BB Group

Interim Report as of June 30, 2024

Table of Contents

Interim Management Report

Financial Summary 1H2024 and 2Q2024

Net Profit **41** +21.4% YoY +11.4% QoQ	**ROAA** **2.3%** +0.1ppt YoY +0.2ppt QoQ	**ROAE** **14.7%** +0.3ppt YoY +1.0ppt QoQ
Net Interest Income **78** +15.9% YoY +8.8% QoQ	**Net Non-Interest Income** **22** +64.9% YoY +35.7% QoQ	**Operating Profit Before Impairment** **49** +27.2% YoY +7.1% QoQ
Operating Expenses **51** +21.0% YoY +21.4% QoQ	**Cost to Income** **51.0%** -1.3ppt YoY +3.1ppt QoQ	**Cost of Risk** **0.2%** +0.15ppt YoY +0.02ppt QoQ
Gross Loan Portfolio **2,684** +21.7% YoY +6.4% QoQ	**Customer Deposits** **2,365** +24.2% YoY +9.5% QoQ	**Other Funding** **645** -12.5% YoY -6.6% QoQ
CAR Ratio **19.32%** +0.6ppt YoY -0.2ppt QoQ	**LCR Ratio** **124.73%** -0.8ppt YoY -4.1ppt QoQ	**NSFR Ratio** **119.82%** -0.5ppt YoY -0.3ppt QoQ

Management Report

About BB Group

We are the 4th largest Financial Group in Georgia, with 30 years of market presence. We are positioning ourselves as a Universal Financial Institution with top number 3rd Bank Mindset, acting responsibly and earning lasting loyalty of our clients, partners, and stakeholders.

We are the 3rd largest Bank in financing Businesses, and 4th in retail. Our strategic focus is on strengthening positions in all key areas in retail and business services, with new propositions and superior solutions to build on our strength as a customer-centric, forward-looking bank.

We are happy to serve over 200,000 Business and Retail clients, while covering all regions through a network of 40 branches and a strong pool of over 900 employees.

Backed with a solid capital base, balanced with strong financial support, we accumulated superior expertise in doing business and gained a competitive edge on the market in supporting businesses.

Steady organic growth boosted with successful acquisition of retail and corporate businesses in 2022 led the Bank to dynamic transformation stage and it started mapping new strategic objectives.

Our Strategic Business Lines

With the help of two subsidiaries, BB Insurance and BB Leasing, we offer tailored banking, insurance, and leasing services to all client segments through our multi-channel distribution platform. Coordinated functioning of these lines produce **synergies** to offer broad scale financial services to all client segments.

Client Segmentation

Bank serves a diversified base of business and retail clients. Bank provides standard products and services as well as customized products and services, to meet specific needs and priorities of all segments and subsegments it serves, while suggesting continuous improvement in customer experience.

BUSINESS CLIENTS

Business clients include large corporate businesses, medium businesses and small businesses, where last two categories are sometimes grouped under SME segment name. Business clients are segmented differently for Loan portfolio and Deposit portfolio purposes. For Loan portfolio categorization bank categorizes clients as large, medium and small businesses. For Deposit portfolio purposes, in addition to the mentioned three categories, state owned companies and financial institutions are also included.

LARGE CORPORATE BUSINESSES

The businesses under this category are classified as Large corporates, if they meet the criteria of **Category I Enterprises** according to definition of Law of Georgia on Accounting, Reporting and Audit by SARAS. Namely, legal entities, that meet at least two of the following three criteria:

- Total value of the assets exceeds GEL 50 million;
- Total Revenue exceeds GEL 100 million;
- Average number of employees exceeds 250.

MEDIUM BUSINESSES

The businesses under this category are classified as Medium businesses, if they meet the criteria of **Category II Enterprises** according to definition of Law of Georgia on Accounting, Reporting and Audit by SARAS. Namely, legal entities, that meet at least two of the following three criteria:

- Total value of the assets is GEL 10-50 million;
- Total Revenue GEL 20-100 million;
- Average number of employees is 50-250.

SMALL BUSINESSES

The businesses under this category are classified as Small businesses, if they meet the criteria of **Category III and IV Enterprises** according to definition of Law of Georgia on Accounting, Reporting and Audit by SARAS. Namely, any other legal entities, that do not fall into category I and II above.

RETAIL CLIENTS

Retail Clients include mass retail clients, premium segment clients and high-net-worth individuals, so called “Unique” clients, which are grouped with premium segment clients for reporting purposes. Retail client segmentation is same for loans and deposits.

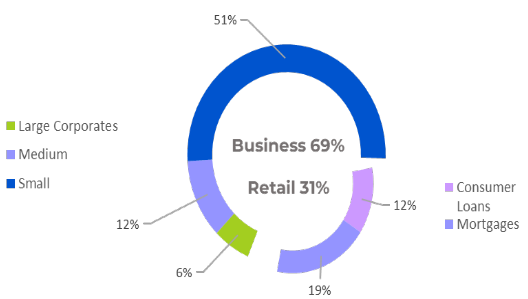
Mass Retail Clients

- Payroll clients acquired through corporate business clients/payroll projects
- Middle class consumers

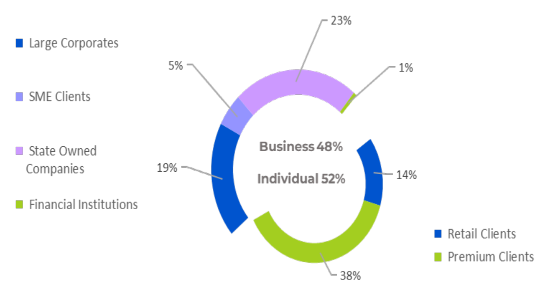
Premium Segment clients

- High net worth individuals with high annual income and wealthy businesses
- Premium segment individual clients

Loan Portfolio by Client



Deposit Portfolio by Client



Local Economy

Market review

Strong GDP growth - Georgia reached 9.0% of GDP growth in the first 6 months of 2024. The macroeconomic indicators remain strong, supported by strong government and fiscal policies, increased consumption, and strong financial sector. Among other developments this accelerated growth is potentially attributed to the active entry of new firms into the market and other structural factors, resulting in high growth in employment and increased spending capacity of the population.

It is expected that the growth will remain robust, at above 6.5% in 2024 and 5% on average in 2025-2026 driven by consumption, bolstered by enhanced purchasing power amid low inflation and substantial real wage increases, and supported by the lending.

Inflation - Against backdrop of robust economic growth, Georgia continues to experience low inflation. The annual inflation in Georgia stands below the target level of 3% since at 1.9% in second quarter of 2024. Starring from the year inflation has had an increasing trend in Georgia in recent months, which is the result of increased fuel prices, but the inflation is still maintained at a lower level as a result of gradual decrease of external shocks as well as maintained contractionary monetary policy.

Following to the decreased inflation in 2023 Georgia followed a gradual exit from tight monetary policy. Since March 2022 the monetary policy rate decreased from 11% to 8.0% in May 2024.

It is forecast that inflation in 2024 will be lower than been anticipated at the beginning of the year. It will remain below the target in the short-term, before exceeding the target, partly due to the base effect from the previous year, and eventually will normalize around it in the medium term. The below-target inflation in the short-term will be primarily driven by lower-than-forecasted actual inflation and the appreciated Lari real effective exchange rate. However, demand-side inflationary pressures remain notable. The NBG projects the average inflation to be 1.5% in 2024.

External Finances - International reserves decreased to $4.6 billion by the end of June 2024 (peak was $5.4 billion at the end of August 2023), reflecting impact of negative trade balance partially covered by positive impact from services and current transfers. It also reflects NBG investments in gold reserves, higher net sovereign debt repayments and National Bank of Georgia (NBG) FX sales to manage increased pressures on the lari (which has depreciated by 7% vs the US dollar following the foreign transparency law passage).

Political uncertainty could maintain pressure on the lari and reserves through the election cycle.

Banking Industry

The Georgian banking sector remained resilient and continued smooth lending to the economy regardless the tight geopolitical situation in the country and within the region, maintaining healthy capital and liquidity buffers. Despite the ongoing political turmoil, the sector maintained continuous support to the economy. The sector upholds strong assets quality and attractive profitability for the investors. High level of dollarization still remains one of the main challenges for the financial stability, with 49.8% and 45.6% bank deposits and loans stills denominated in USD as of May 2024. However, it has a downward trend that is proactively managed by the NBG.

Credit to GDP ratio has remained below its long-run trend; however, the gap is gradually closing. As of 1H 24, there is no significant threat of increasing credit risk.

In line with tightened monetary policies, worldwide, foreign currency interest rates remain elevated. While local currency interest rates have a downward trend that is in line with the hampered inflation rate in the Georgian economy. We expect these dynamics to be maintained throughout 2H2024. It will benefit commercial banks from the improved interest margins in local currency.

Loans portfolio quality remains robust and shows positive dynamics on annual basis. The share of non-performing loans uncovered by reserves amounted to 3.89% of regulatory capital.

The sector continued to operate with strong capital and liquidity buffers. As of June 2024, total capital adequacy ratio amounted to 24.24%, above the minimum requirements. Liquidity buffers were solid throughout the 1H of 2024 for short-term as well as for long-term purposes. Liquidity coverage ratio (LCR) averaged at 126.45% in 6m2024, well-above the minimum requirement of 100%, which estimates short-term liquidity position of the banking sector. While, net stable funding ratio (NSFR) averaged at 124.27% indicating the solid long-term liquidity position of the sector.

Group Results

Financial Position

BB group’s Profit before tax was Gel 46.4 million for the end of second quarter of the year, up 25% year on year (up 11.4% quarter on quarter), while post tax net profit was up 21% to GEL 41.5 million.

The Group continued its growth in all key parameters and delivered main group targets at the bank as well as at the group level. The results reflect on the strength of BB Group strategy and resilience.

In Thousand Gel **INCOME STATEMENT HIGLIGHTS**	**2Q24**	**2Q23**	**CHANGE Y-O-Y**	**1Q24**	**CHANGE Q-O-Q**	**1H24**	**1H23**	**CHANGE Y-O-Y**
Net Interest Income	40,566	32,697	24.1%	37,289	8.8%	77,855	67,178	15.9%
Net Fee and Commission Income	3,668	3,029	21.1%	3,281	11.8%	6,949	5,990	16.0%
Net Foreign Currency Gain	5,639	4,238	33.0%	2,858	97.3%	8,497	5,544	53.3%
Net Other Income	3,181	1,301	144.4%	3,064	3.8%	6,244	1,623	284.7%
In which: Income from subsidiaries	2,777	1,911	45.4%	2,738	1.4%	5,515	3,628	52.0%
Operating Profit	**53,054**	**41,266**	**28.6%**	**46,492**	**14.1%**	**99,545**	**80,335**	**23.9%**
Operating Expenses	(27,829)	(22,699)	22.6%	(22,933)	21.4%	(50,762)	(41,970)	20.9%
Operating Profit Before Impairment	**25,224**	**18,568**	**35.9%**	**23,559**	**7.1%**	**48,783**	**38,365**	**27.2%**
Credit Impairment Charges	(1,000)	1,136	NMF	(1,342)	NMF	(2,342)	(1,072)	NMF
Profit Before Income Tax	**24,224**	**19,703**	**22.9%**	**22,217**	**9.0%**	**46,441**	**37,293**	**24.5%**
Income Tax	(2,366)	(1,174)	NMF	(2,593)	NMF	(4,959)	(3,114)	NMF
Net Profit for the Period	**21,859**	**18,529**	**18.0%**	**19,624**	**11.4%**	**41,482**	**34,180**	**21.4%**
Other comprehensive income	(5,394)	(40)	NMF	1,570	NMF	(3,823)	759	NMF
Total comprehensive income	**16,465**	**18,489**	**-10.9%**	**21,194**	**-22.3%**	**37,659**	**34,939**	**7.8%**
Return on Assets	2.4%	2.4%	0.1pp	2.2%	0.2pp	2.3%	2.2%	0.1pp
Return on Equity	15.2%	15.3%	-0.2pp	14.2%	1.0pp	14.7%	14.4%	0.3pp

Profitability

Return on average shareholders’ equity increased by 0.4 percentage points year-on-year to 14,6%, up from prior year 14.2% (0.9 ppt improvement on quarterly basis leading to RoAE to 15.2% in Q2, up from 14.2% in Q1 of 2024). A 23.9% increase in operating income combined with a 1.7 percentage points year-on-year reduction in the cost-to-income ratio from prior 53% down to 51.3% improved the performance in first half of year 2024.

Supported by a low cost of risk stemming from the Group’s prudent risk profile and robust risk management practices, the Group recorded an improvement in the first half-year results as compared to 2023.

Net interest income

In Thousand Gel	2Q24	2Q23	CHANGE Y-O-Y	1Q24	CHANGE Q-O-Q	1H24	1H23	CHANGE Y-O-Y
NET INTEREST MARGIN	**6.2%**	**5.9%**	**0.3%**	**5.7%**	**0.4%**	**6.0%**	**6.1%**	**-0.2%**
Average Interest-Earning Assets	*3,074,741*	*2,757,733*	*11.50%*	*3,052,141*	*0.74%*	*3,063,441*	*2,699,151*	*13.50%*
Average Interest-Bearing Liabilities	*2,518,250*	*1,691,689*	*48.86%*	*2,569,229*	*-1.98%*	*2,543,739*	*2,009,438*	*26.59%*
Average Net Loans	*2,550,416*	*2,067,172*	*23.38%*	*2,477,100*	*2.96%*	*2,513,758*	*2,063,321*	*21.83%*
Average Client Deposits and Notes	*2,275,203*	*1,562,433*	*45.62%*	*2,083,824*	*9.18%*	*2,179,514*	*1,584,141*	*37.58%*
Average Liquid Assets	*524,325*	*690,560*	*-24.07%*	*575,041*	*-8.82%*	*549,683*	*635,830*	*-13.55%*
Interest Income	87,831	73,904	18.85%	86,505	1.53%	174,336	150,316	15.98%
Interest Expense	(47,265)	(41,206)	14.70%	(49,216)	-3.96%	(96,481)	(83,138)	16.05%
Net interest income	**40,566**	**32,697**	**24.07%**	**37,289**	**8.79%**	**77,855**	**67,178**	**15.89%**
Liquid Assets Yield	**8.1%**	**6.9%**	**1.2pp**	**8.0%**	**0.1pp**	**8.0%**	**7.4%**	**0.7pp**
Loan Yield	**12.0%**	**11.9%**	**0.1pp**	**12.0%**	**0.0pp**	**12.0%**	**12.2%**	**-0.2pp**
Cost of Funds	**6.6%**	**8.1%**	**-1.pp**	**6.8%**	**-0.2pp**	**6.7%**	**6.8%**	**-0.1pp**
Cost of Customer Accounts	**5.9%**	**8.9%**	**-3.0pp**	**6.8%**	**-0.9pp**	**7.3%**	**0.0%**	**7.3pp**

Net interest income – The bank has a variety of income sources, with net interest income representing the largest portion. In 1H24 net interest income amounted to GEL 77.9 million (up 15.9% year-on-year compared to 1H23).

In 2Q24, interest income increased by 18.85% year-on-year com, while interest expense increased by 14.70% y-o-y. Overall, net interest income in 2Q24 amounted to GEL 40.6m (up 24.07% y-o-y and up 8.79% q-o-q).

The NIM was impacted from both sides - tightening rate on Loan and increasing indexes in lari and FX funds.

Net interest margin was 6.6% in the second quarter (up 32 bps y-o-y and up 43 bps q-o-q). NIM is largely influenced by the cost of liabilities. For the first half of 2024 stood at 5.96% (down 18 bps y-o-y).

Loan yield was 12.00% in 2Q24, up 10 bps y-o-y and down 0.4 bps q-o-q. In 1H24 the loan yield increased to 8.04% (up 68 bps y-o-y).

Cost of funds was 6.6% in 2Q24 (down 154 bps y-o-y and down 21 bps q-o-q). In 1H24 the cost of funds was 6.7%, down 15 bps y-o-y. The bank maintains advantages from deposit growth and a higher proportion of lower-cost funding sources.

Net non-interest income

Year-on-year increase of 65% in non-interest income was due to sizeable changes in BB's franchise compared to period before acquisition in 2022. Significant growth was recorded in all major income categories. Net fee and commission income year-on-year increase driven by intensified banking operations amounted to GEL 6.9 million (up 16.01% y-o-y) in 1H24, on quarterly basis net income from transactions reached GEL 3.7million in 2Q24 (up 21.09% y-o-y and up 11.81% q-o-q).

In 1H24 the net foreign currency gain amounted to GEL 8.5million (up 53.26% y-o-y). Net foreign currency (FX) gain amounted to GEL 5.6m in the second quarter (up 33.05% y-o-y and up 97.28% q-o-q).

In 1H24 net other income amounted to GEL 6.2million (up 284.72% y-o-y). Net other income of GEL 3.8 million in 2Q24 (up 144.38% y-o-y and up 3.81% q-o-q) was driven by higher gain from the subsidiaries Net insurance and financial Lease income.

Overall, the Group generated operating income in the first half of 2024 of GEL 99.5 million (up 23.91% y-o-y), mainly driven by growth in net interest income, net fee and commission income, and net other income. 2Q24 resulted in GEL 53.1 million of net income from these activities (up 28.56% y-o-y and up 14.11% q-o-q).

