asset originated or purchased	4,357,093	34,815	3,202	10,032	4,405,142
Transfer to Stage 1	231,287	(229,399)	(1,888)	–	–
Transfer to Stage 2	(373,532)	394,553	(21,021)	–	–
Transfer to Stage 3	(13,813)	(52,529)	66,342	–	–
Assets derecognised due to pass-through arrangement	(28,338)	(2,048)	(124)	–	(30,510)
Assets repaid	(3,479,338)	(159,200)	(102,689)	(144)	(3,741,371)
Resegmentation	109,367	35,325	2,164	–	146,856
Impact of modifications	686	258	152	(22)	1,074
Foreign exchange movement	(361,065)	(27,796)	(9,555)	(380)	(398,796)
Net other changes	13,629	(806)	3,810	79	16,712
Write-offs	–	–	(4,574)	–	(4,574)
Recoveries of amounts previously written off	–	–	47,192	69	47,261
Unwind of discount	–	–	2,959	4	2,963
Currency translation differences	(12,742)	(358)	(866)	–	(13,966)
Balance at 31 December 2021	4,934,312	374,933	226,925	18,014	5,554,184
Individually assessed	–	–	203,431	9,566	212,997
Collectively assessed	4,934,312	374,933	23,494	8,448	5,341,187
Balance at 31 December 2021	4,934,312	374,933	226,925	18,014	5,554,184

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	33,823	8,157	136,572	4	178,556
New financial asset originated or purchased	20,591	1,973	312	3,481	26,357
Transfer to Stage 1	2,934	(2,932)	(2)	–	–
Transfer to Stage 2	(2,904)	11,116	(8,212)	–	–
Transfer to Stage 3	(1,769)	(374)	2,143	–	–
Impact on ECL of exposures transferred between stages during the year	(1,373)	(6,710)	10,153	–	2,070
Assets derecognised due to pass-through arrangement	(138)	(74)	(70)	–	(282)
Assets repaid	(9,412)	(3,694)	(67,366)	(80)	(80,552)
Resegmentation	192	298	–	–	490
Impact of modifications	11	(2)	12	(14)	7
Foreign exchange movement	(942)	(141)	(5,254)	10	(6,327)
Net other measurement of ECL	(26,543)	(648)	21,578	(551)	(6,164)
Income statement (releases)/charges	(19,353)	(1,188)	(46,706)	2,846	(64,401)
Write-offs	–	–	(4,574)	–	(4,574)
Recoveries of amounts previously written off	–	–	47,192	69	47,261
Unwind of discount	–	–	2,959	4	2,963
Currency translation differences	(132)	(76)	(382)	–	(590)
Balance at 31 December 2021	14,338	6,893	135,061	2,923	159,215
Individually assessed	–	–	126,724	2,837	129,561
Collectively assessed	14,338	6,893	8,337	86	29,654
Balance at 31 December 2021	14,338	6,893	135,061	2,923	159,215

9. Loans to customers and finance lease receivables continued

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

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	8,652	11,410	25,236	3,311	48,609
New financial asset originated or purchased	29,065	3	4	887	29,959
Transfer to Stage 1	15,750	(12,962)	(2,788)	–	–
Transfer to Stage 2	(5,679)	46,641	(40,962)	–	–
Transfer to Stage 3	(18,908)	(5,725)	24,633	–	–
Impact on ECL of exposures transferred between stages during the year	(5,562)	(37,935)	22,414	–	(21,083)
Assets repaid	(2,621)	(2,674)	(12,902)	(1,763)	(19,960)
Resegmentation	21	1	–	–	22
Impact of modifications	–	–	438	(198)	240
Foreign exchange movement	(470)	101	(1,732)	(409)	(2,510)
Net other measurement of ECL	(10,545)	4,943	7,211	1,004	2,613
Income statement (releases)/charges	1,051	(7,607)	(3,684)	(479)	(10,719)
Write-offs	–	–	(5,750)	(561)	(6,311)
Recoveries of amounts previously written off	–	–	993	205	1,198
Unwind of discount	–	–	244	17	261
Balance at 31 December 2021	9,703	3,803	17,039	2,493	33,038
Individually assessed	–	–	7	–	7
Collectively assessed	9,703	3,803	17,032	2,493	33,031
Balance at 31 December 2021	9,703	3,803	17,039	2,493	33,038

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables continued

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

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	26,157	20,571	55,560	64	102,352
New financial asset originated or purchased	58,476	804	92	81	59,453
Transfer to Stage 1	20,352	(18,841)	(1,511)	-	-
Transfer to Stage 2	(14,284)	35,909	(21,625)	-	-
Transfer to Stage 3	(13,914)	(7,459)	21,373	-	-
Impact on ECL of exposures transferred between stages during the year	(4,218)	(18,652)	27,259	-	4,389
Assets repaid	(16,879)	(7,632)	(26,573)	(968)	(52,052)
Resegmentation	(1,280)	(476)	(182)	-	(1,938)
Impact of modifications	2	(7)	(2,180)	1	(2,184)
Foreign exchange movement	(1,020)	(184)	(2,826)	(79)	(4,109)
Net other measurement of ECL	(25,153)	2,557	17,767	530	(4,299)
Income statement (releases)/charges	2,082	(13,981)	11,594	(435)	(740)
Write-offs	-	-	(40,195)	(214)	(40,409)
Recoveries of amounts previously written off	-	-	12,628	686	13,314
Unwind of discount	-	-	265	23	288
Currency translation differences	(62)	(34)	(268)	-	(364)
Balance at 31 December 2021	28,177	6,556	39,584	124	74,441
Individually assessed	-	-	10,613	-	10,613
Collectively assessed	28,177	6,556	28,971	124	63,828
Balance at 31 December 2021	28,177	6,556	39,584	124	74,441

9. Loans to customers and finance lease receivables continued

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

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	40,597	25,533	46,641	1,030	113,801
New financial asset originated or purchased	153,477	1,570	546	251	155,844
Transfer to Stage 1	33,951	(26,256)	(7,695)	–	–
Transfer to Stage 2	(26,684)	75,148	(48,464)	–	–
Transfer to Stage 3	(57,627)	(20,176)	77,803	–	–
Impact on ECL of exposures transferred between stages during the year	(12,239)	(40,279)	53,664	–	1,146
Assets repaid	(47,437)	(11,239)	(36,001)	(1,449)	(96,126)
Resegmentation	548	83	182	–	813
Impact of modifications	(2)	(1)	(5,036)	5	(5,034)
Foreign exchange movement	(153)	(37)	(643)	(29)	(862)
Net other measurement of ECL	(27,338)	15,067	30,779	925	19,433
Income statement (releases)/charges	16,496	(6,120)	65,135	(297)	75,214
Write-offs	–	–	(72,832)	(415)	(73,247)
Recoveries of amounts previously written off	–	–	19,405	148	19,553
Unwind of discount	–	–	397	345	742
Currency translation differences	(10)	(3)	(15)	–	(28)
Balance at 31 December 2021	57,083	19,410	58,731	811	136,035
Individually assessed	–	–	585	–	585
Collectively assessed	57,083	19,410	58,146	811	135,450
Balance at 31 December 2021	57,083	19,410	58,731	811	136,035

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables continued

Gold – pawn loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	97,775	3,879	1,730	–	103,384
New financial asset originated or purchased	170,198	1,117	219	–	171,534
Transfer to Stage 1	10,556	(10,148)	(408)	–	–
Transfer to Stage 2	(21,129)	23,266	(2,137)	–	–
Transfer to Stage 3	(3,856)	(2,531)	6,387	–	–
Assets repaid	(123,964)	(6,222)	(3,071)	–	(133,257)
Resegmentation	22,581	710	(80)	–	23,211
Foreign exchange movement	(18)	(6)	(3)	–	(27)
Net other changes	644	51	128	–	823
Write-offs	–	–	(253)	–	(253)
Recoveries of amounts previously written off	–	–	3	–	3
Unwind of discount	–	–	(1)	–	(1)
Balance at 31 December 2021	152,787	10,116	2,514	–	165,417
Collectively assessed	152,787	10,116	2,514	–	165,417
Balance at 31 December 2021	152,787	10,116	2,514	–	165,417

Gold – pawn loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	40	16	172	–	228
New financial asset originated or purchased	497	138	–	–	635
Transfer to Stage 1	34	(10)	(24)	–	–
Transfer to Stage 2	–	85	(85)	–	–
Transfer to Stage 3	(2)	(4)	6	–	–
Impact on ECL of exposures transferred between stages during the year	(24)	–	–	–	(24)
Assets repaid	(177)	(27)	(24)	–	(228)
Resegmentation	519	94	–	–	613
Net other measurement of ECL	936	(281)	447	–	1,102
Income statement (releases)/charges	1,783	(5)	320	–	2,098
Write-offs	–	–	(253)	–	(253)
Recoveries of amounts previously written off	–	–	3	–	3
Unwind of discount	–	–	(1)	–	(1)
Balance at 31 December 2021	1,823	11	241	–	2,075
Collectively assessed	1,823	11	241	–	2,075
Balance at 31 December 2021	1,823	11	241	–	2,075

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

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

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

9. Loans to customers and finance lease receivables continued

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

	ECL for credit-impaired loans	ECL without taking into account the discounted value of collateral
2023		
Commercial loans	53,067	118,367
Residential mortgage loans	16,742	56,851
Micro and SME loans	55,119	152,430
Consumer loans	71,642	105,437
Gold – pawn loans	1,322	3,290
Total	197,892	436,375
2022		
Commercial loans	48,812	187,653
Residential mortgage loans	18,592	67,534
Micro and SME loans	37,976	131,404
Consumer loans	75,543	103,597
Gold – pawn loans	5,339	6,947
Total	186,262	497,135
2021		
Commercial loans	137,984	231,968
Residential mortgage loans	19,532	93,804
Micro and SME loans	39,708	140,929
Consumer loans	59,542	87,891
Gold – pawn loans	241	1,802
Total	257,007	556,394

Concentration of loans to customers

As at 31 December 2023, the concentration of loans granted by the Group to the ten largest third-party borrowers comprised GEL 1,507,812 accounting for 7% of the gross loan portfolio of the Group (2022: GEL 1,017,629 and 6% respectively, 2021: GEL 1,375,536 and 8% respectively). An allowance of expected credit loss of GEL 13,524 (2022: GEL 8,209, 2021: GEL 2,770) was established against these loans.

As at 31 December 2023, the concentration of loans granted by the Group to the ten largest third-party group of borrowers (borrower and its related parties) comprised GEL 2,414,054 accounting for 12% of the gross loan portfolio of the Group (2022: GEL 1,736,614 and 10% respectively, 2021: GEL 2,136,228 and 13% respectively). An allowance of expected credit loss of GEL 3,599 (2022: GEL 17,392, 2021: GEL 7,386) was established against these loans.

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables continued

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

	2023	2022	2021
Individuals	11,445,733	10,011,378	9,184,255
Real estate	1,608,487	1,024,364	1,025,298
Manufacturing	1,477,204	1,065,693	1,377,023
Trade	1,476,325	1,135,693	1,189,036
Hospitality	975,621	828,577	946,224
Electricity, gas and water supply	665,454	458,415	384,554
Financial intermediation	401,116	291,778	244,215
Construction	377,857	512,345	379,813
Service	306,465	302,442	307,602
Transport and communication	273,071	190,175	234,512
Mining and quarrying	160,261	148,489	183,270
Other	1,330,767	1,131,792	998,918
Loans to customers, gross	20,498,361	17,101,141	16,454,720
Less – Allowance for expected credit loss	(327,812)	(326,005)	(404,804)
Loans to customers, net	20,170,549	16,775,136	16,049,916

Loans have been extended to the following types of customers:

	2023	2022	2021
Individuals	11,445,733	10,011,378	9,184,255
Private companies	9,050,061	7,086,069	7,257,993
State-owned entities	2,567	3,694	12,472
Loans to customers, gross	20,498,361	17,101,141	16,454,720
Less – Allowance for expected credit loss	(327,812)	(326,005)	(404,804)
Loans to customers, net	20,170,549	16,775,136	16,049,916

Finance lease receivables

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

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

As at 31 December 2023, finance lease receivables carried at GEL 0 were pledged for inter-bank loans received from several credit institutions (2022: GEL 16,965, 2021: 67,556).

As at 31 December 2023, the concentration of investment in the five largest lease receivables comprised GEL 18,436 or 25% of total finance lease receivables (2022: GEL 20,515 or 22%, 2021: GEL 22,417 or 18%). An allowance of GEL 474 (2022: GEL 973, 2021: GEL 956) was established against these lease receivables.

9. Loans to customers and finance lease receivables continued

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

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

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

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	59,531	6,451	14,155	15,211	95,348
New financial asset originated or purchased	28,851	–	–	10,525	39,376
Transfer to Stage 1	9,296	(8,702)	(594)	–	–
Transfer to Stage 2	(17,459)	21,451	(3,992)	–	–
Transfer to Stage 3	(1,597)	(10,139)	11,736	–	–
Assets repaid	(37,236)	(3,603)	(5,285)	(6,389)	(52,513)
Impact of modifications	(221)	–	138	–	(83)
Foreign exchange movement	2,285	198	117	(804)	1,796
Net other changes	987	(2)	(148)	(59)	778
Write-offs	–	–	(3,429)	313	(3,116)
Recoveries of amounts previously written off	–	–	66	–	66
Unwind of discount	–	–	23	284	307
Currency translation differences	(7,420)	(426)	(626)	–	(8,472)
Balance at 31 December 2023	37,017	5,228	12,161	19,081	73,487
Individually assessed	–	–	384	–	384
Collectively assessed	37,017	5,228	11,777	19,081	73,103
Balance at 31 December 2023	37,017	5,228	12,161	19,081	73,487

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	852	258	3,588	4,080	8,778
New financial asset originated or purchased	1,375	–	–	–	1,375
Transfer to Stage 1	275	(262)	(13)	–	–
Transfer to Stage 2	(663)	782	(119)	–	–
Transfer to Stage 3	(542)	(434)	976	–	–
Impact on ECL of exposures transferred between stages during the year	(142)	238	291	–	387
Assets repaid	(558)	(184)	(3,122)	(2,394)	(6,258)
Impact of modifications	(2)	–	–	–	(2)
Foreign exchange movement	50	37	4	–	91
Net other measurement of ECL	353	(56)	5,307	1,565	7,169
Income statement (releases)/charges	146	121	3,324	(829)	2,762
Write-offs	–	–	(316)	313	(3)
Recoveries of amounts previously written off	–	–	66	–	66
Unwind of discount	–	–	23	284	307
Currency translation differences	179	106	(880)	–	(595)
Balance at 31 December 2023	1,177	485	5,805	3,848	11,315
Individually assessed	–	–	158	–	158
Collectively assessed	1,177	485	5,647	3,848	11,157
Balance at 31 December 2023	1,177	485	5,805	3,848	11,315

Notes to Consolidated Financial Statements continued (Thousands of Georgian Lari)

9. Loans to customers and finance lease receivables continued

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	81,174	17,584	16,612	9,582	124,952
New financial asset originated or purchased	47,812	–	–	12,081	59,893
Transfer to Stage 1	25,182	(19,801)	(5,381)	–	–
Transfer to Stage 2	(26,267)	33,605	(7,338)	–	–
Transfer to Stage 3	(3,139)	(15,782)	18,921	–	–
Assets repaid	(60,440)	(8,077)	(5,299)	(6,537)	(80,353)
Impact of modifications	278	–	–	–	278
Foreign exchange movement	865	(66)	86	–	885
Net other changes	339	10	213	85	647
Write-offs	–	–	(2,724)	–	(2,724)
Unwind of discount	–	–	105	–	105
Currency translation differences	(6,273)	(1,022)	(1,040)	–	(8,335)
Balance at 31 December 2022	59,531	6,451	14,155	15,211	95,348
Individually assessed	–	–	1,245	–	1,245
Collectively assessed	59,531	6,451	12,910	15,211	94,103
Balance at 31 December 2022	59,531	6,451	14,155	15,211	95,348

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	1,126	763	2,810	1,196	5,895
New financial asset originated or purchased	1,537	–	–	–	1,537
Transfer to Stage 1	1,686	(1,044)	(642)	–	–
Transfer to Stage 2	(1,241)	2,013	(772)	–	–
Transfer to Stage 3	(188)	(1,253)	1,441	–	–
Impact on ECL of exposures transferred between stages during the year	(1,513)	586	2,104	–	1,177
Assets repaid	(664)	(299)	(1,645)	(1,856)	(4,464)
Foreign exchange movement	64	(3)	5	–	66
Net other measurement of ECL	27	(487)	611	4,741	4,892
Income statement (releases)/charges	(292)	(487)	1,102	2,885	3,208
Write-offs	–	–	(480)	–	(480)
Unwind of discount	–	–	105	–	105
Currency translation differences	18	(18)	51	(1)	50
Balance at 31 December 2022	852	258	3,588	4,080	8,778
Individually assessed	–	–	352	–	352
Collectively assessed	852	258	3,236	4,080	8,426
Balance at 31 December 2022	852	258	3,588	4,080	8,778

9. Loans to customers and finance lease receivables continued

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

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	649	1,109	2,618	–	4,376
New financial asset originated or purchased	1,570	–	256	–	1,826
Transfer to Stage 1	684	(683)	(1)	–	–
Transfer to Stage 2	(976)	2,371	(1,395)	–	–
Transfer to Stage 3	(85)	(1,975)	2,060	–	–
Impact on ECL of exposures transferred between stages during the year	(12)	1,036	2,151	–	3,175
Assets repaid	(461)	(467)	(361)	–	(1,289)
Net other measurement of ECL	(207)	(78)	328	1,195	1,238
Income statement (releases)/charges	513	204	3,038	1,195	4,950
Write-offs	–	–	(2,704)	–	(2,704)
Unwind of discount	–	–	10	13	23
Currency translation differences	(36)	(550)	(152)	(12)	(750)
Balance at 31 December 2021	1,126	763	2,810	1,196	5,895
Individually assessed	–	–	1,236	–	1,236
Collectively assessed	1,126	763	1,574	1,196	4,659
Balance at 31 December 2021	1,126	763	2,810	1,196	5,895

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

10. Accounts receivable and other loans

In 2016 the Group disbursed a loan to a client with the purpose to finance the purchase of an industrial asset from one of the Bank's defaulted borrowers. As part of the overall financing package, the Group entered into the dual option agreement with the shareholders of the new borrower over the shares in the new borrower. A dispute arose over the terms of the concluded option agreement. The outstanding legacy claim was settled at the end of 2022 and the Group recognised GEL 391,100 one-off income with the respective receivable estimated at fair value in its consolidated financial statements. On 9 January 2023 the Group received part of the settlement in the amount of GEL 371,922. As for the outstanding receivable, it has been remeasured at fair value (since the final amount to be received is based in part on profitability of the industrial asset) and the Group recognised additional GEL 22,585 one-off income in its consolidated financial statements in 2023. The receivable was fully settled on 31 January 2024. The Group does not expect any material tax consequences from this settlement in the foreseeable future.

