Bank of Georgia Group PLC

2Q22 and 1H22 results

Name of authorised official of issuer responsible for making notification:
Nini Arshakuni, Head of Investor Relations

www.bankofgeorgiagroup.com

ABOUT BANK OF GEORGIA GROUP PLC

Bank of Georgia Group PLC ("**Bank of Georgia Group**" or the "**Group**" and on the LSE: **BGEO LN**) is a UK-incorporated holding company. The Group mainly comprises: a) retail banking and payments business (Retail Banking); and b) corporate banking and investment banking operations (Corporate and Investment Banking) in Georgia.

JSC Bank of Georgia ("**Bank of Georgia**", "**BOG**", or the "**Bank**"), a systematically important and leading universal bank in Georgia, is the core entity of the Group. The Bank is a leader in the payments business and financial mobile application, with strong retail and corporate banking franchises. In line with our digital strategy, the Group focuses on expanding technological and advanced data analytics capabilities to offer more personalised solutions and seamless experiences to our customers. Employee empowerment, customer satisfaction, and data-driven decision-making, together with the strength of the banking franchise, are key enablers of the Group's sustainable value creation. By building on its competitive strengths and uncovering more opportunities, the Group is committed to delivering strong profitability sustainably and maximising shareholder value.

The Group expects to benefit from the growth of the Georgian economy, and through both its Retail Banking and Corporate and Investment Banking operations, it aims to deliver on its strategy and its key medium-term objectives – at least 20% return on average equity (ROAE) and c.10% growth of its loan book.

2Q22 AND 1H22 RESULTS AND CONFERENCE CALL DETAILS

Bank of Georgia Group PLC announces the Group's consolidated financial results for the second quarter and the first half of 2022. Unless otherwise noted, numbers in this announcement are for 2Q22 and comparisons are with 2Q21. The results have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the United Kingdom and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. The results are based on International Financial Reporting Standards (**IFRS**) as adopted by the United Kingdom, are unaudited and derived from management accounts. The results announcement is available on the Group's website at www.bankofgeorgiagroup.com.

A webinar with investors and analysts will be held on 16 August 2022, at 14:00 BST / 15:00 CET / 09:00 EST.

Webinar instructions:

Please click the link below to join the webinar:
https://bankofgeorgia.zoom.us/j/91275111509?pwd=S1ZjTnorM2pocW1FdCtQVE4wckN4Zz09
Webinar ID: **912 7511 1509**
Passcode: **970611**

Or use the following international dial-in numbers available at: https://bankofgeorgia.zoom.us/u/ab9vBn18RK
Webinar ID: **912 7511 1509#**
Passcode: **970611**

Participants joining via Zoom can use the "raise hand" feature at the bottom of the screen to ask questions. Participants dialing in can press *9 to raise hand and ask questions.

CONTENTS

4	Macroeconomic developments
5	2Q22 and 1H22 financial results highlights
6	Financial highlights
7	Strategic highlights
8	Chief Executive Officer's statement
9	Discussion of results
13	Discussion of segment results
13	Retail Banking
15	Corporate and Investment Banking
17	Selected financial and operating information
22	Principal risks and uncertainties
44	Statement of Directors' responsibilities
45	Interim condensed consolidated financial statements
46	Independent review report
48	Interim condensed consolidated financial statements
53	Selected explanatory notes
92	Glossary
93	Company information

FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Bank of Georgia Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: macro risk, including domestic instability; regional instability risk; credit risk; liquidity and funding risk; capital risk; market risk; regulatory and legal risk; financial crime risk; information security and data protection risks; operational risk; human capital risk; COVID-19 pandemic risk; model risk; climate change risk; and other key factors that could adversely affect our business and financial performance, as indicated elsewhere in this document and in past and future filings and reports of the Group, including the 'Principal risks and uncertainties' included in Bank of Georgia Group PLC's Annual Report and Accounts 2021 and in this document. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Bank of Georgia Group PLC or any other entity within the Group, and must not be relied upon in any way in connection with any investment decision. Bank of Georgia Group PLC and other entities within the Group undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

MACROECONOMIC DEVELOPMENTS

The Georgian economy has maintained strong momentum despite the ongoing war in Ukraine. In the first half of 2022, real GDP growth was 10.5%, mainly driven by consumption. Demand has been supported by increased revenues from the external sector and strong credit growth and fiscal spending. Importantly, recent growth has been broad-based, benefitting from active hospitality and real estate sectors as well as increased cargo turnover. Considering the strong activity in the first six months and improved outlook for the rest of the year, Galt & Taggart has revised its real GDP growth forecast for 2022 up to 9.2%.

Resilient external sector

Revenues from the external sector have demonstrated resilience. Despite considerable exposure to the Russian and Ukrainian markets, Georgia's exports remained strong in the first half of 2022, increasing by 35.7% year-on-year. Import growth has also accelerated on the back of strong consumption. In recent months, the increasing trade deficit has been more than offset by the robust recovery in tourism inflows and money transfers from abroad. Although the recovery in tourist arrivals has been relatively modest, tourism revenues reached 78.5% of the 2019 level in the first half of 2022. Meanwhile, remittances have risen significantly – up 65.0% y-o-y in 1H22 - on the back of growing number of migrants from the region. Given the positive dynamics in all sources of inflows, the external balance is expected to improve this year.

Strong bank lending growth

Bank lending has remained strong, supported by increased economic activity. Total bank credit growth was 18.7% year-on-year on a constant currency basis in the first half of 2022, dominated by local currency lending and particularly strong in consumer and business portfolios. Importantly, current lending growth remains healthy with bank credit to GDP ratio below its long-term trend.

Improved fiscal performance

Fiscal performance has improved considerably. Tax revenues increased by 33.9% year-on-year in the first half of 2022. Accordingly, the Government has revised the planned budget deficit for 2022 down to 3.6% of GDP (from 4.4% of GDP), reflecting better-than-expected tax revenues. Public debt projection for the end of 2022 has been revised down from 51.1% of GDP to 45.3% due to GEL appreciation and stronger-than-anticipated GDP growth. Importantly, IMF approved a three-year Stand-By Arrangement for Georgia of US$ 280 million in June 2022. The programme focuses on strengthening Georgia's fiscal framework. Overall, the improved growth outlook, the Government's commitment to fiscal consolidation in the following years and stand-by facilities are expected to support fiscal sustainability.

High inflation and tight monetary policy

Headline CPI inflation remains elevated at 12.8% year-on-year in June, mainly driven by supply-side factors related to global commodity markets, however, demand-side price pressures have also intensified. Monetary policy remains tight with the NBG policy rate at 11.0%. Inflation is expected to fall gradually as supply-side factors are subdued and tight monetary policy contains demand-side pressures and inflation expectations. Monetary policy is expected to remain tight for the rest of the year and ease gradually from early 2023.

Stable GEL

GEL continues to appreciate on the back of strong external inflows, tight monetary policy, and improved sentiments. As at 31 July 2022, Lari gained 12.0% against the US Dollar year-to-date (12.2% appreciation vs end of March). Given strong external inflows and tight monetary policy, GEL is expected to remain stable in the medium term.

2Q22 AND 1H22 FINANCIAL RESULTS HIGHLIGHTS

GEL thousands	2Q22	2Q21	Change y-o-y	1Q22	Change q-o-q	1H22	1H21	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net interest income	281,170	228,249	23.2%	271,450	3.6%	552,620	440,581	25.4%
Net fee and commission income	81,065	57,206	41.7%	58,832	37.8%	139,897	105,856	32.2%
Net foreign currency gain	125,528	22,082	468.5%	64,484	94.7%	190,012	41,258	360.5%
Net other income	7,087	27,438	-74.2%	983	621.0%	8,070	50,920	-84.2%
Operating income	**494,850**	**334,975**	**47.7%**	**395,749**	**25.0%**	**890,599**	**638,615**	**39.5%**
Operating expenses	**(160,899)**	**(121,818)**	**32.1%**	**(138,355)**	**16.3%**	**(299,254)**	**(229,177)**	**30.6%**
(Loss) / profit from associates	250	(4,299)	NMF	126	98.4%	376	(4,132)	NMF
Operating income before cost of risk	**334,201**	**208,858**	**60.0%**	**257,520**	**29.8%**	**591,721**	**405,306**	**46.0%**
Cost of risk	(25,911)	14,033	NMF	7,567	NMF	(18,344)	(30,084)	-39.0%
Net operating income before non-recurring items	**308,290**	**222,891**	**38.3%**	**265,087**	**16.3%**	**573,377**	**375,222**	**52.8%**
Net non-recurring items	232	(67)	NMF	48	NMF	280	(50)	NMF
Profit before income tax	**308,522**	**222,824**	**38.5%**	**265,135**	**16.4%**	**573,657**	**375,172**	**52.9%**
Income tax expense	(33,036)	(20,654)	59.9%	(24,563)	34.5%	(57,599)	(34,078)	69.0%
Profit	**275,486**	**202,170**	**36.3%**	**240,572**	**14.5%**	**516,058**	**341,094**	**51.3%**

GEL thousands	Jun-22	Jun-21	Change y-o-y	Mar-22	Change q-o-q
BALANCE SHEET HIGHLIGHTS					
Liquid assets	7,815,396	5,904,270	32.4%	6,785,761	15.2%
Cash and cash equivalents	2,834,950	1,719,058	64.9%	1,632,690	73.6%
Amounts due from credit institutions	1,766,529	2,035,487	-13.2%	1,978,568	-10.7%
Investment securities	3,213,917	2,149,725	49.5%	3,174,503	1.2%
Loans to customers and finance lease receivables[1]	16,299,630	14,789,371	10.2%	16,289,380	0.1%
Property and equipment	389,855	387,014	0.7%	384,828	1.3%
Total assets	**25,364,541**	**21,851,510**	**16.1%**	**24,270,229**	**4.5%**
Client deposits and notes	15,100,061	13,944,383	8.3%	14,517,253	4.0%
Amounts owed to credit institutions	5,019,370	3,224,577	55.7%	4,676,861	7.3%
Borrowings from DFIs	1,960,874	1,927,225	1.7%	2,114,220	-7.3%
Short-term loans from central banks	2,242,322	398,186	463.1%	1,772,605	26.5%
Loans and deposits from commercial banks	816,174	899,166	-9.2%	790,036	3.3%
Debt securities issued	1,299,986	1,515,511	-14.2%	1,415,940	-8.2%
Total liabilities	**21,931,894**	**19,038,149**	**15.2%**	**20,996,390**	**4.5%**
Total equity	**3,432,647**	**2,813,361**	**22.0%**	**3,273,839**	**4.9%**

KEY RATIOS	2Q22	2Q21	1Q22	1H22	1H21
ROAA	4.5%	3.6%	4.1%	4.3%	3.1%
ROAE	32.8%	29.4%	30.7%	31.8%	25.6%
Net interest margin	5.3%	4.7%	5.3%	5.3%	4.6%
Liquid assets yield	4.4%	3.3%	4.3%	4.4%	3.2%
Loan yield	11.4%	10.4%	11.1%	11.3%	10.4%
Cost of funds	5.2%	4.5%	5.0%	5.1%	4.5%
Cost / income	32.5%	36.4%	35.0%	33.6%	35.9%
NPLs to gross loans to clients	2.6%	3.5%	2.5%	2.6%	3.5%
NPL coverage ratio	89.6%	73.1%	97.3%	89.6%	73.1%
NPL coverage ratio, adjusted for discounted value of collateral	138.0%	122.2%	153.0%	138.0%	122.2%
Cost of credit risk ratio	0.6%	-0.6%	0.8%	0.7%	0.1%
NBG (Basel III) CET1 capital adequacy ratio	14.0%	12.5%	13.7%	14.0%	12.5%
Minimum regulatory requirement	*11.7%*	*11.1%*	*11.8%*	*11.7%*	*11.1%*
NBG (Basel III) Tier I capital adequacy ratio	16.4%	14.4%	15.4%	16.4%	14.4%
Minimum regulatory requirement	*14.0%*	*13.4%*	*14.1%*	*14.0%*	*13.4%*
NBG (Basel III) Total capital adequacy ratio	19.8%	19.1%	19.7%	19.8%	19.1%
Minimum regulatory requirement	*17.5%*	*17.7%*	*17.6%*	*17.5%*	*17.7%*

[1] Throughout this announcement, gross loans to customers and respective allowance for impairment are presented net of expected credit loss (ECL) on contractually accrued interest income. These do not have an effect on the net loans to customers balance. Management believes that netted-off balances provide the best representation of the loan portfolio position.