Operating expenses and efficiency

In Thousand Gel **OPERATING EXPENSES AND COST EFFICINECY**	**2Q24**	**2Q23**	**CHANGE Y-O-Y**	**1Q24**	**CHANGE Q-O-Q**	**1H24**	**1H23**	**CHANGE Y-O-Y**
Salaries And Other Employee Benefits	*(14,516)*	*(15,080)*	-3.7%	*(13,907)*	4.4%	*(28,423)*	*(26,654)*	6.6%
Administrative Expenses	(4,944)	(2,565)	92.7%	(2,995)	65.1%	(7,939)	(5,218)	52.1%
Depreciation and Amortization costs	(1,618)	(1,315)	23.0%	(1,615)	0.2%	(3,233)	(2,569)	25.8%
Other Operating Expenses	(6,751)	(3,739)	80.6%	(4,416)	52.9%	(11,167)	(7,529)	48.3%
Total Operating Expenses	**(27,829)**	**(22,699)**	**22.6%**	**(22,933)**	**21.4%**	**(50,762)**	**(41,970)**	**20.9%**
Expected Credit Loss on Loans	(1,254)	1,035	-221.2%	(1,001)	25.3%	(2,255)	(410)	450.0%
Expected Credit Loss on Other Assets	254	101	152.68%	(341)	-174.51%	(87)	(662)	-86.87%
Cost to income ratio	52.5%	55.0%	-2.6pp	49.3%	3.1pp	51.0%	52.2%	-1.2pp
Cost of risk on loans	0.06%	0.05%	0.01pp	0.04%	0.02pp	0.20%	0.05%	0.15pp

Half-year 20.9% increase is due to widened expenses, as bank growth intensely and increased its operational capacity in staff cost and other operational expenses. In 1H24, the operating expenses amounted to GEL 50.8 million (up 19.31% y-o-y). Operating expenses amounted to GEL 27.8 million in 2Q24 (up 19.57% y-o-y and up 21.35% q-o-q).

The cost to Income ratio maintained close to targeted 50%, following to Bank’s strategic growth stage. Notably, in 1H24, the cost to income ratio stood at 51% versus 53.0% in 1H23. The Group delivered positive operating leverage y-o-y and q-o-q in 2Q24 as well as in the first half of 2024, improving the cost to income ratio to 52.45% in 2Q24 corresponding with 49.33% in 1Q24.

Cost of risk

The cost of credit risk ratio (CoR) was 0.20% in 1H24 (0.05% in 1H23). The bank successfully continues to maintain a low level of CoR reflecting its prudential risk policy and Risk Appetite. Cost of credit risk ratio (CoR) was 0.06% in 2Q24 (0.05% in 2Q23 and 0.04% in 1Q24). The expected credit loss charge on loans posted during the second quarter amounted to GEL 487 thousand.

Progress In Figures

In Thousand Gel

BALANCE SHEET HIGHLIGHTS	2Q24	2Q23	CHANGE Y-O-Y	1Q24	CHANGE Q-O-Q
Liquid assets	**788,506**	**821,196**	**-4.0%**	**785,406**	**0.4%**
Liquid assets, GEL	457,644	507,322	-9.8%	442,084	3.5%
Liquid assets, FC	330,862	313,874	5.4%	343,322	-3.6%
Net loans to customers	**2,651,711**	**2,172,730**	**22.0%**	**2,490,999**	**6.5%**
Net loans to customers, GEL	1,355,528	1,096,757	23.6%	1,309,888	3.5%
Net loans to customers, FC	1,296,183	1,075,973	20.5%	1,181,111	9.7%
Customer accounts	**2,365,405**	**1,904,498**	**24.2%**	**2,161,119**	**9.5%**
Customer accounts, GEL	1,167,988	967,429	20.7%	1,078,315	8.3%
Customer accounts, FC	1,197,417	937,069	27.8%	1,082,804	10.6%
Amounts owed to credit institutions	**525,300**	**652,737**	**-19.5%**	**574,546**	**-8.6%**
Other borrowed funds	326,016	372,475	-12.5%	339,784	-4.1%
Short-term loans from central banks	150,100	174,639	-14.1%	180,123	-16.7%
Due to other banks	49,184	105,623	-53.4%	54,639	-10.0%
Subordinated debt	119,301	83,624	42.7%	115,214	3.5%
Among them Own Debt Securities	28,921	26,940	7.35%	27,267	6.07%

As of June 30, 2024, own debt securities included only subordinated obligations.

Liquid assets

Liquid assets amounted to GEL 788.5 million on 30 June 2024 (down 4% y-o-y, up 0.4% q-o-q). Slight shifts were observed in the structure of liquid assets, due to contraction and the sale of some part of investment securities the share of cash and cash equivalents increased from 23% up to 29% y-o-y. The share of liquid assets to total assets stood at 21.5% on 30 June 2024 versus 25.6% on 30 June 2023 (the same was 22.40% on 31 March 2024).

Despite some slight decreased liquid assets to total assets ratio over the period, Liquidity coverage ratio (LCR) has remained stable, well above minimum regulatory requirement (above the 100% limit set by NBG) and unchanged both year-over-year and quarter-over-quarter (124.7% on 30 June 2024, 125.6% on 30 June 2023 and 128.9% on 31 March 2024) indicating the bank's strong liquidity position with other liquidity metrics

Loan book

Net loans to customers amounted to GEL 2.7 million on 30 June 2024. The bank reported a 22.05% year-over-year growth, while compared to the previous quarter Net loans to customers experienced an increase of 6.5%, on a constant currency basis the growth was 18.12% YoY and up by 4.36% QoQ respectively.

The loan book is diversified between business portfolio (69% of gross loans at end June-2024), including large corporates and SMEs, and households (31%). Loan concentrations are moderate, the 25 largest groups of borrowers made up only 26.6% of total loans at end June-2024.

Loans to households were made up of 61% residential mortgages and 39% consumer loans, with about half of the latter being secured at end June 2024.

The bank holds around 48.9% of its loan portfolio in foreign currencies (FC), which is common for the sector. The share of GEL-denominated loans increased and stands at 51.1% on 30 June 2023 versus 50.9% on 30 June 2022, same was 52.6% on 31 March 2023. FC non-retail lending remains high at 61%. The share of FC lending is lower in retail, at 25%, helped by the tighter regulatory standards for retail underwriting.

In Thousand Gel PORTFOLIO QUALITY	2Q24	2Q23	CHANGE Y-O-Y	1Q24	CHANGE Q-O-Q
Non-Performing Loans*	79,164	50,755	56.0%	74,901	5.7%
NPLs to gross loans	**2.9%**	**2.6%**	**0.3%**	**2.9%**	**0.0%**
NPL coverage ratio**	40.3%	64.8%	-24.5pp	43.2%	-2.9pp
NPL coverage ratio adjusted for the discounted value of collateral***	128.2%	160.0%	-31.8pp	130.6%	-2.4pp
Stage 2 Loans share in Business loans	4.9%	4.2%	0.7pp	4.5%	0.4pp
Stage 3 Loans share in Retail loans	2.6%	2.5%	0.1pp	2.9%	-0.3pp
Stage 2 Loans share in Business loans	3.1%	3.0%	0.1pp	4.2%	-1.1pp
Stage 3 Loans share in Retail loans	5.9%	5.8%	0.1pp	6.0%	0.1pp

*Non-Performing Loans definition – loans with 90 days past due on principal or interest, or loans regarded as unlikely to be repaid by management decision.

**NPL coverage ratio equals total expected credit loss amount for loan commitments divided by the NPL loans

***NPL Collateral Coverage ratio equals sum of expected credit losses for loan portfolio and the minimum amount of NPL Loans Exposure and Discounted Collateral Amounts of those NPL Loans (after applying different haircuts for different types of collaterals 0%-100%) divided by the NPL loans

The NPLs to gross loans ratio stood at 2.9% as of 30 June 2024 (up 65 bps YoY and down 2 bps QoQ). The QoQ decrease was attributed to the written-off Retail loans. Compared with the preceding periods over the year the NPL ratios were broadly stable across all segments.

The positive asset quality trend is also reflected in an improvement in stage 3 loans to gross loans to 3.6% on 30 June 2024 (3.7% on 30 June 2023 and 3.9% on 31 March 2024).

Deposits

Client deposits and notes amounted to GEL 2.4 million on 30 June 2024 (up 24.2% YoY and up 9.5% QoQ). On a constant currency basis deposits increased by 20.03% YoY and 3.70% QoQ, highlighting the robustness of the Bank’s deposit portfolio.

The year-on-year and quarterly growth was mainly driven by current accounts and time deposits. 49.8% of client deposits and notes were denominated in GEL on 30 June 2024, versus 50.8% on 30 June 2023 and 49.9% on 31 March 2024.

Capital position

On 30 June 2024, the Bank's Basel III CET1, Tier 1 and Total Capital ratios stood at 16.0 %, 16.0% and 19.3% and remained above the minimum regulatory requirements by 3.95pp, 1.59pp and 1.75pp respectively, ensuring solid capital buffers and cushion against adverse risks.

The changes in capital structure for 6 months were as follows:

In 2023 Tier 2 instruments were issued by the Bank: Subordinated Bond amounting USD 10 million, Subordinated Loan from shareholder amounting GEL 7 million and Subordinated Loan to retail customers amounting USD 4.9 million.

- In 2024 shareholders injected USD 10 million in ordinary shares

- Due to the strong performance over the past year and maintaining robust capital levels, shareholders distributed dividends totaling 10% of year 2023 consolidated net profit.

Selected financial Ratios

	1H24	1H24
CAPITAL AND SOLVENCY RATIOS		
IFRS based NBG (Basel III) CET 1 capital adequacy ratio	16.0%	16.0%
Minimum regulatory requirement	*12.1%*	*11.7%*
IFRS based NBG (Basel III) Tier I capital adequacy ratio	16.0%	16.0%
Minimum regulatory requirement	*14.4%*	*14.0%*
IFRS based NBG (Basel III) Total capital adequacy ratio	19.3%	18.8%
Minimum regulatory requirement	*17.6%*	*17.1%*
KEY EFFICIANCY RATIOS		
ROAA	2.3%	2.2%
ROAE	14.7%	14.4%
Net interest margin	6.0%	6.1%
Cost to income ratio	51.0%	52.2%
Cost of Risk	0.20%	0.05%
KEY BALANCE SHEET RATIOS		
LCR	124.7%	125.6%
NSFR	119.8%	120.4%
Leverage	13.5%	12.9%
Gross loans to Customer Deposits	113.5%	115.8%
Customer Deposits to total Non-equity Funding	5.5x	3.9x

Risk Governance

Risk management is key in ensuring stable and robust development of the bank and the group in pursuit of delivering its strategic goals, aligning risk, capital and performance targets with the interests of customers, shareholders, employees and stakeholders. Material risks and uncertainties are key focus areas for the Management Board and Supervisory Board, which is the ultimate responsible unit of the Bank's Risk Management and control system.

Key Risks

The Bank differentiates financial and non-financial risks. In financial risk, a bank includes credit risk, liquidity risk, market risk, capital risk, maturity risk, foreign currency risk and other financial risks. In non-financial risks the bank looks at operational, cyber-security and information security and third-party risks. On bank level the group monitors the following risk exposures:

Credit Risk

Risk Definition	The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its obligations. Exposure to credit risk arises because of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments. Credit risk is obviously the most important type of risk for banks and banks' supervisory authorities. Key Sources of credit risks are Counterparty Default Risk; Portfolio Concentration Risk and Collateral Devaluation Risk. The Bank's credit strategy is to create a diversified and profitable loan portfolio while maintaining maximum quality.
Risk Identification and Measurement	The estimation of credit risk for risk management purposes is complex and involves the use of credit risk assessment models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, associated loss ratios and default correlations between counterparties. Management of Credit Risk in Basisbank includes different activities embedded in the daily activities.
Risk Mitigation	Establishment of an appropriate credit risk management environment in Basisbank is achieved through written Credit Policy and Credit Manual related to target markets. In these formalized documents portfolio mix, price and non-price terms, the structure of limits, approval authorities and processing of exceptions and reporting issues are addressed and outlined. Credit risk, both at portfolio and transactional levels, is managed by a system of Credit Committees to facilitate efficient decision-making. A hierarchy of credit committees is established depending on the type and amount of the exposure. Loan applications originating with the relevant client relationship managers are passed on to the relevant credit committee for the approval of the credit limit. **Sound credit-granting process:** In Basis Bank this involves the consideration of a number of factors in credit granting. Depending on the type of credit exposure and the nature of the credit relationship, these could be the purpose of the credit and sources of repayment, the current risk profile of the borrower or counterparty and collateral and its sensitivity to economic and market developments, the borrower's repayment history and current capacity to repay, historical financial trends and future cash flow projections. During the credit analysis, consideration is given to the borrower's business expertise, the borrower's economic sector and its position within that sector. These elements are part

of scoring models developed for both Retail and Corporate business lines. Corporate and Retail Credit Risk Management Departments (under General Risk Management Division) take part in credit risk assessment of the client. For Individual borrowers the bank has developed a scoring model, which enables the Bank to assess the credit repayment capacity of the borrower, based on the analysis of financial standing of the borrowers and their past repayment history. The scoring for retail and corporate is used primarily in the credit approval process for pricing purposes: pricing of each loan is risk adjusted, based on the scoring of the client and riskiness of the product.
Maintenance of appropriate credit administration, measurement and monitoring processes involves regular monitoring of several key items related to the condition of individual borrowers. These items include the current financial condition of the borrower or counterparty, compliance with existing covenants, collateral coverage and contractual payment delinquencies. Also, it involves the monitoring of share of exposure in the total loan portfolio to specific types of borrowers to avoid risk concentration. Such concentrations occur when there are high levels of direct or indirect loans to a single counterparty, a group of interrelated borrowers, or a particular industry or economic sector.

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

Concentration: The Group structures the levels of credit risk it undertakes by placing concentration limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a regular basis and are subject to an annual, or more frequent, review.
The Credit Policy of the Bank contains the limit system defined by the Bank for the control of concentration risk. Single name concentration risk is limited by the Georgian regulation (Regulation on Credit Concentration and Large Risks in Commercial Banks). According to the Georgian regulation, total amount of loans and other liabilities issued by the bank to a group of interconnected borrowers shall not exceed 25% of the Tier 1 capital. The followings are additional internal rules: 1. total amount of loans and other liabilities issued by the bank to a person shall not exceed 15% of the bank's regulatory capital; 2. total amount of loans and others liabilities issued by the bank to a group of interconnected borrowers shall not exceed 20 % of the bank's regulatory capital; 3. total amount of all large loans and other liabilities issued by the bank shall not exceed 150% amount of the bank's regulatory capital; 4. Exposures to top 20 interconnected group of borrower shouldn't exceed 30% of total portfolio. The limit system reviewed regularly by Risk Management when economic sectors are analyzed based on portfolio behavior and external information in order to review properly riskiness of the economic sectors. Concentration limits are defined and regulated by the Credit Risk Policy.

Restructuring and recovery actions: The Bank has set out internal processes for managing the commitments of borrowers experiencing financial difficulties and for delinquent portfolio. The Bank may offer the borrower individual solutions to overcome temporary difficulties. Such cases of restructuring requests may include providing the borrower with a grace period, or otherwise rescheduling of initial payment schedules. However, the Bank will offer restructuring only to borrowers if the outlook is that the borrower will return to a healthy status, otherwise the Bank will initiate recovery proceedings. Preference of the Bank is always to

negotiate acceptable payment terms for borrower, but when the borrower and the Bank cannot agree on acceptable terms, collateral repossession or selling the pledged collateral through auctions might be considered as the only remaining possibility for recovery the overdue liability. The performance of delinquent and restructured portfolios is reviewed regularly in order to guarantee the proper classification in risk categories of those loans.
Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include days past due over 180 days and non-existence of collateral. as of write off day. The Bank will also write off those loans, which were collateralized, but the execution process on overdue liability is finalized and all existing collaterals have been sold on auctions or repossessed. The remaining unsecured liability will be written off, even if there is no overdue portion of the liability at the moment of write off. Based on expert recommendation, the Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery, or the expected recovery is insignificant compared to the remaining liability.

Credit Risk Related to Collateral Devaluation: Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees to mitigate the credit risks, but on the other hand these collaterals can pose additional risks (legal, documentation and liquidity risks) which may deteriorate the impact of risk mitigation. the liquidation of the collateral is either problematic or time consuming, - collaterals were valued inappropriately (e.g. overvaluation). The Bank may experience credit risk due to large-scale devaluation or limited enforceability of collaterals behind credit exposures. This is the risk that recognized credit risk mitigation techniques used by the credit institution prove less effective.
The following types of collaterals are used for the purpose of credit risk mitigation: residential real estate, movable property, guarantee, inventory, cash and other financial collaterals. Movable property and other types of collateral also can be eligible during the lending processes based on the Credit Policy of the Bank, but they cannot be used as eligible collateral for capital calculation and during the ECL assessment process.
Processes and requirements of the preparation of appraisals are also regulated by the Bank (format of appraisal, control of appraisals, etc.). To reduce the potential residual risk of collaterals, the Bank uses discounts on the market value / value of the collaterals when calculating collateral coverage during the lending processes and during portfolio management. The Legal Department regularly (at least yearly) reviews the collateral contract template and modifies, if necessary based on new regulation environment or experiences on the execution of collaterals. Minimum collateral coverage (maximum amount of unsecured portfolio) using discounted values are defined for each customer types by the Credit Policy. The following assessments are made regularly by Credit Risk Management to control residual risks (risks after risk mitigation): - distribution of the collateral portfolio by collateral types (subtypes) and in case of real estate by geographical location regularly analyzed and monitored, - recoveries from collaterals analyzed by collateral types and legal construction, - collateral discounts are regularly back tested and reviewed. Randomly selected collaterals are regularly re-appraised by external appraisal agency and significant differences are reviewed.