11. Right-of-use assets and lease liabilities

	2023	2022	2021
Right-of-use assets	138,695	117,387	80,186
Lease liability	141,934	114,470	87,662

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

	2023	2022	2021
Short-term leases	(4,872)	(4,672)	(3,982)
Leases of low-value assets	(2,264)	(1,585)	(1,908)
	(7,136)	(6,257)	(5,890)

Movement in liabilities arising from financing activities

	Movement in liabilities arising from financing activities
Carrying amount at 1 January 2021	95,635
Cash payments for the principal portion of the lease liability	(29,518)
Change in accrued interest	342
Additions	42,242
Other movements*	(21,039)
Carrying amount at 31 December 2021	87,662
Cash payments for the principal portion of the lease liability	(25,980)
Change in accrued interest	1,151
Additions	70,553
Other movements*	(18,916)
Carrying amount at 31 December 2022	114,470
Cash payments for the principal portion of the lease liability	(32,151)
Change in accrued interest	(665)
Additions	64,120
Other movements*	(3,840)
Carrying amount at 31 December 2023	141,934

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

11. Right-of-use assets and lease liabilities continued

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

	Office buildings and service centres	Computers and equipment	Total
Cost			
31 December 2022	181,227	2,333	183,560
Additions	64,385	–	64,385
Disposals	(16,785)	–	(16,785)
Currency translation differences	(5,284)	(559)	(5,843)
31 December 2023	223,543	1,774	225,317
Accumulated depreciation			
31 December 2022	65,073	1,100	66,173
Depreciation charge	32,601	315	32,916
Disposals	(11,100)	–	(11,100)
Currency translation differences	(1,051)	(316)	(1,367)
31 December 2023	85,523	1,099	86,622
Net book value			
31 December 2022	116,154	1,233	117,387
31 December 2023	138,020	675	138,695

	Office buildings and service centres	Computers and equipment	Total
Cost			
31 December 2021	127,080	2,631	129,711
Additions	74,231	–	74,231
Disposals	(19,135)	–	(19,135)
Currency translation differences	(949)	(298)	(1,247)
31 December 2022	181,227	2,333	183,560
Accumulated depreciation			
31 December 2021	48,661	864	49,525
Depreciation charge	25,406	345	25,751
Disposals	(8,838)	–	(8,838)
Currency translation differences	(156)	(109)	(265)
31 December 2022	65,073	1,100	66,173
Net book value			
31 December 2021	78,419	1,767	80,186
31 December 2022	116,154	1,233	117,387

	Office buildings and service centres	Computers and equipment	Total
Cost			
31 December 2020	115,970	2,749	118,719
Additions	42,728	–	42,728
Disposals	(31,478)	–	(31,478)
Currency translation differences	(140)	(118)	(258)
31 December 2021	127,080	2,631	129,711
Accumulated depreciation			
31 December 2020	34,995	516	35,511
Depreciation charge	21,628	388	22,016
Disposals	(7,906)	–	(7,906)
Currency translation differences	(56)	(40)	(96)
31 December 2021	48,661	864	49,525
Net book value			
31 December 2020	80,975	2,233	83,208
31 December 2021	78,419	1,767	80,186

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

12. Foreclosed Assets

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

13. Property and equipment

The movements in property and equipment were as follows:

	Office buildings and service centres	Furniture and fixtures	Computers and equipment	Motor vehicles	Leasehold improvements	Assets under construction	Total
Cost							
31 December 2022	235,249	193,103	279,259	8,729	29,084	4,755	750,179
Additions	20,485	25,363	28,301	4,573	1,644	17,769	98,135
Transfers	2,557	-	2,059	-	8,507	(13,123)	-
Transfers to investment properties	(641)	-	-	-	-	-	(641)
Transfers to assets held for sale	(1,363)	-	-	-	-	-	(1,363)
Transfers from foreclosed assets	3,516	-	-	-	-	-	3,516
Transfers (to) from other assets	934	(1,421)	(7,714)	(207)	(29)	(243)	(8,680)
Disposals	(26)	(273)	(3,070)	(660)	(222)	-	(4,251)
Write-offs	-	(208)	(73)	(284)	(2,979)	(1,088)	(4,632)
Business combination	-	62	171	66	51	-	350
Currency translation differences	(2,661)	(452)	(2,128)	(141)	(402)	(34)	(5,818)
31 December 2023	258,050	216,174	296,805	12,076	35,654	8,036	826,795
Accumulated impairment							
31 December 2022	2,557	36	98	8	-	-	2,699
Impairment charge	-	19	-	-	-	770	789
31 December 2023	2,557	55	98	8	-	770	3,488
Accumulated depreciation							
31 December 2022	31,325	121,415	177,260	4,615	14,010	-	348,625
Depreciation charge	5,120	11,825	32,364	1,647	4,839	-	55,795
Transfers to investment properties	(225)	(1)	-	-	-	-	(226)
Transfers to assets held for sale	(1,065)	-	-	-	-	-	(1,065)
Transfers to other assets	-	(996)	(5,526)	(203)	-	-	(6,725)
Disposals	(10)	(199)	(2,465)	(443)	(217)	-	(3,334)
Write-offs	-	(542)	(812)	(85)	(1,967)	(770)	(4,176)
Business combination	-	13	31	15	42	-	101
Currency translation differences	(1,272)	(211)	(966)	(29)	(165)	-	(2,643)
31 December 2023	33,873	131,304	199,886	5,517	16,542	(770)	386,352
Net book value							
31 December 2022	201,367	71,652	101,901	4,106	15,074	4,755	398,855
31 December 2023	221,620	84,815	96,821	6,551	19,112	8,036	436,955

13. Property and equipment continued

	Office buildings and service centres	Furniture and fixtures	Computers and equipment	Motor vehicles	Leasehold improvements	Assets under construction	Total
Cost							
31 December 2021	216,897	188,890	252,861	6,911	29,328	1,680	696,567
Additions	171	10,853	32,951	2,860	119	31,043	77,997
Transfers	23,333	32	414	–	3,804	(27,583)	–
Transfers to investment properties	769	–	–	–	–	–	769
Transfers to other assets	–	(1,571)	(2,135)	(265)	–	(231)	(4,202)
Disposals	(3,011)	(135)	(1,507)	(489)	(27)	(1)	(5,170)
Write-offs	(29)	(4,750)	(2,513)	(241)	(4,053)	(146)	(11,732)
Currency translation differences	(2,881)	(216)	(812)	(47)	(87)	(7)	(4,050)
31 December 2022	235,249	193,103	279,259	8,729	29,084	4,755	750,179
Accumulated impairment							
31 December 2021	2,557	36	98	8	–	–	2,699
31 December 2022	2,557	36	98	8	–	–	2,699
Accumulated depreciation							
31 December 2021	28,859	113,399	154,941	4,095	13,766	–	315,060
Depreciation charge	4,278	13,814	28,737	1,076	4,369	146	52,420
Transfers	(13)	13	–	–	–	–	–
Transfers to investment properties	(155)	–	–	–	–	–	(155)
Transfers to other assets	–	(916)	(2,479)	(230)	–	–	(3,625)
Disposals	(795)	(183)	(998)	(176)	(25)	–	(2,177)
Write-offs	2	(4,598)	(2,473)	(130)	(4,029)	(146)	(11,374)
Currency translation differences	(851)	(114)	(468)	(20)	(71)	–	(1,524)
31 December 2022	31,325	121,415	177,260	4,615	14,010	–	348,625
Net book value							
31 December 2021	185,481	75,455	97,822	2,808	15,562	1,680	378,808
31 December 2022	201,367	71,652	101,901	4,106	15,074	4,755	398,855
Cost							
31 December 2020	216,795	178,481	231,436	6,768	34,275	4,732	672,487
Additions	2,056	11,958	31,048	986	10	7,171	53,229
Transfers	6,408	3	976	–	2,493	(9,880)	–
Transfers to investment properties	(9,175)	–	–	–	–	–	(9,175)
Transfers to assets held for sale	2,245	–	–	–	–	–	2,245
Transfers to other assets	–	(998)	(8,647)	–	–	(183)	(9,828)
Disposals	(764)	(433)	(1,719)	(224)	–	(46)	(3,186)
Write-offs	–	(71)	(1)	(602)	(7,416)	–	(8,090)
Currency translation differences	(668)	(50)	(232)	(17)	(34)	(114)	(1,115)
31 December 2021	216,897	188,890	252,861	6,911	29,328	1,680	696,567
Accumulated impairment							
31 December 2020	2,557	36	98	8	–	–	2,699
31 December 2021	2,557	36	98	8	–	–	2,699
Accumulated depreciation							
31 December 2020	25,216	102,137	133,958	3,833	16,793	–	281,937
Depreciation charge	4,201	12,916	24,699	931	4,416	–	47,163
Transfers to investment properties	(238)	–	–	–	–	–	(238)
Transfers to other assets	–	(1,224)	(2,643)	–	–	–	(3,867)
Disposals	(51)	(318)	(910)	(85)	–	–	(1,364)
Write-offs	5	(51)	3	(576)	(7,416)	–	(8,035)
Currency translation differences	(274)	(61)	(166)	(8)	(27)	–	(536)
31 December 2021	28,859	113,399	154,941	4,095	13,766	–	315,060
Net book value							
31 December 2020	189,022	76,308	97,380	2,927	17,482	4,732	387,851
31 December 2021	185,481	75,455	97,822	2,808	15,562	1,680	378,808

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

14. Intangible assets

The movements in intangible assets were as follows:

	Software and licence	Other	Total
Cost			
31 December 2022	247,943	27,449	275,392
Additions	56,537	31	56,568
Disposals	(8,321)	–	(8,321)
Write-offs	(1,258)	–	(1,258)
Currency translation differences	(3,560)	–	(3,560)
31 December 2023	291,341	27,480	318,821
Accumulated impairment			
31 December 2022	2,358	–	2,358
Impairment charge	2,201	–	2,201
31 December 2023	4,559	–	4,559
Accumulated amortisation			
31 December 2022	117,629	5,964	123,593
Amortisation charge	32,844	178	33,022
Disposals	(7,815)	–	(7,815)
Write-offs	(1,261)	–	(1,261)
Currency translation differences	(1,139)	–	(1,139)
31 December 2023	140,258	6,142	146,400
Net book value			
31 December 2022	127,956	21,485	149,441
31 December 2023	146,524	21,338	167,862

	Software and licence	Other	Total
Cost			
31 December 2021	219,073	27,286	246,359
Additions	40,506	164	40,670
Disposals	(7,331)	–	(7,331)
Write-offs	(2,889)	(1)	(2,890)
Currency translation differences	(1,416)	–	(1,416)
31 December 2022	247,943	27,449	275,392
Accumulated impairment			
31 December 2021	–	–	–
Impairment charge	2,358	–	2,358
31 December 2022	2,358	–	2,358
Accumulated amortisation			
31 December 2021	96,311	5,797	102,108
Amortisation charge	30,392	168	30,560
Disposals	(5,683)	–	(5,683)
Write-offs	(2,889)	(1)	(2,890)
Currency translation differences	(502)	–	(502)
31 December 2022	117,629	5,964	123,593
Net book value			
31 December 2021	122,762	21,489	144,251
31 December 2022	127,956	21,485	149,441

14. Intangible assets continued

	Software and licence	Other	Total
Cost			
31 December 2020	177,012	26,944	203,956
Additions	44,715	342	45,057
Disposals	(741)	–	(741)
Write-offs	(1,385)	–	(1,385)
Currency translation differences	(528)	–	(528)
31 December 2021	219,073	27,286	246,359
Accumulated amortisation			
31 December 2020	72,532	5,618	78,150
Amortisation charge	26,090	179	26,269
Disposals	(747)	–	(747)
Write-offs	(1,385)	–	(1,385)
Currency translation differences	(179)	–	(179)
31 December 2021	96,311	5,797	102,108
Net book value			
31 December 2020	104,480	21,326	125,806
31 December 2021	122,762	21,489	144,251

15. Investment properties

	2023	2022	2021
At 1 January	166,546	226,849	231,241
Additions	4,882	5,871	83,912
Disposals	(38,175)	(54,713)	(68,713)
Net gains from revaluation of investment property	756	7,421	437
Transfers to assets held for sale	(10,756)	(16,955)	(28,390)
Transfers from (to) property and equipment	415	(924)	8,937
Transfers from foreclosed assets	3,428	–	–
Currency translation differences	(3,028)	(1,003)	(575)
At 31 December	124,068	166,546	226,849

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

16. Goodwill

Movements in goodwill were as follows:

	2023	2022	2021
Cost			
1 January	57,745	57,745	57,745
Business combination	7,902	–	–
At 31 December	65,647	57,745	57,745
Accumulated impairment			
1 January	24,394	24,394	24,394
At 31 December	24,394	24,394	24,394
Net book value:			
1 January	33,351	33,351	33,351
Business combination	7,902	–	–
At 31 December	41,253	33,351	33,351

Impairment test for goodwill

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

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	2023	2022	2021
Retail Banking	23,386	23,386	23,386
Corporate Banking	17,867	9,965	9,965
Total	41,253	33,351	33,351

Key assumptions used in value-in-use calculations

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

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

	Corporate Banking			Retail Banking		
	2023	2022	2021	2023	2022	2021
Discount rate	5.3%	4.3%	3.9%	6.6%	8.4%	8.1%

Discount rates

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

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

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

Sensitivity to changes in assumptions

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

17. Taxation

The corporate income tax expense in the income statement comprises:

	2023	2022	2021
Current income benefit/(expense)	(324,452)	(137,430)	(111,652)
Deferred income tax benefit/(expense)	65,481	(53,221)	36,828
Income tax expense	(258,971)	(190,651)	(74,824)

The income tax rate applicable to most of the Group's income is the income tax rate applicable to subsidiaries' income, which ranges from 15% to 25% (2022: from 15% to 25%, 2021: from 15% to 25%).

On 12 June 2018, an amendment to the current corporate taxation model applicable to financial institutions, including banks and insurance businesses, became effective. The change implied a zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings starting from 1 January 2023. On 16 December 2022, an amendment to the corporate tax code was passed into law abolishing the expected transition to taxation on distributed earnings from 1 January 2023. According to the amendment, which became effective from 1 January 2023, existing taxation rules for financial institutions, including banks, are to be maintained. At the same time, the existing corporate tax rate for banks increased from 15% to 20% from 2023 going forward. In addition, with effect from 2023, taxable interest income and deductible ECLs on loans to customers will be defined as per IFRS, instead of local NBG regulations. Transition differences in ECLs and interest income will be taxed one-off at 15% and 20% respectively.