FINANCIAL HIGHLIGHTS

- **Outstanding performance supported by strong economic growth momentum.** The Group generated operating income before cost of risk of GEL 334.2m in 2Q22 (up 60.0% y-o-y and up 29.8% q-o-q) and GEL 591.7m in 1H22 (up 46.0% y-o-y). The year-on-year growth was strong across revenue lines, and the q-o-q growth was particularly robust on the net fee and commission income and net foreign currency gain side, mainly driven by exchange rate volatility and client-driven flows as Georgia attracted tourists and migrants from nearby countries.
- **Excellent profitability.** Our profit in 2Q22 amounted to GEL 275.5m, up 36.3% y-o-y and up 14.5% q-o-q, and was GEL 516.1m in 1H22, up 51.3% vs 1H21. ROAE stood at 32.8% in 2Q22 (29.4% in 2Q21 and 30.7% in 1Q22) and at 31.8% in 1H22 (25.6% in 1H21).
- **Net interest margin** was 5.3% in 2Q22, up 60bps y-o-y and flat q-o-q. On a six months basis, NIM was 5.3%, up 70bps y-o-y. The y-o-y increase in NIM was mainly driven by higher loan yield and the deployment of excess liquidity.
- **Positive y-o-y and q-o-q operating leverage and cost to income ratio** reduced to 32.5% in 2Q22 (36.4% in 2Q21 and 35.0% in 1Q22) and 33.6% in 1H22 (35.9% in 1H21).
- **Loan book grew 10.2% y-o-y and 0.1% q-o-q at 30 June 2022.** Growth on a constant-currency basis was 17.8% y-o-y and 4.3% q-o-q, particularly reflecting strong consumer, MSME and corporate lending.
- **Client deposits and notes were up 8.3% y-o-y and 4.0% q-o-q at 30 June 2022**. On a constant-currency basis, client deposits and notes grew 16.0% y-o-y and 9.1% q-o-q.
- **Cost of credit risk ratio** was 0.6% in 2Q22 (-0.6% in 2Q21 and 0.8% in 1Q22) and 0.7% in 1H22 (0.1% in 1H21), mainly driven by the ECL charge posted in Retail Banking, largely reflecting the strong growth in consumer lending. RB's cost of credit risk started to stabilise during the second quarter, as expected.
- **NPLs to gross loans remained largely stable** at 2.6% at 30 June 2022, vs 3.5% at 30 June 2021 and 2.5% at 31 March 2022.
- **Robust capital adequacy position.** At 30 June 2022, the Bank's Basel III Common Equity Tier 1, Tier 1, and Total capital adequacy ratios stood at 14.0%, 16.4%, and 19.8%, respectively, all comfortably above the minimum requirements of 11.7%, 14.0% and 17.5%, respectively.
- **Strong liquidity and funding positions.** At 30 June 2022, the Bank's liquidity coverage ratio was 113.5% and the net stable funding ratio was 130.6%, comfortably above the 100% minimum required levels.

STRATEGIC HIGHLIGHTS[2]

	Jun-22	Jun-21	Change y-o-y	Mar-22	Change q-o-q
ACTIVE CUSTOMERS					
Number of active individual clients	1,492,199	1,301,575	14.6%	1,428,957	4.4%
Number of active legal entities	70,429	60,563	16.3%	65,323	7.8%
DIGITAL					
Monthly active digital users (individual clients)	959,154	728,828	31.6%	892,316	7.5%
Share of MAU in total active individuals	64.3%	56.0%		62.4%	
DAU/MAU	45.8%	40.2%		44.6%	

Volume in GEL thousands	2Q22	2Q21	Change y-o-y	1Q22	Change q-o-q	1H22	1H21	Change y-o-y
DIGITAL								
Number of transactions in mBank and iBank	41,329,065	26,327,061	57.0%	35,269,083	17.2%	76,598,148	48,488,450	58.0%
Volume of transactions in mBank and iBank	9,920,298	4,802,779	106.6%	6,530,073	51.9%	16,450,371	8,666,434	89.8%
Product offloading rate	33.8%	21.7%		35.0%		34.4%	20.6%	
PAYMENTS								
Number of POS terminals	41,377	33,772	22.5%	39,086	5.9%	41,377	33,772	22.5%
Number of transactions in BOG's POS terminals	58,245,238	36,300,567	60.5%	44,998,835	29.4%	103,244,073	63,756,348	61.9%
Volume of transactions in BOG's POS terminals	1,649,961	1,009,660	63.4%	1,305,111	26.4%	2,955,071	1,714,778	72.3%
CUSTOMER SATISFACTION								
Net promoter score (NPS)	51.8%	42.8%		53.8%				

- **The Bank had approximately 1.6 million monthly active customers** at 30 June 2022, up 14.7% y-o-y and up 4.6% q-o-q, reflecting the strong growth in our retail and MSME franchises and the increasing engagement of our customers.
- **959 thousand individuals** were **monthly active users of our mBank and iBank** at 30 June 2022**,** up 31.6% y-o-y and up 7.5% q-o-q. The **share of MAU** in total active individuals also increased to 64.3% at 30 June 2022, from 56.0% at 30 June 2021 and 62.4% at 31 March 2022.
- **Digital channels**. We have continued to develop our digital channels and provide superior digital experience. In 2Q22, more than 96% of total transactions were non-branch transactions, with the share of transactions via mBank/iBank at 54%, up from 46% in 2Q21. Bank of Georgia's financial mobile application was named **Best Mobile Banking App in Central and Eastern Europe in 2022** by Global Finance. In addition, Bank of Georgia was named **Best Consumer Digital Bank in Georgia** and the winner of the following regional sub-categories: Best Online Deposit, Card and Investment Product Offerings, Best in Lending, Best Trade Finance Services, Best SME Banking, Best Mobile Banking App (Corporate/Institutional).
- **Product offloading.** Our objective is to increase customer activity and product sales in digital channels. We have made good progress in product offloading in 2Q22 vs last year, increasing the rate by 12.2 ppts to 34% vs planned 36%. In July, offloading reached 36.0%, and as we continue to work on refining our products and digital journeys, we expect to see a positive effect on total offloading rate going forward.
- **Payments.** 52.3% of total volume of POS transactions in Georgia went through BOG's physical POS terminals in 2Q22 vs 48.0% in 2Q21.
- **Customer satisfaction.** Net promoter score at 52%, broadly stable.

[2] Data in this section presented for Bank of Georgia (standalone)

CHIEF EXECUTIVE OFFICER’S STATEMENT

As I write this letter the war in Ukraine is ongoing, and this has undoubtedly been an emotional time for our people and our communities. It is inspiring to see how our colleagues continue to support each other at all times, and I am grateful to our entire team for their commitment to this organisation and for the outstanding performance that we delivered together during the second quarter.

The numbers speak for themselves, but I’ll highlight a few points. In the second quarter, the Group’s operating income before cost of risk grew 60.0% y-o-y and 29.8% q-o-q to GEL 334.2 million, and profit amounted to GEL 275.5 million, up 36.3% y-o-y and up 14.5% q-o-q. We delivered a combination of strong customer lending growth, a higher ROAE of 32.8%, and a lower cost/income ratio of 32.5%. The Group’s performance was supported by the resilience of the Georgian economy. The higher-than-expected economic growth underpinned by Georgia’s position as an important transport, trading, and logistics corridor in the region and increased activity in the tourism, hospitality, and real estate sectors, was reflected across all lines of business. In particular, there were outstanding payments-driven revenues and net foreign currency gains, mainly driven by exchange rate volatility and client-driven flows as Georgia attracted tourists and migrants from nearby countries. The full-year real GDP growth forecast has been revised up to 9.2%, with some upside potential. We’re still dealing with high inflation, which is expected to ease gradually from early 2023, and persistent uncertainty relating to the ongoing war in Ukraine and global recession fears remain downside risks. Nevertheless, I expect the Georgian economy to demonstrate its usual resilience and strong levels of growth in the medium term.

Overall, the strong first half of 2022 led to a profit of GEL 516.1 million, an increase of 51.3%, combined with a return on equity of 31.8%. Our balance sheet has also remained strong. Overall lending growth on a constant-currency basis was 4.3% during the quarter, driven by growth in the consumer, MSME, and corporate portfolios. Asset quality also remained robust. In Retail, we are now returning to a more normalised level of cost of credit risk ratio, while our corporate lending portfolio is still benefitting from some recoveries.

We continue to roll out new products and refine existing ones, focusing our attention on our digital-first approach, ensuring that more of our customers are active digitally. At 30 June 2022, 64% of monthly active individual clients were also monthly active digital users (56% a year ago), with daily engagement in our financial mobile app and internet bank at 46%, also on an upward trajectory. Customer satisfaction measured by NPS remains at a solid 52%. Employee NPS dropped to 50% in April this year from its highest point of 61% at the end of last year, reflecting some organisational changes during the period and the impact of the ongoing inflationary pressure for many in our workforce. We continue to listen to our colleagues and take relevant actions to create better outcomes for the entire organisation.

Bank of Georgia is consistently delivering strong profitability while maintaining capital adequacy ratios comfortably above our minimum regulatory requirements. The high level of internal capital generation, combined with the appreciation of the Lari against the US Dollar, led to a 30 basis points increase in the CET1 capital adequacy ratio in the second quarter of 2022, even after an 80 basis points effect of dividend distribution. In addition, on 30 June 2022, the Board announced the commencement of a GEL 72.7 million share buyback and cancellation programme which, on top of the total dividends paid in respect of the Group’s 2021 earnings, increased the total dividend/share buyback payout ratio, relating to 2021 earnings, to 35.0%.

Considering the Group’s strong performance during the first half of 2022, the Board has decided to declare an interim dividend of GEL 1.85 per ordinary share in respect of the period ended 30 June 2022, payable to ordinary shareholders of Bank of Georgia Group PLC on 20 October 2022. In addition, after the completion of the current GEL 72.7 million share buyback and cancellation programme, the Board will extend the programme by a further GEL 40 million.

The ongoing strength of the Georgian economy, and our focus on developing our digital presence and excellent customer experience, are ensuring that we remain well-positioned to continue to deliver on our key financial priorities: strong growth and high profitability.

Archil Gachechiladze,
CEO, Bank of Georgia Group PLC
15 August 2022

DISCUSSION OF RESULTS

The Group's business consists of three key segments. (1) ***Retail Banking*** *operations in Georgia comprising sub-segments that target mass retail, mass affluent and high-net-worth client segments and MSMEs. (2)* ***Corporate and Investment Banking*** *operations in Georgia serving corporate and institutional customers and providing brokerage services through Galt & Taggart. (3) JSC Belarusky Narodny Bank –* ***BNB*** *– serving retail and SME clients in Belarus.*

OPERATING INCOME

GEL thousands, unless otherwise noted	2Q22	2Q21	Change y-o-y	1Q22	Change q-o-q	1H22	1H21	Change y-o-y
Interest income	553,309	446,636	23.9%	521,294	6.1%	1,074,603	875,216	22.8%
Interest expense	(272,139)	(218,387)	24.6%	(249,844)	8.9%	(521,983)	(434,635)	20.1%
Net interest income	**281,170**	**228,249**	**23.2%**	**271,450**	**3.6%**	**552,620**	**440,581**	**25.4%**
Fee and commission income	135,127	94,727	42.6%	106,673	26.7%	241,800	171,173	41.3%
Fee and commission expense	(54,062)	(37,521)	44.1%	(47,841)	13.0%	(101,903)	(65,317)	56.0%
Net fee and commission income	**81,065**	**57,206**	**41.7%**	**58,832**	**37.8%**	**139,897**	**105,856**	**32.2%**
Net foreign currency gain	125,528	22,082	468.5%	64,484	94.7%	190,012	41,258	360.5%
Net other income	7,087	27,438	-74.2%	983	621.0%	8,070	50,920	-84.2%
Operating income	**494,850**	**334,975**	**47.7%**	**395,749**	**25.0%**	**890,599**	**638,615**	**39.5%**
Net interest margin	5.3%	4.7%		5.3%		5.3%	4.6%	
Average interest earning assets	21,188,021	19,351,021	9.5%	20,879,275	1.5%	20,976,655	19,133,511	9.6%
Average interest bearing liabilities	21,011,444	19,574,436	7.3%	20,371,447	3.1%	20,689,672	19,412,502	6.6%
Average net loans and finance lease receivables	16,248,315	14,852,631	9.4%	16,130,302	0.7%	16,175,013	14,595,985	10.8%
Average net loans and finance lease receivables, GEL	7,740,212	6,230,683	24.2%	7,409,484	4.5%	7,574,978	6,054,977	25.1%
Average net loans and finance lease receivables, FC	8,508,103	8,621,948	-1.3%	8,720,818	-2.4%	8,600,035	8,541,008	0.7%
Average client deposits and notes	14,829,552	13,889,287	6.8%	14,217,208	4.3%	14,524,255	13,903,495	4.5%
Average client deposits and notes, GEL	5,976,483	5,284,975	13.1%	5,591,900	6.9%	5,788,791	5,319,952	8.8%
Average client deposits and notes, FC	8,853,069	8,604,312	2.9%	8,625,308	2.6%	8,735,464	8,583,543	1.8%
Average liquid assets	7,194,782	6,574,819	9.4%	6,573,713	9.4%	6,898,317	6,608,636	4.4%
Average liquid assets, GEL	3,315,150	2,652,100	25.0%	3,141,884	5.5%	3,223,043	2,641,984	22.0%
Average liquid assets, FC	3,879,632	3,922,719	-1.1%	3,431,829	13.0%	3,675,274	3,966,652	-7.3%
Liquid assets yield	4.4%	3.3%		4.3%		4.4%	3.2%	
Liquid assets yield, GEL	8.7%	7.9%		8.8%		8.8%	7.8%	
Liquid assets yield, FC	0.4%	0.2%		0.1%		0.2%	0.2%	
Loan yield	11.4%	10.4%		11.1%		11.3%	10.4%	
Loan yield, GEL	16.0%	14.9%		15.8%		15.9%	14.9%	
Loan yield, FC	7.2%	7.0%		7.1%		7.1%	7.1%	
Cost of funds	5.2%	4.5%		5.0%		5.1%	4.5%	
Cost of funds, GEL	9.6%	7.8%		9.2%		9.4%	7.7%	
Cost of funds, FC	2.0%	2.7%		2.1%		2.0%	2.7%	
Cost / income	32.5%	36.4%		35.0%		33.6%	35.9%	