Provision assessment: Starting from 1 January 2018, the Group assesses credit risk and allocates provisions for expected losses according to IFRS 9. Loss reserves for assets and other contingent liabilities must be sufficient to cover all expected losses in the Bank's credit portfolio. Key risk parameters, taken into account in the scope of loss allowance calculations are: (a) the probability of default (PD) by the counterparty on its contractual

	obligations; b) expected losses in case of default of a counterparty (LGD) and Exposure at Default (EAD). Forward-looking information is included in the final ECL (expected credit loss) assessment. IFRS9 allows financial institutions more precise assessment of loan-loss provisions and allowances by means of incorporating forward-looking information obtainable without undue cost or effort. ECL assessment approach under IFRS 9 takes into consideration past events, current conditions and forecasts of future economic conditions in the process of ECL estimation. The bank has incorporated macroeconomic forecasts, published by National Bank of Georgia in the internal impairment models. Governance over the Expected Credit Loss (ECL) calculation process is shared between Financial Reporting and Risk functions. Under IFRS9, validation and back-testing of all applied parameters and significant assumptions is an inherent part of ECL assessment process. The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Under IFRS9, validation and back-testing of all applied parameters and significant assumptions is an inherent part of ECL assessment process. The results of back testing the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorized persons. During 2023 the Group has performed back-tests of the assumptions, thresholds and risk parameters used in IFRS9 impairment model, in order to assess the adequacy of forecasts for financial year 2023 as estimated by the IFRS9 impairment models at the end of previous year. No modifications have been deemed necessary to be made based on the results of performed back-tests: models used by the Bank adequately predict ECL. **Stress testing:** The Bank actively performs stress testing and scenario analysis in order to check the resilience of borrowers under various stress conditions. Stress tests are performed to monitor impact of adverse macroeconomic, as well as bank specific events on regulatory capital buffer and on bank's performance as a whole or at different levels of aggregation. Stress tests are used as an effective tool of risk assessment and management, in order to assess its capital adequacy and in case of need create additional capital buffer for adverse changes. Stress tests amongst others cover events of broad economic crises with recession, impact of currency movements, decrease in employment levels, sector specific stress tests, closing of export markets (political risks), and default of several large exposures.
Risk Monitoring	**Maintenance of appropriate portfolio quality reporting.** Portfolio quality and lending limits determined by Credit Policy are regularly followed by the Credit Risk Management in its control function and presented to the management of the Bank via portfolio reporting. Portfolio report contains information about the distribution of the portfolio over the rating classes, amounts in delays, exposures by sectors and HHI index, dynamics of PD, LGD figures, etc. In order to monitor exposure to credit risk, regular reports are produced by the dedicated staff of Financial Reporting and Risk departments based on a structured analysis focusing on the customer's business and financial performance. Any significant interaction with customers with deteriorating creditworthiness is reported to and reviewed by the Risk Committee, the Management Board and Supervisory Board. Monitoring of credit risk of loan portfolio is performed regularly. The monitoring includes full assessment against risk appetite limits, using key risk and early warning indicators, back-testing, stress testing and other tools to identify portfolio segments with increased credit risk. Board Level Risk Committee is reviews credit risk profile of the Bank's loan portfolio quarterly and portfolio quality review meetings are held at least monthly together with the representatives of commercial directorate and Problem Assets Management and Litigation Department.

Risk Appetite	The Bank has implemented Credit Policies which outline credit risk control and monitoring procedures and the Bank's credit risk management systems. They are reviewed annually or more frequently, if necessary. The credit risk appetite statement and supporting limits help the Bank mitigate credit risk and is approved by the Supervisory Board. The statement consists of quantitative limits that monitor and control the overall quality of the Bank's portfolios.

Market Risks

Risk Definition	Market risk exposure arises from mismatches of maturity or currency between assets and liabilities, all of which are exposed to market fluctuations; therefore, the most likely sources of market risk are interest rate risk and foreign exchange rate risk. Foreign exchange risk rises from an open or imperfectly hedged position in a particular as a result of unexpected movements in the level of exchange rates, that may lead to losses in the local or reporting currency of the market participant. The Bank's currency exchange risk is calculated as an aggregate of open positions and is limited by the NBG to 20% of regulatory capital. Interest rate risk is the current or prospective risk to both the earnings and capital of institutions arising from adverse movements in interest rates. From a credit institution's perspective, an interest rate risk may occur for both its trading book portfolio and banking book transactions (traditional credit/deposit and investment transactions). Types of interest rate risks relevant for the Bank are: • Re-pricing risk, i.e. risk deriving from the different maturity structure of receivables and payables and from pricing that is based on different interest rates or different periods. A re-pricing risk is generated when there is a mismatch between the maturity structure of assets and liabilities and if pricing takes place at different intervals or at differently based interest rates (e.g. receivables at a fixed interest rate and liabilities at a variable interest rate). • Yield curve risk, i.e. risk originating in changes of the shape and steepness of the yield curve.
Risk Identification and Measurement	Market risk is managed by the Asset and Liability Management Committee (ALCO) in coordination with the Treasury Department and the General Risk Management department. 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 Treasury Department performs monitoring by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise, executes the daily control of liquidity gaps, interest rate exposures, and controls and manages foreign exchange risk exposure. At the core of market risk management lies the concept of Value at Risk (VaR). Given certain market conditions, VaR is the benchmark for quantifying potential losses an investment portfolio might incur within a specific timeframe. The VaR approach necessitates breaking down portfolio performance into its constituent risk factors, enabling a comprehensive assessment of potential losses. To measure foreign currency risk the Bank calculaters average bootstrap Value at Risk on any currency (10-day holding period , 99% confidence level) and portfolio 10-day VaR.

	- To minimize interest rate risk and to assess the impact of interest rate shock scenarios, Interest rate risk is measured separately for NII (net interest income) effect and for EVE (Economic value of equity) effect. NII sensitivity is calculated under interest rates parallel shift assumption. Sensitivity analysis on EVE is being done by 6 different interest rate movement scenarios (parallel up, Parallel down, Steepener, Flattener, Short up, and short down).
Risk Mitigation	The Bank has established a segregated line of duties to measure and manage market risk: Senior management is in charge of oversight of market risk. Involvement of Senior management ensures that the bank's policies and procedures, including Asset and Liability Management Policy (ALM), for managing interest risk on both a long-term and day-to-day basis are adequate and in line with strategic plans of the Business. Effective oversight of market risk requires that Treasury department maintains appropriate limits on risk taking, adequate systems and standards for measuring risk, standards for valuing position and measuring performance, a comprehensive interest rate risk reporting and management review process, as well as effective internal controls. The Bank has elaborated Market risk management policies and procedures. Asset and Liability Management Policy provides identification and definition of elements for limiting and controlling market risk. ALM Policy specifies the lines of responsibility and accountability of ALCO, and provides objectives, limits and criteria in respect to liquidity gap analysis and liquidity risk management, funding and decisions on market risk management. FX management policy contains daily position limits and limits of the aggregated open FX position, which equals 5% of the regulatory capital. Since this limit is significantly stricter than NBG limit, the limit management is to be understood as follows: daily, FX position can be opened to the 20% NBG limit, but only for a maximum for 8 calendar days, and only if and only bank has sufficient additional capital at transaction date, to cover losses calculated using VaR described below. After 8 days the limit (5%) must be kept. Calculation of the position is executed in line with the Georgian Regulation Setting, Calculating and Maintaining Overall Open Foreign Exchange Position Limit of Commercial Banks.
Risk Monitoring	Oversight and control of market risk is set out to ensure that the bank's policies and procedures for managing interest rate risk and FX risk on both, long-term and day-to-day basis are adequate and that clear lines of authority and responsibility for managing and controlling market risk are maintained. Compliance with these limits is also reported regularly to the Executive Management and periodically to the Supervisory Board and its Risk Committee. Foreign exchange positions are managed according to the FX management policy of the Bank. Monitoring and control of foreign exchange risks by each relevant foreign currency is the responsibility of the Market Risk Management.
Risk Appetite	The Bank maintains a comprehensive interest rate risk and currency risk reporting and review process, as well as effective internal controls, sets appropriate limits on risk taking, establishes adequate systems and standards for measuring risk and performance, valuing position, reprising maturity gap. limits are set within the Risk Appetite framework approved by the Supervisory Board

Liquidity and Funding Risk

Risk Definition and Key Drivers	Liquidity is the bank's ability to finance the growth of assets and meet its obligations within the stipulated period under normal or stressed conditions. Liquidity is the ability of the Bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The fundamental role of banks in the maturity transformation of short-term deposits into long-term loans makes banks inherently vulnerable to liquidity risk, affects markets. Virtually every financial transaction or commitment has implications for a bank's liquidity. Effective liquidity risk management helps ensure a bank's ability to meet cash flow obligations, which are uncertain as they are affected by external events and other agents' behavior. Liquidity risk has two components: • Funding liquidity risk - the risk that the bank will not be able to raise new funding necessary for the timely fulfillment of obligations, • Market liquidity risk - the risk that the bank will not be able to sell assets/monetary transformation without incurring a significant loss.
Risk Identification and Measurement	It is obvious from the definition of liquidity risk; it materializes when the liquidity obtained from both assets and liabilities of the balance sheet is less than the need for liquidity. Therefore, the main sources of liquidity risk are: Market risk - the risk of loss of value of the bank's assets due to fluctuations in interest rates, exchange rates, market prices of securities and various commodities, which in turn will lead to less liquidity generation potential from these assets (through sale or repo). Credit risk - the risk that the counterparty will not fully fulfill the financial obligation stipulated by the agreement. Having a direct effect on expected cash flow and hence liquidity, the increased credit risk is an impetus for funding providers to reduce/increase funding or refuse to provide it altogether. Operational and compliance risks - in addition to the direct effect on cash flows, there is a risk of loss of trust by counterparties (elements of reputational risk) with consequences. The Bank relies on several regulatory and internal metrics to measure liquidity/funding risk and has developed Internal Liquidity Adequacy Assessment Process framework, with detailed definition of processes and limit systems connected to liquidity and funding management.
Risk Mitigation	Basisbank manages liquidity and funding risks according to the ALM Policy and Regulation of Liquidity Management, where detailed processes and limit system connected to liquidity management are defined. The daily management of liquidity is the responsibility of Treasury, control and reporting to ALCO is the responsibility of Asset-Liability Management. Assessment of Liquidity risk is done under ILAAP. Liquidity management process includes establishment and regular re-assessment of liquidity requirements based on the bank's asset and liability structure and general market conditions; development and control of corresponding liquidity risk limits; addressing funding structure and mismatch volume, fund raising capacity, etc.; developing and monitoring liquidity and fund management principles; liquidity forecasting under normal business conditions and for stressed scenarios; developing contingency plan which is to clearly set out the strategies for addressing liquidity shortfalls in emergency situations. The Bank strives for continuous optimization of liabilities by balancing the stability and cost of different funding sources. To achieve this goal, the bank's strategy is to have effectively diversified funding sources and funding maturities. The Bank maintains strong relationships with all its key funding providers (both wholesale and retail) to ensure that additional funds are raised when needed, preventing/reducing outflows under stress.

	The main funding sources of the bank are unsecured retail and unsecured wholesale funding. In addition to the main sources of funding, the bank uses/may use alternative sources of funding, such as funding from the parent company, issuance of debt instruments, sale of assets. The Bank relies on several regulatory and internal metrics to measure liquidity/funding risk: Projected Cash flow Statement, Contractual/ behavioral/ Stress Gap scenarios, Utilization of off-balance sheet liabilities, (cumulative maturity mismatch limit, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR)). The liquidity risk control system in the bank is based on the segregation of powers and the system of limits. The control system is built on the principle of three lines of defense. Frontline departments act as the first line of defense, managing risks within the limits and powers set for them. The risk management function, IT resources and reporting as the second line of defense is responsible for creating/implementing the risk management and control framework, monitoring compliance with established limits, procedures and policies. Internal Audit, as the third line of defense, is accountable to the Audit Committee and conducts an independent assessment of the risk management and control system.
Risk Monitoring	To manage funding liquidity risk, the Bank currently monitors the following Basel III-based parameters: • Liquidity coverage ratio (LCR) - a regulatory metric, the purpose of which is to strengthen the bank's short-term resilience to stress, in particular, the bank must own a sufficient volume of high-quality liquid assets to be able to overcome a 30-day stress. • Net Stable Funding Ratio (NSFR: It is a regulatory metric aimed at assessing mid- and long-term liquidity risk. The ratio is calculated as the ratio of available stable funding to the need for stable funding. The bank additionally calculates and monitors internal buffer requirement for Liquidity coverage ratio, which is added to the LCR regulatory minimum requirement. The purpose of the buffer is to ensure protection of the LCR ratio against unexpected fluctuations, which is also in line with the bank's risk appetite requirements. The liquidity buffer is the realization of the short-term part of this strategy. A liquidity buffer is a direct hedge against short-term liquidity shortfalls. In a short-term response to potential liquidity shortfalls under stress, there may be no option but to convert liquid assets into cash. Liquid buffer consists of high-quality liquid assets. The definition of high-quality liquid assets is the same as in the NBG's liquidity coverage ratio statement. The liquidity buffer is calibrated according to the results of the stress test and its volume should be sufficient to ensure the minimum survival period of the bank determined by the risk appetite under the given stress scenarios. The overall ability to fill the liquidity gap should ensure the bank's solvency beyond the minimum survival period. Several additional early warning signs for increased liquidity risk are monitored to timely detect potential weaknesses in liquidity and funding positions that could threaten the performance of a strategy defined by risk appetite. The identification of such weaknesses leads to the escalation of the issue, which should be followed, if necessary, by the implementation of appropriate corrective actions (within the contingency/recovery plan). In the scope of ILAAP, to assess Funding profile stability risks, caused by concentration of the funding sources, the Bank makes assessment of Stability of Funding Profile, assessment

	of market access Risks, assessment of potential change in funding risk profile based on the funding plan. Risk of access to wholesale funding for the bank are strongly related to issues such as excessive short-term liquidity risks, portfolio with high/uncertain credit risk, materialized or perceived high operational risk, legal risk, unclear strategy, possibility of credit rating deterioration. The Bank has outlined an appropriate escalation procedure for each limit/target violation. The ability to fill the bank's liquidity deficit can be interpreted as the bank's plan to respond to potential stress scenarios by having access to excess liquidity for the normal business environment in the short, medium and long-term periods. Gap-filling opportunities, in addition to liquid assets, may include the bank's plan to generate projected liquidity, either through raising new funds, making changes to existing businesses, or other more fundamental measures. First, the ability to fill the gap is a strategy to be implemented by the bank in the short, medium and long-term periods, which should ensure the fulfillment of its payment obligations by the bank.
Risk Appetite	The Bank has developed a framework of liquidity limits/targets that adequately reflects the Bank's business model, complexity and various material risk factors. The objective of this framework is to ensure a diversified funding structure and sufficient available liquidity buffer. The limits are determined by the Asset and Liability Management Committee upon presentation of the risk unit. Calibration of risk limits and compliance with risk appetite is monitored regularly considering the results of stress tests.

Capital Risk

Risk Definition and Key Drivers	Capital risk is the risk of failure to meet business objectives or regulatory requirements due to insufficient Capital under normal or stressed scenarios. The management's objectives in terms of capital management are to maintain appropriate levels of capital to support the business strategy, meet regulatory and stress testing-related requirements. The Bank undertakes stress testing and sensitivity analysis to quantify extra capital consumption under different scenarios. Capital forecasts, as well as the results of the stress testing and what-if scenarios, are actively monitored with the involvement of the Bank's management to ensure prudent capital management and timely actions when needed. In 2023, the Group and the Bank complied with all regulatory capital requirements.
Risk Identification and Measurement	The Bank has developed Internal Capital Adequacy Assessment Process (ICAAP) framework, as part of Pillar 2 within the Basel Framework. ICAAP represents a financial institution's own assessment of the capital needed to run the business. The ICAAP framework of the Bank is fully in line with the size, complexity and the risk profile of its activity and consists of the following elements: **Definition of risk strategy:** the risk strategy is derived from the business strategy of the bank contains the risk appetite of the Bank and the risk governance framework which ensures that risks are controlled in a proper way. **Identification, measurement, and control of relevant risk types:** under the ICAAP framework, the Bank identifies all the relevant risk types and defines quantitative and qualitative tools to measure its exposure to those risks. The aim is to assess based on the institutions' own calculations the adequate level of capital (or liquidity) necessary to cover the risks the Bank is exposed to. This level of capital (and liquidity need) can be different from the one calculated under pillar1 capital calculation.

	Stress testing: stress testing framework is developed to assess the vulnerability of the Bank to impacts which are exceptional but possible. **Capital planning:** capital planning is part of strategic planning and contains the projection of capital requirements based on ICAAP framework, including the possible effects of external events internal governance framework / internal safety lines: ICAAP also consists of guidelines on proper internal and risk governance framework.
Risk Monitoring	The Bank is subject to the NBG's capital adequacy regulation, which is based on Basel III guidelines. Current capital requirements include Pillar I requirements, Combined buffer (conservation Buffer) and Pillar 2 buffers (Concentration, General Risk Assessment Program (GRAPE), The currency induced credit risk (CICR), Credit Risk Adjustment (CRA) and Stress test buffer- currently zero). The Bank maintains an actively managed, robust capital base to cover the risks inherent in its business. As a part of the internal capital adequacy management framework, the bank continuously monitors market conditions and performs stress testing to test its position under adverse economic conditions and market and regulatory developments. The Banks ability to comply with existing or amended NBG requirements may be affected by, internal as well external factors, including those outside of Bank's control, for example: an increase in risk-weighted assets, losses resulting from the deterioration of asset quality, our ability to raise capital, reduction in and/or an increase in expenses and local currency depreciation. Therefore, throughout analysis of capital structure and capital planning is priority for the Bank to support business plan.
Risk Appetite	Capital planning is performed as a part of the business planning which is executed based on the Procedure of Business Plan and Budget preparation. Capital planning for each material risk type is prepared by the risk owners and summed up by Risk Management, Capital planning is also prepared using stress scenarios defined by Risk Management. Enterprise Risk Management function of the Bank is involved in the decision-making process about capital allocation to guarantee efficiency, optimize the use of capital by aligning it with the level of risk exposure, ensuring that sufficient capital is set aside to cover potential losses.

Financial Crime Risk

Risk Definition	Financial crime risk refers to the risk of knowingly or unknowingly facilitating unlawful activity, such as money laundering, terrorism financing, sanctions evasion, bribery, and corruption.
Key Drivers of the Risk	The main sources of financial crime risks are: - Inherent risk related to products, services, and delivery channels. - Business activities of the clients with an unacceptable level of risk exposure. - Inadequate processes and controls to identify and mitigate the risks.
Risk Identification and Assessment	The risk management process involves risk identification, which is performed regularly, incorporating input from a joint effort of the first and the second lines of defense. The assessment of risks is based on quantitative and qualitative data and control adequacy assessment. The results of identified and assessed risks are regularly reported to senior management.

	Combating financial crime and complying with applicable laws and regulations is vital to ensuring the stability and the integrity of the international financial system. To satisfy the requirements of increasingly complex national and international legislation and regulations, the Bank is continually developing its financial crime risk management and bringing this in line with current developments and challenges.
	