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

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

	For the six months ended		
	2023	2022	2021
Profit before income tax expense	1,656,298	1,634,650	801,942
Statutory tax rate in Georgia	20%	15%	15%
Theoretical income tax expense at average tax rate	(331,260)	(245,198)	(120,291)
Non-taxable income	76,934	115,636	50,671
Non-deductible expenses	(4,520)	(3,229)	(2,931)
Correction of prior year declarations	(2,342)	(2,846)	(15)
Tax at the domestic rates applicable to profits in each country	(1,007)	(1,991)	(2,401)
Effects from changes in tax legislation	110	(53,074)	-
Tax deductible expenses	7,030	-	-
Other	(3,916)	51	143
Income tax expense	(258,971)	(190,651)	(74,824)

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

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

	2023	2022	2021
Current income tax assets	2,056	224	109
Deferred income tax assets	464	640	183
Income tax assets	2,520	864	292
Current income tax liabilities	185,440	20,258	85,270
Deferred income tax liabilities	13,618	79,275	25,598
Income tax liabilities	199,058	99,533	110,868

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

17. Taxation continued

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

	Origination and reversal of temporary differences		Origination and reversal of temporary differences		Origination and reversal of temporary differences		2023
	2020	In the income statement	2021	In the income statement	2022	In the income statement	
Tax effect of deductible temporary differences:							
Amounts due to credit institutions	-	-	-	193	193	(30)	163
Investment securities	-	-	-	294	294	(489)	(195)
Investment properties	59	108	167	1,954	2,121	(2,121)	-
Insurance premiums receivables	-	-	-	-	-	-	-
Allowances for impairment and provisions for other losses	-	-	-	-	-	-	-
Tax losses carried forward	-	-	-	-	-	-	-
Property and equipment	2,385	29	2,414	(182)	2,232	(1,072)	1,160
Intangible assets	-	-	-	-	-	-	-
Assets held for sale	-	-	-	465	465	(127)	338
Lease liability	6,006	(2,236)	3,770	19,389	23,159	5,012	28,171
Accruals and deferred income	7,205	12,539	19,744	18,388	38,132	5,393	43,525
Other assets and liabilities	67	368	435	3,845	4,280	1,439	5,719
Deferred tax assets	15,722	10,808	26,530	44,346	70,876	8,005	78,881
Tax effect of taxable temporary differences:							
Amounts due to credit institutions	2,228	59	2,287	1,660	3,947	(651)	3,296
Debt securities issued	1,624	(932)	692	1,259	1,951	(414)	1,537
Cash and cash equivalents	-	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-	-
Loans to customers and finance lease receivables	54,066	(24,192)	29,874	30,697	60,571	(57,006)	3,565
Client deposits and notes	176	(176)	-	-	-	104	104
Property and equipment	9,021	(3,121)	5,900	37,342	43,242	4,309	47,551
Right-of-use assets	5,510	(2,294)	3,216	20,606	23,822	3,719	27,541
Investment properties	340	625	965	7,822	8,787	(1,277)	7,510
Intangible assets	-	-	-	-	-	-	-
Assets held for sale	1,540	(1,055)	485	(485)	-	-	-
Accruals and deferred income	293	(180)	113	(113)	-	-	-
Other assets and liabilities	3,166	5,246	8,412	(1,221)	7,191	(6,260)	931
Deferred tax liabilities	77,964	(26,020)	51,944	97,567	149,511	(57,476)	92,035
Net deferred tax liabilities	(62,242)	36,828	(25,414)	(53,221)	(78,635)	65,481	(13,154)

The Group has not recognised a deferred tax liability for its receivable under settlement discussed in Note 10, as the receivable is originated in a subsidiary subject to income tax only on distributed profits and the Group does not expect to use these proceeds for distribution.

18. Other assets and other liabilities

Other assets comprise:

	2023	2022	2021
Receivables from remittance operations	138,833	86,742	35,041
Inventories	20,969	17,096	11,514
Other receivables	15,932	17,365	17,534
Derivatives margin	12,129	21,053	18,586
Derivative financial assets	10,942	39,270	135,079
Investments in associates	10,699	11,606	10,079
Operating tax assets	7,725	4,809	8,169
Assets purchased for finance lease purposes	2,019	2,140	13,093
Investment securities at FVTPL	–	2,660	2,146
Other	41,293	29,542	18,487
Other assets, gross	260,541	232,283	269,728
Less – Allowance for impairment of other assets	(15,469)	(17,225)	(14,483)
Other assets, net	245,072	215,058	255,245

Other liabilities comprise:

	2023	2022	2021
Payables for remittance operations	59,079	24,671	8,457
Creditors	34,038	29,562	25,814
Derivative financial liabilities	25,779	59,020	7,865
Accounts payable	12,731	5,605	7,708
Provisions	6,304	5,127	6,993
Other taxes payable	4,244	6,504	12,498
Dividends payable to non-controlling shareholders	3,555	2,379	1,746
Advances received	2,034	838	268
Derivatives margin	–	–	98,844
Other	19,504	24,985	13,156
Other liabilities	167,268	158,691	183,349

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

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

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

19. Client deposits and notes

The amounts due to customers include the following:

	2023	2022	2021
Current accounts	12,198,454	11,002,863	6,997,946
Time deposits	8,324,285	7,258,534	7,040,056
Client deposits and notes	20,522,739	18,261,397	14,038,002

Held as security against letters of credit and guarantees	334,092	121,753	117,379
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At 31 December 2023, amounts due to customers of GEL 1,955,839 (10%) were due to the ten largest customers (2022: GEL 2,107,058 (12%), 2021: GEL 1,953,107 (14%)).

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

	2023	2022	2021
Individuals	12,907,914	11,188,080	8,501,021
Private enterprises	7,120,507	6,382,083	4,914,845
State and state-owned entities	494,318	691,234	622,136
Client deposits and notes	20,522,739	18,261,397	14,038,002

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

	2023	2022	2021
Individuals	12,907,914	11,188,080	8,501,021
Financial intermediation	1,451,014	1,261,530	1,280,955
Trade	1,367,858	1,158,977	853,307
Construction	1,140,925	796,019	664,695
Service	822,284	709,442	345,130
Transport and communication	639,882	513,099	418,243
Manufacturing	492,647	759,005	444,095
Government services	445,880	682,809	613,710
Real estate	344,279	232,508	214,082
Hospitality	108,103	173,639	70,375
Electricity, gas and water supply	76,384	186,517	112,244
Other	725,569	599,772	520,145
Client deposits and notes	20,522,739	18,261,397	14,038,002

20. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	2023	2022	2021
Short-term loans from the NBG	2,101,653	1,715,257	1,413,333
Borrowings from international credit institutions	1,794,696	1,439,136	1,839,921
Time deposits and inter-bank loans	130,382	777,638	226,015
Correspondent accounts	431,232	660,767	170,410
	4,457,963	4,592,798	3,649,679
Non-convertible subordinated debt	562,520	537,794	668,766
Additional Tier 1	135,526	136,061	-
Amounts due to credit institutions	5,156,009	5,266,653	4,318,445

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

Some long-term borrowings from international credit institutions are received upon certain conditions (the 'Lender Covenants') that the Group maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 31 December 2023, 31 December 2022 and 31 December 2021, the Group complied with all the Lender Covenants of the significant borrowings from international credit institutions.

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

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

20. Amounts owed to credit institutions continued

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

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

21. Debt securities issued

Debt securities issued comprise:

	2023	2022	2021
Additional Tier 1 capital notes issued	267,112	267,702	306,239
Tier 2 notes issued	83,158	–	–
Eurobonds and notes issued	–	226,725	932,260
Local bonds	6,810	44,520	151,703
Certificates of deposit	64,279	107,021	128,483
Debt securities issued	421,359	645,968	1,518,685

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	Additional Tier 1 capital notes issued	Tier 2 notes issued
Carrying amount at 31 December 2020	1,019,120	323,320	–
Repurchase of debt securities issued	(28,825)	–	–
Repayment of the principal portion of the debt securities issued	(46,706)	–	–
Other movements	(11,329)	(17,081)	–
Carrying amount at 31 December 2021	932,260	306,239	–
Repurchase of debt securities issued	(617,194)	–	–
Repayment of the principal portion of the debt securities issued	(31,581)	–	–
Other movements	(56,760)	(38,537)	–
Carrying amount at 31 December 2022	226,725	267,702	–
Repurchase of debt securities issued	(20,980)	–	–
Repayment of the principal portion of the debt securities issued	(230,995)	–	–
Proceeds from Tier 2 notes issued	–	–	78,921
Other movements	25,250	(590)	4,237
Carrying amount at 31 December 2023	–	267,112	83,158

22. Commitments and contingencies

Legal

Sai-invest

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

22. Commitments and contingencies continued

Financial commitments and contingencies

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

	2023	2022	2021
Credit-related commitments			
Financial and performance guarantees issued*	1,918,997	1,717,308	1,686,913
Letters of credit	77,545	116,309	71,676
Undrawn loan facilities	1,014,951	869,061	809,481
	3,011,493	2,702,678	2,568,070
Less – Cash held as security against letters of credit and guarantees (Note 19)	(334,092)	(121,753)	(117,379)
Less – Provisions	(6,304)	(5,127)	(6,993)
Operating lease commitments			
Not later than 1 year	1,808	1,975	1,875
Later than 1 year but not later than 5 years	2,293	2,592	2,486
Later than 5 years	–	451	986
	4,101	5,018	5,347
Capital expenditure commitments	7,559	6,790	4,539

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

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

23. Equity

Share capital

As at 31 December 2023 issued share capital comprised 45,766,293 (31 December 2022: 47,498,982 31 December 2021: 49,169,428) common shares of BOGG, all of which were fully paid. Each share has a nominal value of one (1) British penny. Shares issued and outstanding as at 31 December 2023 are described below:

	Number of ordinary shares	Share Capital
31 December 2020	49,169,428	1,618
31 December 2021	49,169,428	1,618
Buyback and cancellation of own shares	(1,670,446)	(55)
31 December 2022	47,498,982	1,563
Buyback and cancellation of own shares	(1,732,689)	(57)
31 December 2023	45,766,293	1,506

In the second half of 2022, the Group commenced a share buyback and cancellation programme in amount of GEL 112,700 to reduce its share capital and consistent with its dividend and capital distribution policy to target a dividend/share buyback payout ratio in the range of 30-50% of annual profits. The Group appointed Numis Securities Limited to manage the programme and purchase shares in the open market. The share buyback and cancellation programme was completed by the end of 2022 with purchased and cancelled ordinary shares of 1,670,446.

On 16 February 2023, the Group's Board of Directors approved a GEL 147,984 share buyback and cancellation programme. The share buyback and cancellation programme was completed by June 2023 with purchased and cancelled ordinary shares of 1,584,259.

On 17 August 2023, the Group's Board of Directors approved a GEL 62,000 share buyback and cancellation programme.

Treasury shares

Treasury shares are held by the Group solely for the purpose of future employee share-based compensation.

The number of treasury shares held by the Group as at 31 December 2023, comprised 2,155,535 (31 December 2022: 2,516,151, 31 December 2021: 2,268,446), with a nominal amount of GEL 71 (31 December 2022: GEL 83, 31 December 2021: GEL 75).

Dividends

Shareholders are entitled to dividends in pounds sterling.

In 2023, 2022 and 2021 the Group distributed dividends on the shares vested and exercised during 2023, 2022 and 2021, respectively.

On 17 August 2023, the Board of Directors of Bank of Georgia Group PLC declared an interim dividend for 2023 of Georgian Lari 3.06 per share. The currency conversion period was set to be for the period 2 October to 6 October 2023, with the official GEL:GBP exchange rate of 3.2559, resulting in a GBP-denominated final dividend of 0.9398 per share. Payment of the total GEL 134,078 interim dividends was received by shareholders on 27 October 2023.

23. Equity continued

On 19 May 2023, the shareholders of Bank of Georgia Group PLC declared a final dividend for 2022 of Georgian Lari 5.80 per share. The currency conversion period was set to be for the period 26 June to 30 June 2023, with the official GEL:GBP exchange rate of 3.3360, resulting in a GBP-denominated final dividend of 1.7386 per share. Payment of the total GEL 262,549 final dividends was received by shareholders on 14 July 2023.

On 16 August 2022, the Board of Directors of Bank of Georgia Group PLC declared an interim dividend for 2022 of Georgian Lari 1.85 per share. The currency conversion period was set to be for the period 3 October to 7 October 2022, with the official GEL:GBP exchange rate of 3.1671, resulting in a GBP-denominated final dividend of 0.5841 per share. Payment of the total GEL 84,418 interim dividends was received by shareholders on 20 October 2022.

On 20 June 2022, the shareholders of Bank of Georgia Group PLC declared a final dividend for 2021 of Georgian Lari 2.33 per share. The currency conversion period was set to be for the period 27 June to 1 July 2022, with the official GEL:GBP exchange rate of 3.5858, resulting in a GBP-denominated final dividend of 0.6498 per share. Payment of the total GEL 112,096 final dividends was received by shareholders on 11 July 2022.

On 17 August 2021, the Board of Directors of Bank of Georgia Group PLC declared an interim dividend for 2021 of Georgian Lari 1.48 per share. The currency conversion period was set to be 18 to 22 October 2021, with the official GEL:GBP exchange rate of 4.3219, resulting in a GBP-denominated final dividend of 0.3424 per share. Payment of the total GEL 71,838 interim dividends was received by shareholders on 5 November 2021.

Nature and purpose of other reserves

Unrealised gains and losses on investment securities

This reserve records fair value changes on investment securities.

Unrealised gains and losses from dilution or sale/acquisition of shares in existing subsidiaries

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

Foreign currency translation reserve

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

Movements on this account during the years ended 31 December 2023, 31 December 2022 and 31 December 2021 are presented in the statements of other comprehensive income.

The movements in foreign currency translation reserve were as follows:

	Foreign currency translation reserve
31 December 2020	(56,876)
Loss from currency translation differences	(3,949)
31 December 2021	(60,825)
Loss from currency translation differences	(9,451)
31 December 2022	(70,276)
Loss from currency translation differences	(8,344)
31 December 2023	(78,620)

Earnings per share

	2023	2022	2021
Basic earnings per share			
Profit for the year attributable to ordinary shareholders of the Group	1,391,277	1,439,507	723,806
Weighted average number of ordinary shares outstanding during the year	44,454,395	46,443,820	47,543,881
Basic earnings per share	31.2967	30.9946	15.2240
	2023	2022	2021
Diluted earnings per share			
Effect of dilution on weighted average number of ordinary shares:			
Dilutive unvested share options	1,273,359	1,013,330	1,098,682
Weighted average number of ordinary shares adjusted for the effect of dilution	45,727,754	47,457,150	48,642,563
Diluted earnings per share	30.4252	30.3328	14.8801

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

24. Net interest income

	2023	2022	2021
Interest income calculated using EIR method	2,734,208	2,236,307	1,822,307
From loans to customers	2,315,010	1,917,053	1,614,647
From investment securities	356,945	297,528	199,802
From amounts due from credit institutions	76,633	47,864	18,312
Net (losses)/gains on modification of financial assets	(14,380)	(26,138)	(10,454)
Other interest income	14,053	20,574	28,737
From finance lease receivable	13,962	20,574	28,727
From other assets	91	-	10
Interest income	2,748,261	2,256,881	1,851,044
On client deposits and notes	(796,724)	(569,436)	(497,742)
On amounts owed to credit institutions	(290,198)	(426,950)	(297,953)
On debt securities issued	(45,305)	(84,990)	(112,431)
Interest element of cross-currency swaps	25,276	29,402	30,632
On lease liability	(5,617)	(4,855)	(4,980)
Interest expense	(1,112,568)	(1,056,829)	(882,474)
Deposit insurance fees	(20,247)	(17,717)	(14,629)
Net interest income	1,615,446	1,182,335	953,941

25. Net fee and commission income

	2023	2022	2021
Settlements operations	539,537	446,092	307,471
Currency conversion operations	49,370	34,546	15,783
Guarantees and letters of credit	45,323	35,283	34,402
Advisory	33,089	4,241	5,981
Cash operations	24,790	26,896	14,439
Brokerage service fees	8,759	7,676	6,912
Other	6,897	4,731	5,841
Fee and commission income	707,765	559,465	390,829
Settlements operations	(229,251)	(197,089)	(134,390)
Cash operations	(20,315)	(27,211)	(9,626)
Currency conversion operations	(10,146)	(6,403)	(2,571)
Brokerage service fees	(5,587)	(5,079)	(4,894)
Guarantees and letters of credit	(239)	(323)	(724)
Advisory	(301)	(316)	(653)
Other	(7,444)	(5,553)	(5,540)
Fee and commission expense	(273,283)	(241,974)	(158,398)
Net fee and commission income	434,482	317,491	232,431

Revenue from customers

In 2023, the Group recognised GEL 584,860 revenue from contracts with customers in the income statement, including fee and commission as well as net other income (2022: GEL 481,375, 2021: GEL 341,873).

Contract assets and liabilities

As at 31 December 2023, the Group has recognised GEL 60,165 of revenue-related contract liabilities (2022: GEL 50,451, 2021: GEL 40,878). Accounts receivables are recognised when the right to consideration becomes unconditional. Deferred revenue is recognised as revenue as we perform under the contract.

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

In 2023, the Group recognised GEL 48,303 revenue (2022: GEL 38,495, 2021: GEL 10,619) that relates to carried-forward contract liabilities and was previously included in the deferred income.