Performance highlights

- **The Group generated operating income of GEL 494.9m in 2Q22 (up 47.7% y-o-y and up 25.0% q-o-q), ending six months of 2022 with operating income of GEL 890.6m (up 39.5% y-o-y).** The Group's strong top-line performance was driven by key revenue lines:
  - Net interest income was up 23.2% y-o-y and up 3.6% q-o-q, and amounted to GEL 281.2m. In 1H22, net interest income was GEL 552.6m, up 25.4% y-o-y.
  - Net fee and commission income was GEL 81.1m in 2Q22 (up 41.7% y-o-y and up 37.8% q-o-q) and GEL 139.9m in 1H22 (up 32.2% y-o-y). Strong performance in the second quarter and in the first half of 2022 vs last year was mainly driven by higher net fee and commission income generated from our settlement operations as well as currency conversion operations. The q-o-q growth was driven by our settlements operations, cash operations, and currency conversion operations.
  - Net foreign currency gain amounted to GEL 125.5m in the second quarter, up 5.7 times y-o-y and up 94.7% q-o-q, ending six months of 2022 with GEL 190.0m, 4.6 times higher vs 1H21. The significant increase in net foreign currency gain was mainly driven by higher client-related volumes on the back of increased tourism and migrant inflows, increased inbound remittances and robust economic activity as well as by increased spreads resulting from exchange rate volatility, both at Bank of Georgia and BNB.
  - Net other income dropped vs last year due to the high base in 2Q21 and 1H21, and reflected lower gains from the sale of real estate properties and the sale of investment securities.
- **NIM was 5.3% in 2Q22 (up 60bps y-o-y and flat q-o-q) and 5.3% in the first half of 2022 (up 70 bps).** The y-o-y increase in NIM in 2Q22 and 1H22 was driven by higher loan yield and the deployment of excess liquidity, partly offset by increased cost of funds. We saw broad stability in the q-o-q margin.

- **Loan yield** was 11.4% in 2Q22, up 100 bps y-o-y and 30 bps q-o-q. In 1H22 loan yield was 11.3%, up 90 bps y-o-y. GEL loan yield was up 110 bps y-o-y and up 20 bps q-o-q in 2Q22 to 16.0%. In 1H22, GEL loan yield stood at 15.9%, up 100 bps y-o-y. The increase in GEL loan yield mainly reflected increased refinancing rate as well as the strong growth of our consumer portfolio.
- **Cost of funds** was 5.2% in 2Q22, up 70 bps y-o-y and up 20 bps q-o-q. In 1H22 cost of funds was 5.1%, up 60 bps y-o-y. GEL cost of funds was up 180 bps y-o-y and up 40 bps q-o-q to 9.6% in 2Q22. On a six months basis, GEL cost of funds increased by 170 bps y-o-y to 9.4%, mainly reflecting the refinancing rate hikes by the NBG.

OPERATING EXPENSES; COST OF RISK; PROFIT

GEL thousands, unless otherwise noted	2Q22	2Q21	Change y-o-y	1Q22	Change q-o-q	1H22	1H21	Change y-o-y
Salaries and other employee benefits	(95,351)	(68,812)	38.6%	(78,329)	21.7%	(173,680)	(129,035)	34.6%
Administrative expenses	(37,420)	(30,068)	24.5%	(33,702)	11.0%	(71,122)	(53,631)	32.6%
Depreciation, amortisation, and impairment	(27,536)	(22,354)	23.2%	(24,627)	11.8%	(52,163)	(44,915)	16.1%
Other operating expenses	(592)	(584)	1.4%	(1,697)	-65.1%	(2,289)	(1,596)	43.4%
Operating expenses	**(160,899)**	**(121,818)**	**32.1%**	**(138,355)**	**16.3%**	**(299,254)**	**(229,177)**	**30.6%**
Profit / (loss) from associate	250	(4,299)	NMF	126	98.4%	376	(4,132)	NMF
Operating income before cost of risk	**334,201**	**208,858**	**60.0%**	**257,520**	**29.8%**	**591,721**	**405,306**	**46.0%**
Expected credit gain (loss) on loans to customers	(23,285)	25,140	NMF	(29,856)	-22.0%	(53,141)	(3,096)	NMF
Expected credit loss on finance lease receivables	(896)	(683)	31.2%	(1,284)	-30.2%	(2,180)	(1,614)	35.1%
Other expected credit gain (loss) and impairment charge on other assets and provisions	(1,730)	(10,424)	-83.4%	38,707	NMF	36,977	(25,374)	NMF
Cost of risk	**(25,911)**	**14,033**	**NMF**	**7,567**	**NMF**	**(18,344)**	**(30,084)**	**-39.0%**
Net operating income before non-recurring items	**308,290**	**222,891**	**38.3%**	**265,087**	**16.3%**	**573,377**	**375,222**	**52.8%**
Net non-recurring items	**232**	**(67)**	**NMF**	**48**	**NMF**	**280**	**(50)**	**NMF**
Profit before income tax	**308,522**	**222,824**	**38.5%**	**265,135**	**16.4%**	**573,657**	**375,172**	**52.9%**
Income tax expense	(33,036)	(20,654)	59.9%	(24,563)	34.5%	(57,599)	(34,078)	69.0%
Profit	275,486	202,170	36.3%	240,572	14.5%	516,058	341,094	51.3%

- **Operating expenses** grew 32.1% y-o-y and 16.3% q-o-q in 2Q22, and were up 30.6% y-o-y in 1H22, mainly driven by strong business growth, continuing investments in IT and other key strategic areas, amid the inflationary environment. In addition, operating expenses in the second quarter included employee costs related to the termination of service of Executive Management members as announced by the Group, as well as to the change in management's share-based payments scheme in line with new regulatory requirements. We improved our cost to income ratio to 32.5% in 2Q22, from 36.4% in 2Q21 and 35.0% in 1Q22. On a six months basis, cost to income ratio was 33.6%, down from 35.9% in 1H21.
- **Cost of risk** in 2Q22 and 1H22 reflected the following factors:
  - **Cost of credit risk ratio** was 0.6% in 1Q22 (a net gain of 0.6% in 2Q21 and cost of credit risk ratio of 0.8% in 1Q22) and 0.7% in 1H22 (0.1% in 1H21). In 2Q22 we posted ECL provisions on loans to customers and finance lease receivables in the amount of GEL 32.5m for the Retail Banking business, partially offset by a net ECL reversal of GEL 6.2m in the Corporate and Investment Banking segment. For the first half of 2022, cost of credit risk ratio reflected a GEL 82.8m ECL charge in Retail Banking and a GEL 20.3m ECL charge in BNB, partially offset by a net ECL reversal of GEL 47.8m in Corporate and Investment Banking.
  - **Expected credit loss and impairment charge on other assets and provisions** in 1H22 included a GEL 44.3m recovery of some previously paid legal fees.
- **Quality of the loan book**. The NPLs to gross loans ratio improved y-o-y in 2Q22 and was broadly stable q-o-q.

GEL thousands, unless otherwise noted

NON-PERFORMING LOANS	Jun-22	Jun-21	Change y-o-y	Mar-22	Change q-o-q
NPLs	436,889	524,964	-16.8%	424,405	2.9%
NPLs to gross loans	2.6%	3.5%		2.5%	
NPLs to gross loans, RB	2.1%	3.3%		1.8%	
NPLs to gross loans, CIB	3.6%	3.7%		3.9%	
NPL coverage ratio	89.6%	73.1%		97.3%	
NPL coverage ratio adjusted for the discounted value of collateral	138.0%	122.2%		153.0%	

- Overall, the Group posted GEL 275.5m in profit in 2Q22 (up 36.3% y-o-y and up 14.5% q-o-q) and GEL 516.1m in 1H22, up 51.3% y-o-y. The Group's ROAE was 32.8% in 2Q22 (29.4% in 2Q21 and 30.7% in 1Q22) and 31.8% in the first half of 2022 (25.6% in 1H21).

BALANCE SHEET HIGHLIGHTS

GEL thousands, unless otherwise noted	Jun-22	Jun-21	Change y-o-y	Mar-22	Change q-o-q
Liquid assets	7,815,396	5,904,270	32.4%	6,785,761	15.2%
Liquid assets, GEL	3,293,418	2,388,405	37.9%	3,266,943	0.8%
Liquid assets, FC	4,521,978	3,515,865	28.6%	3,518,818	28.5%
Net loans and finance lease receivables	16,299,630	14,789,371	10.2%	16,289,380	0.1%
Net loans and finance lease receivables, GEL	7,953,067	6,438,426	23.5%	7,573,935	5.0%
Net loans and finance lease receivables, FC	8,346,563	8,350,945	-0.1%	8,715,445	-4.2%
Client deposits and notes	15,100,061	13,944,383	8.3%	14,517,253	4.0%
Amounts owed to credit institutions	5,019,370	3,224,577	55.7%	4,676,861	7.3%
Borrowings from DFIs	1,960,874	1,927,225	1.7%	2,114,220	-7.3%
Short-term loans from central banks	2,242,322	398,186	463.1%	1,772,605	26.5%
Loans and deposits from commercial banks	816,174	899,166	-9.2%	790,036	3.3%
Debt securities issued	1,299,986	1,515,511	-14.2%	1,415,940	-8.2%
LIQUIDITY AND CAPITAL ADEQUACY RATIOS					
Net loans / client deposits and notes	107.9%	106.1%		112.2%	
Net loans / client deposits and notes + DFIs	95.5%	93.2%		97.9%	
Liquid assets / total assets	30.8%	27.0%		28.0%	
Liquid assets / total liabilities	35.6%	31.0%		32.3%	
NBG liquidity coverage ratio	113.5%	124.5%		116.2%	
NBG (Basel III) CET1 capital adequacy ratio	14.0%	12.5%		13.7%	
NBG (Basel III) Tier I capital adequacy ratio	16.4%	14.4%		15.4%	
NBG (Basel III) Total capital adequacy ratio	19.8%	19.1%		19.7%	

Our balance sheet remains highly liquid (NBG liquidity coverage ratio of 113.5%) **and well capitalised** (NBG Basel III CET1 capital adequacy ratio of 14.0%) **with a well-diversified funding base** (client deposits and notes to total liabilities of 68.8%) at 30 June 2022.