	The fight against financial crime is at the core of the Bank's strategy and risk appetite. BasisBank is committed to fight against financial crime, to set up and to implement Anti-Financial Crime risk management program (or AFC program) to identify, understand and mitigate the financial crime risks. The AFC Policy establishes the requirements set out by the Bank, to mitigate potential compliance, regulatory and reputational risks associated with violations of Anti-Money Laundering and Counter Terrorism Financing (AML/CTF), International Sanctions and Anti-Bribery and Corruption (ABC) laws, regulations and international standards.
	The core statements of AGC program are:
	- The Bank develops and maintains a thorough AFC risk assessment to identify, understand, manage and mitigate inherent AFC risks. Risk mitigation measures are designed and implemented to control adequately and effectively those inherent.
	and residual risks are managed in line with the Bank's risk appetite.
	- In line with the AFC risk assessment and risk appetite, the Bank defines and implements a customer acceptance policy outlining prohibited and restricted customer types and activities.
	- The Supervisory Board has a clear understanding of the AFC risks, oversight of the AFC risk management program and its effectiveness; and is responsible for setting the proper tone from the top.
	- The Supervisory Board allocates explicit roles and responsibilities in the Executive Board, Senior Management and AFC decision making bodies. The Executive Board appoints dedicated staff members with appropriate levels of responsibility and authorities in relation to the AFC program management and ensures that sufficient resources are provided.
	- The Bank defines and implements an AFC operating model including the internal organization with roles and responsibilities across the three lines of defense to ensure an effective AFC risk management.
	- The Bank ensures that a robust and effective AFC program is in place, covering:
	  - Regulatory surveillance on new or updated regulations, industry standards and trends;
	  - Documented and duly approved policies, procedures and methodologies;
	  - Effective control processes on each key requirements, with the adequate internal control systems;
	  - Strong company culture, constant communication from the Board, AML& Sanctions Compliance department and Compliance Unit on AFC topics, and a regular training program on all AFC risks and requirements;
	  - Monitoring via quality assurance and testing performed by the second line of defense on key processes and controls;
	  - Reporting and escalation to relevant functions and committees, to ensure oversight by the Executive Board and Supervisory Board;
	  - Regular audit by the third line of defense, considering all AFC inherent risks; and
	  - Adequate record-keeping processes, in line with local requirements.

Risk Mitigation	

Risk Monitoring	The Bank has internal organization and systems that are adequate with respect to its size, activities and complexity as well as with the AFC risks. Internal control system includes at least the following: • Systems to record and maintain Know Your Customer (KYC) information for all relevant parties; • Systems to perform and maintain the Customer Risk Assessment; • Systems to screen clients and relevant parties from AML/CTF and international sanctions standpoints; • Systems to screen deals and transactions from AML/CTF and international sanctions standpoints, including sanctions circumvention; • Systems to monitor customer activity from AML/CTF and international sanctions circumvention standpoints (monitoring of the activity a-priori or post-factum); • Systems to report and manage cases between the first- and second-line defenses and the AML/CTF Compliance department, and between the AML Compliance Head and the relevant authorities; • System to assess the Enterprise-Wide Business Risk Assessment; • System(s) to collect and maintain quality assurance and testing.
Risk Appetite	Basisbank has adopted a holistic approach to Financial Crime and created Anti-Financial Crime (AFC) framework, to prevent and set appropriate controls in the following key risk areas: Money Laundering (ML) and Terrorism Financing (TF); non-compliance with International Sanctions and Embargoes, and circumvention attempts; Bribery and Corruption; Fraud and Conflict of Interest. The Bank's Risk Appetite comprises continuous processes of developing, updating and implementing internal controls and measures to detect, prevent and mitigate the possibility of mentioned Financial Crime risk types, applying greater control over high-risk customers and transactions. This combined approach allows the Bank to better understand their risk exposure and prioritize the management focus. In line with its AFC framework, Basisbank takes a zero-tolerance approach to facilitation of money laundering and terrorism financing, including tax crimes, bribery, corruption, serious fraud, and all predicate offences as defined by the local regulation and FATF. We are committed to comply with the sanctions of the United Nations, the European Union, the United Kingdom and the United States. The Bank maintains zero tolerance for establishing or maintaining a client or counterparty relationship with an entity or individual designated by on any of the further mentioned lists or where otherwise prohibited by local law or regulation. Bank also has no appetite to execute transactions or any other type of business relationships with any such entity or individual. In line with above the Bank implemented an automated tool to screen customers and transactions in real time mode against the international sanctions' lists: OFAC, UN, EU, UK and other applicable lists.

Compliance Risk

Risk Definition	Compliance Risk is a risk of non-compliance with regulatory requirements.
Key Drivers of the Risk	BasisBank, as a commercial bank, is subject to a complex and evolving regulatory environment, and compliance risk arises from the challenges of ensuring that the bank's activities align with all respective legal and regulatory requirements. The Bank identifies the following risks arising from denial/failure of compliance: • Risk of Legal and Regulatory Penalties Non-compliance may result in fines, sanctions, and legal actions imposed by regulatory authorities, such as: restrictions, special arrangements, suspend authority of signature etc. • Financial Losses Penalties, legal fees, and the costs associated with correcting non-compliance issues can lead to substantial financial losses for the Bank. Additionally, non-compliance may result in disruptions to business operations, impacting revenue. • Reputational Damage Non-compliance can tarnish Bank's reputation. Negative publicity, loss of customer trust, and damage to the brand image can have long-lasting consequences and affect customer loyalty. • Increased Scrutiny Non-compliance may trigger heightened regulatory scrutiny and monitoring, increasing the regulatory burden on the Bank and requiring additional resources for compliance efforts.
Risk Identification	BasisBank, as a commercial bank, is subject to a complex and evolving regulatory environment, and compliance risk arises from the challenges of ensuring that the bank's activities align with all respective legal and regulatory requirements. The Bank identifies the following risks arising from denial/failure of compliance: • Risk of Legal and Regulatory Penalties Non-compliance may result in fines, sanctions, and legal actions imposed by regulatory authorities, such as: restrictions, special arrangements, suspend authority of signature etc. • Financial Losses Penalties, legal fees, and the costs associated with correcting non-compliance issues can lead to substantial financial losses for the Bank. Additionally, non-compliance may result in disruptions to business operations, impacting revenue. • Reputational Damage Non-compliance can tarnish Bank's reputation. Negative publicity, loss of customer trust, and damage to the brand image can have long-lasting consequences and affect customer loyalty. • Increased Scrutiny Non-compliance may trigger heightened regulatory scrutiny and monitoring, increasing the regulatory burden on the Bank and requiring additional resources for compliance efforts. **How often risks are identified:** Identifying compliance risks is a critical aspect of effective risk management for the Bank. To accomplish the above-mentioned duty, first of all, the respective function identifies and catalogs all applicable laws and regulations that the Bank must adhere to. On the basis of the catalog, Bank recognizes potential areas of non-compliance within the business operations, processes, and functions.

	Compliance function conducts regular internal assessments of business operations, policies, and practices to ensure they align with relevant laws and regulations. Compliance Division as well as Legal Support functions monitor regulatory changes regularly and review updates from relevant regulatory bodies.
Risk Assessment and Measurement	The goal of the compliance risk assessment is to identify, evaluate, and quantify the potential risks associated with non-compliance with laws and regulations. Compliance risks are categorized as high, medium or low, based on their nature, impact, and likelihood. Risks are prioritized according to their significance and potential consequences of non-compliance. If possible, the bank utilizes quantitative methods for risk measurement to assign monetary values to potential fines or losses. Qualitative methods include expert judgment and scenario analysis.
Risk Mitigation	In order to reduce potential impact of identified and measured compliance risks, BasisBank considers steps such as: - Avoid engaging in activities or operations that pose high compliance risks; - Implement measures to reduce the likelihood or severity of compliance risks; Enhance internal controls, improve processes, and implement additional safeguards to minimize exposure.
Risk Monitoring	To systematically review key areas of compliance and track both newly identified and previously recognized risks, the Compliance Function has developed checklists and conducts periodic compliance gap assessments. The division maintains thorough documentation of compliance monitoring activities and keeps records of legal opinions, assessments, and any actions taken to address compliance issues. We are committed to comply with the sanctions of the United Nations, the European Union, the United Kingdom and the United States. The Bank maintains zero tolerance for establishing or maintaining a client or counterparty relationship with an entity or individual designated by on any of the further mentioned lists or where otherwise prohibited by local law or regulation. Bank also has no appetite to execute transactions or any other type of business relationships with any such entity or individual. In line with above the Bank implemented an automated tool to screen customers and transactions in real time mode against the international sanction's lists: OFAC, UN, EU, UK and other applicable lists.
Risk Appetite	The risk appetite is to keep Compliance risk at minimum and to stay compliant with all regulatory requirements.

ESG Risk

Risk Definition and Key Drivers of the Risk	ESG is the broad term that refers to the inclusion of environmental (E), social (S) and governance (G) criteria into investment decisions taken by the Bank as a manifestation of responsible or sustainable investment practices. ESG (risks for the Bank refer to the potential negative impacts that environmental, social, and governance factors may have on clients, borrowers, other counterparties, and the Bank itself. The Bank may face risks related to climate change, including exposure to industries vulnerable to environmental regulations, physical risks from extreme weather events, and transitioning risks associated with the shift to a low-carbon economy. The Bank may also be exposed to risks related to human rights violations, particularly when financing projects or companies operating in regions with poor human rights records, as well as risks associated with financing businesses that engage in unethical labor practices, including poor working conditions, child labor, or inadequate worker rights. Governance Risks refer to regulatory and compliance risks, including ESG compliance, corporate governance, and corporate ethics, supporting the fight against money laundering, tax evasion, and other financial crimes. Risks arising from failure to comply with evolving ESG regulations and standards can lead to legal consequences, fines, and regulatory actions. ESG noncompliance can lead to reputational damage, as stakeholders, including customers, investors, and the public, may perceive the organization as irresponsible or unethical. In order to effectively implement ESG risk management, in 2018 Basisbank made significant changes in its environmental and social risk management policy by developing the Due Diligence and E&S Risk Assessment procedures. The bank also introduced the exclusion list. It specifies the types of activities that the bank does not finance. The activities on the exclusion list can be, in some way, linked to production/trade of weapons and military materials, forced and child labor, illegal pharmaceuticals, production/trade of certain pesticides and herbicides, gambling and casinos, etc. These documents are based on the active Georgian legislative framework, best practice and recommendations of the partner international financial institutions. As part of the environmental and social risk assessment process, all business loans are subject to the standard procedure of verifying the project in the exclusion list. At a later stage, based on the data and documents provided by the client, assessments after the onsite visit, and information received from independent sources, the responsibility of the potential client is assessed, along with the client's degree of environmental and social risk management. The Year 2023 with the support of its partner IFI, the Bank initiated Technical Assistance Program, labeling the project as "Mainstreaming Green Lending at Basisbank". The Technical Assistance project will redefine ESG ecosystem of the Bank to the core and produce a new environment, which will be compliant to the highest ESG standards of the contemporary banking system. The project is estimated to last around one year and after completion, the Bank will benefit from refined ESG strategy, including key priorities and targets and set of KPIs, sustainability roadmap and refined sustainability governance structure, with more polished, sustainability-centered lending framework and policies, as well as designated Green product/s to further contribute to environmentally-friendly development of the market.
Risk Identification and Measurement	Identifying ESG risks starts with understanding ESG factors relevant to the bank. These factors include climate change, labor practices, supply chain management, diversity and inclusion, data security, corporate governance, etc.

	The bank has conducted a materiality assessment to identify the ESG issues most significant to the bank and its stakeholders, including employees, customers, investors, etc. Following that, the bank has established the aforementioned ESG strategy. ESG risk identification and measurement have been integrated into the bank's risk framework and ESG risk is considered alongside traditional financial and non-financial risks. However, the bank is working on improving existing ESG risk management, including adjustment with regulatory requirements, no later than the end of 2024.
Risk Mitigation	The bank has integrated thorough due diligence processes into its business operations when entering into new investments or business relationships to assess ESG risks and ensure alignment with the bank's Environmental and Social Management System (ESMS).

Operational Risk

Risk Definition	Operational risk is defined as the risk of financial loss resulting from inadequate internal policies, system and control failures, human errors, fraud or management failure, external events and natural disasters.
Key Sources of Risk	The bank is exposed to number of operational risks, including internal and external fraudulent activities, breakdowns in processes, procedures or controls; and system failures from an external party with the intention of making the bank's supporting infrastructure unavailable to its intended users, which in turn may jeopardize sensitive information and the financial transactions of the bank, its clients, counterparties or customers. Further, the bank is subject to risks that cause disruption to systems performing critical functions arising from events beyond its control, that may result in losses or reductions in service to customers and/or financial losses to the bank. The risks discussed above are also relevant where the bank relies on outside suppliers of services, because the bank may not have direct control of the activity performed by the third party.
Risk Identification	The bank systematically identifies, analyzes, and documents potential operational risks that could affect the achievement of the bank's objectives. It involves identifying both internal and external factors that may threaten the successful completion of business goals and the execution of operational activities. The bank uses different identification tools: New products/processes - Analyzing and mapping out products and internal processes can reveal potential points of failure or vulnerabilities where operational risks may occur. This method helps in understanding dependencies, bottlenecks, and potential areas for improvement. Third-Party Risks - the risks associated with suppliers, vendors, and partners involved in the development and implementation process. Dependencies on external parties can introduce vulnerabilities that need to be managed, thus the bank maps all the processes dependent on third parties that can reveal potential failures. Root Cause Analysis - When incidents or near-misses occur, conducting root cause analysis helps in identifying the underlying causes of the problem. This method helps in uncovering systemic issues that may lead to operational risks. RCSA – Risk and Control Self-assessment involves self-assessment by first line of defense to evaluate the effectiveness of existing controls in mitigating operational risks. This method helps in identifying control weaknesses and areas for improvement. Loss Data Analysis - Analyzing historical loss data and incidents can provide valuable insights into recurring operational risks and their root causes. This data-driven approach helps in prioritizing risk mitigation efforts. By using a combination of these tools and methods the bank makes informed decisions to achieve objectives while managing uncertainty. It forms the foundation of the

	broader risk management process, which encompasses risk assessment, mitigation, monitoring, and control.
Risk Assessment	Considering the extent and complexity of the fast-changing environment of both banking services and associated possible operational risks, the importance of improving processes, procedures, controls and systems is crucial to ensure risk prevention. To oversee and mitigate operational risk, the bank established the operational risk management on three levels in the Bank: business units/departments level, Operational Risk Management level and Internal Audit level. The operational risk management division acts as the second line of defense. The Bank's Operational Risk Methodology is an overarching document that outlines the general principles for effective operational risk principles. It has been developed in accordance with Basel Committee "Principals for Sound Management of Operational Risks", issued in July 2011, and the overall risk strategy of the bank. The policy also considers requirements of the National Bank of Georgia ("Regulation of Operational Risks Management by Commercial Banks issued in June 13, 2014). It is an integrated part of the Bank's overall risk management activities, defines major risk management principles and tools for how operational risk is to be identified, assessed, monitored, and controlled or mitigated, that should be reflected in respective risk management policy and methodology of the bank. It aims to establish sound and effective operational risk management practice across the bank activities. The methodology is responsible for implementing the operational risk policy and appropriate procedures to enable the bank to manage operational risks, as well as monitoring operational risk events, risk exposures against risk appetite and material control issues. Although the Bank calculates capital requirement for operational risk using the Basic Indicators Approach (BIA approach), some qualitative elements of more advanced risk quantification are used, which serve as a basis of more comprehensive operational risk management.
Risk Mitigation	Corresponding policies and procedures enabling effective management of operational risks are an integral part of the operational risk management policy, including a system of checks to identify strengths and weaknesses of the operational risk environment is defined and contingency and business continuity plans are in place to ensure the ability to operate as going concern and minimize losses in the event of severe business disruption. The bank identifies, assesses and treats risks arising from operational risk events and has permanent, cyclical monitoring processes in place to detect unusual activities in a timely manner. The Bank exercises the risk and control self-assessment (RCSA) process, which enables to identify, analyze, assess and examine different mitigation plans for operational risks and the corresponding controls, providing reasonable assurance that all business objectives will be met. RCSA focuses on identifying and assessing residual risks in key business processes that are subject to corrective action plans. Moreover, enacting an outsourcing risk management policy, which enables the Bank to control outsourcing (vendor) risk arising from adverse events and risk concentrations due to failures in vendor selection, insufficient controls and oversight over a vendor and/or services provided by a vendor and other impacts to the vendor; Further, involving the operational risk management function in the approval process for new products and services to minimize risks relating thereto. The Operational risk is also responsible for the day-to-day management of operational risks using various techniques. It identifies potential breaches of PDP law via analyzing customer complaints, the operational risk event databases and introduces changes in operational practices to improve personal data protection and avoid leakage of personal

	information in the environment of rapidly increasing automation. In order to effectively measure and manage operational risk, appropriate operational risk management environment is developed through internal reporting of operational risk as a distinct risk category related to the bank's safety and soundness on one hand, and by effective and comprehensive internal audit function, carried out by operationally independent, appropriately trained and competent staff, on the other hand. To further mitigate operational risks driven by fraudulent activities, the bank has introduced sophisticated and real time digital fraud prevention system, which analyses client behavior to further minimize external fraud threats. During the unprecedented spread of covid-19, Basisbank developed a business continuity plan to ensure proper response to health issues and operational risks. The Bank has taken precautionary measures to protect the health and safety of both employees and customers, to ensure the continuity of necessary services, and to reduce all operational and financial risks. All business continuity measures are coordinated with Government of Georgia and the NBG and are based on their guidelines and instructions. Bank offices and branches operate in compliance with additional safety standards, including strict hygiene standards. The bank will continue to follow the instructions of local and international health organizations and make informed decisions.
Risk Appetite	The Bank is subject to the risk of incurring losses or undue costs due to the inadequacies or failure of internal processes or systems or human error, or from errors made during the execution or performance of operations. The Bank's complex operations also expose it to the risk of external and internal fraud. External fraud events may arise from the actions of third parties against the Bank and, most frequently, this involves events related to plastic cards and cash. Internal frauds arise from actions committed by the Bank's employees and such events happen less frequently. Nonetheless, fraudsters are adopting new techniques and approaches to exploit various possibilities to illegally obtain and exploit the Bank's assets. It is therefore important for the Bank to manage operational risks and minimize their negative effect on the financial standing. According to the operational risk appetite statement, the bank has to have an adequate operational risk tolerance to maintain low costs while fostering business growth and development efficiently, has to have a low tolerance for internal fraud and has to aim to maintain vigorous operational systems with high resilience in stressed conditions.