25. Net fee and commission income continued

Transaction price allocated to the remaining performance obligations

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

	In 1 year	In 2 years	In 3 years	In 3 to 5 years	In 5 to 10 years	Total
As at 31 December 2023	55,733	2,428	1,325	594	87	60,167
As at 31 December 2022	47,793	2,466	128	46	18	50,451
As at 31 December 2021	39,292	1,119	388	76	3	40,878

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

Salaries and other employee benefits

	2023	2022	2021
Salaries and bonuses	(405,764)	(350,758)	(272,148)
Social security costs	(7,899)	(6,818)	(5,107)
Pension costs	(5,791)	(4,443)	(3,832)
Salaries and other employee benefits	(419,454)	(362,019)	(281,087)

In 2023, salaries and bonuses include GEL 72,055 of the Equity Compensation Plan costs (2022: GEL 82,025, 2021: GEL 45,307), associated with the existing share-based compensation scheme approved by the Group (Note 29).

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

	2023	2022	2021
The Bank	6,981	6,324	6,012
BNB	802	654	540
Other	1,072	1,041	1,035
Average total number of staff employed	8,855	8,019	7,587

General and administrative expenses

	2023	2022	2021
Repairs and maintenance	(56,343)	(47,943)	(40,257)
Marketing and advertising	(44,645)	(35,316)	(23,264)
Legal and other professional services	(31,551)	(17,396)	(14,682)
Operating taxes	(13,397)	(13,539)	(13,393)
Office supplies	(10,097)	(8,571)	(6,562)
Communication	(7,808)	(7,959)	(6,440)
Corporate hospitality and entertainment	(7,361)	(6,181)	(2,022)
Occupancy and rent	(7,136)	(6,257)	(5,890)
Travel expenses	(7,093)	(5,387)	(3,808)
Personnel training and recruitment	(6,956)	(4,304)	(1,895)
Security	(4,369)	(3,219)	(3,461)
Insurance	(3,553)	(3,945)	(3,685)
Other	(5,059)	(4,433)	(4,165)
General and administrative expenses	(205,368)	(164,450)	(129,524)

Increase in expenses related to legal and other professional services was partly attributable to the transaction costs incurred in relation to the acquisition of Ameriabank as well as the consulting projects in IT and several other business areas (totalling GEL 10.5 million).

Notes to Consolidated Financial Statements continued (Thousands of Georgian Lari)

26. Salaries and other employee benefits, and general and administrative expenses continued

Auditor remuneration

Auditor remuneration comprises:

	2023	2022	2021
Fees payable for the audit of the Company's current year Annual Report	971	770	635
Fees payable for other services:			
Audit of the Company's subsidiaries	1,048	905	968
Total audit fees	2,019	1,675	1,603
Audit-related assurance services:			
Review of the Company's and subsidiaries' interim accounts	539	397	366
Other assurance services	32	32	31
Total audit-related fees	571	429	397
Non-audit services:			
Other assurance services	4,620	12	12
Total other services fees	4,620	12	12
Total fees	7,210	2,116	2,012

The figures shown in the above table relate to the fees of Ernst & Young LLP ('EY') and its associates. In 2023, fees paid to other auditors not associated with EY in respect of the audit of the Parent and Group's subsidiaries were GEL 1,031 (2022: GEL 247, 2021: GEL 273), and in respect of other services of the Group were GEL 1,605 (2022: GEL 579, 2021: GEL 823). In 2023 other non-audit assurance services are related to the acquisition of Ameriabank.

27. Cost of risk

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

	Stage 1		Stage 2		Stage 3		POCI	Total
	Individual	Collective	Individual	Collective	Individual	Collective		
Cash and cash equivalents	-	(182)	-	-	-	-	-	(182)
Amounts due from credit institutions	-	4,260	-	-	-	-	-	4,260
Investment securities measured at amortised cost – debt instruments	-	3,284	-	-	-	-	-	3,284
Investment securities measured at FVOCI – debt instruments	-	(1,937)	-	-	-	-	-	(1,937)
Loans to customers at amortised cost	-	17,054	-	(8,060)	(446)	(129,119)	(3,727)	(124,298)
Loans to customers at FVTPL	-	-	-	-	-	-	-	-
Finance lease receivables	-	(146)	-	(121)	(92)	(3,232)	829	(2,762)
Accounts receivable and other loans	-	-	-	-	(81)	-	-	(81)
Other financial assets	-	-	-	-	(3,854)	(1)	-	(3,855)
Financial and performance guarantees	-	284	-	(2)	24	5	-	311
Letter of credit to customers	-	15	-	-	-	-	-	15
Other financial commitments	-	721	-	13	-	-	-	734
For the year ended 31 December 2023	-	23,353	-	(8,170)	(4,449)	(132,347)	(2,898)	(124,511)

	Stage 1		Stage 2		Stage 3		POCI	Total
	Individual	Collective	Individual	Collective	Individual	Collective		
Cash and cash equivalents	-	(334)	-	-	-	-	-	(334)
Amounts due from credit institutions	-	(5,179)	-	-	-	-	-	(5,179)
Investment securities measured at amortised cost – debt instruments	-	(2,387)	-	-	-	-	-	(2,387)
Investment securities measured at FVOCI – debt instruments	-	(3,896)	-	-	-	-	-	(3,896)
Loans to customers at amortised cost	-	21,327	-	(15,433)	53,195	(177,169)	(10,598)	(128,678)
Finance lease receivables	-	292	-	487	784	(1,886)	(2,885)	(3,208)
Accounts receivable and other loans	-	-	-	-	(255)	-	-	(255)
Other financial assets	-	(4,205)	-	-	-	-	-	(4,205)
Financial and performance guarantees	-	(437)	-	6	32	2	-	(397)
Letter of credit to customers	-	(33)	-	-	65	-	-	32
Other financial commitments	-	140	-	292	-	-	-	432
For the year ended 31 December 2022	-	5,288	-	(14,648)	53,821	(179,053)	(13,483)	(148,075)

27. Cost of risk continued

	Stage 1		Stage 2		Stage 3		POCI	Total
	Individual	Collective	Individual	Collective	Individual	Collective		
Cash and cash equivalents	-	48	-	-	-	-	-	48
Amounts due from credit institutions	-	66	-	-	-	-	-	66
Investment securities measured at amortised cost – debt instruments	-	763	-	-	-	-	-	763
Investment securities measured at FVOCI – debt instruments	-	1,090	-	-	-	-	-	1,090
Loans to customers at amortised cost	-	(2,059)	-	28,901	4,632	(31,291)	(1,635)	(1,452)
Finance lease receivables	-	(513)	-	(204)	(264)	(2,774)	(1,195)	(4,950)
Accounts receivable and other loans	(117)	-	-	-	-	-	-	(117)
Other financial assets	-	(2,621)	-	-	-	-	-	(2,621)
Financial and performance guarantees	-	6,599	-	53	3,733	(7)	-	10,378
Letter of credit to customers	-	1,543	-	-	328	-	-	1,871
Other financial commitments	-	(1,136)	-	(443)	-	-	-	(1,579)
For the year ended 31 December 2021	(117)	3,780	-	28,307	8,429	(34,072)	(2,830)	3,497

In addition, in 2023 the ECL charge includes GEL 500 (2022: GEL 16,105) cost incurred by the Group through synthetic agreement to accelerate the recovery process related to one of its defaulted borrowers. Such cost is not reflected in the ECL movement, but recorded directly through consolidated income statement.

Impairment charge on other assets and provisions comprise:

	2023	2022	2021
Litigation provision reversal/(charge)	(2,946)	46,645	(35,584)
Impairment (charge)/reversal on assets held for sale	(4,550)	(4,296)	(3,805)
Other impairment charge	(12,057)	(13,342)	(15,520)
Impairment charge on other assets and provisions	(19,553)	29,007	(54,909)

28. Net other gains/(losses)

	2023	2022	2021
Net real estate gains/(losses)	91,868	20,498	33,206
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	12,520	7,921	30,044
Net gains/(losses) on financial assets at fair value through profit or loss	(660)	(2,710)	760
Net gains/(losses) from revaluation of investment property	756	7,421	437
Net other gains/(losses)	9,687	11,679	8,651
Net other gains/(losses)	114,171	44,809	73,098

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

29. Share-based payments

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

In 2015, the Group set up the Executive Equity Compensation Trustee – Sanne Fiduciary Services Limited (the 'Trustee') which acts as the trustee of the Group's EECP. In 2023, the Trustee has repurchased 585,864 shares (2022: 695,750 shares, 2021: 699,998 shares).

In 2019, the Group set up the Group's Employee Equity Compensation Trustee – Sanne Fiduciary Services Limited (the 'Trustee') which acts as the trustee of Employees' Equity Compensation Plan. In 2023, the Trustee has repurchased 172,951 shares (2022: 319,231 shares, 2021: 485,820 shares).

Share-based payment transactions fixed in monetary terms

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

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

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

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

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

In 2023, Management Board members signed fixed contingent share-based compensation agreements, with fixed contract values of GEL 16,248. The Group considers 1 January 2023 as the grant dates for the awards. The Group estimated the value of the shares was Georgian Lari 82.91 per share, based on the five working day average share price before 25 December 2022, respectively. The awards will be subject to one-year vesting and three-year holding periods.

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

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

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

29. Share-based payments continued

In 2021, key executive members signed fixed contingent share-based compensation agreements with the total of 10,000 ordinary shares of BOGG. The awards will be subject to three-year vesting periods. The Group considers 1 March 2021 as the grant dates for the awards. The Group estimated that the fair value of the shares awarded on 1 March 2021 was Georgian Lari 45.89 per share.

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

The Bank grants share compensation to its non-executive employees. In February 2023, January 2022 and March 2021, the Supervisory Board of the Bank resolved to award 157,146, 212,327 and 188,694 ordinary shares, respectively, to its certain non-executive employees. All these awards are subject to three-year vesting periods, with continuous employment being the only vesting condition for all awards. The Group considers 9 February 2023, 31 January 2022 and 11 March 2021 as the grant dates of these awards, respectively. The Group estimated that the fair values of the shares awarded on 9 February 2023, 31 January 2022 and 11 March 2021 were Georgian Lari 87.65, 59.98 and 50.12 per share, respectively.

Summary

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

The weighted average fair value of share-based awards at the grant date amounted to Georgian Lari 84.87 per share in year ended 31 December 2023 (31 December 2022: Georgian Lari 62.25 per share, 31 December 2021: Georgian Lari 50.93).

The Group's total share-based payment expenses for the year ended 31 December 2023 amounted to GEL 72,055 (31 December 2022: GEL 82,025, 31 December 2021: GEL 45,307) and are included in 'salaries and other employee benefits' as 'salaries and bonuses'. Below is the summary of the share-based payments-related data:

	2023	2022	2021
Total number of equity instruments awarded	724,296	1,405,389	434,770
– Among them, to the Management Board	437,461	1,071,053	30,100
Weighted average value at grant date, per share (GEL in full amount)	84.87	62.25	50.93
Value at grant date, total (GEL)	61,469	87,481	22,143
Total expense recognised during the year (GEL)	(72,055)	(82,025)	(45,307)

During 2023 BOGG Directors exercised 242,707 (2022: 70,646) shares with a fair value of GEL 20,827 (2022: 3,602). The weighted average share price was GEL 85.81 per share (2022: 50.99). During 2021 BOGG Directors did not exercise any shares.

30. Risk management

Introduction

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure

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

Audit Committee

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

Risk Committee

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

30. Risk management continued

Management Board

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

Credit Committees

The Bank has five Credit Committees, each responsible for supervising and managing the Bank's credit risks in respect of loans and counterparty credit exposures. Each Credit Committee comprises tiers of subcommittees and approves individual loan transactions. Lower tier subcommittees meet on a daily basis, whereas higher tier ones meet as needed, typically one or two times a week. Each of the subcommittees of the Credit Committees makes its decisions by a majority vote of its members.

Bank Asset and Liability Management Committee

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

Internal Audit

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

Risk measurement and reporting systems

The Bank applies a variety of risk metrics to measure its exposures, ranging from operational indicators to forward-looking/statistical model-based approaches and stress scenarios.

The Bank has established risk appetite limits for its principal risks, which are approved by the Supervisory Board. Monitoring and controlling of these risks are performed with reference to these limits. They reflect the business strategy and market environment in which the Bank operates and they set the boundaries for the level of risk the Bank is willing to take in pursuit of its strategic objectives. The Bank continuously monitors the landscape to ensure that any significant changes in the underlying assumptions and/or conditions are identified and adapted in a timely manner.

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

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

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

Risk mitigation

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

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

Excessive risk concentration

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

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

30. Risk management continued

Credit risk

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

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

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

Derivative financial instruments

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

Credit-related commitment risks

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

Credit quality per class of financial assets

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

30. Risk management continued

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

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

Other financial assets include receivables from remittance operations and other receivables.

Cash and cash equivalents, excluding cash on hand	Stage 1		Total		
High grade	1,097,876		1,097,876		
Standard grade	654,907		654,907		
Low grade	32,398		32,398		
Not rated	293,061		293,061		
Balance at 31 December 2023	2,078,242		2,078,242		
Amounts due from credit institutions	Stage 1		Total		
High grade	1,734,224		1,734,224		
Not rated	19,327		19,327		
Balance at 31 December 2023	1,753,551		1,753,551		
Investment securities measured at amortised cost – debt instruments	Stage 1		Total		
High grade	415,713		415,713		
Standard grade	160,758		160,758		
Not rated	114,648		114,648		
Balance at 31 December 2023	691,119		691,119		
Investment securities measured at FVOCI – debt instruments	Stage 1		Total		
High grade	2,277,147		2,277,147		
Standard grade	2,058,495		2,058,495		
Not rated	88,518		88,518		
Balance at 31 December 2023	4,424,160		4,424,160		
Commercial loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	4,388,581	68,175	–	339	4,457,095
Standard grade	1,389,821	58,796	–	755	1,449,372
Low grade	133,487	372,006	–	–	505,493
Not rated	464,999	16,812	1	–	481,812
Defaulted					
Non-performing	–	–	101,364	22,481	123,845
Balance at 31 December 2023	6,376,888	515,789	101,365	23,575	7,017,617
Residential mortgage loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	3,346,499	11,608	–	4,209	3,362,316
Standard grade	714,568	45,712	–	3,689	763,969
Low grade	86,008	116,000	–	6,839	208,847
Not rated	153,263	732	–	131	154,126
Defaulted					
Non-performing	–	–	37,771	16,214	53,985
Other	–	–	13,175	1,107	14,282
Balance at 31 December 2023	4,300,338	174,052	50,946	32,189	4,557,525
Micro and SME loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,480,970	29,931	–	316	2,511,217
Standard grade	1,012,833	73,925	–	228	1,086,986
Low grade	75,930	76,380	–	242	152,552
Not rated	140,137	11,294	48	–	151,479
Defaulted					
Non-performing	–	–	167,506	2,364	169,870
Other	–	–	871	47	918
Balance at 31 December 2023	3,709,870	191,530	168,425	3,197	4,073,022

30. Risk management continued

Consumer loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,693,767	7,996	–	2,406	2,704,169
Standard grade	1,179,793	50,968	–	3,069	1,233,830
Low grade	233,382	173,992	–	4,607	411,981
Not rated	218,817	1,273	90	–	220,180
Defaulted					
Non-performing	–	–	91,584	16,090	107,674
Other	–	–	19,795	2,340	22,135
Balance at 31 December 2023	4,325,759	234,229	111,469	28,512	4,699,969
Gold – pawn loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	65,002	48	–	–	65,050
Standard grade	40,495	733	–	–	41,228
Low grade	17,381	7,915	–	–	25,296
Not rated	14,538	–	273	–	14,811
Defaulted					
Non-performing	–	–	2,566	–	2,566
Other	–	–	1,277	–	1,277
Balance at 31 December 2023	137,416	8,696	4,116	–	150,228
Finance lease receivables	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	5,832	80	–	4,274	10,186
Standard grade	2,731	381	–	1,697	4,809
Low grade	475	1,261	–	2,161	3,897
Not rated	27,979	3,506	–	–	31,485
Defaulted					
Non-performing	–	–	12,161	10,392	22,553
Other	–	–	–	557	557
Balance at 31 December 2023	37,017	5,228	12,161	19,081	73,487
Accounts receivable				Stage 1	Total
Not rated				52,696	52,696
Balance at 31 December 2023				52,696	52,696
Other financial assets				Stage 1	Total
Not rated				154,765	154,765
Balance at 31 December 2023				154,765	154,765
Financial and performance guarantees issued	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	997,529	–	–	–	997,529
Standard grade	347,015	257	–	–	347,272
Low grade	264,715	161,350	–	–	426,065
Not rated	140,467	8	–	–	140,475
Defaulted					
Non-performing	–	–	1,915	–	1,915
Other	–	–	5,741	–	5,741
Balance at 31 December 2023	1,749,726	161,615	7,656	–	1,918,997
Letters of credit	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	69,260	–	–	–	69,260
Standard grade	7,546	–	–	–	7,546
Low grade	307	–	–	–	307
Not rated	432	–	–	–	432
Balance at 31 December 2023	77,545	–	–	–	77,545
Undrawn loan facilities	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	668,644	215	12	–	668,871
Standard grade	240,974	1,203	–	–	242,177
Low grade	23,791	6,757	–	1	30,549
Not rated	71,305	278	–	–	71,583
Defaulted					
Non-performing	–	–	1,764	7	1,771
Balance at 31 December 2023	1,004,714	8,453	1,776	8	1,014,951