- **Loan book.** Net loans and finance lease receivables amounted to GEL 16,299.6m at 30 June 2022, up 10.2% y-o-y and up 0.1% q-o-q. Growth on a constant-currency basis was 17.8% y-o-y and 4.3% q-o-q. GEL-denominated loans increased by 23.5% y-o-y and by 5.0% q-o-q, and the share of GEL loans increased to 48.8% at 30 June 2022, up 5.3 ppts y-o-y and up 2.3 ppts q-o-q). At 30 June 2022, Retail Banking accounted for 69.4% of total loan portfolio (65.9% at 30 June 2021 and 68.9% 31 March 2022).
- **Deposits.** Client deposits and notes stood at GEL 15,100.1m at 30 June 2022, up 8.3% y-o-y and up 4.0% q-o-q. On a constant-currency basis, deposits were up 16.0% y-o-y and up 9.1% q-o-q. The share of GEL deposits was 38.8% at 30 June 2022, down 2.5 ppts y-o-y and down 0.8 ppts q-o-q.
- **Strong capital position.** The Bank maintains robust capital structure, with Basel III Common Equity Tier 1, Tier 1, and Total capital adequacy ratios at 14.0%, 16.4% and 19.8% respectively at 30 June 2022, comfortably above the minimum requirements of 11.7%, 14.0% and 17.5%, respectively. The movement in capital adequacy ratios in 2Q22 and the potential impact of a 10% devaluation of local currency on capital is as follows:

	31 March 2022	2Q22 profit	Business growth	Currency impact	Capital distribution	Capital facility impact	30 June 2022	Potential impact of a 10% GEL devaluation
CET1 capital adequacy ratio	13.7%	1.0%	-0.4%	0.5%	-0.8%	0.0%	14.0%	-0.9%
Tier I capital adequacy ratio	15.4%	1.0%	-0.5%	0.5%	-0.8%	0.8%	16.4%	-0.8%
Total capital adequacy ratio	19.7%	1.0%	-0.6%	0.4%	-0.8%	0.1%	19.8%	-0.7%

On 31 May 2022, the Bank signed a $50m Additional Tier 1 Capital Perpetual Subordinated Syndicated Facility with the European Bank for Reconstruction and Development and Swedfund International AB as lenders. In June 2022, the Bank repaid $70m of its subordinated loan facility from International Finance Corporation, out of which $42m qualified as Tier II capital.

The Bank's minimum capital requirements, reflecting the full loading of Basel III capital requirements, to be completed in 2023, which remain subject to ongoing annual regulatory reviews, are currently expected to be as follows:

Expected minimum capital requirements for 2022-2023

	Dec-22	Dec-23
CET1 capital requirement	11.8%	12.1%
Tier 1 capital requirement	14.1%	14.5%
Total capital requirement	17.6%	17.6%

- **Capital distribution:** The Board today declared an interim dividend of GEL 1.85 per ordinary share in respect of the period ended 30 June 2022, payable in Pounds Sterling on 20 October 2022 to those ordinary shareholders of Bank of Georgia Group PLC on the register of members at the close of business on 7 October 2022, according to the following timetable:

  Ex-Dividend Date: 6 October 2022
  Record Date: 7 October 2022
  Currency Conversion Date: 7 October 2022
  Payment Date: 20 October 2022

  The NBG's Lari/Pounds Sterling average exchange rate for the period of 3 October to 7 October 2022 will be used as the exchange rate on the Currency Conversion Date.

  In addition, after the completion of the current GEL 72.7 million share buyback and cancellation programme, the Board will extend the programme by a further GEL 40 million.

- **Sanctions compliance:** The NBG and Georgian financial institutions act fully in accordance with the financial sanctions imposed by the United States and others on the Russian Federation. Compliance with international financial sanctions is ensured by effective systems and controls and systematically checked during the onsite inspections of financial institutions, as noted in a recent report by the U.S. Department of State.[3]

- **The Group's banking subsidiary in Belarus, BNB:** Last quarter we reassessed our assets in BNB due to deteriorated expectations and that resulted in a GEL 49.3m total negative effect on equity in 1Q22. Throughout the second quarter, BNB has demonstrated resilience and a focus on maintaining solid liquidity and capital positions. The resilient quarterly results were largely driven by strong net fee and commission income and net foreign currency gain. The capital ratios, calculated in accordance with the National Bank of the Republic of Belarus (NBRB) standards, stood comfortably above the minimum requirements at 30 June 2022, with Tier 1 capital adequacy ratio at 12.8% (minimum requirement of 7.0%) and Total capital adequacy ratio at 18.9% (minimum requirement of 12.5%). For BNB's financial highlights, see page 19.

[3] https://www.state.gov/reports/2022-investment-climate-statements/georgia/

DISCUSSION OF SEGMENT RESULTS

RETAIL BANKING (RB)[4]

GEL thousands, unless otherwise noted	2Q22	2Q21	Change y-o-y	1Q22	Change q-o-q	1H22	1H21	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net interest income	181,086	138,879	30.4%	173,526	4.4%	354,612	274,209	29.3%
Net fee and commission income	66,760	44,504	50.0%	45,444	46.9%	112,204	82,128	36.6%
Net foreign currency gain	77,000	10,504	633.1%	32,154	139.5%	109,154	22,100	393.9%
Net other income	3,353	9,792	-65.8%	1,471	127.9%	4,824	18,864	-74.4%
Operating income	**328,199**	**203,679**	**61.1%**	**252,595**	**29.9%**	**580,794**	**397,301**	**46.2%**
Salaries and other employee benefits	(63,852)	(50,424)	26.6%	(57,300)	11.4%	(121,152)	(92,291)	31.3%
Administrative expenses	(29,809)	(23,585)	26.4%	(25,952)	14.9%	(55,761)	(42,326)	31.7%
Depreciation, amortisation and impairment	(26,100)	(19,371)	34.7%	(21,092)	23.7%	(47,192)	(38,581)	22.3%
Other operating expenses	(359)	(400)	-10.3%	(1,401)	-74.4%	(1,760)	(1,082)	62.7%
Operating expenses	**(120,120)**	**(93,780)**	**28.1%**	**(105,745)**	**13.6%**	**(225,865)**	**(174,280)**	**29.6%**
Profit / (loss) from associate	250	(4,299)	NMF	126	98.4%	376	(4,132)	NMF
Operating income before cost of risk	**208,329**	**105,600**	**97.3%**	**146,976**	**41.7%**	**355,305**	**218,889**	**62.3%**
Cost of risk	(33,326)	(10,433)	NMF	(50,790)	-34.4%	(84,116)	(41,760)	101.4%
Net operating income before non-recurring items	**175,003**	**95,167**	**83.9%**	**96,186**	**81.9%**	**271,189**	**177,129**	**53.1%**
Net non-recurring items	240	211	13.7%	69	NMF	309	367	-15.8%
Profit before income tax	**175,243**	**95,378**	**83.7%**	**96,255**	**82.1%**	**271,498**	**177,496**	**53.0%**
Income tax expense	(19,384)	(8,682)	123.3%	(9,946)	94.9%	(29,330)	(14,685)	99.7%
Profit	**155,859**	**86,696**	**79.8%**	**86,309**	**80.6%**	**242,168**	**162,811**	**48.7%**
BALANCE SHEET HIGHLIGHTS								
Net loans	10,924,932	9,264,544	17.9%	10,740,353	1.7%	10,924,932	9,264,544	17.9%
Net loans, GEL	6,866,965	5,400,006	27.2%	6,491,405	5.8%	6,866,965	5,400,006	27.2%
Net loans, FC	4,057,967	3,864,538	5.0%	4,248,948	-4.5%	4,057,967	3,864,538	5.0%
Client deposits	10,260,017	8,767,828	17.0%	9,857,622	4.1%	10,260,017	8,767,828	17.0%
Client deposits, GEL	3,169,220	2,430,767	30.4%	2,946,915	7.5%	3,169,220	2,430,767	30.4%
Client deposits, FC	7,090,797	6,337,061	11.9%	6,910,707	2.6%	7,090,797	6,337,061	11.9%
of which:								
Time deposits	5,262,317	5,146,481	2.3%	5,299,269	-0.7%	5,262,317	5,146,481	2.3%
Time deposits, GEL	1,734,406	1,262,156	37.4%	1,669,119	3.9%	1,734,406	1,262,156	37.4%
Time deposits, FC	3,527,911	3,884,325	-9.2%	3,630,150	-2.8%	3,527,911	3,884,325	-9.2%
Current accounts and demand deposits	4,997,700	3,621,347	38.0%	4,558,353	9.6%	4,997,700	3,621,347	38.0%
Current accounts and demand deposits, GEL	1,434,814	1,168,611	22.8%	1,277,796	12.3%	1,434,814	1,168,611	22.8%
Current accounts and demand deposits, FC	3,562,886	2,452,736	45.3%	3,280,557	8.6%	3,562,886	2,452,736	45.3%
Assets under management	1,588,945	1,522,240	4.4%	1,814,979	-12.5%	1,588,945	1,522,240	4.4%
KEY RATIOS								
ROAE	31.4%	22.1%		18.0%		24.9%	21.5%	
Net interest margin	4.6%	4.1%		4.7%		4.7%	4.1%	
Cost of credit risk ratio	1.2%	0.3%		1.9%		1.5%	0.8%	
Cost of funds	6.3%	5.4%		6.0%		6.2%	5.4%	
Loan yield	12.3%	11.1%		11.9%		12.1%	11.1%	
Loan yield, GEL	16.1%	15.2%		15.9%		16.0%	15.2%	
Loan yield, FC	6.1%	5.9%		5.8%		6.0%	6.0%	
Cost of deposits	2.6%	2.6%		2.6%		2.6%	2.7%	
Cost of deposits, GEL	7.5%	5.9%		7.2%		7.4%	5.9%	
Cost of deposits, FC	0.5%	1.4%		0.6%		0.5%	1.5%	
Cost of time deposits	4.3%	3.7%		4.1%		4.2%	3.8%	
Cost of time deposits, GEL	11.3%	9.1%		11.1%		11.2%	9.3%	
Cost of time deposits, FC	1.0%	2.1%		1.1%		1.0%	2.2%	
Cost of current accounts and demand deposits	0.7%	0.9%		0.7%		0.7%	1.0%	
Cost of current accounts and demand deposits, GEL	2.6%	2.5%		2.4%		2.5%	2.5%	
Cost of current accounts and demand deposits, FC	-0.1%	0.2%		0.0%		-0.1%	0.2%	
Cost / income ratio	36.6%	46.0%		41.9%		38.9%	43.9%	

[4] Following structural changes in senior management, starting from the third quarter of 2021, we reclassified Wealth Management business from Corporate and Investment Banking to Retail Banking segment, under Premium Banking. The comparative periods have been restated accordingly.

Performance highlights

- RB generated **operating income of GEL 328.2m** in 2Q22 (up 61.1% y-o-y and up 29.9% q-o-q) and GEL 580.8m in 1H22 (up 46.2% y-o-y). The y-o-y growth was driven by strong performance across key revenue lines, while the q-o-q growth was particularly strong in net fee and commission income and net foreign currency gain.
- RB's NIM stood at 4.6% in 2Q22, up 50 bps y-o-y and down 10 bps q-o-q. In 1H22, NIM was 4.7%, up 60 bps y-o-y. The y-o-y increase in NIM in the periods presented was mainly driven by higher loan yield and the deployment of excess liquidity.
- **Cost of credit risk ratio** has started to stabilise as expected and was 1.2% in 2Q22 (0.3% in 2Q21 and 1.9% in 1Q22) and 1.5% in 1H22 (0.8% 1H21). On a six months basis, cost of credit risk ratio was mainly driven by the fast growth of our unsecured consumer loan portfolio.
- **Net loans and finance lease receivables stood at GEL 10,924.9m at 30 June 2022, up 17.9% y-o-y and up 1.7% q-o-q. On a constant currency basis, loan book increased by 24.0% y-o-y and by 4.9% q-o-q in 2Q22.** GEL-denominated loans represented 62.9% of total RB loans at 30 June 2022, compared with 58.3% at 30 June 2021 and 60.4% at 31 March 2022.

  The y-o-y loan book growth in the periods presented was mainly driven by consumer, micro, and SME:

RETAIL BANKING LOAN BOOK BY PRODUCT

GEL thousands, unless otherwise noted	2Q22	2Q21	Change y-o-y	1Q22	Change q-o-q	1H22	1H21	Change y-o-y
Loan originations								
Consumer loans	843,421	642,450	31.3%	808,569	4.3%	1,651,991	1,098,041	50.4%
Mortgage loans	383,007	453,211	-15.5%	319,661	19.8%	702,668	873,275	-19.5%
Micro loans	366,285	406,099	-9.8%	413,170	-11.3%	779,455	814,679	-4.3%
SME loans	369,234	389,201	-5.1%	364,333	1.3%	733,567	760,457	-3.5%
Outstanding balance								
Consumer loans	2,873,729	1,981,332	45.0%	2,724,182	5.5%	2,873,729	1,981,332	45.0%
Mortgage loans	3,965,356	3,770,534	5.2%	3,987,191	-0.5%	3,965,356	3,770,534	5.2%
Micro loans	2,159,028	1,870,061	15.5%	2,101,736	2.7%	2,159,028	1,870,061	15.5%
SME loans	1,696,239	1,431,902	18.5%	1,703,041	-0.4%	1,696,239	1,431,902	18.5%

- **RB client deposits amounted to GEL 10,260.0m at 30 June 2022, up 17.0% y-o-y and up 4.1% q-o-q. On a constant currency basis, deposits increased by 26.7% y-o-y and by 10.0% q-o-q in 2Q22.** GEL-denominated deposits represented 30.9% of total RB deposits at 30 June 2022 (27.7% at 30 June 2021 and 29.9% at 31 March 2022).
- **Retail Banking recorded a profit** of GEL 155.9m in 2Q22 (up 79.8% y-o-y and up 80.6% q-o-q) and GEL 242.2m in 1H22 (up 48.7% y-o-y). RB ROAE was 31.4% in 2Q22 (22.1% in 2Q21 and 18.0% in 1Q22) and 24.9% in 1H22 (21.5% in 1H21).