Information Security/cybersecurity Risks

Risk Definition	Information security/Cybersecurity Risk is an effect of uncertainty on information security objectives. Information security risk is associated with the potential that threats will exploit vulnerabilities of an information asset or group of information assets and thereby cause harm to the bank. It is the risk resulting from unauthorized utilization of personal data or other sensitive information, cyber-attacks, phishing and other forms of data breach. Information security, therefore, is one of BasisBank's material non-financial topics. Preserving the confidentiality, integrity, and availability of our clients' & partners' data and the bank's information assets is essential for upholding the trust placed in BasisBank by our clients, employees and stakeholders.
Risk Identification	Information Security/Cybersecurity function oversees continuous improvement of information security processes, in order to minimize risks associated with information security/cybersecurity and ensure security of clients and partners.

Risk Assessment	Information Security framework is established to ensure that security policies and standards mirror evolving business requirements, regulatory guidance, and emerging cyber threats. Information security/cybersecurity corresponding policies support the bank in complying with these parameters and build the foundation for actively managing and governing information security-related implementation processes. International standards and best practices are used to structure the bank's comprehensive information security policy landscape. Information Security/Cybersecurity function is mandated to ensure that the appropriate governance framework, policies, processes, and technical capabilities are in place to manage the related information security/cybersecurity risk within the bank. Information Security/Cybersecurity function works with every business division/unit and all employees of the bank to ensure the bank's systems are protected as well as used safely and securely to achieve the bank's business objectives.
Risk Mitigation and Monitoring	At least once a year, a full information security and cyber security audit as well as cyber security framework analysis is performed by an external consultant to assess the efficiency of the bank's capabilities against industry best practices and real-world cyber-attack scenarios, taking into consideration the relevant regional and sector specific perspectives. The audit gives the bank a broad review as well as a detailed insight, which helps to further enhance the information and cyber security systems. In addition, penetration test exercises are performed on a regular basis. Bank employees play a crucial role in information security. As a result, regular training sessions are conducted for employees, which are comprised of remote learning courses on security issues, fraud and phishing simulations as well as informative emails to further assist our employees with information security matters. These measures ensure that employees are fully aware of their responsibilities and are prepared for various security threats. As a result of the COVID-19 pandemic, the Bank activated secure remote working policies, which ensure that homeworking environments are protected against relevant cyber-threats and IT team provides effective oversight of teleworking channels.
Risk Appetite	The threat posed by cyber-attacks has increased in recent years and it continues to grow. The risk of potential cyber-attacks, which have become more sophisticated and complex, may lead to significant security breaches. Such risks change rapidly and require continued focus and implementation of best practices. No major cyber-attack attempt has targeted BasisBank in recent years. However, the banks' growing dependency on complex IT systems increases its vulnerability and exposure to cyberattacks. According to the cybersecurity risk appetite statement the bank has to have a very low tolerance for disclosure of customer data, has to have a low tolerance for financial loss from cyber-attacks and has to have a zero tolerance for cyber-security related regulatory actions while aim to strengthen defense in depth strategy and work on continuous improvement.

BasisBank Group

Unauditied Condensed Consolidated and Separate
Interim Financial Statements
as of 30 June 2024

BasisBank Group

Table of Contents

Responsibility Statement of JSC Basisbank's authorized representatives

Hereby we confrim that:

- Interim Separate and Consolidated Financial Statements prepared by JSC Basisbank (hereeinafter „Bank") and its Subsidiaries (hereinafter collectively mentioned as „Group") for the period ended June 30, 2024, as well as the Management Report for the same period, have been prepared in accordance with applicable laws;
- Interim Separate and Consolidated Financial Statements prepared by the Group for the period ended June 30, 2024, have been prepared in accordance with International Financial Accounting Standards (IFRS) and fully, correctly and fairly reflect the assets, liabilities, income and expenses, financial performance, profit and loss, cash flows of the Bank and its Subsidiaries.
- The Interim Management Report prepared by the Group for the same period 2024 includes a fair and comprehensive review of the development, performance, financial result and position of the Bank and the Group, as well as a description of the principal risks they face.
- According to the requirements of the Bank's public Sustainability Bond Prospectus terms, point 10.(II) b), after reasonable research, to our information and belief no "Event of Default" or "Potential Event of Default" defined in prospectus terms has occurred at the reporting period date.

We confirm the above with our signatures:

David Tsaava
General Director

Zhang Jun
Chairman of Supervisory Board

BasisBank Group

Statement of Management's Responsibilities for the Preparation and Approval of the Condensed Consolidated and Separate Interim Financial Statements for the 30 June 2024

These condensed consolidated and separate interim financial statements for the sixth-month reporting period ended 30 June 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting Standards.

The Management Board confirms that to the best of our knowledge these consolidated and separate financial statements gives fair review of the financial position of the Group and the bank as at 30 June 2024, and it includes related consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period ended, and relevant notes and other explanatory information to the financial statements as required by the standard.

We have considered the Group's and the Bank's business activities, performance, principal risks, and uncertainties in achieving its objectives. We confirm that we have a reasonable expectation that the Group and The Bank have adequate resources to continue in business for the foreseeable future and the consolidated and separate financial statements are prepared on going concern basis.

The consolidated and separate financial statements for the 30 June 2024 were approved by the Management Board of the Group on 30 August 2024.

On behalf of the Management Board:

David Tsaava
General Director
Tbilisi Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi Georgia

Condensed Consolidated and Separate Interim Statements of Financial Position
As at 30 June 2024

In thousands of Georgian Lari	Note	30 June 2024 (Unaudited) Bank Separate	30 June 2024 (Unaudited) Consolidated	31 December 2023 (Audited) Bank Separate	31 December 2023 (Audited) Consolidated
ASSETS					
Cash and cash equivalents	5	219,080	227,671	282,582	284,010
Mandatory cash balances with the NBG	6	209,494	209,494	184,600	184,600
Due from other banks	7	-	11,847	-	15,426
Investments in debt securities	8	339,190	339,494	378,159	378,461
Investment in subsidiaries	1	27,797	-	24,797	-
Loans and advances to customers	9	2,651,711	2,651,711	2,493,970	2,493,970
Finance lease receivables	10	-	34,457	-	26,136
Reinsurance contract assets	11	-	28,419	-	74,974
Investment properties		-	1,269	-	1,299
Current income tax prepayment		5,607	5,607	-	-
Other financial assets		3,076	3,831	2,269	2,269
Other assets	23	31,807	35,912	28,574	33,065
Premises, equipment and intangible assets	12	107,665	108,007	107,079	107,375
Right-of-use assets		15,807	15,836	17,364	17,364
TOTAL ASSETS		**3,611,234**	**3,673,555**	**3,519,394**	**3,618,949**
LIABILITIES					
Due to other banks	13	191,215	199,284	277,084	284,866
Customer accounts	14	2,368,357	2,365,405	2,199,455	2,192,372
Borrowed funds	15	323,072	326,016	379,621	382,344
Lease liabilities		15,265	15,265	15,970	15,970
Insurance contract liabilities		-	29,452	-	77,101
Other financial liabilities		9,077	10,418	3,961	3,961
Current income tax liability		5,300	5,300	13,518	13,518
Deferred income tax liability		2,233	2,233	1,996	1,996
Provisions for liabilities and charges	26	1,563	1,563	1,655	1,655
Other liabilities	23	20,744	21,804	16,903	18,041
Subordinated debts	16	119,301	119,301	106,383	106,383
TOTAL LIABILITIES		**3,056,127**	**3,096,041**	**3,016,546**	**3,098,207**
EQUITY					
Share capital	17	18,213	18,213	17,319	17,319
Share premium	17	130,406	130,406	104,498	104,498
Revaluation reserve for premises		10,870	11,708	10,870	11,708
Revaluation reserve for debt securities carried at FVOCI		(4,024)	(4,024)	(201)	(201)
Retained earnings		399,642	421,211	370,362	387,418
TOTAL EQUITY		**555,107**	**577,514**	**502,848**	**520,742**
TOTAL LIABILITIES AND EQUITY		**3,611,234**	**3,673,555**	**3,519,394**	**3,618,949**

Approved for issue and signed on 30 August 2024.

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

The notes set out on the pages 8-50 form an integral part of these condensed consolidated and separate interim financial statements.

Condensed Consolidated and Separate Interim Statements of Profit or Loss and Other Comprehensive Income
As at 30 June 2024

		30 June 2024 (Unaudited)		30 June 2023 (Unaudited)	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated
Interest income calculated using the effective interest method	19	173,006	174,336	149,359	150,316
Interest expense	19	(96,077)	(96,481)	(83,050)	(83,138)
Net margin on interest and similar income		**76,929**	**77,855**	**66,309**	**67,178**
Credit loss allowance for financial assets	5,6,7, 8,9	(2,272)	(2,342)	(1,072)	(1,072)
Net margin on interest and similar income after credit loss allowance		**74,657**	**75,513**	**65,237**	**66,106**
Fee and commission income	20	10,643	10,643	8,640	8,640
Fee and commission expense	20	(3,694)	(3,694)	(2,650)	(2,650)
Insurance service result		-	1,532	-	1,890
Reinsurance service result		-	(946)	-	(583)
Finance income from leases		-	4,930	-	2,321
Gains less losses from financial derivatives		(312)	(312)	(3,045)	(3,045)
Gains less losses from trading in foreign currencies		7,733	7,720	4,760	4,754
Foreign exchange translation gains less losses		777	777	790	790
Expected credit loss for credit related commitments		90	90	(208)	(208)
Gain from the acquisition of loan portfolio		-	-	-	-
Other operating income, net		1,007	950	1,260	1,248
Administrative and other operating expenses	21	(48,973)	(50,762)	(40,688)	(41,970)
Profit before tax		**41,928**	**46,441**	**34,096**	**37,293**
Income tax expense		(4,959)	(4,959)	(2,880)	(3,114)
PROFIT FOR THE YEAR		**36,969**	**41,482**	**31,216**	**34,179**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Gains less losses arising during the year on debt securities carried at FVOCI		(3,823)	(3,823)	759	759
Other comprehensive income for the year		(3,823)	(3,823)	759	759
Total comprehensive income for the year		**33,146**	**37,659**	**31,975**	**34,938**

Approved for issue and signed on 30 August 2024.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 8-50 form an integral part of these condensed consolidated and separate interim financial statements.

BasisBank Group

Condensed Interim Consolidated Statement of Changes in Equity
As at 30 June 2024

In thousands of Georgian Lari	Note	Share capital	Share premium	Share based payments reserve	Revaluation reserve for securities at FVOCI	Revaluation reserve for premises	Retained earnings	Total Equity
Balance at 31 December 2022		**17,091**	**101,066**	**2,606**	**3,472**	**11,708**	**317,938**	**453,881**
Profit for June 2023		-	-	-	-	-	34,179	34,179
Other comprehensive income		-	-	-	759	-	-	759
Total comprehensive income for June 2023		-	-	-	759	-	34,179	34,938
Share-based payment accruals		-	-	-	-	-	-	-
Share issue	17	-	-	-	-	-	-	-
Dividends declared for June 2023	18	-	-	-	-	-	-	-
Balance at 30 June 2023		**17,091**	**101,066**	**2,606**	**4,231**	**11,708**	**352,117**	**488,819**
Balance at 31 December 2023		**17,319**	**104,498**	**-**	**(201)**	**11,708**	**387,418**	**520,742**
Profit for June 2024		-	-	-	-	-	41,482	41,482
Other comprehensive income		-	-	-	(3,823)	-	-	(3,823)
Total comprehensive income for June 2024		-	-	-	(3,823)	-	41,482	37,659
Share-based payment accruals		-	-	-	-	-	-	-
Share issue	17	894	25,908	-	-	-	-	26,802
Dividends declared for June 2024	18	-	-	-	-	-	(7,689)	(7,689)
Balance at 30 June 2024		**18,213**	**130,406**	**-**	**(4,024)**	**11,708**	**421,211**	**577,514**

Approved for issue and signed on 30 August 2024.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 8-50 form an integral part of these condensed consolidated and separate interim financial statements.

Condensed Inerim Separate Statements of Changes in Equity
As at 30 June 2024

In thousands of Georgian Lari	Note	Share capital	Share premium	Share based payments reserve	Revaluation reserve for securities at FVOCI	Revaluation reserve for premises	Retained earnings	Total Equity
Balance at 31 December 2022		**17,091**	**101,066**	**2,606**	**3,472**	**10,870**	**307,146**	**442,251**
Profit for June 2023		-	-	-	-	-	31,216	31,216
Other comprehensive income		-	-	-	759	-	-	759
Total comprehensive income for June 2023		-	-	-	759	-	31,216	31,975
Share-based payment accruals		-	-	-	-	-	-	-
Share issue	17	-	-	-	-	-	-	-
Dividends declared for June 2023	18	-	-	-	-	-	-	-
Balance at 30 June 2023		**17,091**	**101,066**	**2,606**	**4,231**	**10,870**	**338,362**	**474,226**
Balance at 31 December 2023		**17,319**	**104,498**	**-**	**(201)**	**10,870**	**370,362**	**502,848**
Profit for June 2024		-	-	-	-	-	36,969	36,969
Other comprehensive income		-	-	-	(3,824)	-	-	(3,824)
Total comprehensive income for June 2024		-	-	-	(3,824)	-	36,969	33,146
Share-based payment accruals		-	-	-	-	-	-	-
Share issue	17	894	25,908	-	-	-	-	26,802
Dividends declared for June 2024	18	-	-	-	-	-	(7,689)	(7,689)
Balance at 30 June 2024		**18,213**	**130,406**	**-**	**(4,024)**	**10,870**	**399,642**	**555,107**

Approved for issue and signed on 30 August 2024.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 8-50 form an integral part of these condensed consolidated and separate interim financial statements.

BasisBank Group

Condensed Inerim Consolidated and Separate Statements of Cash Flows
For the Period Ended 30 June 2024

In thousands of Georgian Lari	Note	30 June 2024 (Unaudited) Bank Separate	30 June 2024 (Unaudited) Consolidated	30 June 2023 (Unaudited) Bank Separate	30 June 2023 (Unaudited) Consolidated
Cash flows from operating activities					
Interest income received		162,803	164,133	146,326	147,283
Interest paid		(80,695)	(81,099)	(78,949)	(79,037)
Fees and commissions received	20	10,643	10,643	8,640	8,640
Fees and commissions paid	20	(3,694)	(3,694)	(2,650)	(2,650)
Income received from financial derivatives		(312)	(312)	(3,045)	(3,045)
Income received from trading in foreign currencies		7,733	7,720	4,760	4,754
Other operating income received		836	780	1,260	1,248
Cash inflow from insurance		-	4,743	-	15,085
Cash outflow from insurance		-	(3,096)	-	(8,897)
Income received from leases		-	4,930	-	2,321
Proceeds from disposal of foreclosed properties		964	964	2,122	2,122
Staff costs paid		(26,720)	(28,544)	(23,777)	(25,695)
Administrative and other operating expenses paid		(22,370)	(22,600)	(5,349)	(15,494)
Income tax paid		(18,500)	(18,547)	(1,761)	(1,995)
Cash flows from operating activities before changes in operating assets and liabilities		**30,688**	**36,021**	**47,577**	**44,640**
Net (increase)/decrease in:					
- Due from other banks and mandatory cash balances with NBG		(15,992)	(12,414)	6,315	14,139
- Loans and advances to customers		(110,555)	(114,222)	(61,605)	(61,605)
- Insurance assets		-	(2,156)	-	(14,560)
- Finance lease receivables		-	3,597		
- Other financial assets		(845)	(9,920)	(6,129)	(9,350)
- Other assets		(5,535)	(5,090)	(5,759)	(1,789)
Net increase/(decrease) in:					
- Due to other banks		(85,729)	(85,440)	(33,154)	(30,221)
- Customer accounts		109,949	114,079	(81,192)	(78,746)
- Other financial liabilities		5,116	6,457	4,385	4,673
- Insurance liabilities		-	-	-	10,201
- Other liabilities		3,932	3,972	(17,755)	(12,507)
Net cash used in/(from) operating activities		**(68,971)**	**(65,116)**	**(147,317)**	**(135,125)**
Cash flows from investing activities					
Proceeds on disposal of debt securities held at FVOCI		1,826	1,826	(49,346)	(49,346)
Proceeds from disposal/redemption of debt securities		74,048	74,048	56,767	56,767
Acquisition of loan and deposit portfolios from JSC VTB Bank Georgia					
Acquisition of debt securities		(29,716)	(29,716)	(23,750)	(23,750)
Acquisition of premises and equipment		(2,367)	(2,444)	(1,778)	(1,778)
Proceeds from disposal of premises and equipment		248	248	243	243
Acquisition of intangible assets		(1,608)	(1,608)	(2,285)	(2,285)
Investment in subsidiary		(3,000)	-		
Net cash from/(used in) investing activities		**39,431**	**42,354**	**(20,149)**	**(20,149)**

Condensed Inerim Consolidated and Separate Statements of Cash Flows for the Period Ended 30 June 2024 (continued)

		30 June 2024 (Unaudited)		30 June 2023 (Unaudited)	
In thousands of Georgian Lari	**Note**	**Bank Separate**	**Consolidated**	**Bank Separate**	**Consolidated**
Cash flows from financing activities					
Proceeds from borrowed funds		67,554	69,628	91,326	91,326
Repayment of borrowed funds		(132,119)	(133,808)	(57,223)	(57,223)
Proceeds from subordinated debts		8,561	8,561	28,193	28,193
Repayment of principal of lease liabilities		(705)	(705)	(1,897)	(1,897)
Issuance of ordinary shares	17	26,801	26,801	-	-
Dividends paid	18	(7,689)	(7,689)	-	-
Net cash from financing activities		**(37,597)**	**(37,212)**	**60,399**	**60,399**
Effect of exchange rate changes on cash and cash equivalents		**3,635**	**3,635**	**2,207**	**2,207**
Net increase in cash and cash equivalents		**(63,502)**	**(56,339)**	**(104,860)**	**(92,668)**
Cash and cash equivalents at the beginning of the year	5	**282,582**	**284,010**	**277,659**	**278,068**
Cash and cash equivalents at the end of the period	5	**219,080**	**227,671**	**172,799**	**185,400**

Approved for issue and signed on 30 August 2024.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 8-50 form an integral part of these condensed consolidated and separate interim financial statements.