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

30. Risk management continued

Cash and cash equivalents, excluding cash on hand	Stage 1	Stage 3	Total		
High grade	1,372,649	–	1,372,649		
Standard grade	610,846	–	610,846		
Low grade	18,466	–	18,466		
Not rated	531,178	–	531,178		
Balance at 31 December 2022	2,533,139	–	2,533,139		
Amounts due from credit institutions	Stage 1	Stage 3	Total		
High grade	2,396,898	–	2,396,898		
Standard grade	11,871	–	11,871		
Not rated	29,577	–	29,577		
Balance at 31 December 2022	2,438,346	–	2,438,346		
Investment securities measured at FVOCI – debt instruments	Stage 1	Stage 3	Total		
High grade	2,337,628	–	2,337,628		
Standard grade	1,546,907	–	1,546,907		
Not rated	76,381	1,619	78,000		
Balance at 31 December 2022	3,960,916	1,619	3,962,535		
Commercial loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,484,436	78,817	–	–	2,563,253
Standard grade	1,466,457	123,274	–	310	1,590,041
Low grade	238,808	391,875	–	1,187	631,870
Not rated	322,120	17,341	3,605	–	343,066
Defaulted					
Non-performing	–	–	169,661	14,453	184,114
Other	–	–	3,322	–	3,322
Balance at 31 December 2022	4,511,821	611,307	176,588	15,950	5,315,666
Residential mortgage loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	3,020,624	22,479	–	4,103	3,047,206
Standard grade	657,117	37,241	–	4,446	698,804
Low grade	107,484	108,764	–	3,402	219,650
Not rated	140,681	1,082	–	–	141,763
Defaulted					
Non-performing	–	–	53,073	13,650	66,723
Other	–	–	16,584	2,474	19,058
Balance at 31 December 2022	3,925,906	169,566	69,657	28,075	4,193,204
Micro and SME loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,026,620	43,580	–	347	2,070,547
Standard grade	1,022,762	67,959	–	361	1,091,082
Low grade	145,066	75,782	–	45	220,893
Not rated	281,391	13,142	10	207	294,750
Defaulted					
Non-performing	–	–	135,965	1,658	137,623
Other	–	–	10,542	226	10,768
Balance at 31 December 2022	3,475,839	200,463	146,517	2,844	3,825,663
Consumer loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,003,630	13,253	–	2,412	2,019,295
Standard grade	872,122	39,737	–	1,763	913,622
Low grade	202,919	159,751	–	2,021	364,691
Not rated	164,520	1,134	103	–	165,757
Defaulted					
Non-performing	–	–	70,885	11,279	82,164
Other	–	–	51,004	5,521	56,525
Balance at 31 December 2022	3,243,191	213,875	121,992	22,996	3,602,054

30. Risk management continued

Gold – pawn loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	61,635	195	–	–	61,830
Standard grade	43,456	1,077	–	–	44,533
Low grade	39,509	7,339	–	–	46,848
Not rated	2,925	2	493	–	3,420
Defaulted					
Non-performing	–	–	1,318	–	1,318
Other	–	–	6,605	–	6,605
Balance at 31 December 2022	147,525	8,613	8,416	–	164,554
Finance lease receivables	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	17,702	4,495	–	–	22,197
Standard grade	–	694	–	–	694
Not rated	41,829	1,262	5,101	–	48,192
Defaulted					
Non-performing	–	–	3,814	11,909	15,723
Other	–	–	5,240	3,302	8,542
Balance at 31 December 2022	59,531	6,451	14,155	15,211	95,348
Accounts receivable	Stage 1	Stage 2	Stage 3	POCI	Total
Not rated	400,111	–	–	–	400,111
Balance at 31 December 2022	400,111	–	–	–	400,111
Other financial assets	Stage 1	Stage 2	Stage 3	POCI	Total
Not rated	104,107	–	–	–	104,107
Balance at 31 December 2022	104,107	–	–	–	104,107
Financial and performance guarantees issued	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	1,049,817	103	–	–	1,049,920
Standard grade	241,914	4,357	–	–	246,271
Low grade	223,983	20,097	–	–	244,080
Not rated	163,278	111	–	–	163,389
Defaulted					
Other	–	–	13,648	–	13,648
Balance at 31 December 2022	1,678,992	24,668	13,648	–	1,717,308
Letters of credit	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	76,091	–	–	–	76,091
Standard grade	39,671	–	–	–	39,671
Not rated	547	–	–	–	547
Balance at 31 December 2022	116,309	–	–	–	116,309
Undrawn loan facilities	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	498,164	306	–	–	498,470
Standard grade	259,919	6,168	–	–	266,087
Low grade	7,719	7,829	–	–	15,548
Not rated	87,136	82	–	1	87,219
Defaulted					
Non-performing	–	–	1,537	1	1,538
Other	–	–	199	–	199
Balance at 31 December 2022	852,938	14,385	1,736	2	869,061

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

30. Risk management continued

Cash and cash equivalents, excluding cash on hand	Stage 1		Total		
High grade	480,889		480,889		
Standard grade	78,953		78,953		
Low grade	134		134		
Not rated	209,548		209,548		
Balance at 31 December 2021	769,524		769,524		
Amounts due from credit institutions	Stage 1		Total		
Standard grade	1,903,301		1,903,301		
Not rated	28,420		28,420		
Balance at 31 December 2021	1,931,721		1,931,721		
Investment securities measured at FVOCI – debt instruments	Stage 1		Total		
High grade	1,031,369		1,031,369		
Standard grade	1,464,107		1,464,107		
Low grade	13,804		13,804		
Not rated	79,948		79,948		
Balance at 31 December 2021	2,589,228		2,589,228		
Commercial loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,815,718	11,769	–	–	2,827,487
Standard grade	1,318,613	166,392	–	–	1,485,005
Low grade	369,056	176,236	–	7,131	552,423
Not rated	430,925	20,536	3,524	–	454,985
Defaulted					
Non-performing	–	–	212,134	10,883	223,017
Other	–	–	11,267	–	11,267
Balance at 31 December 2021	4,934,312	374,933	226,925	18,014	5,554,184
Residential mortgage loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	2,751,165	67,134	–	2,163	2,820,462
Standard grade	616,665	84,564	–	4,284	705,513
Low grade	112,440	106,454	–	5,083	223,977
Not rated	149,099	1,818	–	–	150,917
Defaulted					
Non-performing	–	–	31,140	3,767	34,907
Other	–	–	73,374	12,908	86,282
Balance at 31 December 2021	3,629,369	259,970	104,514	28,205	4,022,058
Micro and SME loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	1,733,636	103,160	–	308	1,837,104
Standard grade	932,109	90,631	–	1,588	1,024,328
Low grade	108,045	69,942	–	561	178,548
Not rated	506,359	29,740	11	–	536,110
Defaulted					
Non-performing	–	–	115,794	2,125	117,919
Other	–	–	35,694	2,053	37,747
Balance at 31 December 2021	3,280,149	293,473	151,499	6,635	3,731,756
Consumer loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	1,415,629	23,339	–	858	1,439,826
Standard grade	758,684	54,826	–	1,640	815,150
Low grade	272,104	135,897	–	2,259	410,260
Not rated	189,021	964	267	–	190,252
Defaulted					
Non-performing	–	–	41,757	1,141	42,898
Other	–	–	65,618	17,301	82,919
Balance at 31 December 2021	2,635,438	215,026	107,642	23,199	2,981,305

30. Risk management continued

Gold – pawn loans at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	58,481	295	–	–	58,776
Standard grade	41,990	2,606	–	–	44,596
Low grade	19,639	7,215	–	–	26,854
Not rated	32,677	–	–	–	32,677
Defaulted					
Non-performing	–	–	1,003	–	1,003
Other	–	–	1,511	–	1,511
Balance at 31 December 2021	152,787	10,116	2,514	–	165,417
Finance lease receivables	Stage 1	Stage 2	Stage 3	POCI	Total
High grade	8,585	3,221	–	–	11,806
Standard grade	8,337	2,733	–	–	11,070
Low grade	8,515	5,850	–	–	14,365
Not rated	55,737	5,780	–	–	61,517
Defaulted					
Non-performing	–	–	605	–	605
Other	–	–	16,007	9,582	25,589
Balance at 31 December 2021	81,174	17,584	16,612	9,582	124,952
Accounts receivable				Stage 1	Total
Not rated				6,097	6,097
Balance at 31 December 2021				6,097	6,097
Other financial assets				Stage 1	Total
Not rated				52,575	52,575
Balance at 31 December 2021				52,575	52,575
Financial and performance guarantees issued	Stage 1	Stage 2	Stage 3	Total	
High grade	307,607	24,337	–	331,944	
Standard grade	91,528	7,799	–	99,327	
Low grade	58,376	3,334	–	61,710	
Not rated	1,193,179	9	–	1,193,188	
Defaulted					
Other	–	–	744	744	
Balance at 31 December 2021	1,650,690	35,479	744	1,686,913	
Letters of credit	Stage 1	Stage 2	Stage 3	Total	
High grade	67,925	–	–	67,925	
Standard grade	1,743	–	–	1,743	
Low grade	410	–	–	410	
Not rated	1,598	–	–	1,598	
Balance at 31 December 2021	71,676	–	–	71,676	
Undrawn loan facilities	Stage 1	Stage 2	Stage 3	Total	
High grade	581,310	1,415	–	582,725	
Standard grade	121,376	3,011	–	124,387	
Low grade	12,986	4,561	–	17,547	
Not rated	83,653	240	9	83,902	
Defaulted					
Non-performing	–	–	5	5	
Other	–	–	909	915	
Balance at 31 December 2021	799,325	9,227	923	809,481	

Types of collateral the Group accepts include real estate and movable properties as well as financial assets (deposits, shares and guarantees) and other registered liens. Measurement and processing of collateral is governed by generally acceptable standards and collateral-specific instructions. These transactions are structured under legally verified standard agreements where the pledges are secured through public registry where eligible. The following table shows the ratio of the loan portfolio to the market value of collateral held by the Group in respect of the portfolio. As at 31 December 2023, up to 80.1% of the collateral held has been revalued within the last two years (2022: 78.6%, 2021: 76.0%). For residential mortgage loans, in cases where the collateral for a loan may not be officially registered until its construction is complete, the respective loan is shown as unsecured, even though it is usually secured by the corporate guarantee of the construction company.

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

30. Risk management continued

As at 31 December 2023										
	Total gross carrying amount	Unsecured	Loan-to-value %							
			Less than 50%	50-80%	80-90%	90-100%	100-200%	200-300%	300-400%	More than 400%
Commercial loans	7,017,617	837,104	1,235,492	1,618,714	297,635	370,658	1,454,192	531,632	133,244	538,946
ECL coverage	1.43%	0.62%	0.55%	0.42%	0.21%	2.63%	2.11%	4.45%	2.41%	2.54%
Residential mortgage loans	4,557,525	105,607	1,097,126	1,997,629	613,407	533,097	175,455	9,783	5,224	20,197
ECL coverage	0.50%	2.22%	0.00%	0.24%	0.73%	0.78%	3.56%	1.23%	2.28%	2.09%
Micro and SME loans	4,073,022	241,068	885,575	1,131,643	358,909	314,671	981,784	82,058	26,254	51,060
ECL coverage	1.76%	6.03%	0.01%	0.57%	0.79%	1.23%	3.85%	3.02%	4.57%	4.75%
Consumer loans	4,699,969	2,266,702	815,573	919,577	330,004	257,059	87,651	8,396	4,722	10,285
ECL coverage	2.80%	5.16%	0.01%	0.38%	0.83%	1.10%	5.61%	3.85%	4.36%	1.62%
Gold – pawn loans	150,228	–	4,362	49,324	93,706	1,083	790	941	–	22
ECL coverage	0.93%	N/A	0.02%	0.06%	0.24%	16.25%	27.72%	76.09%	N/A	81.82%
Loans to customers at amortised cost, gross	20,498,361	3,450,481	4,038,128	5,716,887	1,693,661	1,476,568	2,699,872	632,810	169,444	620,510

As at 31 December 2022										
	Total gross carrying amount	Unsecured	Loan-to-value %							
			Less than 50%	50-80%	80-90%	90-100%	100-200%	200-300%	300-400%	More than 400%
Commercial loans	5,315,666	714,675	1,037,528	900,866	158,713	245,750	1,243,415	340,917	70,694	603,108
ECL coverage	1.72%	2.79%	0.56%	1.18%	0.82%	1.56%	3.14%	1.18%	1.31%	1.01%
Residential mortgage loans	4,193,204	120,439	981,034	1,859,064	532,412	441,719	230,274	8,114	2,665	17,483
ECL coverage	0.72%	2.45%	0.01%	0.38%	1.00%	1.45%	3.07%	4.42%	1.43%	4.06%
Micro and SME loans	3,825,663	405,004	885,724	966,056	278,684	280,462	800,119	73,083	30,447	106,084
ECL coverage	1.66%	4.73%	0.02%	0.41%	0.92%	1.48%	2.92%	3.42%	4.59%	5.88%
Consumer loans	3,602,054	1,794,035	629,846	694,153	217,045	174,755	83,286	4,926	1,196	2,812
ECL coverage	3.76%	6.79%	0.03%	0.51%	1.36%	1.59%	4.58%	7.69%	0.92%	1.53%
Gold – pawn loans	164,554	1	8,589	58,481	94,082	2,044	1,338	–	–	19
ECL coverage	3.31%	N/A	50.54%	0.07%	0.30%	13.65%	35.87%	N/A	N/A	84.21%
Loans to customers at amortised cost, gross	17,101,141	3,034,154	3,542,721	4,478,620	1,280,936	1,144,730	2,358,432	427,040	105,002	729,506

As at 31 December 2021										
	Total gross carrying amount	Unsecured	Loan-to-value %							
			Less than 50%	50-80%	80-90%	90-100%	100-200%	200-300%	300-400%	More than 400%
Commercial loans	5,554,184	670,741	474,531	1,396,633	167,960	238,995	1,193,148	814,879	197,306	399,991
ECL coverage	2.87%	1.51%	1.43%	0.69%	1.04%	2.71%	2.50%	10.60%	1.87%	1.17%
Residential mortgage loans	4,022,058	94,513	715,692	1,556,323	651,029	519,179	440,231	11,085	4,739	29,267
ECL coverage	0.82%	4.19%	0.02%	0.09%	0.66%	1.19%	3.41%	9.24%	2.15%	3.32%
Micro and SME loans	3,731,756	429,366	725,310	933,874	272,270	328,758	835,894	90,748	34,841	80,695
ECL coverage	1.99%	5.89%	0.10%	0.27%	0.66%	1.65%	3.11%	4.59%	2.43%	9.47%
Consumer loans	2,981,305	1,560,864	443,343	514,287	178,141	143,989	132,295	3,634	731	4,021
ECL coverage	4.56%	8.07%	0.07%	0.36%	1.02%	1.43%	2.67%	11.23%	2.60%	3.13%
Gold – pawn loans	165,417	1	4,182	37,427	118,095	4,568	1,128	–	–	16
ECL coverage	1.25%	N/A	0.02%	4.83%	0.09%	2.47%	2.48%	N/A	N/A	75.00%
Loans to customers at amortised cost, gross	16,454,720	2,755,485	2,363,058	4,438,544	1,387,495	1,235,489	2,602,696	920,346	237,617	513,990

30. Risk management continued

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

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

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

	Amortised cost before modification	Net gain/(loss) arising from modification
Financial assets modified during 2023:		
Commercial loans	710,073	599
Residential mortgage loans	44,848	(131)
Micro and SME loans	168,593	(2,362)
Consumer loans	287,667	(12,791)
Gold – pawn loans	–	–
Loans to customers	1,211,181	(14,685)
Finance lease receivables	839	138
Total loans to customers and finance lease receivables	1,212,020	(14,547)
Financial assets modified during 2022:		
Commercial loans	621,067	2,169
Residential mortgage loans	73,863	(3,081)
Micro and SME loans	173,382	(2,524)
Consumer loans	305,726	(25,835)
Gold – pawn loans	–	–
Loans to customers	1,174,038	(29,271)
Finance lease receivables	–	–
Total loans to customers and finance lease receivables	1,174,038	(29,271)
Financial assets modified during 2021:		
Commercial loans	437,979	388
Residential mortgage loans	132,638	530
Micro and SME loans	243,217	(4,185)
Consumer loans	271,896	(9,446)
Gold – pawn loans	–	–
Loans to customers	1,085,730	(12,713)
Finance lease receivables	–	–
Total loans to customers and finance lease receivables	1,085,730	(12,713)
Financial assets modified since initial recognition, as at 31 December 2023		
	Gross carrying amount	Corresponding ECL
Commercial loans	96,127	(255)
Residential mortgage loans	63,193	(51)
Micro and SME loans	39,912	(98)
Consumer loans	14,217	(49)
Gold – pawn loans	–	–
Loans to customers	213,449	(453)
Finance lease receivables	–	–
Total loans to customers and finance lease receivables	213,449	(453)