CORPORATE AND INVESTMENT BANKING (CIB)[5]

GEL thousands, unless otherwise noted	2Q22	2Q21	Change y-o-y	1Q22	Change q-o-q	1H22	1H21	Change y-o-y
INCOME STATEMENT HIGHLIGHTS								
Net interest income	**89,283**	**79,612**	**12.1%**	**87,581**	**1.9%**	**176,864**	**148,262**	**19.3%**
Net fee and commission income	11,434	11,041	3.6%	12,294	-7.0%	23,728	20,457	16.0%
Net foreign currency gain	27,954	8,549	227.0%	20,370	37.2%	48,324	12,583	284.0%
Net other income	2,562	17,848	-85.6%	2,986	-14.2%	5,548	32,620	-83.0%
Operating income	**131,233**	**117,050**	**12.1%**	**123,231**	**6.5%**	**254,464**	**213,922**	**19.0%**
Salaries and other employee benefits	(24,848)	(12,304)	102.0%	(14,519)	71.1%	(39,367)	(25,397)	55.0%
Administrative expenses	(3,126)	(4,348)	-28.1%	(3,446)	-9.3%	(6,572)	(7,436)	-11.6%
Depreciation, amortisation and impairment	(117)	(1,746)	-93.3%	(2,238)	-94.8%	(2,355)	(3,942)	-40.3%
Other operating expenses	(301)	(194)	55.2%	(335)	-10.1%	(636)	(414)	53.6%
Operating expenses	**(28,392)**	**(18,592)**	**52.7%**	**(20,538)**	**38.2%**	**(48,930)**	**(37,189)**	**31.6%**
Operating income before cost of risk	**102,841**	**98,458**	**4.5%**	**102,693**	**0.1%**	**205,534**	**176,733**	**16.3%**
Cost of risk	5,209	23,405	-77.7%	84,724	-93.9%	89,933	11,370	691.0%
Net operating income before non-recurring items	**108,050**	**121,863**	**-11.3%**	**187,417**	**-42.3%**	**295,467**	**188,103**	**57.1%**
Net non-recurring items	-	(1)	-100.0%	-	-	-	(74)	-100.0%
Profit before income tax expense	**108,050**	**121,862**	**-11.3%**	**187,417**	**-42.3%**	**295,467**	**188,029**	**57.1%**
Income tax expense	(12,364)	(10,750)	15.0%	(14,617)	-15.4%	(26,981)	(17,445)	54.7%
Profit	**95,686**	**111,112**	**-13.9%**	**172,800**	**-44.6%**	**268,486**	**170,584**	**57.4%**
BALANCE SHEET HIGHLIGHTS								
Net loans and finance lease receivables	4,814,201	4,783,900	0.6%	4,846,686	-0.7%	4,814,201	4,783,900	0.6%
Net loans and finance lease receivables, GEL	1,060,546	994,781	6.6%	1,054,455	0.6%	1,060,546	994,781	6.6%
Net loans and finance lease receivables, FC	3,753,655	3,789,119	-0.9%	3,792,231	-1.0%	3,753,655	3,789,119	-0.9%
Client deposits	4,269,814	4,752,182	-10.2%	4,194,888	1.8%	4,269,814	4,752,182	-10.2%
Client deposits, GEL	2,759,014	3,356,443	-17.8%	2,922,461	-5.6%	2,759,014	3,356,443	-17.8%
Client deposits, FC	1,510,800	1,395,739	8.2%	1,272,427	18.7%	1,510,800	1,395,739	8.2%
of which:								
Time deposits	1,571,470	2,403,869	-34.6%	1,392,549	12.8%	1,571,470	2,403,869	-34.6%
Time deposits, GEL	1,453,747	2,205,710	-34.1%	1,270,350	14.4%	1,453,747	2,205,710	-34.1%
Time deposits, FC	117,723	198,159	-40.6%	122,199	-3.7%	117,723	198,159	-40.6%
Current accounts and demand deposits	2,698,344	2,348,313	14.9%	2,802,339	-3.7%	2,698,344	2,348,313	14.9%
Current accounts and demand deposits, GEL	1,305,267	1,150,733	13.4%	1,652,111	-21.0%	1,305,267	1,150,733	13.4%
Current accounts and demand deposits, FC	1,393,077	1,197,580	16.3%	1,150,228	21.1%	1,393,077	1,197,580	16.3%
Letters of credit and guarantees, standalone (off-balance sheet item)	1,623,435	1,623,571	0.0%	1,706,792	-4.9%	1,623,435	1,623,571	0.0%
Assets under management	1,333,968	1,394,789	-4.4%	1,409,515	-5.4%	1,333,968	1,394,789	-4.4%
RATIOS								
ROAE	30.3%	42.6%		63.5%		45.5%	33.6%	
Net interest margin	5.4%	4.9%		5.4%		5.5%	4.6%	
Cost of credit risk ratio	-0.5%	-2.4%		-3.3%		-1.9%	-1.3%	
Cost of funds	3.2%	2.4%		3.2%		2.6%	2.6%	
Loan yield	9.0%	8.5%		9.1%		9.1%	8.5%	
Loan yield, GEL	14.9%	13.3%		14.7%		14.8%	12.8%	
Loan yield, FC	7.4%	7.3%		7.6%		7.5%	7.5%	
Cost of deposits	6.2%	5.0%		6.3%		6.2%	5.3%	
Cost of deposits, GEL	8.9%	7.4%		9.4%		9.2%	7.7%	
Cost of deposits, FC	0.0%	0.6%		0.0%		0.0%	0.7%	
Cost of time deposits	9.6%	7.4%		10.2%		9.9%	7.8%	
Cost of time deposits, GEL	10.3%	8.1%		11.6%		10.8%	8.5%	
Cost of time deposits, FC	1.9%	2.1%		0.0%		0.8%	2.0%	
Current accounts and demand deposits	4.3%	3.2%		4.3%		4.3%	3.2%	
Current accounts and demand deposits, GEL	7.8%	6.3%		7.7%		7.8%	6.4%	
Current accounts and demand deposits, FC	-0.1%	0.4%		-0.1%		-0.1%	0.5%	
Cost / income ratio	21.6%	15.9%		16.7%		19.2%	17.4%	
Concentration of top ten clients	6.3%	8.8%		6.4%		6.3%	8.8%	

[5] Following structural changes in senior management, starting from the third quarter of 2021, we reclassified Wealth Management business from Corporate and Investment Banking to the Retail Banking segment. The comparative periods have been restated accordingly.

Performance highlights

- **Corporate and Investment Banking's operating income was GEL 131.2m** in 2Q22 (up 12.1% y-o-y and up 6.5% q-o-q) and GEL 254.5m in 1H22, up 19.0%. The year-on-year growth in the periods presented was mainly driven by net interest income and net foreign currency gain, partially offset by lower net other income. The quarter-on-quarter growth was partially offset by lower net fee and commission income and lower net other income compared with the first quarter of 2022.
- The increase in **operating expenses** was mainly driven by growth in the allocated portion of employee costs (see details on total employee costs on page 10).
- **NIM** stood at 5.4% in 2Q22, up 50 bps y-o-y and flat q-o-q, and at 5.5% in 1H22, up 90 bps y-o-y.
- **Cost of risk in 2Q22 and 1H22 reflected the following factors:**
  - **Cost of credit risk.** CIB's cost of credit risk was a net gain of 0.5% in 2Q22 (a net gain of 2.4% in 2Q21 and a net gain of 3.3% in 1Q22). On a six months basis, cost of credit risk ratio was a net gain of 1.9% (a net gain of 1.3% in 1H21). The Group recorded a GEL 6.2m reversal of provisions on loans to customers and finance lease receivables in 2Q22 and a GEL 47.8m ECL reversal in 1H22.
  - **Expected credit loss and impairment charge on other assets and provisions** in 1H22 included a GEL 44.3m recovery of some previously paid legal fees.
- **Net loans and finance lease receivables stood at GEL 4,814.2m at 30 June 2022, up 0.6% y-o-y and down 0.7% q-o-q. On a constant currency basis, loan book increased by 11.6% y-o-y and by 5.9% q-o-q in 2Q22.** GEL-denominated loans represented 22.0% of total CIB net loans at 30 June 2022, compared with 20.8% at 30 June 2021 and 21.8% at 31 March 2022. The concentration of top ten CIB clients was 6.3% at 30 June 2022 (8.8% at 30 June 2021 and 6.4% at 31 March 2022).
- **Client deposits and notes amounted to GEL 4,269.8m at 30 June 2022, down 10.2% y-o-y and up 1.8% q-o-q. On a constant currency basis, deposits decreased by 6.5% y-o-y and increased by 4.6% q-o-q in 2Q22.** GEL-denominated deposits represented 64.6% of total CIB deposits at 30 June 2022, compared with 70.6% at 30 June 2021 and 69.7% at 31 March 2022.
- **Net other income** decreased vs last year due to the high base in 2Q21 and 1H21, and reflected lower gains from the sale of real estate properties and the sale of investment securities.
- **CIB recorded a profit** of GEL 95.7m in 2Q22, (down 13.9% y-o-y and down 44.6% q-o-q) and GEL 268.5m in 1H22 (up 57.4% y-o-y). CIB's ROAE was 30.3% in 2Q22 (42.6% in 2Q21 and 63.5% in 1Q22) and was 45.5% in 1H22 (33.6% in 1H21).

SELECTED FINANCIAL AND OPERATING INFORMATION

INCOME STATEMENT	BANK OF GEORGIA GROUP CONSOLIDATED							
GEL thousands, unless otherwise noted	**2Q22**	**2Q21**	**Change y-o-y**	**1Q22**	**Change q-o-q**	**1H22**	**1H21**	**Change y-o-y**
Interest income	553,309	446,636	23.9%	521,294	6.1%	1,074,603	875,216	22.8%
Interest expense	(272,139)	(218,387)	24.6%	(249,844)	8.9%	(521,983)	(434,635)	20.1%
Net interest income	**281,170**	**228,249**	**23.2%**	**271,450**	**3.6%**	**552,620**	**440,581**	**25.4%**
Fee and commission income	135,127	94,727	42.6%	106,673	26.7%	241,800	171,173	41.3%
Fee and commission expense	(54,062)	(37,521)	44.1%	(47,841)	13.0%	(101,903)	(65,317)	56.0%
Net fee and commission income	**81,065**	**57,206**	**41.7%**	**58,832**	**37.8%**	**139,897**	**105,856**	**32.2%**
Net foreign currency gain	125,528	22,082	**468.5%**	64,484	**94.7%**	**190,012**	**41,258**	**360.5%**
Net other income	7,087	27,438	**-74.2%**	983	**621.0%**	**8,070**	**50,920**	**-84.2%**
Operating income	**494,850**	**334,975**	**47.7%**	**395,749**	**25.0%**	**890,599**	**638,615**	**39.5%**
Salaries and other employee benefits	(95,351)	(68,812)	38.6%	(78,329)	21.7%	(173,680)	(129,035)	34.6%
Administrative expenses	(37,420)	(30,068)	24.5%	(33,702)	11.0%	(71,122)	(53,631)	32.6%
Depreciation, amortisation and impairment	(27,536)	(22,354)	23.2%	(24,627)	11.8%	(52,163)	(44,915)	16.1%
Other operating expenses	(592)	(584)	1.4%	(1,697)	-65.1%	(2,289)	(1,596)	43.4%
Operating expenses	**(160,899)**	**(121,818)**	**32.1%**	**(138,355)**	**16.3%**	**(299,254)**	**(229,177)**	**30.6%**
Profit / (loss) from associates	250	(4,299)	NMF	126	98.4%	376	(4,132)	NMF
Operating income before cost of risk	**334,201**	**208,858**	**60.0%**	**257,520**	**29.8%**	**591,721**	**405,306**	**46.0%**
Expected credit loss on loans to customers	(23,285)	25,140	NMF	(29,856)	-22.0%	(53,141)	(3,096)	NMF
Expected credit loss on finance lease receivables	(896)	(683)	31.2%	(1,284)	-30.2%	(2,180)	(1,614)	35.1%
Other expected credit loss and impairment charge on other assets and provisions	(1,730)	(10,424)	-83.4%	38,707	NMF	36,977	(25,374)	NMF
Cost of risk	**(25,911)**	**14,033**	**NMF**	**7,567**	**NMF**	**(18,344)**	**(30,084)**	**-39.0%**
Net operating income before non-recurring items	**308,290**	**222,891**	**38.3%**	**265,087**	**16.3%**	**573,377**	**375,222**	**52.8%**
Net non-recurring items	232	(67)	NMF	48	NMF	280	(50)	NMF
Profit before income tax	**308,522**	**222,824**	**38.5%**	**265,135**	**16.4%**	**573,657**	**375,172**	**52.9%**
Income tax expense	(33,036)	(20,654)	59.9%	(24,563)	34.5%	(57,599)	(34,078)	69.0%
Profit	**275,486**	**202,170**	**36.3%**	**240,572**	**14.5%**	**516,058**	**341,094**	**51.3%**
Profit attributable to:								
– shareholders of the Group	274,268	201,239	*36.3%*	239,715	*14.4%*	*513,983*	*339,454*	*51.4%*
– non-controlling interests	1,218	931	*30.8%*	857	*42.1%*	*2,075*	*1,640*	*26.5%*
Earnings per share (basic)	**5.81**	**4.21**	**38.0%**	**5.06**	**14.8%**	**10.87**	**7.08**	**53.5%**
Earnings per share (diluted)	**5.79**	**4.19**	**38.2%**	**5.00**	**15.8%**	**10.79**	**7.04**	**53.3%**