1 Introduction

The BasisBank JSC (hereinafter – the "Bank") was incorporated and is domiciled in Georgia, registered at Krtsanisi Mtatsminda court and registration number is 4/5-44, Tax code 203841833. The Bank is a joint stock company and was set up in accordance with Georgian regulations. As of 30 June 2024 and 31 December 2023 the Bank's immediate and ultimate parent company was Xinjiang Hualing Industry & Trade (Group) Co Ltd incorporated in People's Republic of China. As of 30 June 2024 the Bank was ultimately controlled by Mr.Mi Enhua with shares owned of 41.755% and Mi Zaiqi with shares owned of 56.270%.

	% of ownership interest held as at	
Shareholders	**June 30, 2024**	**December 31, 2023**
Xinjiang Hualing Industry & Trade (Group) Co Ltd	91.891%	91.548%
Mr. Mi Zaiqi	6.144%	6.461%
Other minority shareholders	1.965%	1.991%

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

The Bank participates in the state deposit insurance scheme, which was introduced by the Law of Georgia on "Deposits insurance system" dated 17 May 2017. Staritng from January 1, 2022 the legal entities were added to insurance system. The Deposit Insurance Agency guarantees repayment of 100% of individual and legal deposits amounts up to GEL 30,000 per depositor in both lari and foreign currency on occurrence of insurance case – liquidation, insolvency or bankruptcy process in accordance with the law of Georgia on Commercial Banks.

The Group had 914 employees as at 30 June 2024 (December 31, 2023: 926 employees), of which 866 are the Bank's employees and 48 of the subsidiaries (December 31, 2023: 881 related to the Bank and 45 to the subsidiaries).

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

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

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

Name	Country of incorporation	Principal activities	Ownership % at 30 June	
			2024	**2023**
Basis Asset Management – Holding LLC	Georgia	Asset management	100%	100%
BB Insurance JSC	Georgia	Insurance	100%	100%
BB Leasing JSC	Georgia	Leasing	100%	100%

Basis Asset Management – Holding LLC. The Company was incorporated and is domiciled in Georgia. Registering body is Revenue Service of Georgia, Tax code 404417984. The Company is Limited Liability Company and was set up in accordance with Georgian regulations. The company's principal business activity is holding property for lease. The registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia. The share capital of Basis Asset Management – Holding LLC as at 30 June 2024 was GEL 3.8 million (December 31, 2023 GEL 3.8 million).

BB Insurance JSC (former Hualing Insurance JSC) was incorporated in December 2017 and is domiciled in Georgia. The Company is a joint stock company limited by shares and was set up in accordance with Georgian regulations. Registering body is Revenue Service of Georgia, Tax code 406232214. The Company's principal business activity is insurance business operations within Georgia. The share capital of BB Insurance as at 30

June 2024 was GEL 6 million (December 31, 2023: GEL 6 million).

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

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

BB Leasing JSC (former BHL Leasing JSC) was incorporated and is domiciled in Georgia. Registering body is Revenue Service of Georgia, Tax code 406233534. The Company is Limited Liability Company and was set up in accordance with Georgian regulations. The registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia. The Bank established the leasing subsidiary in December 2018. In 2024 the share capital of BB Leasing increased to GEL 18 million (December 31, 2023: GEL 15 million). The offers the customers financial leasing products in:

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

Abbreviations. A glossary of various abbreviations used in this document is included in Note 30.

2 Summary of Accounting Policies

Basis of preparation. The interim condensed consolidated and separate financial statements for the six months ended 30 June 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting standars. These financial statements have been prepared in accordance with the accounting policies and principals and methods used and disclosed in the annual consolidated and separate financial statements of the Group as at and for the year ended 31 December 2023.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Group consider that there are no material uncertainties that may cast significant doubt over this assumption.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated and separate financial statements as at 31 December 2023.

Foreign currency translation. The principal rate of exchange used for translating foreign currency balances were:

	June 30, 2024	December 31, 2023	June 30, 2023	December 31, 2022
USD 1 = GEL	2.8101	2.6894	2.6177	2.7020
EUR 1 = GEL	3.0082	2.9753	2.8591	2.8844

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

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

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

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ECL measurement and incorporation of forward-looking information in ECL models. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. It is worth noting that macro-economic parameters are very volatile, thus their impact on ECL might change significantly depending on the given situation and specific macroeconomic forecasts.

The group incorporates forward-looking macroeconomic information two most critical components for ECL estimation: PD and LGD.

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by

GEL 2,227 thousand as of 30 June 2024 (31 December 2023: higher by GEL 2,663 thousand).

A change in the weight assigned to base forward looking macro-economic set of assumptions by 10% towards the immediate downside level assumptions would result in an increase in ECL by GEL 20 thousand at 30 June 2024 (31 December 2023: by GEL 23 thousand). A corresponding change towards the upside assumptions would result in a decrease in ECL by GEL 32 thousand at 30 June 2024 (31 December 2023: by GEL 35 thousand).

A 10% increase in PD estimates would result in an increase in total expected credit loss allowances of GEL 371 thousand at 30 June 2024 (31 December 2023: GEL 347 thousand). A 10% decrease in PD estimates would result in an decrease in total expected credit loss allowances of GEL 298 thousand at 30 June 2024 (31 December 2023: GEL 358 thousand).

A 10% increase in LGD estimates would result in an increase in total expected credit loss allowances of GEL 2,025 thousand at 30 June 2024 (31 December 2023: GEL 4,316 thousand). A 10% decrease in LGD estimates would result in a decrease in total expected credit loss allowances of GEL thousand at 2,024 at 30 June 2024 (31 December 2023: GEL 3,985 thousand).

The Bank applies LGD floor to estimated LGD value. A 10% increase or decrease in LGD floor value would result in an increase (or decrease) in total expected credit loss allowances of GEL 327 (334) thousand at 30 June 2024 (31 December 2023: increase or decrease by GEL 326 thousand).

4 Adoption of New or Revised Standards and Interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

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 transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's interim condensed 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 had no impact on the Group's interim condensed consolidated financial statements

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments had no impact on the Group's interim condensed consolidated financial statements.

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

5 Cash and Cash Equivalents

In thousands of Georgian Lari	**June 30, 2024 (Unaudited)**	**December 31 2023 (Audited)**
Cash on hand	57,279	58,337
Cash balances with the NBG (other than mandatory reserve deposits)	63,636	57,122
Correspondent accounts and overnight placements with other banks	45,094	167,762
Placements with other banks with original maturities of less than three months	62,009	1,134
Less: credit loss allowance	(347)	(345)
Total cash and cash equivalents	**227,671**	**284,010**

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

At 30 June 2024 the Group had no counterparty bank (31 December 2023: 1 counterparty bank) with aggregated cash and cash equivalent balance above 10% of equity.

At 30 June 2024 for the purpose of ECL measurement cash and cash equivalents balances in aggregate amount of GEL 228,018 thousand (31 Decemebr 2023: GEL 284,355 thousand) are included in Stage 1.

6 Mandatory cash balances with the National Bank of Georgia

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

On June 21, 2024 Fitch Ratings has revised the Outlook on Georgia's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Stable from Positive, and affirmed the rating at 'BB'.

For the purpose of ECL measurement Mandatory cash balances with the NBG are included in Stage 1. As at 30 June 2024, ECL for the Mandatory cash balances with the NBG amounts to GEL 444 thousand (31 December 2023: GEL 392 thousand).

7 Due from Other Banks

In thousands of Georgian Lari	**June 30, 2024 (Unaudited)**	**December 31, 2023 (Audited)**
Placements with other banks with original maturities of more than three months	11,847	15,470
Less: credit loss allowance	-	(44)
Total due from other banks	**11,847**	**15,426**

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

For the purpose of ECL measurement due from other banks balances are included in Stage 1.

8 Investments in Debt Securities

In thousands of Georgian Lari	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Debt securities at FVOCI	216,493	157,726
Debt securities at AC	123,001	220,735
Total investments in debt securities	**339,494**	**378,461**

The table below discloses investments in debt securities at 30 June 2024 by measurement categories and classes:

In thousands of Georgian Lari	Debt securities at FVOCI	Debt securities at AC	Total
Georgian government treasury bonds	216,493	54,718	271,211
Georgian government treasury bills	-	9,379	9,379
Corporate bonds	-	59,336	59,336
Total investments in debt securities at 30 June 2024 (fair value or gross carrying value)	**216,493**	**123,433**	**339,926**
Credit loss allowance	-	(432)	(432)
Total investments in debt securities at 30 June 2024 (carrying value)	**216,493**	**123,001**	**339,494**

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

In thousands of Georgian Lari	Debt securities at FVOCI	Debt securities at AC	Total
Georgian government treasury bonds	157,726	109,515	267,241
Georgian government treasury bills	-	52,373	52,373
Corporate bonds	-	59,321	59,321
Total investments in debt securities at 31 December 2022 (fair value or gross carrying value)	**157,726**	**221,209**	**378,935**
Credit loss allowance	-	(474)	(474)
Total investments in debt securities at 31 December 2022 (carrying value)	**157,726**	**220,735**	**378,461**

For the purpose of ECL measurement as at 30 June 2024 and 31 December 2023 the securities at FVOCI and AC belong to stage 1. Total allowance for ECL recognized for debt securities at FVOCI amounted to GEL 458 thousand as at 30 June 2024 (2023: GEL 334 thousand).

The credit quality of debt securities at FVOCI and AC at 30 June 2024 and 31 December 2023 is classified as Good. The debt securities at FVOCI and AC as at 30 June 2024 and 31 December 2023 are not collateralised.

8. Investments in Debt Securities (Continued)

At 30 June 2024 debt securities with a nominal value of GEL 150,582 thousand have been pledged as collateral. From which GEL 105,582 thousand have been pledged for the short-term loans received from NBG and GEL 52,957 thousand for secured deposits from MOF (31 December 2023: GEL 126,662 thousand). Refer to Notes 13 and 15. The counterparty is not allowed to sell further or repledge the investments.

9 Loans and Advances to Customers

In thousands of Georgian Lari	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Gross carrying amount of loans and advances to customers at AC	2,683,615	2,527,164
Less: credit loss allowance	(31,904)	(33,194)
Total carrying amount of loans and advances to customers at AC	**2,651,711**	**2,493,970**

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

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 30 June 2024 and 31 December 2023 are disclosed in the table below:

	June 30, 2024 (Unaudited)			December 31,2023 (Audited)		
In thousands of Georgian Lari	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Standard lending	**1,855,437**	**(15,630)**	**1,839,807**	**1,718,340**	**(14,887)**	**1,703,453**
Loans to Large entities	1,358,814	(4,548)	1,354,266	1,260,692	(5,124)	1,255,568
Loans to SME	496,623	(11,082)	485,541	457,648	(9,763)	447,885
Retail Lonas	**828,178**	**(16,274)**	**811,904**	**808,824**	**(18,307)**	**790,517**
Mortgage loans	508,240	(8,901)	499,339	512,847	(8,774)	504,073
Consumer loans	295,015	(6,376)	288,639	268,522	(8,596)	259,926
Credit cards	24,923	(997)	23,926	27,455	(937)	26,518
Total loans and advances to customers at AC	**2,683,615**	**(31,904)**	**2,651,711**	**2,527,164**	**(33,194)**	**2,493,970**

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

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

Mortgage loans with outstanding principal of GEL 62,414 thousand are pledged for the short term loan from NBG at 30 June 2024 (31 December 2023: mortgage loans GEL 88,066). Refer to Note 13.

9 Loans and Advances to Customers (Continued)

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

	June 30, 2024 (Unaudited)			**December 31,2023 (Audited)**		
In thousands of Georgian Lari	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Standard lending	**1,717,704**	**90,201**	**47,530**	**1,593,898**	**80,511**	**43,931**
Loans to Retail Sector	**753,993**	**25,286**	**48,899**	**734,522**	**24,689**	**49,613**
Mortgage loans	272,654	8,446	13,914	459,726	19,267	33,854
Consumer loans	457,543	16,378	34,320	248,347	4,831	15,344
Credit cards	23,796	462	665	26,449	591	415
Less: Provision for loan impairment	(5,843)	(784)	(25,277)	(6,002)	(739)	(26,453)
Total loans and advances to customers at AC	**2,465,854**	**114,703**	**71,154**	**2,322,418**	**104,461**	**67,091**

9 Loans and Advances to Customers (Continued)

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

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Loans to Legal entities								
At 31 December, 2023	**(2,968)**	**(561)**	**(11,358)**	**(14,887)**	**1,593,898**	**80,511**	**43,931**	**1,718,340**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	184	(184)	-	-	(21,428)	21,428	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	205	75	(280)	-	(6,380)	(3,844)	10,224	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(123)	5	118	-	2,703	(1,820)	(883)	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(36)	36	-	-	99	(99)	-
New originated or purchased	(1,118)	-	-	(1,118)	614,182	-	-	614,182
Net Repayments	827	41	1,226	2,094	(504,542)	(8,964)	(7,055)	(520,561)
Other movements	(11)	(24)	(697)	(732)	3,500	594	107	4,201
Net remeasurement due to change in credit risk	120	94	(741)	(527)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**84**	**(31)**	**(338)**	**(283)**	**88,035**	**7,493**	**2,294**	**97,822**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange gains and losses and other movements	(72)	(15)	(373)	(460)	35,771	2,197	1,307	39,275
At 30 June, 2024	**(2,956)**	**(605)**	**(12,069)**	**(15,630)**	**1,717,704**	**90,201**	**47,532**	**1,855,437**

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Loans to Legal entities								
At 31 December, 2022	**(2,253)**	**(432)**	**(8,091)**	**(10,776)**	**1,260,305**	**66,696**	**34,002**	**1,361,003**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	38	(38)	-	-	(20,588)	20,588	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	590	248	(838)	-	(2,683)	(6,423)	9,106	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(120)	120	-	-	19,699	(19,699)	-	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(747)	747	-	-	4,970	(4,970)	-
New originated or purchased	(1,401)	-	-	(1,401)	471,205	-	-	471,205
Net Repayments and other movements*	976	(209)	(227)	540	(366,888)	(4,258)	(1,219)	(372,365)
Net remeasurement due to change in credit risk	59	638	(774)	(77)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**142**	**12**	**(1,092)**	**(938)**	**100,745**	**(4,822)**	**2,917**	**98,840**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange gains and losses and other movements	43	8	179	230	(17,548)	(1,152)	(762)	(19,462)
At 30 June, 2023	**(2,068)**	**(412)**	**(9,004)**	**(11,484)**	**1,343,502**	**60,722**	**36,157**	**1,440,381**

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

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Mortgage loans								
At 31 December, 2023	**(602)**	**(48)**	**(8,124)**	**(8,774)**	**459,726**	**19,267**	**33,854**	**512,847**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	12	(12)	-	-	(10,367)	10,367	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	28	(28)	-	(10)	(8,564)	8,574	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(27)	27	-	-	8,518	(8,518)	-	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(756)	756	-	-	5,127	(5,127)	-
New originated or purchased	(95)	-	-	(95)	77,195	-	-	77,195
Net Repayments	134	4	755	893	(81,460)	(1,626)	(3,243)	(86,329)
other movements	3	(9)	59	53	(549)	129	159	(261)
Net remeasurement due to change in credit risk	16	732	(1,928)	(1,180)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**43**	**14**	**(386)**	**(329)**	**(6,673)**	**(3,085)**	**363**	**(9,395)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	273	273	-	-	(273)	(273)
Foreign exchange gains and losses and other movements	(6)	(1)	(64)	(71)	4,489	195	377	5,061
At 30 June, 2024	**(565)**	**(35)**	**(8,301)**	**(8,901)**	**457,542**	**16,377**	**34,321**	**508,240**

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Mortgage loans								
At 31 December, 2022	**(996)**	**(98)**	**(9,969)**	**(11,063)**	**449,355**	**22,037**	**35,344**	**506,736**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	47	(47)	-	-	(15,255)	15,255	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	179	341	(520)	-	(886)	(9,697)	10,583	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(412)	72	340	-	12,778	(11,391)	(1,387)	(0)
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(2,332)	2,332	-	-	9,966	(9,966)	-
New originated or purchased	(622)	-	-	(622)	65,457	-	-	65,457
Net Repayments and other movements*	592	170	712	1,474	(61,386)	(3,000)	(4,172)	(68,558)
Net remeasurement due to change in credit risk	396	1,744	(3,036)	(896)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**180**	**(52)**	**(172)**	**(44)**	**708**	**1,133**	**(4,942)**	**(3,101)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange gains and losses and other movements	18	2	47	67	(3,134)	(181)	(273)	(3,588)
At 30 June, 2023	**(798)**	**(148)**	**(10,094)**	**(11,040)**	**446,929**	**22,989**	**30,129**	**500,047**