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

30. Risk management continued

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

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

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

	2023			Total
	Georgia	OECD	CIS and other foreign countries	
Assets:				
Cash and cash equivalents	1,523,046	975,099	603,679	3,101,824
Amounts due from credit institutions	1,733,898	–	18,759	1,752,657
Investment securities	2,368,874	2,332,754	428,129	5,129,757
Loans to customers and finance lease receivables	19,532,803	–	699,918	20,232,721
All other assets	1,314,511	150,031	76,057	1,540,599
	26,473,132	3,457,884	1,826,542	31,757,558
Liabilities:				
Client deposits and notes	14,880,493	1,138,532	4,503,714	20,522,739
Amounts owed to credit institutions	2,369,365	2,257,129	529,515	5,156,009
Debt securities issued	273,923	147,436	–	421,359
Lease liability	128,725	–	13,209	141,934
All other liabilities	396,104	87,254	12,323	495,681
	18,048,610	3,630,351	5,058,761	26,737,722
Net balance sheet position	8,424,522	(172,467)	(3,232,219)	5,019,836

30. Risk management continued

	2022				2021			
	Georgia	OECD	CIS and other foreign countries	Total	Georgia	OECD	CIS and other foreign countries	Total
Assets:								
Cash and cash equivalents	1,508,225	1,453,844	622,774	3,584,843	836,325	419,324	264,913	1,520,562
Amounts due from credit institutions	2,358,551	54,175	20,302	2,433,028	1,922,671	–	8,719	1,931,390
Investment securities	1,798,172	2,436,465	115,092	4,349,729	1,477,367	970,901	147,396	2,595,664
Loans to customers and finance lease receivables	16,339,883	–	521,823	16,861,706	15,524,427	–	644,546	16,168,973
All other assets	1,473,703	120,271	78,620	1,672,594	977,703	178,765	57,019	1,213,487
	23,478,534	4,064,755	1,358,611	28,901,900	20,738,493	1,568,990	1,122,593	23,430,076
Liabilities:								
Client deposits and notes	13,017,449	966,722	4,277,226	18,261,397	11,180,811	894,192	1,962,999	14,038,002
Amounts owed to credit institutions	2,622,787	2,142,083	501,783	5,266,653	1,609,565	2,619,885	88,995	4,318,445
Debt securities issued	312,053	333,915	–	645,968	450,155	1,061,203	7,327	1,518,685
Lease liability	101,402	–	13,068	114,470	84,875	–	2,787	87,662
All other liabilities	275,030	81,893	7,667	364,590	309,068	55,291	10,015	374,374
	16,328,721	3,524,613	4,799,744	24,653,078	13,634,474	4,630,571	2,072,123	20,337,168
Net balance sheet position	7,149,813	540,142	(3,441,133)	4,248,822	7,104,019	(3,061,581)	(949,530)	3,092,908

Liquidity risk and funding management

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

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

The liquidity position is assessed and managed by the Group primarily on a standalone Bank basis, based on certain liquidity ratios established by the NBG. Banks are required to maintain a liquidity coverage ratio, which is defined as the ratio of high-quality liquid assets to net cash outflow over the next 30 days. The order requires that, absent a stress-period, the value of the ratio be no lower than 100%. The liquidity coverage ratio as at 31 December 2023 was 125.2% (2022: 132.4%, 2021: 124.0%).

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

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

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

Financial liabilities As at 31 December 2023	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Client deposits and notes	8,491,287	10,559,684	1,963,380	73,382	21,087,733
Amounts owed to credit institutions	2,777,202	569,441	1,773,329	836,493	5,956,465
Debt securities issued	406	204,747	452,747	83,158	741,058
Lease liability	9,077	27,435	100,420	26,499	163,431
Other liabilities	151,734	13,032	2,369	133	167,268
Total undiscounted financial liabilities	11,429,706	11,374,339	4,292,245	1,019,665	28,115,955

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

30. Risk management continued

Financial liabilities As at 31 December 2022	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Client deposits and notes	8,278,805	8,366,525	1,946,856	342,592	18,934,778
Amounts owed to credit institutions	3,300,204	623,612	1,310,937	654,002	5,888,755
Debt securities issued	7,843	343,014	411,265	–	762,122
Lease liability	7,633	22,444	77,028	16,756	123,861
Other liabilities	142,655	14,856	1,062	118	158,691
Total undiscounted financial liabilities	11,737,140	9,370,451	3,747,148	1,013,468	25,868,207

Financial liabilities As at 31 December 2021	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Client deposits and notes	5,301,533	7,317,413	1,657,540	352,824	14,629,310
Amounts owed to credit institutions	1,815,989	628,686	1,870,941	610,949	4,926,565
Debt securities issued	37,678	310,707	1,432,079	–	1,780,464
Lease liability	6,145	16,729	66,981	10,992	100,847
Other liabilities	177,528	3,788	2,015	18	183,349
Total undiscounted financial liabilities	7,338,873	8,277,323	5,029,556	974,783	21,620,535

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

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2023	1,349,928	636,409	1,009,256	27,560	3,023,153
31 December 2022	1,280,906	625,011	778,275	30,294	2,714,486
31 December 2021	1,010,650	663,865	885,895	17,546	2,577,956

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

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

Market risk

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

Interest rate risk

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

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for the year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2023. Changes in basis points are calculated as standard deviations of daily changes in floating rates over the last month multiplied by respective floating rates. During the years ended 31 December 2023, 2022 and 2021, sensitivity analysis did not reveal any significant potential effect on the Group's equity.

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

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

30. Risk management continued

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

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

Currency	Increase in basis points 2021	Sensitivity of net interest income 2021	Sensitivity of other comprehensive income 2021
GEL	53	6,733	5,516
EUR	2	238	–
US\$	5	355	–

Currency	Decrease in basis points 2021	Sensitivity of net interest income 2021	Sensitivity of other comprehensive income 2021
GEL	53	(6,733)	(5,516)
EUR	2	(238)	–
US\$	5	(355)	–

Currency risk

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

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2023 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian Lari, with all other variables held constant on the income statement. The reasonably possible movement of the currency rate against the Georgian Lari is calculated as a standard deviation of daily changes in exchange rates over the 12 months. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. During the years ended 31 December 2023, 31 December 2022 and 31 December 2021, sensitivity analysis did not reveal any significant potential effect on the Group's equity.

Currency	2023		2022		2021	
	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
EUR	8.8%	(323)	13.4%	1,251	8.6%	209
US\$	4.9%	14,415	10.9%	806	6.4%	1,027

Prepayment risk

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

The Group calculates the effect of early repayments by calculating the weighted average rates of early repayments across each loan product individually, applying these historical rates to the outstanding carrying amount of respective products as at the reporting date and multiplying by the weighted average effective annual interest rates for each product. The model does not make a distinction between different reasons for repayment (e.g. relocation, refinancing or renegotiation) and takes into account the effect of any prepayment penalties on the Group's income.

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

30. Risk management continued

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

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

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of Internal Audit.

Operating environment

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

This includes the adoption of a new body of legislation (including a new tax code and procedural laws). In the view of the Board, these steps contribute to mitigating the risks of doing business in Georgia.

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

Emerging risks

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

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

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

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

31. Fair value measurements

Fair value hierarchy

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

At 31 December 2023	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Total investment properties	–	–	124,068	124,068
Land	–	–	4,844	4,844
Residential properties	–	–	87,758	87,758
Non-residential properties	–	–	31,466	31,466
Investment securities	7,726	4,424,206	7,519	4,439,451
Other assets – derivative financial assets	–	10,942	–	10,942
Assets for which fair values are disclosed				
Cash and cash equivalents	3,101,824	–	–	3,101,824
Amounts due from credit institutions	–	1,752,657	–	1,752,657
Investment securities measured at amortised cost – debt instruments	–	692,781	–	692,781
Loans to customers and finance lease receivables	–	–	19,476,015	19,476,015
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	–	25,779	–	25,779
Liabilities for which fair values are disclosed				
Client deposits and notes	–	20,469,692	72,620	20,542,312
Amounts owed to credit institutions	–	3,735,221	1,416,771	5,151,992
Debt securities issued	–	270,524	148,134	418,658
Lease liability	–	13,209	130,236	143,445

At 31 December 2022	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Total investment properties	–	–	166,546	166,546
Land	–	–	9,008	9,008
Residential properties	–	–	112,890	112,890
Non-residential properties	–	–	44,648	44,648
Investment securities	5,285	3,960,360	5,547	3,971,192
Other assets – derivative financial assets	–	39,270	–	39,270
Other assets – investment securities at FVTPL	2,660	–	–	2,660
Assets for which fair values are disclosed				
Cash and cash equivalents	3,584,843	–	–	3,584,843
Amounts due from credit institutions	–	2,433,028	–	2,433,028
Investment securities measured at amortised cost – debt instruments	–	385,800	–	385,800
Loans to customers and finance lease receivables	–	–	16,266,826	16,266,826
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	–	59,020	–	59,020
Liabilities for which fair values are disclosed				
Client deposits and notes	–	18,228,352	–	18,228,352
Amounts owed to credit institutions	–	4,033,727	1,209,141	5,242,868
Debt securities issued	–	490,559	151,808	642,367
Lease liability	–	13,068	104,670	117,738

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

31. Fair value measurements continued

At 31 December 2021	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Total investment properties	–	–	226,849	226,849
<i>Land</i>	–	–	11,762	11,762
<i>Residential properties</i>	–	–	152,167	152,167
<i>Non-residential properties</i>	–	–	62,920	62,920
Investment securities	5,823	2,586,152	3,689	2,595,664
Other assets – derivative financial assets	–	135,079	–	135,079
Other assets – investment securities at FVTPL	2,146	–	–	2,146
Assets for which fair values are disclosed				
Cash and cash equivalents	1,520,562	–	–	1,520,562
Amounts due from credit institutions	–	1,931,390	–	1,931,390
Loans to customers and finance lease receivables	–	–	15,787,725	15,787,725
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	–	7,865	–	7,865
Liabilities for which fair values are disclosed				
Client deposits and notes	–	14,013,500	–	14,013,500
Amounts owed to credit institutions	–	3,635,353	683,092	4,318,445
Debt securities issued	–	1,310,806	280,109	1,590,915
Lease liability	35	3,574	90,760	94,369

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

Derivative financial instruments

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

Trading securities and investment securities

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

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

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

31. Fair value measurements continued

Fair value hierarchy

Movements in Level 3 financial instruments measured at fair value

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

	At 31 December 2020	Purchase of securities	At 31 December 2021	Purchase of securities	At 31 December 2022	Purchase of securities	At 31 December 2023
Level 3 financial assets							
Equity investment securities	2,076	1,613	3,689	1,858	5,547	1,972	7,519

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

All investment properties are Level 3. Reconciliations of their opening and closing amounts are provided in Note 15.

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

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

	2023		2022		2021	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Level 3 financial assets						
Equity investment securities	7,519	+/- 1120	5,547	+/- 826	3,689	+/- 549

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

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

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

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

Investment property	2023	Valuation technique	Significant unobservable inputs	MIN		Weighted average	Other key information	MIN		MAX	Weighted Average
				MIN	MAX			MIN	MAX		
Investment property	124,068										
Land	4,844										
Development land	4,505	Market approach	Price per square metre	0.012	2.220	1.033	Square metres, land	32	20,000		4,026
Agricultural land	339	Market approach	Price per square metre	0.001	0.709	0.337	Square metres, land	310	140,000		19,296
Residential properties	87,758	Market approach	Price per square metre	0.049	5.466	1.004	Square metres, building	18	3,170		225
Non-residential properties	31,466										
	31,466	Market approach	Price of the property	22.870	3,838.861	1,321.071	Square metres, Land	50	23,884		2,684
							Square metres, Building	32	3,000		984

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

31. Fair value measurements continued

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

	At 31 December 2023		
	Amortised cost	FVOCI	FVTPL
Financial assets			
Loans to customers and finance lease receivables	20,232,721	–	–
Accounts receivable and other loans	47,562	–	–
Equity instruments	–	7,880	6,976
Debt instruments	690,306	4,424,160	435
Foreign currency derivative financial instruments	–	–	10,942
Total	25,825,070	4,432,040	18,353
Financial liabilities			
Client deposits and notes	20,522,739	–	–
Amounts owed to credit institutions	5,156,009	–	–
Debt securities issued	421,359	–	–
Lease liability	141,934	–	–
Trade and other payables (in other liabilities)	113,647	–	–
Foreign currency derivative financial instruments	–	–	25,779
Total	26,355,688	–	25,779

	At 31 December 2022			At 31 December 2021		
	Amortised cost	FVOCI	FVTPL	Amortised cost	FVOCI	FVTPL
Financial assets						
Loans to customers and finance lease receivables	16,861,706	–	–	16,168,973	–	–
Accounts receivable and other loans	397,990	–	–	3,680	–	–
Equity instruments	–	10,893	–	–	9,581	–
Debt instruments	378,537	3,960,299	–	–	2,586,083	–
Interest rate contracts	–	–	348	–	–	2,827
Foreign currency derivative financial instruments	–	–	38,922	–	–	132,252
Investment securities at FVTPL	–	–	2,660	–	–	2,146
Total	23,656,104	3,971,192	41,930	19,624,605	2,595,664	137,225
Financial liabilities						
Client deposits and notes	18,261,397	–	–	14,038,002	–	–
Amounts owed to credit institutions	5,266,653	–	–	4,318,445	–	–
Debt securities issued	645,968	–	–	1,518,685	–	–
Lease liability	114,470	–	–	87,662	–	–
Trade and other payables (in other liabilities)	68,721	–	–	56,223	–	–
Interest rate contracts	–	–	–	–	–	1,385
Foreign currency derivative financial instruments	–	–	59,020	–	–	6,480
Total	24,357,209	–	59,020	20,019,017	–	7,865

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

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

31. Fair value measurements continued

	At 31 December 2023		
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Investment securities measured at amortised cost – debt instruments	690,306	692,781	2,475
Loans to customers and finance lease receivables	20,232,721	19,476,015	(756,706)
Financial liabilities			
Client deposits and notes	20,522,739	20,542,312	(19,573)
Amounts owed to credit institutions	5,156,009	5,151,992	4,017
Debt securities issued	421,359	418,658	2,701
Lease liability	141,934	143,445	(1,511)
Total unrecognised change in unrealised fair value			(768,597)

	At 31 December 2022			At 31 December 2021		
	Carrying value	Fair value	Unrecognised gain/(loss)	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets						
Investment securities measured at amortised cost – debt instruments	378,537	385,800	7,263	–	–	–
Loans to customers and finance lease receivables	16,861,706	16,266,826	(594,880)	16,168,973	15,787,725	(381,248)
Financial liabilities						
Client deposits and notes	18,261,397	18,228,352	33,045	14,038,002	14,013,500	24,502
Amounts owed to credit institutions	5,266,653	5,242,868	23,785	4,318,445	4,318,445	–
Debt securities issued	645,968	642,367	3,601	1,518,685	1,590,915	(72,230)
Lease liability	114,470	117,738	(3,268)	87,662	94,369	(6,707)
Total unrecognised change in unrealised fair value			(530,454)			(435,683)

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

32. Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities according to their contractual maturities, except for current accounts and credit card loans as described below. See Note 30 'Risk management' for the Group's contractual undiscounted repayment obligations.