BALANCE SHEET	BANK OF GEORGIA GROUP CONSOLIDATED				
GEL thousands, unless otherwise noted	**Jun-22**	**Jun-21**	**Change y-o-y**	**Mar-22**	**Change q-o-q**
Cash and cash equivalents	2,834,950	1,719,058	64.9%	1,632,690	73.6%
Amounts due from credit institutions	1,766,529	2,035,487	-13.2%	1,978,568	-10.7%
Investment securities	3,213,917	2,149,725	49.5%	3,174,503	1.2%
Loans to customers and finance lease receivables	16,299,630	14,789,371	10.2%	16,289,380	0.1%
Accounts receivable and other loans	3,479	2,475	40.6%	3,847	-9.6%
Prepayments	53,429	33,903	57.6%	47,277	13.0%
Inventories	10,940	10,476	4.4%	10,698	2.3%
Right-of-use assets	87,193	81,865	6.5%	85,420	2.1%
Investment property	188,315	235,649	-20.1%	222,931	-15.5%
Property and equipment	389,855	387,014	0.7%	384,828	1.3%
Goodwill	33,351	33,351	0.0%	33,351	0.0%
Intangible assets	146,175	138,341	5.7%	145,177	0.7%
Income tax assets	816	190	NMF	172	NMF
Other assets	292,825	189,311	54.7%	215,125	36.1%
Assets held for sale	43,137	45,294	-4.8%	46,262	-6.8%
Total assets	**25,364,541**	**21,851,510**	**16.1%**	**24,270,229**	**4.5%**
Client deposits and notes	15,100,061	13,944,383	8.3%	14,517,253	4.0%
Amounts owed to credit institutions	5,019,370	3,224,577	55.7%	4,676,861	7.3%
Debt securities issued	1,299,986	1,515,511	-14.2%	1,415,940	-8.2%
Lease liabilities	91,524	91,670	-0.2%	93,807	-2.4%
Accruals and deferred income	77,948	54,626	42.7%	86,154	-9.5%
Income tax liabilities	50,420	74,704	-32.5%	49,887	1.1%
Other liabilities	292,585	132,678	120.5%	156,488	87.0%
Total liabilities	**21,931,894**	**19,038,149**	**15.2%**	**20,996,390**	**4.5%**
Share capital	1,618	1,618	0.0%	1,618	0.0%
Additional paid-in capital	485,723	511,273	-5.0%	478,149	1.6%
Treasury shares	(62)	(52)	19.2%	(58)	6.9%
Other reserves	(48,922)	11,975	NMF	(38,626)	26.7%
Retained earnings	2,979,248	2,275,882	30.9%	2,818,269	5.7%
Total equity attributable to shareholders of the Group	**3,417,605**	**2,800,696**	**22.0%**	**3,259,352**	**4.9%**
Non-controlling interests	15,042	12,665	18.8%	14,487	3.8%
Total equity	**3,432,647**	**2,813,361**	**22.0%**	**3,273,839**	**4.9%**
Total liabilities and equity	**25,364,541**	**21,851,510**	**16.1%**	**24,270,229**	**4.5%**
Book value per share	**72.74**	**58.86**	**23.6%**	**68.77**	**5.8%**

BELARUSKY NARODNY BANK (BNB)

INCOME STATEMENT HIGHLIGHTS *GEL thousands, unless otherwise stated*	2Q22	2Q21	Change y-o-y	1Q22	Change q-o-q	1H22	1H21	Change y-o-y
Net interest income	10,773	9,752	10.5%	10,325	4.3%	21,098	18,099	16.6%
Net fee and commission income	2,842	1,622	75.2%	1,054	169.6%	3,896	3,192	22.1%
Net foreign currency gain	20,574	3,029	579.2%	11,960	72.0%	32,534	6,575	394.8%
Net other income	1,417	53	NMF	(3,225)	NMF	(1,808)	(184)	NMF
Operating income	**35,606**	**14,456**	**146.3%**	**20,114**	**77.0%**	**55,720**	**27,682**	**101.3%**
Operating expenses	(12,575)	(9,656)	30.2%	(12,263)	2.5%	(24,838)	(17,998)	38.0%
Operating income before cost of risk	**23,031**	**4,800**	**379.8%**	**7,851**	**193.4%**	**30,882**	**9,684**	**218.9%**
Cost of risk	2,206	1,061	107.9%	(26,367)	NMF	(24,161)	306	NMF
Net non-recurring items	(8)	(277)	-97.1%	(21)	-61.9%	(29)	(343)	-91.5%
Profit before income tax expense	**25,229**	**5,584**	**351.8%**	**(18,537)**	**NMF**	**6,692**	**9,647**	**-30.6%**
Income tax expense	(1,288)	(1,222)	5.4%	-	-	(1,288)	(1,948)	-33.9%
Profit	**23,941**	**4,362**	**448.9%**	**(18,537)**	**NMF**	**5,404**	**7,699**	**-29.8%**

BALANCE SHEET HIGHLIGHTS *GEL thousands, unless otherwise stated*	Jun-22	Jun-21	Change y-o-y	Mar-22	Change q-o-q
Cash and cash equivalents	370,718	122,271	203.2%	218,316	69.8%
Amounts due from credit institutions	9,074	56,967	-84.1%	8,764	3.5%
Investment securities	52,074	95,899	-45.7%	50,693	2.7%
Loans to customers and finance lease receivables	507,654	657,473	-22.8%	649,218	-21.8%
Other assets	46,167	45,624	1.2%	44,484	3.8%
Total assets	**985,687**	**978,234**	**0.8%**	**971,475**	**1.5%**
Client deposits and notes	644,899	493,355	30.7%	556,649	15.9%
Amounts owed to credit institutions	201,446	329,063	-38.8%	301,572	-33.2%
Debt securities issued	11,362	6,583	72.6%	7,772	46.2%
Other liabilities	12,538	15,696	-20.1%	11,171	12.2%
Total liabilities	**870,245**	**844,697**	**3.0%**	**877,164**	**-0.8%**
Total equity	**115,442**	**133,537**	**-13.6%**	**94,311**	**22.4%**
Total liabilities and equity	**985,687**	**978,234**	**0.8%**	**971,475**	**1.5%**

KEY RATIOS	2Q22	2Q21	1Q22	1H22	1H21
Profitability					
ROAA, annualised	4.5%	3.6%	4.1%	4.3%	3.1%
ROAE, annualised	32.8%	29.4%	30.7%	31.8%	25.6%
RB ROAE	*31.4%*	*22.1%*	*18.0%*	*24.9%*	*21.5%*
CIB ROAE	*30.3%*	*42.6%*	*63.5%*	*45.5%*	*33.6%*
Net interest margin, annualised	5.3%	4.7%	5.3%	5.3%	4.6%
RB NIM	*4.6%*	*4.1%*	*4.7%*	*4.7%*	*4.1%*
CIB NIM	*5.4%*	*4.9%*	*5.4%*	*5.5%*	*4.6%*
Loan yield, annualised	11.4%	10.4%	11.1%	11.3%	10.4%
RB Loan yield	*12.3%*	*11.1%*	*11.9%*	*12.1%*	*11.1%*
CIB Loan yield	*9.0%*	*8.5%*	*9.1%*	*9.1%*	*8.5%*
Liquid assets yield, annualised	4.4%	3.3%	4.3%	4.4%	3.2%
Cost of funds, annualised	5.2%	4.5%	5.0%	5.1%	4.5%
Cost of client deposits and notes, annualised	3.7%	3.5%	3.7%	3.7%	3.6%
RB Cost of client deposits and notes	*2.6%*	*2.6%*	*2.6%*	*2.6%*	*2.7%*
CIB Cost of client deposits and notes	*6.2%*	*5.0%*	*6.3%*	*6.2%*	*5.3%*
Cost of amounts owed to credit institutions, annualised	9.4%	6.9%	8.2%	8.8%	6.6%
Cost of debt securities issued	6.9%	7.0%	7.0%	6.9%	7.0%
Operating leverage, y-o-y	15.6%	23.9%	1.5%	8.9%	15.7%
Operating leverage, q-o-q	8.7%	-3.1%	12.6%	0.0%	0.0%
Efficiency					
Cost / income	32.5%	36.4%	35.0%	33.6%	35.9%
RB Cost / income	*36.6%*	*46.0%*	*41.9%*	*38.9%*	*43.9%*
CIB Cost /income	*21.6%*	*15.9%*	*16.7%*	*19.2%*	*17.4%*
Liquidity					
NBG liquidity coverage ratio (minimum requirement 100%)	113.5%	124.5%	116.2%	113.5%	124.5%
Liquid assets to total liabilities	35.6%	31.0%	32.3%	35.6%	31.0%
Net loans to client deposits and notes	107.9%	106.1%	112.2%	107.9%	106.1%
Net loans to client deposits and notes + DFIs	95.5%	93.2%	97.9%	95.5%	93.2%
Leverage (times)	6.4	6.8	6.4	6.4	6.8
Asset quality:					
NPLs (GEL thousands)	436,889	524,964	424,405	436,889	524,964
NPLs to gross loans to clients	2.6%	3.5%	2.5%	2.6%	3.5%
NPL coverage ratio	89.6%	73.1%	97.3%	89.6%	73.1%
NPL coverage ratio, adjusted for discounted value of collateral	138.0%	122.2%	153.0%	138.0%	122.2%
Cost of credit risk, annualised	0.6%	-0.6%	0.8%	0.7%	0.1%
RB Cost of credit risk	*1.2%*	*0.3%*	*1.9%*	*1.5%*	*0.8%*
CIB Cost of credit risk	*-0.5%*	*-2.4%*	*-3.3%*	*-1.9%*	*-1.3%*
Capital adequacy:					
NBG (Basel III) CET1 capital adequacy ratio	14.0%	12.5%	13.7%	14.0%	12.5%
Minimum regulatory requirement	*11.7%*	*11.1%*	*11.8%*	*11.7%*	*11.1%*
NBG (Basel III) Tier I capital adequacy ratio	16.4%	14.4%	15.4%	16.4%	14.4%
Minimum regulatory requirement	*14.0%*	*13.4%*	*14.1%*	*14.0%*	*13.4%*
NBG (Basel III) Total capital adequacy ratio	19.8%	19.1%	19.7%	19.8%	19.1%
Minimum regulatory requirement	*17.5%*	*17.7%*	*17.6%*	*17.5%*	*17.7%*
FX rates:					
GEL/US$ exchange rate (period-end)	2.9289	3.1603	3.1013		
GEL/GBP exchange rate (period-end)	3.5662	4.3754	4.0732		

Shares outstanding	**Jun-22**	**Jun-21**	**Mar-22**
Ordinary shares	46,983,572	47,578,565	47,396,266
Treasury shares	2,185,856	1,590,863	1,773,162
Total shares outstanding	**49,169,428**	**49,169,428**	**49,169,428**

ADDITIONAL OPERATING DATA

	2Q22	2Q21	1Q22	1H22	1H21
Customers					
Number of new active RB customers	81,754	43,250	57,743	139,497	78,004
Full time employees (FTE), of which:	7,900	7,633	7,908	7,900	7,633
Full time employees, BOG standalone	*6,225*	*6,050*	*6,261*	6,225	6,050
Full time employees, BNB	*642*	*543*	*589*	642	543
Full time employees, other	*1,033*	*1,040*	*1,058*	1,033	1,040
Number of branches	212	211	211	212	211
Number of ATMs	999	972	990	999	972
Cards					
Number of cards issued	282,833	213,185	276,023	558,856	404,732
Number of cards outstanding	2,477,936	2,079,775	2,342,189	2,477,936	2,079,775
Express Pay terminals					
Number of Express Pay terminals	3,161	3,141	3,122	3,161	3,141
Number of transactions via Express Pay terminals	21,356,749	20,052,212	19,090,517	40,447,266	36,836,241
Volume of transactions via Express Pay terminals *(GEL thousands)*	3,888,488	2,847,236	3,112,873	7,001,361	5,169,837
POS terminals					
Number of desks	28,684	24,537	27,706	28,684	24,537
Number of contracted merchants	18,212	15,839	17,794	18,212	15,839
Number of POS terminals	41,377	33,772	39,086	41,377	33,772

PRINCIPAL RISKS AND UNCERTAINTIES

In the Group's 2021 Annual Report and Accounts we disclosed the principal and emerging risks and uncertainties that are most likely to have an impact on our business model, strategic objectives, operations, future performance, solvency and liquidity. We also disclosed the potential impact, as well as the trends and outlook associated with these risks and the actions we take to mitigate them. We have updated this disclosure to reflect recent developments and this is set out in full below.