9 Loans and Advances to Customers (Continued)

In thousands of Georgian Lari	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Consumer loans								
At 31 December, 2023	**(1,857)**	**(54)**	**(6,685)**	**(8,596)**	**248,347**	**4,831**	**15,344**	**268,522**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	81	(81)	-	-	(10,921)	10,921	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	268	83	(351)	-	(1,004)	(6,606)	7,610	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(36)	36	-	-	2,619	(2,619)	-	-
to lifetime (from Stage 3 credit impaired to Stage 2)		(1,745)	1,745	-	-	3,391	(3,391)	-
New originated or purchased	(1,074)	-	-	(1,074)	144,280	-	-	144,280
Net Repayments	752	22	753	1,527	(112,365)	(1,746)	(913)	(115,024)
Other movements	38	(33)	(1,755)	(1,750)	363	244	(252)	355
Net remeasurement due to change in credit risk	16	1,684	(2,706)	(1,006)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	45	(34)	(2,314)	(2,303)	22,972	3,585	3,054	29,611
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	4,521	4,521	-	-	(4,521)	(4,521)
Foreign exchange gains and losses and other movements	(1)	-	3	2	1,331	30	42	1,403
At 30 June, 2024	**(1,813)**	**(88)**	**(4,475)**	**(6,376)**	**272,650**	**8,446**	**13,919**	**295,015**

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Consumer loans								
At 31 December, 2022	**(1,621)**	**(146)**	**(7,606)**	**(9,373)**	**199,579**	**9,901**	**12,695**	**222,175**
Changes in Assumptions								
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	74	(74)	-	-	(11,563)	11,563	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	375	138	(513)	-	(2,029)	(7,948)	9,977	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(198)	87	111	-	7,469	(7,253)	(216)	-
to lifetime (from Stage 3 credit impaired to Stage 2)	-	(1,497)	1,497	-	-	3,589	(3,589)	-
New originated or purchased	(935)	-	-	(935)	94,353	-	-	94,353
Net Repayments and other movements*	809	210	(868)	151	(72,264)	(1,866)	(1,843)	(75,973)
Net remeasurement due to change in credit risk	160	1,182	(3,116)	(1,774)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**285**	**46**	**(2,889)**	**(2,558)**	**15,966**	**(1,915)**	**4,329**	**18,380**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	3,503	3,503	-	-	(3,503)	(3,503)
Foreign exchange gains and losses and other movements	2	-	(4)	(2)	(452)	(5)	(35)	(492)
At 30 June, 2023	**(1,334)**	**(100)**	**(6,996)**	**(8,430)**	**215,093**	**7,981**	**13,486**	**236,560**

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Credit cards								
At 31 December, 2023	**(575)**	**(76)**	**(286)**	**(937)**	**26,449**	**591**	**415**	**27,455**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	21	(21)	-	-	(943)	943	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	117	71	(188)	-	(346)	(531)	877	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(60)	60	-	-	511	(511)	-	-
to lifetime (from Stage 3 credit impaired to Stage 2)	-	(60)	60	-	-	88	(88)	-
New originated or purchased	(418)	-	-	(418)	20,248	-	-	20,248
Net Repayments	293	20	59	372	(21,757)	(138)	(84)	(21,979)
Other movements	59	(4)	(96)	(41)	(363)	16	(37)	(384)
Net remeasurement due to change in credit risk	50	(49)	(391)	(391)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**62**	**17**	**(557)**	**(478)**	**(2,650)**	**(133)**	**668**	**(2,115)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	1	-	417	418	(1)	-	(417)	(418)
Foreign exchange gains and losses and other movements	-	-	-	-	1	-	-	1
At 30 June, 2024	**(512)**	**(59)**	**(426)**	**(997)**	**23,799**	**458**	**666**	**24,923**

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Credit cards								
At 31 December, 2022	**(2,066)**	**(506)**	**(629)**	**(3,201)**	**28,267**	**2,068**	**941**	**31,276**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	133	(133)	-	-	(1,954)	1,954	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	45	172	(217)	-	(264)	(724)	988	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(522)	473	49	-	2,310	(2,217)	(93)	-
to lifetime (from Stage 3 credit impaired to Stage 2)	-	(62)	62	-	-	151	(151)	-
New originated or purchased	(297)	-	-	(297)	13,737	-	-	13,737
Net Repayments and other movements*	1,047	91	(109)	1,029	(15,243)	(413)	(281)	(15,937)
Net remeasurement due to change in credit risk	406	(158)	(152)	96	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**812**	**383**	**(367)**	**828**	**(1,414)**	**(1,249)**	**463**	**(2,200)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	2	1	440	443	(2)	(1)	(440)	(443)
Foreign exchange gains and losses and other movements	-	-	(2)	(2)	(6)		2	(4)
At 30 June, 2023	**(1,252)**	**(122)**	**(558)**	**(1,932)**	**26,845**	**818**	**966**	**28,629**

9 Loans and Advances to Customers (Continued)

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

- The write-off of unsecured consumer loans in the amount of GEL 6,196 thousand.
- Recovery of loans previously written-off in the total amount of GEL 2,346 thousand.

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

	June 30, 2024 (Unaudited)		December 31, 2023 (Audited)	
In thousands of Georgian Lari	**Amount**	**%**	**Amount**	**%**
Individuals	828,178	32%	808,823	32%
Energy	196,132	8%	147,758	6%
Construction Development, Land Developme	192,122	7%	168,115	7%
Hotels, Tourism	174,222	6%	159,184	6%
Service	168,191	6%	156,348	6%
Real Estate Management	167,640	6%	174,332	7%
Agro	148,090	6%	134,539	5%
Health Care	125,300	5%	108,340	4%
Construction Companies	102,618	4%	118,763	5%
Production of Consumer Foods and Goods	99,694	4%	87,180	3%
Production &Trade of Construct Materia	92,437	3%	74,743	3%
Financial Institutions	90,630	3%	79,679	3%
Trade of Consumer Foods and Goods	90,305	3%	106,596	4%
Trade (Other)	66,944	2%	40,230	2%
Restaurants	39,095	1%	38,509	2%
State	5,545	0%	28,507	1%
Other	96,472	4%	95,518	4%
Total loans and advances to customers carried at AC	**2,683,615**	**100%**	**2,527,164**	**100%**

At 30 June 2024 the Group had 8 borrowers' groups (31 December 2023: 5 borrowers) with aggregated loan amounts above 5% of the Bank's regulatory capital. The total aggregate amount of these loans was GEL 305,799 thousand (31 December 2023: GEL 166,191 thousand) or 11% of the gross loan portfolio (31 December 2023: 8%).

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

10 Finance Lease Receivables

In January 2024, The Group acquired selected auto leasing portfolio from Georgian Leasing Company JSC (a subsidiary of JSC Bank of Georgia). BB Leasing acquired 412 leasing contracts with overall portfolio of GEL 4,120 thousands. As a result, BB leasing has significantly increased its retail business and has significantly strengthen its position on the market. The portfolio was acquired with a discount of 10.4% from its carrying value.

11 Insurance and reinsurance contracts

Aviation Hull Insurance Overview – First Half of 2024

In the first half of 2024, the total claims paid under Aviation Hull insurance amounted to 110.2 million GEL. Of this total, 36 million GEL was allocated to outstanding claims from December 2023, while an additional 75 million GEL was paid for new claims arising during the first half of 2024. Out of 77 million GEL in insurance contract liabilities, 38 million GEL was reserved for onerous contracts under the Aviation Hull Reserve.

For all these claims, the reinsurance share was 100%, with corresponding amounts recorded in both assets and liabilities as insurance contract liabilities and reinsurance contract assets.

As of June 2024, the composition of insurance contract liabilities and reinsurance contract assets is as follows:

- 1.8 million GEL in outstanding claims under Aviation Hull.
- 13 million GEL in insurance receivables and reinsurance payables.
- 11 million GEL in unearned premiums.
- 9.8 million GEL in the unearned portion of the reinsurance share.
- 1 million GEL in other claims payables and their reinsurance share.

12 Premises, Equipment and Intangible Assets

In thousands of Georgian Lari	Note	Premises	Office and computer Equipment	Vehicles	Leasehold improveme nts	Constructio ı in progress	Total premises and equipment	Computer software licences	Total
As at 31 December 2022									
Cost or valuation		59,773	18,929	575	4,885	28,042	112,204	11,596	123,800
Accumulated depreciation/amortization		(510)	(12,256)	(288)	(2,511)	-	(15,565)	(3,012)	(18,577)
Carrying amount at 31 December 2022		**59,263**	**6,673**	**287**	**2,374**	**28,042**	**96,639**	**8,584**	**105,223**
Additions		-	694	-	251	247	1,192	2,313	3,505
Disposals		-	(15)	-	-	-	(15)	(514)	(529)
Depreciation									
Depreciation charge	21	(279)	(1,110)	(35)	(340)	-	(1,764)	(805)	(2,569)
Disposals		-	-	12	-	-	12	515	527
As at 30 June 2023									
Cost or valuation		59,773	19,608	575	5,136	28,289	113,381	13,395	126,776
Accumulated depreciation/amortization		(789)	(13,366)	(311)	(2,851)	-	(17,317)	(3,302)	(20,619)
Carrying amount at 30 June 2023		**58,984**	**6,242**	**264**	**2,285**	**28,289**	**96,064**	**10,093**	**106,157**
As at 31 December 2023									
Cost or valuation		59,942	20,178	592	5,126	28,375	114,213	15,867	130,080
Accumulated depreciation/amortization		(1,068)	(14,418)	(322)	(3,106)	-	(18,914)	(3,791)	(22,705)
Carrying amount at 31 December 2023		**58,874**	**5,760**	**270**	**2,020**	**28,375**	**95,299**	**12,076**	**107,375**
Additions		-	1,180	317	633	366	2,496	1,619	4,115
Disposals		-	(11)	(47)	(422)	-	(480)	(625)	(1,105)
Depreciation									
Depreciation charge	21	(280)	(1,075)	(65)	(313)	-	(1,733)	(1,502)	(3,235)
Disposals		-	6	47	179	-	232	625	857
As at 30 June 2024									
Cost or valuation		59,942	21,347	862	5,337	28,741	116,229	16,861	133,090
Accumulated depreciation/amortization		(1,348)	(15,487)	(340)	(3,240)	-	(20,415)	(4,668)	(25,083)
Carrying amount at 30 June 2024		**58,594**	**5,860**	**522**	**2,096**	**28,741**	**95,814**	**12,193**	**108,007**

13 Due to Other Banks

In thousands of Georgian Lari	**June 30, 2024 (Unaudited)**	**December 31 2023 (Audited)**
Short-term placements from NBG	150,100	175,098
Short-term placements of/loans from other banks	41,114	109,767
Long-term placements of other banks	8,069	-
Correspondent accounts and overnight placements of other banks	1	1
Total due to other banks	**199,284**	**284,866**

The Group pledged debt securities as collateral with nominal value of GEL 105,582 thousand, mortgage loans with nominal amount of GEL 62,414 thousand for short-term loan with NBG at the end of reporting period (December 31, 2023: debt securities GEL 118,327 thousand, mortgage loans GEL 88,066 thousand).

14 Customer Accounts

In thousands of Georgian Lari	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
State and public organisations		
- Current/settlement accounts	169,715	212,965
- Term deposits	378,951	270,743
Other legal entities		
- Current/settlement accounts	259,038	264,370
- Term deposits	323,583	386,825
Individuals		
- Current/demand accounts	318,600	296,118
- Term deposits	915,518	761,351
Total customer accounts	**2,365,405**	**2,192,372**

State and public organisations exclude government-owned profit orientated businesses. The customer accounts balances under the Bank's separate statement as at 30 June 2024 amount to GEL 2,368,357 thousand (31 December 2023: GEL 2,199,455 thousand).

Economic sector concentrations within customer accounts are as follows:

	June 30, 2024 (Unaudited)		December 31, 2023 (Audited)	
In thousands of Georgian Lari	**Amount**	**%**	**Amount**	**%**
Individuals	1,234,118	52%	1,057,469	47%
State	178,069	8%	67,164	3%
Financial Institutions	171,170	7%	145,554	7%
Energy	167,985	7%	179,542	8%
Transportation or Communication	140,513	6%	130,353	6%
Service	130,480	6%	147,399	7%
Construction & Production of Construction Materials	92,636	4%	79,250	4%
Trade	74,764	3%	214,052	10%
Education	42,973	2%	37,911	2%
Production/Manufacturing	34,443	1%	47,892	2%
Tobacco	29,106	1%	30,229	1%
Real Estate Development	18,996	1%	11,345	1%
Other	50,152	2%	44,212	2%
Total customer accounts	**2,365,405**	**100%**	**2,192,372**	**100%**

At 30 June 2024, the Group had four customers (31 December 2023: four customers) with balances above 10% of total equity. The aggregate balance of this customer was GEL 392,962 thousand (31 December 2023: GEL 387,252 thousand) or 17% (31 December 2023: 17%) of total customer accounts.

15 Borrowed Funds

In thousands of Georgian Lari	**June 30, 2024 (Unaudited)**	**December 31, 2023 (Audited)**
Blue Orchard Microfinance Fund	90,905	89,995
ResponsAbility	78,640	52,873
Finance-in-Motion	62,781	56,169
ODDO BHF Aktiengesellschaft	20,612	30,229
Black Sea Trade and Development Bank ("BSTDB")	14,475	62,887
Asian Development Bank ("ADB")	14,292	29,722
SYMBIOTICS	13,660	13,496
BANCA POPOLARE DI SONDRIO SCPA	13,029	33,472
INCOFIN	8,445	10,778
CaixaBank S. A.	6,233	-
Hualing Special Economic Zone JSC	2,944	2,723
Total borrowed funds	**326,016**	**382,344**

The Group is obligated to comply with financial covenants in relation to its borrowings. Management believes that the Group was in compliance with covenants at 30 June 2024. Information on compliance with covenants is disclosed in Note 26.

16 Subordinated Debts

The subordinated debts of the Group are as follows:

In thousands of Georgian Lari	Start Date	Maturity	Currency	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Loans from:					
The European Fund for Southeast Europe S.A.	Jun-22	Jun-29	EUR	45,266	44,888
Xinjiang HuaLing Industry & Trade (Group) Co	Aug-19	Aug-26	USD	14,608	13,514
Xinjiang HuaLing Industry & Trade (Group) Co	Sep-23	Sep-30	USD	7,693	7,116
Individuals	Dec-23 - 24-Feb	Dec-33 - 34-Feb	USD	22,813	13,187
Debt securities in issue	Jan-23	Jan-30	USD	28,921	27,678
Total subordinated debts				**119,301**	**106,383**

30 June 2024, the Group has debt securities in issue with nominal value of USD 10,000 thousand (31 December 2023: USD 10,000 thousand). These bonds mature on 30 January 2030 and have a coupon rate of 7% per annum.

Refer to Note 27 for the disclosure of the fair value of subordinated debts. Information on related party balances is disclosed in Note 28.

17 Share Capital

In thousands of Georgian Lari except for number of shares	Number of outstanding shares in thousands	Ordinary shares	Share premium	Total
At 1 January 2023	**17,091**	**17,091**	**101,066**	**118,157**
New Shares Issued	-	-	-	-
At 31 December 2023 (Audited)	**17,319**	**17,319**	**104,498**	**121,817**
New Shares Issued	894	894	25,908	26,802
At 30 June 2024 (Unaudited)	**18,213**	**18,213**	**130,406**	**148,619**

The total authorised number of ordinary shares is 18,213 thousand shares (December 31, 2023: 17,319 thousand shares), with a par value of GEL 1 per share (December 31, 2023: GEL 1 per share). The number of ordinary issued shares is 18,213 thousand, (December 31, 2023: 17,319 thousand shares). All issued ordinary shares are fully paid. Each ordinary share carries one voting right.

18 Dividends

In thousands of Georgian Lari	June 30, 2024 (Unaudited)	December 31 2023 (Audited)
Dividends payable at the beginning of the period	-	-
Dividends declared during the period	7,689	7,405
Dividends paid during the period	(7,689)	(7,405)
Dividends payable at the end of the period	-	-

19 Interest Income and Expense

In thousands of Georgian Lari	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	150,828	125,754
Debt securities at AC	7,154	10,202
Debt securities at FVOCI	10,094	9,313
Due from other banks at AC	6,260	5,047
Total interest income calculated using the effective interest method	**174,336**	**150,316**
Interest expense on financial liabilities at AC calculated using the effective interest method		
Term deposits of legal entities	34,309	29,311
Term deposits of individuals	25,991	15,653
Borrowed funds	12,007	11,652
Current/settlement accounts	10,762	9,009
Due to other Banks	5,924	12,727
Subordinated debts	3,901	2,377
Term placements of other banks	2,638	1,661
Debt securities in issue	949	748
Total interest expense calculated using the effective interest method	**96,481**	**83,138**
Net interest income	**77,855**	**67,178**

20 Fee and Commission Income and Expense

In thousands of Georgian Lari	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Fee and commission income		
- Financial guarantees issued	3,387	2,122
- Plastic card fees	2,604	2,496
- Settlement transactions	1,620	1,575
- Distant banking fees	902	490
- Cash transactions	377	581
- Performance guarantees issued	200	299
- Other	1,553	1,077
Total fee and commission income	**10,643**	**8,640**
Fee and commission expense		
- Plastic card fees	2,235	1,757
- Commissions for credit lines	470	120
- Settlement transactions	424	363
- Expenses Related to Guarantees	313	184
- Cash Collection & Transaction fees	96	30
- Factoring services	1	2
- Communication and Computer Centre Service fees	1	50
- Other	154	144
Total fee and commission expense	**3,694**	**2,650**
Net fee and commission income	**6,949**	**5,990**

21 Administrative and Other Operating Expenses

In thousands of Georgian Lari	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Employee compensation	28,408	26,607
Professional services	3,942	2,751
Communications and information services	3,735	2,055
Depreciation of premises and equipment and amortization of intangible assets	3,235	2,569
Advertising and marketing	2,354	965
Depreciation of right-of-use assets	2,091	2,376
Impairment of litigation prepayments and other financial assets	1,566	(321)
Repairs and maintenance	1,154	877
Insurance	982	1,174
Taxes other than on income	949	503
Interest expense on lease liability	352	516
Security services	319	522
Travel and Training	268	229
Office supplies	181	296
Lease expenses related to short-term and low-value asset leases	153	228
Other	1,073	623
Total administrative and other operating expenses	**50,762**	**41,970**

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

	June 30, 2024 (Unaudited)		31 December 2023 (Audited)	
	Bank separate	Consolidated	Bank separate	Consolidated
Supervisory Board members	6	9	6	7
Management Board members	7	11	7	12
Middle management staff*	28	37	27	34
Other employees	825	857	841	873
Number of employees	**866**	**914**	**881**	**926**

The average number of employees of the Group during the period till June 30, 2024 is 875 (December 31, 2023: 879).