	At 31 December 2023							
	On demand	Up to 3 months	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Over 5 years	Total
Financial assets								
Cash and cash equivalents	2,417,513	684,311	–	–	–	–	–	3,101,824
Amounts due from credit institutions	1,733,898	–	–	–	–	–	18,759	1,752,657
Investment securities	1,499,313	2,661,776	462,614	228,000	242,779	32,823	2,452	5,129,757
Loans to customers and finance lease receivables	1,190	2,870,703	1,353,016	2,754,708	5,372,193	2,964,992	4,915,919	20,232,721
Accounts receivable and other loans	1,546	45,630	184	202	–	–	–	47,562
Total	5,653,460	6,262,420	1,815,814	2,982,910	5,614,972	2,997,815	4,937,130	30,264,521
Financial liabilities								
Client deposits and notes	5,306,925	3,164,462	1,509,643	8,895,604	1,075,055	517,532	53,518	20,522,739
Amounts owed to credit institutions	476,646	2,297,284	87,969	424,409	810,610	554,167	504,924	5,156,009
Debt securities issued	–	406	25,135	13,388	294,075	5,197	83,158	421,359
Lease liability	–	9,024	8,855	16,762	55,277	31,107	20,909	141,934
Total	5,783,571	5,471,176	1,631,602	9,350,163	2,235,017	1,108,003	662,509	26,242,041
Net	(130,111)	791,244	184,212	(6,367,253)	3,379,955	1,889,812	4,274,621	4,022,480
Accumulated gap	(130,111)	661,133	845,345	(5,521,908)	(2,141,953)	(252,141)	4,022,480	

	At 31 December 2022							
	On demand	Up to 3 months	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Over 5 years	Total
Financial assets								
Cash and cash equivalents	2,853,938	730,905	–	–	–	–	–	3,584,843
Amounts due from credit institutions	2,396,574	733	2,257	2,885	8,986	1,291	20,302	2,433,028
Investment securities	953,357	2,315,414	536,088	217,956	142,195	182,498	2,221	4,349,729
Loans to customers and finance lease receivables	4,204	2,087,706	1,238,926	2,103,947	4,575,809	2,420,979	4,430,135	16,861,706
Accounts receivable and other loans	2,057	375,736	35	1,518	18,644	–	–	397,990
Total	6,210,130	5,510,494	1,777,306	2,326,306	4,745,634	2,604,768	4,452,658	27,627,296
Financial liabilities								
Client deposits and notes	5,406,670	2,812,580	1,298,966	6,963,532	1,229,394	283,703	266,552	18,261,397
Amounts owed to credit institutions	701,207	2,599,102	168,560	396,759	677,401	363,797	359,827	5,266,653
Debt securities issued	–	7,816	51,107	281,519	109,683	195,843	–	645,968
Lease liability	–	6,899	7,161	14,146	46,624	26,963	12,677	114,470
Total	6,107,877	5,426,397	1,525,794	7,655,956	2,063,102	870,306	639,056	24,288,488
Net	102,253	84,097	251,512	(5,329,650)	2,682,532	1,734,462	3,813,602	3,338,808
Accumulated gap	102,253	186,350	437,862	(4,891,788)	(2,209,256)	(474,794)	3,338,808	

32. Maturity analysis of financial assets and liabilities continued

	At 31 December 2021							Total
	On demand	Up to 3 months	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Over 5 years	
Financial assets								
Cash and cash equivalents	1,291,890	228,672	–	–	–	–	–	1,520,562
Amounts due from credit institutions	1,893,732	8,003	7,744	–	9,652	3,540	8,719	1,931,390
Investment securities	1,162,051	1,282,493	7,478	12,486	39,734	88,776	2,646	2,595,664
Loans to customers and finance lease receivables	2,966	3,046,387	926,061	1,976,611	4,005,985	2,281,105	3,929,858	16,168,973
Accounts receivable and other loans	261	1,608	9	1,802	–	–	–	3,680
Total	4,350,900	4,567,163	941,292	1,990,899	4,055,371	2,373,421	3,941,223	22,220,269
Financial liabilities								
Client deposits and notes	2,455,123	2,783,998	1,177,931	6,048,073	852,196	454,304	266,377	14,038,002
Amounts owed to credit institutions	170,410	1,638,683	221,013	355,637	996,956	526,697	409,049	4,318,445
Debt securities issued	–	37,515	16,364	233,824	1,008,104	222,878	–	1,518,685
Lease liability	–	6,198	5,782	10,355	35,238	22,808	7,281	87,662
Total	2,625,533	4,466,394	1,421,090	6,647,889	2,892,494	1,226,687	682,707	19,962,794
Net	1,725,367	100,769	(479,798)	(4,656,990)	1,162,877	1,146,734	3,258,516	2,257,475
Accumulated gap	1,725,367	1,826,136	1,346,338	(3,310,652)	(2,147,775)	(1,001,041)	2,257,475	

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

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

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

As at 31 December 2023, client deposits and notes amounted to GEL 20,522,739 (2022: GEL 18,261,397, 2021: GEL 14,038,002) and represented 77% (2022: 74%, 2021: 69%) of the Group's total liabilities. These funds continue to provide a majority of the Group's funding and represent a diversified and stable source of funds. As at 31 December 2023, amounts owed to credit institutions amounted to GEL 5,156,009 (2022: GEL 5,266,653, 2021: GEL 4,318,445) and represented 19% (2022: 21%, 2021: 21%) of total liabilities. As at 31 December 2023, debt securities issued amounted to GEL 421,359 (2022: GEL 645,968, 2021: GEL 1,518,685) and represented 2% (2022: 3%, 2021: 7%) of total liabilities.

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

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

32. Maturity analysis of financial assets and liabilities continued

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

	At 31 December 2023		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	3,101,824	–	3,101,824
Amounts due from credit institutions	1,733,898	18,759	1,752,657
Investment securities	4,851,703	278,054	5,129,757
Loans to customers and finance lease receivables	6,979,617	13,253,104	20,232,721
Accounts receivable and other loans	47,562	–	47,562
Prepayments	30,633	6,878	37,511
Foreclosed assets	–	271,712	271,712
Right-of-use assets	–	138,695	138,695
Investment properties	–	124,068	124,068
Property and equipment	–	436,955	436,955
Goodwill	–	41,253	41,253
Intangible assets	–	167,862	167,862
Income tax assets	2,520	–	2,520
Other assets	238,560	6,512	245,072
Assets held for sale	27,389	–	27,389
Total assets	17,013,706	14,743,852	31,757,558
Client deposits and notes	18,876,634	1,646,105	20,522,739
Amounts owed to credit institutions	3,286,308	1,869,701	5,156,009
Debt securities issued	38,929	382,430	421,359
Lease liability	34,641	107,293	141,934
Accruals and deferred income	90,762	38,593	129,355
Income tax liabilities	185,440	13,618	199,058
Other liabilities	167,268	–	167,268
Total liabilities	22,679,982	4,057,740	26,737,722
Net	(5,666,276)	10,686,112	5,019,836

	At 31 December 2022			At 31 December 2021		
	Less than 1 year	More than 1 year	Total	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	3,584,843	–	3,584,843	1,520,562	–	1,520,562
Amounts due from credit institutions	2,402,449	30,579	2,433,028	1,909,479	21,911	1,931,390
Investment securities	4,022,815	326,914	4,349,729	2,464,508	131,156	2,595,664
Loans to customers and finance lease receivables	5,434,783	11,426,923	16,861,706	5,952,025	10,216,948	16,168,973
Accounts receivable and other loans	379,346	18,644	397,990	3,680	–	3,680
Prepayments	40,020	3,592	43,612	39,276	1,602	40,878
Foreclosed assets	–	119,924	119,924	–	3,216	3,216
Right-of-use assets	–	117,387	117,387	–	80,186	80,186
Investment properties	–	166,546	166,546	–	226,849	226,849
Property and equipment	–	398,855	398,855	–	378,808	378,808
Goodwill	–	33,351	33,351	–	33,351	33,351
Intangible assets	–	149,441	149,441	–	144,251	144,251
Income tax assets	224	640	864	109	183	292
Other assets	206,176	8,882	215,058	246,563	8,682	255,245
Assets held for sale	29,566	–	29,566	46,731	–	46,731
Total assets	16,100,222	12,801,678	28,901,900	12,182,933	11,247,143	23,430,076
Client deposits and notes	16,481,748	1,779,649	18,261,397	12,465,125	1,572,877	14,038,002
Amounts owed to credit institutions	3,865,628	1,401,025	5,266,653	2,385,743	1,932,702	4,318,445
Debt securities issued	340,442	305,526	645,968	287,703	1,230,982	1,518,685
Lease liability	28,206	86,264	114,470	22,335	65,327	87,662
Accruals and deferred income	73,660	32,706	106,366	53,346	26,811	80,157
Income tax liabilities	20,258	79,275	99,533	85,270	25,598	110,868
Other liabilities	157,948	743	158,691	182,070	1,279	183,349
Total liabilities	20,967,890	3,685,188	24,653,078	15,481,592	4,855,576	20,337,168
Net	(4,867,668)	9,116,490	4,248,822	(3,298,659)	6,391,567	3,092,908

33. 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.

All transactions with related parties disclosed below have been conducted on an arm's length basis.

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

	At 31 December 2023		At 31 December 2022		At 31 December 2021	
	Associates	Key management personnel*	Associates	Key management personnel*	Associates	Key management personnel*
Loans outstanding at 1 January, gross	–	9,819	–	12,050	–	10,646
Loans issued during the year	–	5,663	–	7,090	–	8,944
Loan repayments during the year	–	(4,993)	–	(7,246)	–	(6,531)
Other movements	–	547	–	(2,075)	–	(1,009)
Loans outstanding at 31 December, gross	–	11,036	–	9,819	–	12,050
Less: allowance for impairment at 31 December	–	(110)	–	(67)	–	(27)
Loans outstanding at 31 December, net	–	10,926	–	9,752	–	12,023
Interest income on loans	–	556	–	745	–	644
Expected credit loss	–	(40)	–	(200)	–	–
Deposits at 1 January	243	12,633	202	31,127	166	32,619
Deposits received during the year	1,796	9,696	–	9,212	36	21,490
Deposits repaid during the year	–	(6,715)	–	(15,773)	–	(32,337)
Other movements	–	(2,263)	41	(11,933)	–	9,355
Deposits at 31 December	2,039	13,351	243	12,633	202	31,127
Interest expense on deposits	–	(863)	–	(959)	–	(1,368)

* Key management personnel includes members of BOGG's Board of Directors and key executives of the Group.

Details of Directors' emoluments are included in the Remuneration Report on pages 229 to 247. Compensation of key management personnel comprised the following:

	2023	2022	2021
Salaries and other benefits	17,443	11,841	12,915
Share-based payments compensation	50,861	58,208	25,048
Social security costs	381	–	–
Total key management compensation	68,685	70,049	37,963

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based (Note 29). The number of key management personnel at 31 December 2023 was 23 (31 December 2022: 23, 31 December 2021: 21).

As at 31 December 2023 interest rates on loans issued to key management personnel comprised 16.8% and 4.5% (31 December 2022: 17.9% and 4.5%, 31 December 2021: 28.8% and 4.0%) for GEL and FC denominated loans, respectively. As at 31 December 2023 interest rates on deposits placed by key management personnel comprised 13.5% and 0.0% (as at 31 December 22: 13.5% and 0.0%, as at 31 December 21: 14.2% and 0.0%) for GEL and FC denominated deposits, respectively.

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

34. Capital adequacy

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

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

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

NBG (Basel III) capital adequacy ratio

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

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

	As at 31 December 2023
IFRS-based NBG (Basel III) capital adequacy ratio	
Tier 1 capital	4,603,352
Tier 2 capital	499,018
Total capital	5,102,370
Risk-weighted assets	23,061,905
Tier 1 capital ratio	20.0%
Total capital ratio	22.1%
Min. requirement for Tier 1 capital ratio	16.7%
Min. requirement for Total capital ratio	19.6%

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

	As at 31 December 2022	As at 31 December 2021
NBG (Basel III) capital adequacy ratio		
Tier 1 capital	3,388,048	2,691,000
Tier 2 capital	618,232	784,800
Total capital	4,006,280	3,475,800
Risk-weighted assets	20,279,424	17,977,949
Tier 1 capital ratio	16.7%	15.0%
Total capital ratio	19.8%	19.3%
Min. requirement for Tier 1 capital ratio	13.8%	13.6%
Min. requirement for Total capital ratio	17.2%	17.7%

35. Events after the reporting period

On 15 March 2024, the Group's Board of Directors approved a GEL 100 million extension of the share buyback and cancellation programme. The shares will be purchased in the open market. The purpose of the buyback is to reduce the surplus capital, and the cancellation of the treasury shares will be executed on a monthly basis.

Business combinations

On 31 March 2024, with reference to Share Purchase Agreement ('SPA') dated 18 February 2024, the Group acquired 90% of the share capital of Ameriabank CJSC, one of the leading banks operating in Armenia, from selling shareholders IMAST Group (CY) Limited (owning 48.82% shares in Ameriabank CJSC), European Bank for Reconstruction and Development (owning 17.71% shares in Ameriabank CJSC out of which 7.71% shares were acquired and remaining 10% is subject to put/call option), Asian Development Bank (owning 13.92% shares in Ameriabank CJSC), ESPS Holding Limited (owning 12.05% shares in Ameriabank CJSC) and Afeyan Foundation for Armenia Inc. (owning 7.5% shares in Ameriabank CJSC). The acquisition is financed by cash consideration of US\$ 276,989 thousand (approximately GEL 746,569 thousand) out of which US\$ 21,031 thousand which equals to approximately GEL 56,686 thousand, is deferred and is due in six months after the completion date. The remaining 10% of share capital retained by European Bank for Reconstruction and Development is subject to a put/call option. Price of the put/call option is US\$ 30,777 thousand (approximately GEL 82,955 thousand) with interest accrued till the exercise date at a rate of 6-month SOFR + 3.5% p.a. subject to offset by any dividends paid to EBRD till exercise date. The Group can exercise call option anytime up to 3 years after completion, while put option can be exercised by EBRD in 3 years after completion. After the acquisition the Group shall account for as acquired the entire issued share capital of Ameriabank CJSC, with ownership split between BOG JSC with a 30% shareholding and BOGG a 70% shareholding (including the present ownership of 10% shares subject to the put/call).

The Group analysed the terms of the put/call option to assess whether the Group has obtained present ownership rights over the shares subject to option at the acquisition date. The Group has concluded that the shares subject to option shall be accounted for as acquired (no NCI will be recognised) and the option shall be recorded as a financial liability forming a part of the consideration transferred.

The acquisition will enable the Group's expansion in the Armenian market and is expected to provide significant strategic, commercial and financial benefits to the Group as outlined below:

- The Armenian economy and banking sector have certain attractive characteristics similar to those in the Group's principal operating country, Georgia, and the Board considers this as an attractive market for expansion that fits very well with the current footprint. Armenia is a neighbouring country with a high-growth economy of similar size to Georgia. The overall Armenian economy is less leveraged compared with the Georgian economy, creating a supportive environment for further banking sector growth in coming years. The Armenian banking sector is financially prudent with low market share concentration levels offering scope for further consolidation.
- Ameriabank CJSC is one of the leading universal banks in Armenia with prudent risk policies and a strong profitability track record and has an attractive franchise with significant upside potential from leveraging the Group's customer focus and digital capabilities. Ameriabank CJSC has a leading market position in Armenia based on the loan portfolio size and a particularly strong foothold in the corporate segment. The market share in retail segment is also increasing boosted by improving digital offerings. The Group believes that Ameriabank CJSC has significant growth potential and further scope to improve commercial performance, particularly in retail. This is expected to be achieved by combining Ameriabank CJSC's existing franchise strengths with the Group's expertise. Besides, Ameriabank CJSC has a well-regarded and experienced management team who agreed to stay on after the acquisition (for at least 24 months).
- The acquisition offers multiple strategic benefits to the Group allowing it to diversify its revenue streams, unlock further growth potential and increase scale. Considering the Group has achieved leading market shares in Georgia, an expansion geographically unlocks further growth potential beyond the local Georgian market. The acquisition also has strong financial rationale that fulfils strict internal financial criteria set by the Group and is expected to result in significant value creation for shareholders.

The acquisition-date fair value of the total purchase consideration and its components are as follows:

In thousands of GEL	
Cash consideration payment	689,883
Deferred consideration	56,686
Present value of redemption liability for put option	82,955
Total purchase consideration	829,524

Acquisition-related transaction costs of GEL 6,965 thousand were expensed as general and administrative expenses in 2023. Additionally, GEL 17,713 thousand acquisition-related cost was expensed as general and administrative expenses in 2024.

Notes to Consolidated Financial Statements continued

(Thousands of Georgian Lari)

35. Events after the reporting period continued

The purchase consideration is based on the book value of Ameriabank CJSC based on balance sheet as at 30 October 2023 prepared under IFRS. However, in accordance with IFRS 3 'Business Combinations', the Group must account for business acquisitions based on fair values of the identifiable assets acquired, and liabilities assumed. These two different approaches can lead to differences; and, as set out in the table below, the excess of the net fair value of the acquiree's identifiable assets and liabilities over cost ('negative goodwill') is immediately recorded in profit or loss for the year. Details of the assets and liabilities acquired and negative goodwill arising from the acquisition are as follows:

In thousands of GEL	Attributed fair value
Cash and cash equivalents	679,965
Amounts due from credit institutions	735,733
Investment securities	1,179,372
Loans to customers and finance lease receivables	6,558,768
Foreclosed assets	5,259
Right-of-use assets	85,508
Property and equipment	74,213
Intangible assets	103,089
Income tax assets	17,054
Other assets	112,578
Client deposits and notes	(6,125,166)
Amounts owed to credit institutions	(757,763)
Debt securities issued	(831,851)
Lease liability	(85,508)
Accruals and Deferred Income	(42,349)
Income tax liabilities	(78,800)
Other liabilities	(169,397)
Fair value of identifiable net assets of subsidiary acquired	1,460,705
Total purchase consideration	829,524
Negative goodwill arising from the acquisition	(631,181)

The fair values of assets and liabilities acquired are based on discounted cash flow models. The fair value of the identifiable net assets of GEL 1,460,705 thousand is provisional given it is based on February 2024 valuation which will be updated as at acquisition date.