The order in which the principal risks and uncertainties appear does not denote their order of priority. It is not possible to fully mitigate all of our risks. Any system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group is exposed to risks wider than those listed. Additional risks and uncertainties, including those that the Group is currently not aware of or deems immaterial, may also result in decreased revenues, incurred expenses or other events that could result in a decline in the value of the Group's securities. We disclose the risks that we believe are likely to have had the greatest impact on our business and which have been discussed in depth at the Group's recent Board, Audit or Risk Committee meetings.

Macro risk

Macro risk is the risk of deterioration of the financial position of our business due to macroeconomic and political factors related to Georgia.

Key drivers/trends

The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. Key sources of macro risk related to Georgia are changes in: (i) GDP; (ii) inflation; (iii) interest rate; (iv) exchange rate; and (v) political events. These factors may have a material impact on our business by affecting the Group's financial performance and financial position.

According to a preliminary estimate published by Geostat, real GDP growth was 10.5% in the first half of 2022, despite the lingering uncertainty around the ongoing Russia-Ukraine war. The growth was partly driven by the base effect, but also by strong external inflows and robust domestic demand. Galt & Taggart has recently revised the 2022 real GDP growth forecast up to 9.2%.

As of 31 July 2022, the Georgian currency has gained 12.0% against the US Dollar year-to-date (12.2% appreciation compared with 31 March 2022). Tight monetary policy and resilient external inflows have contributed to the recent GEL strength. Volatility of the Lari may adversely affect the quality of our loan book and increase expected credit loss provisions and thus the cost of credit risk. The depreciation of the Lari may also adversely affect the value of collateral. At 30 June 2022, 36.7% and 78.2% of Bank of Georgia's gross Retail Banking and Corporate Banking loans, respectively, were denominated in foreign currency. 5.6% of Retail Banking gross loans and 39.9% of Corporate Banking gross loans were issued in foreign currency with minimal exposure to foreign currency risk.

In response to increasing inflation pressures, central banks raised interest rates during the first half of 2022. As of 31 July 2022, the Federal Reserve increased the fed funds rate by 225 bps since the beginning of the year. The European Central Bank (ECB) also increased its key interest rate by 50bps in July, the first rate increase in 11 years, noting that further interest rate increases will be appropriate. Rising global interest rates will translate into tighter global financial conditions. Emerging markets and developing economies, such as Georgia, are particularly vulnerable to tighter global financial conditions as a considerable share of their debt is denominated in foreign currency. Furthermore, tighter global financial conditions may induce capital outflows and thus depreciation pressures on local currencies.

High inflation remains a challenge for Georgia as the war in Ukraine has driven global commodity and food prices up. In addition, supply disruptions due to a lockdown in China have accelerated additional inflationary pressures. Annual CPI inflation in Georgia was 12.8% in June 2022, significantly above the 3.0% target. Although currently inflation is mainly driven by supply-side factors, demand pressures have also intensified with increased house rents. The NBG increased the refinancing rate by an additional 50 bps to 11.0% in March 2022, having raised the rate by 250 bps cumulatively in 2021. Given the tight monetary policy and the transitory nature of supply-side price pressures, inflation is expected to move towards the target in 2023.

In March 2022, Georgia presented its official application for the European Union membership. The European Commission recommended to the Council that Georgia be given the perspective to become a member of the EU and that candidate status should be granted once a number of priorities will have been addressed. The Government already presented its strategy for fulfilling the conditions outlined by the European Council for granting Georgia the candidate status later this year. One of the conditions is to promote political depolarisation by reducing political tensions between the ruling party and the opposition. If ongoing tensions escalate, this may negatively affect market sentiments and the growth outlook.

Mitigation

The Georgian economy is well-diversified, both by sector and in terms of trading partner dependency.

The inflation targeting framework and floating exchange rate regime have helped Georgia adjust to adverse external environments. De-dollarisation efforts, the development of the macro-prudential policy framework, the strengthening of the quality of supervisory oversight and the upgrade of the framework for bank resolution and crisis management have helped the financial sector to maintain its resilience.

In June 2022 the International Monetary Fund (IMF) approved a three-year Stand-By Arrangement (SBA) of US$280 million for Georgia. The programme focuses on rebuilding fiscal buffers, strengthening fiscal frameworks, reducing external vulnerabilities and inflation, maintaining financial sector resilience, and fostering stronger and more inclusive growth.

The Group continuously monitors macroeconomic conditions and performs stress and scenario analysis to test its position under adverse economic conditions, including adverse currency movements.

The Bank's Asset and Liability Management Committee (ALCO) sets open currency position limits and the Bank's proprietary trading position limits, which are currently more conservative than those imposed by the NBG.

The Treasury department manages our open currency position on a day-to-day basis. The open currency position is also monitored by the Bank's Capital Adequacy and Financial Risk Management (CFRM) unit.

To manage exchange rate and interest rate risks in our loan portfolio, we take the following mitigating actions:

- We assign additional risk weighting to foreign currency loans when income is in Lari, in line the NBG's requirements. NBG introduced new approach for the currency induced credit requirement (CICR). The application of the new CICR approach will be mandatory for the banks starting March 2023, setting at 40% risk weight if the loan dollarisation is 40% or below. For each percentage point increase in loan dollarisation above the 40% level, the risk weight will increase by three percentage points up to 100%;

- NBG's PTI and LTV requirements are more conservative for foreign currency loans to mitigate borrower-level exchange rate risk. PTI requirements for foreign currency loans, differentiated by a customer's monthly net income (below GEL 1,500 and above GEL 1,500), are by 5 ppts and by 20 ppts lower vs loans denominated in Lari;

- From 1 May 2022 the NBG introduced stress PTI requirements on floating rate loans to ensure financial soundness of individual borrowers amid increasing US Dollar and Euro interest rates. Commercial banks are required to make an allowance for a 3 ppts increase in interest rates when assessing a borrower's PTI;

- In December 2021, the NBG announced that the maximum maturity for foreign currency mortgage loans, issued since 1 January 2022, will be reduced from 15 to 10 years.

Since 2016, the NBG has introduced a number of measures aimed at de-dollarising the Georgian economy:

- Loans up to GEL 200,000 can be issued only in Lari;

- Preferential treatment of the Lari has translated into a 75% LCR for local currency high-quality liquid assets and a 100% LCR for foreign currency high-quality liquid assets as well as for all currencies in total;

- Since June 2018 the NBG has mandated changes in minimum reserve requirements on funds attracted in national and foreign currencies several times. Currently, the minimum reserve requirement on customer deposits in foreign currency is 25%;

- In addition, the Bank maintains a minimum average balance of 5% of its customers' deposits in Lari at its correspondent account at the NBG. For certificates of deposit (CDs) and unsubordinated funding, the NBG requires the Bank to set aside 25% of CDs and borrowings in foreign currency with a remaining maturity of less than one year, 15% of CDs and borrowings in foreign currency with a remaining maturity of one to two years, and 5% of its unsubordinated local currency wholesale funding for borrowings with a remaining maturity of less than one year. There is no minimum reserve requirement for CDs denominated in local currency;

- In July 2021, to further support de-dollarisation of client deposit portfolio, the NBG mandated additional changes in minimum reserve requirements. The above-mentioned minimum reserve requirements of 25% and 15% on client deposits and notes of respective maturities attracted in foreign currency are applied in case the dollarisation level of the client deposits and notes portfolio is more than 70%. If dollarisation falls to 40% or below, the minimum reserve requirement falls to 10%. For the dollarisation level between 40% and 70%, the reserve requirement is set within 10%-25% and 10%-15% range, respectively.

The Group continues to closely monitor the local political situation, related risks, and the Georgian Government's response thereto. The Board of Directors is updated quarterly on major political and macroeconomic developments and on their potential impacts on the Group.

Regional instability risk

Regional instability risk is the risk of deterioration of the financial position of our business due to regional tensions and economic instability.

The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. The Georgian economy is well-diversified with no significant dependency on a single country. However, it is dependent on the economies of the region, especially Russia, Turkey, Azerbaijan, and Armenia, which are its key trading partners. The Group's ability to deliver its strategy may be impacted by conflicts in the region, especially the ongoing Russia-Ukraine war.

Key drivers/trends

As international government sanctions have been imposed against Russia, the NBG has instructed the Georgian financial sector to comply with the applicable requirements of the US, UK, and EU sanctions regimes. The scope of sanctions against Russia has been evolving daily, impacting strategic sectors of the Russian economy and being particularly robust on the financial sector.

Another risk driver that has emerged in the context of the Russia-Ukraine war is the expansion of sanctions against Belarus, including some Belarusian banks. The scope of sanctions on Belarus is also evolving. At 30 June 2022, the Bank did not have any exposure to the Russian banks impacted by the US, UK, or EU sanctions.

The exposure of the Georgian economy to the Russian and Ukrainian markets is considerable, but manageable. External flows from Russia and Ukraine to Georgia accounted for 9.6% of GDP in 2021. The major negative impact is expected through reduced exports (the share of Russia and Ukraine in Georgia's total exports was 14.4% and 7.2%, respectively, in 2021), followed by the negative impact on tourism inflows (Russia and Ukraine together accounted for 25.4% of total tourism revenues in 2021). Notably, Russia's share in remittances has decreased significantly in recent years to below 20% of total in 2020-2021. Despite the unprecedented regional disruption, Georgia's external inflows have remained resilient. Tourism recovery continues, while commodity-led export revenues are increasing on the back of higher commodity prices. Furthermore, remittances increased significantly in April and May 2022, mostly reflecting the inflows related to tourists and migrants from the region.

Russian troops continue to occupy Abkhazia and the Tskhinvali/South Ossetia region. Russia is opposed to the eastward expansion of NATO to include the former Soviet republics, such as Georgia. Georgia's progression towards integration with the EU and NATO may intensify tensions between Georgia and Russia. On 8 July 2019, Russia's ban on direct flights to Georgia, imposed over anti-occupation protests in Tbilisi, came into effect. The ban had a short-term negative impact on the Georgian tourism sector, however, it has also provided incentives to further diversify the country's tourist base.

Mitigation

The Group has long adopted a zero tolerance policy with regard to sanctions risk and that has been robustly followed. As sanctions have been imposed on Russia and Belarus, the Bank's sanctions compliance programme has been enhanced, and the applicable requirements of sanctions regimes have been swiftly incorporated into our systems, with the same zero tolerance approach that the Bank had historically followed towards the violations of applicable sanctions requirements.

We continuously monitor the changing environment, and as sanctions evolve, the Bank's compliance programme will adapt the Bank's operations in accordance with the changing requirements. To add to mitigation mechanisms and limit the exposure to the sanctions against Russia and Belarus in the case of further extension of their scope, the Bank has designated Russia and Belarus as high-risk countries. The Bank has strict control mechanisms and clear Customer Acceptance Policy. An enhanced due diligence process is in place with regard to onboarding process of such customers of residents of high-risk jurisdictions (subject to increased documentary scrutiny of source of funds and wealth), and Russia/Belarus-related transactions.