22 Income Taxes

The income tax rate applicable to the Bank’s June 30, 2024 income is 20% (December 31,2023: 15%). The income tax rate applicable to the income of subsidiaries is 15% (December 31, 2023: 15%).

23 Other Assets and Other Liabilities

Other Assets of the Group for the period are as follows:

In thousands of Georgian Lari	June 30, 2024 (unaudited)	December 31, 2023 (audited)
Repossessed collateral	17,964	22,041
Prepayments for services	3,101	4,748
Input and withholding taxes	2,158	1,034
Prepayments for litigations	898	1,855
Other	11,400	3,387
Total other assets	**35,521**	**33,065**

Other Liabilities of the Group for the period are as follows:

In thousands of Georgian Lari	June 30, 2024 (unaudited)	December 31, 2023 (audited)
Accrued employee benefit costs	13,344	14,439
Prepayments received	1,633	698
Taxes payable other than on income	402	1,052
Other	6,425	1,852
Total other liabilities	**21,804**	**18,041**

24 Financial Risk Management

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

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to foreign currency exchange rate risk at 30 June 2024 is presented in the table below:

		USD	**EUR**		**June 30, 2024**
		USD 1 =2.8101	EUR 1 =3.0082	**Other**	
	GEL	GEL	GEL	**currency**	**Total**
Cash and cash equivalents	106,303	35,511	81,390	4,467	227,671
Mandatory cash balances with the NBG	-	170,600	38,894	-	209,494
Due from other banks	11,847	-	-	-	11,847
Investments in debt securities	339,494	-	-	-	339,494
Loans and advances to customers	1,332,156	1,056,968	262,585	2	2,651,711
Finance leases to customers	23,373	11,084	-	-	34,457
Reinsurance contract assets	14,914	13,505	-	-	28,419
Other financial assets	2,184	1,285	129	233	3,831
Total non-derivative financial assets	**1,830,271**	**1,288,953**	**382,998**	**4,702**	**3,506,924**
Non-derivative financial liabilities					
Due to other banks	191,215	8,069	-	-	199,284
Customer accounts	1,167,987	1,051,649	140,607	5,162	2,365,405
Borrowed funds	11,905	117,522	196,589	-	326,016
Lease liabilities	1,995	13,270	-	-	15,265
Insurance contract liabilities	16,376	13,076	-	-	29,452
Other financial liabilities	7,363	2,804	63	188	10,418
Subordinated debts	-	74,034	45,267	-	119,301
Total non-derivative financial liabilities	**1,396,841**	**1,280,424**	**382,526**	**5,350**	**3,065,141**
OPEN BALANCE SHEET POSITION	**433,430**	**8,529**	**472**	**(648)**	**441,783**

24 Financial Risk Management (Continued)

The Group's exposure to foreign currency exchange rate risk at 31 December 2023 is set out below:

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

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

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

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

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

- Profit for the period of 30 June 2024 would decrease/increase by GEL 19,540 thousand (31 December 2023: decrease/increase by GEL 9,830 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate on assets and borrowings; and

24 Financial Risk Management (Continued)

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

- Other comprehensive income for the period of 30 June 2024 would decrease/increase by GEL 9,770 million (31 December 2023: decrease/increase by GEL 4,915 million) mainly as a result of the changes in the interest income on variable interest assets

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

	June 30, 2024	December 31,2023
Interest rate increases by 200 bases points	(11,913)	(8,732)
Interest rate Decreases by 200 bases points	12,850	9,407
Interest rate increases by 100 bases points	(6,068)	(4,447)
Interest rate Decreases by 100 bases points	6,303	4,615

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

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

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

The ratios are as follows:

	June 30,2024 actual	June 30,2024 NBG requirement	December 31, 2023 actual	2023 NBG requirement
Total liquidity coverage ratio	142%	>=100%	123%	>=100%
Liquidity coverage ratio (GEL)	112%	>=75%	98%	>=75%
Liquidity coverage ratio (FC)	199%	>=100%	166%	>=100%
NSFR	120%	>=100%	117%	>=100%

24 Financial Risk Management (Continued)

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

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

The maturity analysis of financial instruments at 30 June 2024 is as follows:

In thousands of Georgian Lari	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
At 30 June, 2024						
Non-derivative financial assets						
Cash and cash equivalents	227,671	-	-	-	-	227,671
Mandatory cash balances with the NBG	209,494	-	-	-	-	209,494
Due from other banks	-	-	1,750	10,097	-	11,847
Investments in debt securities	-	11,082	4,641	247,259	76,512	339,494
Loans and advances to customers	227,515	297,450	349,617	1,047,136	729,993	2,651,711
Finance leases receivables	55	770	1,997	31,635	-	34,457
Reinsurance contract assets	3,848	4,883	19,688	-	-	28,419
Investment properties	1,269	-	-	-	-	1,269
Other financial assets	3,831	-	-	-	-	3,831
Total non-derivative financial assets	**673,683**	**314,185**	**377,693**	**1,336,127**	**806,505**	**3,508,193**
Non-derivative financial liabilities						
Due to other banks	191,215	-	8,069	-	-	199,284
Customer accounts – individuals	125,838	331,166	278,493	337,659	160,963	1,234,119
Customer accounts – other	150,322	274,180	170,403	375,103	161,278	1,131,286
Borrowed funds	8,210	87,548	73,808	156,450	-	326,016
Lease liabilities	529	1,542	1,653	9,807	1,734	15,265
Insurance contract liabilities	5,521	5,261	18,670	-	-	29,452
Other financial liabilities	10,418	-	-	-	-	10,418
Subordinated debts	-	-	-	14,608	104,693	119,301
Total non-derivative financial liabilities	**492,053**	**699,697**	**551,096**	**893,627**	**428,668**	**3,065,141**
Financial and performance guarantees	538	-	-	-	-	538
Undrawn credit related commitments	29,475	-	-	-	-	29,475
Letters of credit	3,258	-	-	-	-	3,258
Net liquidity gap based on expected maturities	**148,359**	**(385,512)**	**(173,403)**	**442,500**	**377,837**	**409,781**
Cumulative liquidity gap based on expected maturities	**-**	**(237,153)**	**(410,556)**	**31,944**	**409,781**	**-**

24 Financial Risk Management (Continued)

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

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

25 Management of Capital

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

In thousands of Georgian Lari	**June 30, 2024 Pillar I/II**	**December 31,2023 Pillar I/II**
Primary capital		
Share capital	18,213	17,092
Share premium	130,406	101,066
Other reserve	-	2,606
Retained earnings	362,426	299,494
Revaluation reserve	6,846	11,085
Current year profit	36,969	71,959
Primary capital Before Correction	**554,860**	**503,302**
Primary capital Corrections	(22,763)	(26,873)
Total primary capital after correction	**532,097**	**476,429**
Secondary capital		
Subordinated debts	108,766	96,933
General reserve	-	-
Total secondary capital	**108,766**	**96,933**
Total regulatory capital	**640,863**	**573,362**
Risk weighted assets, combining credit, market and operational risks	**3,317,914**	**3,155,794**
Minimum NBG requirement for Tier 1 ratio	**14.44%**	**14.02%**
Tier I ratio	**16.04%**	**15.10%**
Minimum NBG requirement for Regulatory capital ratio	**17.57%**	**17.13%**
Regulatory capital ratio	**19.32%**	**18.17%**

26 Contingencies and Commitments

Legal proceedings. As of 31 December 2023 and 2022, the Bank had several unresolved legal claims (no legal disputes against the subsidiaries). The Bank's legal counsel's opinion is that it is possible, but not probable, that the court ruling may be in favour of the claimants. Accordingly, no provision for any claims has been made in these consolidated and separate financial statements.

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

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

Compliance with covenants. The Group is obligated to comply with financial covenants in relation to borrowed funds and credit lines disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. Management believes that the Group was in compliance with the covenants as at 30 June 2024.

Credit-related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. s

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

26 Contingencies and Commitments (Continued)

Outstanding credit-related commitments for June 30, 2024 are as follows:

In thousands of Georgian Lari	**Stage 1**	**Stage 2**	**Stage 3**
Undrawn credit lines	293,854	725	612
Letters of credit issued	3,261	-	-
Financial guarantees issued	197,730	5,306	735
Total credit related commitments (before provision)	**494,003**	**6,018**	**1,331**
Less: Provision for Undrawn credit lines	(437)	(3)	-
Less: Provision for Letters of credit issued	(4)	-	-
Less: Financial guarantees issued	(402)	(10)	(15)
Credit loss allowance for credit related commitments	**(843)**	**(13)**	**(15)**
Total credit related commitments, net of provision and cash covered exposures	**494,002**	**6,044**	**1,332**

Outstanding credit-related commitments for December 31, 2023 are as follows:

In thousands of Georgian Lari	**Stage 1**	**Stage 2**	**Stage 3**
Undrawn credit lines	315,811	218	565
Letters of credit issued	-	-	-
Financial guarantees issued	214,555	5,379	1,131
Total credit related commitments (before provision)	**530,366**	**5,597**	**1,696**
Less: Provision for Undrawn credit lines	(562)	(2)	-
Less: Provision for Letters of credit issued	-	-	-
Less: Financial guarantees issued	(303)	(82)	(15)
Credit loss allowance for credit related commitments	**(865)**	**(84)**	**(15)**
Total credit related commitments, net of provision and cash covered exposures	**529,501**	**5,513**	**1,681**

26 Contingencies and Commitments (Continued)

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs.

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

In thousands of Georgian Lari	**June 30, 2024 (unaudited)**	**December 31, 2023 (audited)**
Construction	36,203	36,986
Production	20,318	11,313
Real Estate Management and Develoment	10,796	3,996
Service	4,858	2,311
Energy	2,112	1,494
Trade	919	796
Financial Institutions	205	-
Other	5,559	1,999
Total guaranteed amounts	**80,970**	**58,895**

27 Fair Value Disclosures

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

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

	30 June, 2024				31 December, 2023			
In thousands of Georgian Lari	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**
ASSETS								
Cash and cash equivalents								
- Cash on hand	57,278	-	-	57,278	58,335	-	-	58,335
- Cash balances with the NBG	-	63,625	-	63,625	-	57,001	-	57,001
- Correspondent accounts and overnight placements	-	44,763	-	44,763	-	167,540	-	167,540
- Placements with other banks with original maturities of less than three months	-	62,004	-	62,004	-	1,134	-	1,134
Due from other banks								
- Short-term placements with other banks with original maturities of more than three months	-	11,847	-	11,847	-	15,426	-	15,426
Mandatory balances with the NBG	-	209,493	-	209,493	-	184,600	-	184,600
Loans and advances to customers at AC								
- Corporate loans	-	-	1,865,718	1,839,806	-	-	1,707,134	1,703,455
- Mortgage loans	-	-	518,777	499,340	-	-	510,814	504,073
- Consumer loans	-	-	281,620	288,639	-	-	261,691	259,924
- Credit cards	-	-	23,926	23,926	-	-	25,446	26,518
***Finance* lease receivables**	-	-	34,457	34,457	-	-	26,136	26,136
Investments in debt securities								
- Georgian government treasury bonds	-	53,476	-	54,602	-	110,150	-	109,414
- Georgian government treasury bills	-	9,884	-	9,365	-	52,375	-	52,331
- Corporate bonds	-	-	59,000	59,034	-	-	59,000	58,990
Reinsurance contract assets	-	28,419	-	28,419	-	74,974	-	74,974
Other financial assets	-	3,831	-	3,831	-	2,269	-	2,269
NON-FINANCIAL ASSETS								
- Investment properties	-	-	-	1,299	-	-	2,340	1,299
TOTAL	**57,278**	**487,342**	**2,783,498**	**3,291,728**	**58,335**	**665,469**	**2,592,561**	**3,303,419**

27 Fair Value Disclosures (Continued)

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

	30 June, 2024				31 December, 2023			
In thousands of Georgian Lari	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying Value**
FINANCIAL LIABILITIES								
Due to other banks								
- Correspondent accounts and overnight placements of other banks	-	1	-	1	-	1	-	1
- Short-term placements of other banks	-	41,114	-	41,114	-	109,767	-	109,767
Long-term placements of other banks	-	8,069	-	8,069	-	-	-	-
- Short-term loans of NBG	-	144,503	-	150,100	-	175,246	-	175,098
Customer accounts								
- Current/settlement accounts of state and public organisations	-	169,715	-	169,715	-	212,965	-	212,962
- Term deposits of state and public organisations	-	-	382,323	378,951	-	-	268,256	270,743
- Current/settlement accounts of other legal entities	-	259,038	-	259,038	-	264,370	-	264,370
- Term deposits of other legal entities	-	-	319,581	323,583	-	-	392,056	386,825
- Current/demand accounts of individuals	-	318,601	-	318,601	-	296,121	-	296,121
- Term deposits of individuals	-	-	910,879	915,517	-	-	772,981	761,351
Borrowed funds	-	318,165	-	326,016	-	384,825	-	382,344
Insurance contract liabilities	-	29,452	-	29,452	-	77,101	-	77,101
Lease Liabilities	-	15,265	-	15,265	-	18,064	-	15,970
Other financial liabilities	-	10,418	-	10,418	-	3,961	-	3,961
Subordinated debts	-	112,625	-	119,301	-	105,060	-	106,383
TOTAL	**-**	**1,426,966**	**1,612,783**	**3,065,141**	**-**	**1,647,481**	**1,433,293**	**3,062,997**

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

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

28 Related Party Transactions

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

At 30 June 2024, the outstanding balances with related parties were as follows:

In thousands of Georgian Lari	Ultimate share-holder	Share-holders	Immediate parent company	Supervisory Board	Manage-ment Board	Companies under common control	Other related parties
Loans and advances to customers (contractual interest rate: 4% –24%)	-	1,630	-	123	2,990	1,311	1,270
Credit loss allowance at 30 June 2024	-	(1)	-	-	(3)	(1)	(2)
Customer accounts (contractual interest rate: 0% – 13%)	587	2,518	11,692	1,466	7,672	37,839	3,468
Provisions for liabilities and charges	-	-	-	1	2	-	2
Insurance receivables	-	-	-	-	3	-	3
Insurance contract reserves	-	1	-	19	9	68	118
Subordinated debt (contractual interest rate: 7%)		-	13,577	-	-	-	-

The income and expense items with related parties for June 30, 2024 were as follows:

In thousands of Georgian Lari	Ultimate share-holder	Share-holders	Immediate parent company	Supervisory Board	Manage-ment Board	Companies under common control	Other related parties
Interest income	-	39	-	4	110	57	58
Interest expense	(20)	(15)	(34)	(13)	(216)	(383)	(78)
Credit loss allowance	-	1	-	-	-	-	-
Gains less losses from trading in foreign currencies	-	33	51	1	5	169	1
Foreign exchange translation gains less losses	-	(15)	(1,412)	(88)	(177)	(934)	(51)
Earned premium	-	-	-	1	6	-	4
Claims Settled	-	-	-	-	-	-	-
Change in outstanding claims	-	(11)	-	11	2	(36)	84
Provision for credit related commitments	(1)	-	-	(1)	(5)	-	(1)
Administrative and other operating expenses	-	-	-	-	-	-	(1,237)

28 Related Party Transactions (Continued)

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

In thousands of Georgian Lari	Ultimate shareholder	Share-holders	Immediate parent company	Supervisory Board	Manage-ment Board	Companies under common control	Other related parties
Loans and advances to customers (contractual interest rate: 6% – 24%)	-	2,074	-	169	2,559	642	1,321
Credit loss allowance at 31 December 2022	-	(2)	-	-	(2)	(1)	(2)
Customer accounts (contractual interest rate: 0% – 12%)	566	1,863	4,102	2,066	7,359	78,338	2,626
Provisions for liabilities and charges	-	-	-	1	1	-	-
Insurance receivables	-	-	-	-	6	-	5
Insurance contract reserves	-	12	-	7	10	104	37
Subordinated debt (contractual interest rate: 7%)	-	-	13,577	-	-	-	-

The income and expense items with related parties for 30 June 2023 were as follows:

In thousands of Georgian Lari	Ultimate share-holder	Share-holders	Immediate parent company	Supervisory Board	Manage-ment Board	Companies under common control	Other related parties
Interest income	-	3	-	2	55	84	60
Interest expense	(21)	(26)	(25)	(13)	(232)	(618)	(65)
Credit loss allowance	-	-	-	-	(4)	12	-
Gains less losses from trading in foreign currencies	-	24	-	-	4	138	1
Foreign exchange translation gains less losses	-	50	510	84	42	2,094	(1)
Provision for credit related commitments	(1)	-	-	(1)	(5)	-	(1)
Earned premium	-	-	-	1	5	-	3
Claims Settled	-	-	-	-	-	-	-
Change in outstanding claims	-	-	-	2	2	21	4
Administrative and other operating expenses	-	-	-	-	-	-	(935)

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

29 Events after the reporting period

Public Bond issued. On 7 Auguts 2024, Basisbank issued a 3-year Sustainability Public Bond amounting USD 20 million, with a fixed interest rate of 7%. The bonds were placed through public offer and are intended to be lisited on Georgian Stock Exchange (GSE). The Asian Development Bank (ADB), participated as an anchor investor in the transaction and subscribed to USD 15 million. The rest of the bonds were subscribed by various private investors.

According to the Sustainability Bond Framework prepared by Basisbank, the proceeds from the bonds shall be fully used to finance green and social projects such as: green buildings and construction, energy efficiency, renewable energy, green transportation, healthcare, education and access to finance.

New Tier 2 capital instrument received as subordinated loan. EUR 10 million Subordinated Loan received from EFSE and EUR 5 million from GGF. The financing package bears a maturity of seven years and qualifies as Tier II capital under the Basel III framework, which shall serve as a capital cushion to balance the accelerated growth phase of Basisbank and underpin the expansion of the Bank's lending activities, particularly to micro, small and medium-sized enterprises (MSMEs) with greater focus on sustainable investments.

30 Abbreviations

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

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