The valuation of identifiable intangible assets was performed by an independent professional appraiser. Based on the appraisal report, the following items are included in the purchase price allocation:

- brand name valued at GEL 29,495 thousands; and
- customer relationships valued at GEL 34,516 thousands.

The negative goodwill is primarily attributable to the scarcity of potential buyers in Armenian market considering the value of the net assets acquired. Additionally, the Group is a UK listed financial institution which gave the Management further ability to negotiate the deal.

At acquisition, the carrying amount of loans to customers and finance lease receivables classified as POCI by the Group in the consolidated financial statement is GEL 75,726. The remaining amount of GEL 6,483,042 thousand represents the gross carrying amount of stage 1 loans to customers and finance lease receivables.

Additional Tier 1 Notes

On 9 April 2024, Bank of Georgia Group PLC's subsidiary, JSC Bank of Georgia successfully priced a USD 300 million offering of 9.5% perpetual subordinated callable additional tier 1 notes (the 'Notes'). The Notes are denominated in USD and settled on 16 April 2024. The Notes are being issued in accordance with Reg S/Rule 144A and sold at an issue price of 100%.

ADDITIONAL INFORMATION

Global Reporting Initiative (GRI)

content index

Bank of Georgia Group PLC has reported the information cited in this GRI content index for the period (1 January 2022 -31 December 2022) with reference to the GRI Standards.

GRI indicator	Description	Report section or other documentation
GRI 2: General Disclosures 2021		
The organisation and its reporting practices		
2-1	Organisational details	About Us (page 2)
2-2	Entities included in the organisation's sustainability reporting	Sustainable Business (page 61) Notes to Consolidated Financial Statements (pages 272 to 274)
2-3	Reporting period, frequency and contact point	Sustainable Business (page 61)
2-4	Restatements of information	Not applicable
2-5	External assurance	We have not sought external assurance for sustainability reporting
Activities and workers		
2-6	Activities, value chain, and other business relationships	About us (page 2) Our purpose and strategy framework (page 18) JSC Bank of Georgia business model (page 20)
2-7	Employees	Sustainable Business (page 120)
2-8	Workers who are not employees	Sustainable Business (page 120)
Governance		
2-9	Governance structure and composition	Directors' Governance Statement (pages 188 to 197) Board of Directors (pages 198 to 200)
2-10	Nomination and selection of the highest governance body	Nomination Committee Report (pages 206 to 213)
2-11	Chair of the highest governance body	Directors' Governance Statement (pages 188 to 190) Board of Directors (pages 198 to 200)
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainable Business (Page 61; pages 102 to 193) Directors' Governance Statement (pages 188 to 197)
2-13	Delegation of responsibility for managing impacts	Sustainable Business (pages 61; pages 92 to 98; pages 102 to 193) Directors' Governance Statement (pages 188 to 197)
2-14	Role of the highest governance body in sustainability reporting	Section 172 Statement (page 59) Sustainable Business (page 61; page 102; page 103) Directors' Governance Statement (pages 118 to 197)
2-15	Conflicts of interest	Director's Governance Statement (page 191) Nomination Committee Report (page 210) Audit Committee Report (pages 220 and 222) Directors' Remuneration Report (page 229) Directors' Report (page 251)
2-16	Communication of critical concerns	Sustainable Business (page 90; page 122) Risk Management (page 145) Audit Committee Report (page 222)
2-17	Collective knowledge of the highest governance body	TCFD (page 103) Governance (page 187)
2-18	Evaluation of the performance of the highest governance body	Directors' Governance Statement (pages 196 to 212)
2-19	Remuneration policies	Directors' Remuneration Report (pages 243 to 247)
2-20	Process to determine remuneration	Directors' Remuneration Report (pages 229 to 247)
2-21	Annual total compensation ratio	Directors' Remuneration Report (page 237; page 239)

GRI indicator	Description	Report section or other documentation
GRI 2: General Disclosures 2021 (continued)		
Strategy, Policies and Practices		
2-22	Statement on sustainable development strategy	Chairman's Statement (page 15) Sustainable Business (pages 62 to 64)
2-23	Policy commitments	https://bankofgeorgiagroup.com/governance/documents Sustainable Business (pages 61 to 142)
2-24	Embedding policy commitments	Sustainable Business (pages 61 to 142) Risk Management (pages 144 to 148) Principal Risks and Uncertainties (pages 150 to 169) Directors' Governance Statement (pages 188 to 197)
2-25	Processes to remediate negative impacts	Sustainable Business (pages 67 to 80) Principal Risks and Uncertainties (pages 150 to 169)
2-26	Mechanisms for seeking advice and raising concerns	Sustainable Business (page 122) https://bankofgeorgiagroup.com/governance/documents
2-27	Compliance with laws and regulations	Principal Risks and Uncertainties (page 158)
2-28	Membership associations	Sustainable Business (page 65)
Stakeholder Engagement		
2-29	Approach to stakeholder engagement	Section 172(1) statement (pages 52 to 57) Directors' Governance Statement (pages 178 to 183)
GRI 3: Material Topics		
GRI 3: Material Topics		
3-1	Process to determine material topics	Sustainable Business (pages 62 to 63)
3-2	List of material topics	Sustainable Business (page 63)

Topic-specific disclosures

GRI indicator	Description	Report section or other documentation
GRI 200: Economic		
GRI 201: Economic Performance 2016		
GRI 3: Material topics 2021	3-3 Management of material topics	Our Purpose and Strategy Framework (page 18) Our Key Enablers (page 19) JCS Bank of Georgia Business model (page 20) Strategy and Performance (pages 25 to 51) Sustainable Business (pages 61 to 142)
201-1	Direct economic value generated and distributed	Overview of Financial Results (pages 172 to 183)
201-2	Financial implications and other risks and opportunities due to climate change	Sustainable Business (pages 93 to 117)
GRI 203: Indirect Economic Performance 2016		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (pages 61 to 64)
203-2	Significant indirect economic impacts	Sustainable Business (pages 134 to 140)

Global Reporting Initiative (GRI)

content index continued

GRI indicator	Description	Report section or other documentation
GRI 200: Economic (continued)		
GRI 205: Anti-corruption 2016		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (pages 70 to 71) Principal Risks and Uncertainties (pages 160 and 161)
205-3	Confirmed incidents of corruption and actions taken	Sustainable Business (pages 70 to 71) Principal Risks and Uncertainties (pages 160 to 161)
GRI 400: Social		
GRI 401: Employment 2016		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (pages 120 to 132)
401-1	New employee hires and employee turnover	Sustainable Business (pages 124 to 125)
401-3	Parental leave	Sustainable Business (page 129)
GRI 404: Training and Education 2016		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (pages 125 to 127)
404-1	Average hours of training per year per employee	Sustainable Business (page 127)
404-3	Percentage of employees receiving regular performance and career development reviews	Sustainable Business (page 127)
GRI 405: Diversity and Equal Opportunity 2016		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (page 122) https://bankofgeorgiagroup.com/governance/documents
405-1	Diversity of governance bodies and employees	Sustainable Business (page 122) Governance at a glance (page 186)
405-2	Ratio of the basic salary and remuneration of women to men	Sustainable Business (page 128)
GRI 418: Customer Privacy 2016		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (pages 72 to 77) Principal Risks and Uncertainties (pages 159 to 163)
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainable Business (page 76)
Non-GRI Disclosures		
Customer protection		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (pages 77 to 80)
Topic-specific indicator	NPS	Sustainable Business (page 8)
Customer experience		
GRI 3: Material topics 2021	3-3 Management of material topics	Strategy and Performance (page 19) Sustainable Business (page 78)
Topic-specific indicator	NPS	Strategy and Performance (page 19)
Financial inclusion and empowerment		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (pages 87 to 91)
Topic-specific indicator	Digital MAU Volume of payment transactions in BOG's acquiring Payment MAU sCoolApp MAU Number of Self-employed Borrowers	Strategy and Performance (pages 23 to 24)

GRI indicator	Description	Report section or other documentation
Non-GRI Disclosures (continued)		
Product innovation		
GRI 3: Material topics 2021	3-3 Management of material topics	Strategy and Performance (pages 27; 43)
Topic-specific indicator	Digital MAU Digital DAU Digital DAU/MAU Share of products sold digitally Number of transactions in Busienss mBank and iBank	Strategy and performance (pages 28; 43)
Ethical business		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (pages 67 to 80)
Topic-specific indicator	Number of ethics-related concerns received	Sustainable Business (page 80)
Climate, environmental, and social management of loan portfolio		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (pages 93 to 97)
Topic-specific indicator	% exposure to carbon-related assets in loan portfolio; % exposure to fossil fuel and coal-related assets in loan portfolio	Sustainable Business (page 108)
Human rights		
GRI 3: Material topics 2021	3-3 Management of material topics	Sustainable Business (pages 111 to 112) Sustainable Business (pages 134 to 137)
Topic-specific indicator	eNPS	Sustainable Business (page 130)
Risk management		
GRI 3: Material topics 2021	3-3 Management of material topics	Risk Management (pages 144 to 148)
Topic-specific indicator	Risk indicators	Principal Risks and Uncertainties (pages 150 to 169)

References

The Bank, BOG, or Bank of Georgia	JSC Bank of Georgia
The Group	Bank of Georgia Group PLC and its group companies as a whole
The Company	Bank of Georgia Group PLC
The Board	The Board of Directors of Bank of Georgia Group PLC
The Code	The UK Corporate Governance Code published in 2018
The Directors	Members of the Board of Directors
Supervisory Board	Supervisory Board of the Bank
Executive Management Team	Executive Management and Executive Management Team are used interchangeably throughout the report. Both represent Management Team of the Group as presented on the Group's website https://bankofgeorgiagroup.com/governance/people/management ; in some contexts related to Bank of Georgia, it refers to Management Team of the Bank as presented on the Bank's website at https://bankofgeorgia.ge/en/about/management
We/our/us	References to 'we', 'our' or 'us' are primarily references to the Group throughout this Report. However, the Group comprises and operates through its subsidiaries which are legal entities with their own relevant management and governance structures (as set out in relevant parts of this Report). In that regard, when using 'we', 'our' or 'us' in the context of the banking business in Georgia, we refer to JSC Bank of Georgia. Likewise, 'we', 'our' or 'us' in the context of Georgian capital markets and investment banking activities, we refer to JSC Galt & Taggart, unless otherwise specifically indicated in this Annual Report

Glossary

Alternative performance measures (APMs)

In this announcement the management uses various APMs, which they believe provide additional useful information for understanding the financial performance of the Group. These APMs are not defined by International Financial Reporting Standards, and also may not be directly comparable with other companies who use similar measures. We believe that these APMs provide the best representation of our financial performance as these measures are used by management to evaluate the Group's operating performance and make day-to-day operating decisions;

Strategic terms

Active merchant

At least one transaction executed within the past month;

Monthly active user – retail or business (MAU)

Number of customers who satisfied pre-defined activity criteria within the past month;

Monthly active digital user (Digital MAU)

A user with at least one login within past month in BOG APP/iBank/sCoolApp;

Digital daily active user (Digital DAU)

Average daily number of retail customers who logged into our BOG APP/iBank/sCoolApp at least once within the past month;

Payment MAU

Number of Bank's retail customers who made at least one payment with a BOG card within the past month;

Ratio definitions

Basic earnings per share

Profit for the year attributable to shareholders of the Group divided by the weighted average number of outstanding ordinary shares over the same year;

Book value per share

Total equity attributable to shareholders of the Group divided by ordinary shares outstanding at year end; net ordinary shares outstanding equals total number of ordinary shares outstanding at year end less number of treasury shares at year end;

Constant currency basis

Changes assuming constant exchange rate. To calculate the y-o-y growth without the currency exchange rate effect, we used the exchange rates of relevant currencies to GEL as of 31 December 2022;

Cost of deposits

Interest expense on client deposits and notes of the period divided by monthly average client deposits and notes;

Cost of funds

Interest expense of the year divided by monthly average interest-bearing liabilities;

Cost of credit risk

Expected loss/impairment charge for loans to customers and finance lease receivables for the year divided by monthly average gross loans to customers and finance lease receivables over the same year;

Cost:income ratio

Operating expenses divided by operating income;

Gross loans to customers

Throughout this Annual Report are presented net of ECL on contractually accrued interest income;

Interest-bearing liabilities

Amounts owed to credit institutions, client deposits and notes, and debt securities issued;

Interest earning assets (excluding cash)

Amounts due from credit institutions, investment securities (but excluding corporate shares) and net loans to customers and finance lease receivables;

Leverage (times)

Total liabilities divided by total equity;

Liquid assets

Cash and cash equivalents, amounts due from credit institutions and investment securities;

Liquidity coverage ratio (LCR)

High-quality liquid assets (as defined by NBG) divided by net cash outflow over the next 30 days (as defined by NBG). Calculations are made for Bank of Georgia standalone, based on IFRS;

Loan yield

Interest income from loans to customers and finance lease receivables divided by monthly average gross loans to customers and finance lease receivables;

NBG (Basel III) Common Equity Tier 1 (CET1) capital adequacy ratio

Common Equity Tier 1 capital divided by total risk-weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia. Calculations are made for Bank of Georgia standalone, based on IFRS;

NBG (Basel III) Tier 1 capital adequacy ratio

Tier 1 capital divided by total risk-weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia. Calculations are made for Bank of Georgia standalone, based on IFRS;

NBG (Basel III) Total capital adequacy ratio

Total regulatory capital divided by total risk-weighted assets, both calculated in accordance with the requirements of the National Bank of Georgia. Calculations are made for Bank of Georgia standalone, based on IFRS;

Net interest margin (NIM)

Net interest income for the year divided by monthly average interest earning assets excluding cash and cash equivalents and corporate shares for the same year;

Net stable funding ratio (NSFR)

Available amount of stable funding (as defined by NBG) divided by the required amount of stable funding (as defined by NBG). Calculations are made for Bank of Georgia standalone, based on IFRS;

Net loans

In all sections of the Annual Report, except for the consolidated audited financial statements, net loans are defined as gross loans to customers and finance lease receivables less allowance for expected credit loss;

Non-performing loans (NPLs)

The principal and/or interest payments on loans overdue for more than 90 days; or the exposures experiencing substantial deterioration of their creditworthiness and the debtors assessed as unlikely to pay their credit obligation(s) in full without realisation of collateral;

NPL coverage ratio

Allowance for expected credit loss of loans to customers and finance lease receivables divided by NPLs;

NPL coverage ratio adjusted for discounted value of collateral

Allowance for expected credit loss of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for expected credit loss);

One-off items

Significant items that do not arise during ordinary course of business;

Operating leverage

Percentage change in operating income less percentage change in operating expenses;

Glossary continued

Return on average total assets (ROAA)

Profit for the year divided by monthly average total assets for the same year;

Return on average total equity (ROAE)

Profit for the year attributable to shareholders of BOGG divided by monthly average equity attributable to shareholders of BOGG for the same year;

Weighted average number of ordinary shares

Average of daily outstanding number of shares less daily outstanding number of treasury shares;

Weighted average diluted number of ordinary shares

Weighted average number of ordinary shares plus weighted average dilutive number of shares known to management during the same year;

NMF

Not meaningful.

Executive management functions

CEO

Chief Executive Officer

CFO

Chief Financial Officer

CLO

Chief Legal Officer

CMO

Chief Marketing Officer

CRO

Chief Risk Officer

Shareholder information

Our website

All shareholders and potential shareholders can gain access to the Annual Report, presentations to investors, key financial information, regulatory news, share and dividend data, AGM documentation and other significant information about Bank of Georgia Group PLC at <http://www.bankofgeorgiagroup.com>.

Our registered address

Bank of Georgia Group PLC
29 Farm Street
London W1J 5RL
United Kingdom

Annual General Meeting

The Annual General Meeting of Bank of Georgia Group PLC (the 'AGM') will be held at Baker & McKenzie LLP, 280 Bishopsgate, London EC2M 4RB. Details of the date, time and business to be conducted at the AGM is contained in the Notice of AGM, which will be available on the Group's website: <https://www.bankofgeorgiagroup.com/information/meetings>.

Shareholder enquiries

Bank of Georgia Group PLC's share register is maintained by Computershare Investor Services PLC. Any queries about the administration of holdings of ordinary shares, such as change of address or change of ownership, should be directed to the address or telephone number immediately below. Holders of ordinary shares may also check details of their shareholding, subject to passing an identity check, by visiting the Registrar's website: www.investorcentre.co.uk or by calling the Shareholder Helpline on +44 (0)370 873 5866.

Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ
United Kingdom

Contact information

Bank of Georgia Group PLC Investor Relations
E-mail: ir@bog.ge

Forward-looking statements

Certain statements in this Annual Report and Accounts contain forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, and certain of which include, among other things, those described in 'Principal risks and uncertainties' included in this Annual Report and Accounts, see pages 149 to 169. No part of these results or report constitutes, or shall be taken to constitute, an invitation or inducement to invest in Bank of Georgia Group PLC or any other entity and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