The Group owns 99.98% of JSC Belarusky Narodny Bank (BNB), a commercial bank incorporated in Belarus. In line with the Group's zero tolerance policies with respect to sanctions risk, the Supervisory Board of BNB has instructed the management of BNB to close all relevant relationships with sanctioned entities within applicable international and local laws. At 30 June 2022, the Group's exposure to BNB was 2.9% of the Group's total equity. At 30 June 2022, BNB's Tier 1 and Total capital adequacy ratios stood at 12.8% and 18.9%, respectively, above the NBRB's minimum requirements of 7.0% and 12.5%, respectively.

The Group actively monitors the situation around the Russia-Ukraine war and its repercussions for the region. The Group conducts stress testing analysis to ensure early risk indicators are identified and mitigation plans implemented in a timely manner. Georgia's resilience to external shocks has been supported by a stable macroeconomic environment, prudent monetary and fiscal policies, a business-friendly environment, and a healthy banking sector. The NBG has claimed that it would mitigate the impact of market turbulence, if needed. Our Corporate Banking loan portfolio is well-diversified. We do not expect a significant negative impact on our business. Our wine producer clients, who export to Russia and Ukraine, have healthy equity and working capital structure, and we believe this would enable them to manage through the potentially challenging external environment. Another sector that may be affected by regional instability is hospitality. However, we expect the recovery, which started in the second half of 2021, to continue supported by migrant inflows and Georgia's positioning as an affordable and attractive destination. Notably, in June 2022 tourism revenues recovered to 88.7% of the June 2019 level.

The Board of Directors is regularly updated on major regional developments and on their potential impact on the Group.

Credit risk

Credit risk is the risk that the Group will incur a financial loss because its customers fail to meet their contractual obligations. Credit risk arises mainly in the context of the Bank's lending activities.

Key sources of credit risk are:

- inability of the borrowers to make scheduled principal and interest payments;
- unavailability or limited availability of credit information on borrowers;
- portfolio concentration risk; and
- collateral devaluation.

Key drivers/trends

Expected credit loss (ECL) and, in turn, the Bank's cost of credit risk could increase if a single large borrower defaults or a material concentration of smaller borrowers default. Corporate and Investment Banking loan portfolio is concentrated, with top ten borrowers accounting for 6.3% of gross loans to customers and finance lease receivables at 30 June 2022 vs 8.3% at 31 December 2021 and 9.7% at 31 December 2020.

At 30 June 2022, 82.5% of the Bank's gross loans were collateralised. The main forms of collateral in Corporate and Investment Banking and MSME segments are liens over real estate, property, plant and equipment, inventory, transportation equipment, corporate guarantees, and deposits and securities. The most common form of collateral in Retail Banking for loans to individuals is a lien over residential property.

Downturns in residential and commercial real estate markets, or a general deterioration of economic conditions in the industries in which the Bank's customers operate, may result in a decline of the value of collateral, including a decline to a level below the outstanding principal balance of those loans. In addition, declining or unstable real estate prices may make it difficult for the Bank to accurately value the collateral it holds. If the fair value of the collateral declines significantly in the future, the Bank may be required to post additional provisions and may experience lower-than-expected recovery levels on collateralised loans. Furthermore, changes to laws or regulations may impair the value of collaterals.

Redesigned lending processes in digital channels in 2021 resulted in an increase of unsecured consumer loans and a higher than normal ECL in the Retail Banking segment. Furthermore, during the first half of 2022 the Group posted higher provisions on the Group's operations in Belarus due to the expected deterioration of the external environment on the back of the ongoing Russia-Ukraine war. These were partially offset by strong recoveries in Corporate and Investment Banking during the first half of 2022. The Group's cost of credit risk ratio was 0.7% in 1H22, vs 0.0% in 2021. At 30 June 2022, the NPLs to gross loans ratio stood at 2.6%, vs 2.4% at 31 December 2021 and 3.7% at 31 December 2020.

Mitigation

The Bank has implemented Credit Policies, which outline credit risk control and monitoring procedures and the Bank's credit risk management systems. The Credit Policies are reviewed annually or more frequently, if necessary.

Evaluation of customer creditworthiness: Prior to disbursing loans to customers, the Bank performs a rigorous assessment of customer's debt-paying ability. The Bank assesses relevant quantitative and qualitative measures (including PTI, LTV, debt to EBITDA and other ratios), including the limits defined by the NBG. Corporate, SME and larger retail and micro loans are assessed on an individual basis, whereas the decision-making process for smaller retail and micro loans is largely automated.

The Bank also reviews external credit rating scores when this information is available. If external ratings are not available, internal ratings are assigned. The Bank has developed internal scoring models for evaluating the creditworthiness of its Retail and MSME customers.

Loan portfolio quality monitoring: Retail, Micro and SME loans are subject to periodic reviews. The Bank monitors exposures to identify customers with signs of potential financial difficulty. We have initiated the development of internal behaviour scoring models for MSME customers to predict their debt-repaying ability.

For Corporate and Investment banking loans above US$ 5 million the Bank quarterly updates the financial information of borrowers and reviews significant non-financial changes. Exposures up to US$ 5 million are monitored semi-annually.
The Bank strictly adheres to customer exposure limits set by the NBG for Corporate and Investment Banking loans as well as to limits set internally, monitors the level of concentration in the loan portfolio and the financial performance of its largest borrowers, and maintains a well-diversified loan book.

The Bank's Chief Risk Officer and the Credit Risk Management departments review the credit quality of the portfolio on a monthly basis.

The Bank provides quarterly updates to the Board of Directors on the Bank's exposures, loan portfolio quality, and detailed information on its largest Corporate and Investment Banking borrowers.

Collateral valuation: The Bank mitigates credit risk by obtaining collateral and using other security arrangements. The Bank monitors the market value of collateral during its review of the adequacy of the allowance for ECL. When evaluating collateral for provisioning purposes, the Bank discounts the market value of assets to reflect the liquidation value of the collateral.

An evaluation report of the proposed collateral is prepared by the Asset Evaluation department or by a reputable third-party asset appraisal company and submitted to the appropriate Credit Committee, together with the loan application and credit risk manager's report.

ECL measurement: Allowance for credit losses is based on ECL associated with the probability of default in the next twelve months, unless there has been a significant increase in credit risk since loan origination, and in such case, allowance is based on ECL over the life of an asset. Allowance for credit losses is based on forward-looking information, considering past events, current conditions, and forecasts of economic parameters.

The Bank determines ECL of financial assets on a collective basis, and for individually significant loans - on an individual basis, when a financial asset or a group of financial assets is impaired. The Bank creates ECL provisions considering a borrower's financial condition, days past due, changes in credit risk since loan origination, any forecasts of adverse changes in commercial, financial or economic conditions affecting the creditworthiness of the borrower, and other qualitative indicators, such as external market or general economic conditions. If, in a subsequent period, the amount of ECL decreases, the previously recognised loss is reversed by an adjusted ECL account.

Under the Bank's internal credit loss allowance methodology, which is based on IFRS requirements, the Bank categorises its loan portfolio into significant and non-significant loans. Significant loans are loans above US$ 1.0 million and non-significant loans are loans below US$ 1.0 million. The Credit Risk Management departments assess all defaulted significant loans individually. Non-defaulted significant loans are given a collective assessment rate. For provisioning purposes, all loans are divided into different groups (such as mortgage, consumer, and micro loans).

From 1 January 2018, loans up to US$ 1.0 million secured by real estate are subject to a write-off once overdue for more than 1,460 days. Unsecured loans and loans secured by collateral other than real estate are subject to a write-off once overdue for more than 150 days. Corporate loans and loans above US$ 1.0 million secured by real estate may be written off following an assessment by the Bank's Chief Risk Officer and the Credit Risk Management departments.

Counterparty risk: By performing banking services, including lending on the inter-bank money market, settling a transaction on the inter-bank foreign exchange market, entering into inter-bank transactions related to trade finance or investing in securities, the Bank is exposed to the risk of loss due to the failure of a counterparty to meet its contractual obligations. To manage counterparty risk, the Bank defines limits on an individual basis for each counterparty based on an external credit rating and overall risk profile, as well as country limits to manage concentration. Limits are managed through Financial and Governmental Counterparty Risk Management committee, specifically established to manage counterparty risk. As of 30 June 2022, majority of the Bank's inter-bank exposure was to "Investment Grade" banks (based on Fitch, Moody's and Standard and Poor's assessments).

Other products: The Bank also offers guarantees/letters of credit, which may require that the Bank makes payments on customers' behalf. Such payments are collected from customers based on the terms of the guarantee/letter of credit. These products pose risks similar to loans, and those risks are managed and mitigated with the same policies and controls as loan-related risks.

Liquidity and funding risks

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

Funding risk is the risk that the Group will be unable to maintain stable and diversified sources of funding.

Although the Group expects to have sufficient liquidity over the next 12 months and beyond to execute its strategy, liquidity and funding risks are nevertheless inherent to banking operations and may be exacerbated by a number of factors, including an overreliance on or an inability to access a particular source of funding, changes in credit ratings or market-wide phenomena, such as financial market instability.

Key drivers/ trends

In recent years, except for 2020, credit markets worldwide have experienced, and may continue to experience, a reduction in liquidity and long-term funding as a result of global economic and financial factors. The availability of credit in emerging markets is significantly influenced by the level of investor confidence and thus any factors that affect investor confidence including a downgrade in credit ratings, state interventions, or debt restructurings in a relevant industry could affect the price and/or availability of funding for the Group's companies, operating in any of these markets.

The Group's current liquidity may be affected by unfavourable financial market conditions. If assets held by the Group to provide liquidity become illiquid or their value drops substantially, the Group may be required, or may choose, to rely on other sources of funding to finance its operations and future growth. Only a limited amount of funding, however, is available on the Georgian inter-bank market, and recourse to other funding sources may pose additional risks, including the possibility that other funding sources are more expensive and less flexible. In addition, the Group's ability to access external funding sources depends on the level of credit lines available to it, and this, in turn, depends on the Group's financial and credit condition, as well as general market liquidity.

The Group is also exposed to the risk of unexpected, rapid withdrawal of large volumes of deposits by its customers, and/or drawing on off-balance sheet commitments, adversely impacting the Group's business, financial position and performance. This may happen in the case of severe economic downturn or a period of political, social, and economic instability, a major deterioration in consumer confidence or an erosion of trust in financial institutions.

Furthermore, the ongoing Russia-Ukraine war and the pandemic may continue to disrupt economic activities globally and in Georgia, adversely impacting the Group's liquidity and funding positions.

Mitigation

Liquidity risk is managed through the ALCO-approved liquidity risk management framework, which models the ability of the Group to meet its payment obligations under both normal and stress conditions. The framework is reviewed regularly to ensure its appropriateness given the Group's current and planned activities. The review encompasses funding scenarios, wholesale funding capacity, limit determination and minimum holdings of liquid assets, as well as trends in global debt markets and peer analysis.

The Bank has developed a model based on the Basel III liquidity guidelines. It maintains a comfortable buffer on top of the Liquidity Coverage ratio (LCR) requirement of 100%, mandated by the NBG since September 2017. A strong LCR enhances the Group's short-term resilience. The Bank also holds a comfortable buffer on top of the net stable funding ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. Notably, the LCR and NSFR measures as implemented by the NBG are already more conservative vs the minimum levels required under the Basel III framework. At 30 June 2022, the Bank's LCR ratio stood at 113.5% (124.0% at 31 December 2021 and 138.6% at 31 December 2020), and the Bank's NSFR ratio was 130.6% at 30 June 2022 (132.5% at 31 December 2021 and 137.5% at 31 December 2020).

The Bank has developed a liquidity contingency plan that defines risk indicators for different types of risk scenarios and mitigation actions that are reviewed and monitored by the ALCO. The plan is designed to identify emerging liquidity concerns at an early stage.

The Group maintains a diverse funding base comprising short-term sources of funding (including Retail Banking and Corporate and Investment Banking customer deposits, inter-bank borrowings and borrowings from the NBG) and longer-term sources of funding (including Retail Banking and Corporate and Investment Banking term deposits, borrowings from international credit institutions, and long-term debt securities). At 30 June 2022, 36%, 39%, and 25% of the Group's long-term funding sources were deposits, amounts owned to credit institutions, and debt securities, respectively.

Client deposits and notes are one of the key sources of funding. At 30 June 2022, 31 December 2021 and 31 December 2020, 90.0%, 88.8%, and 88.7%, respectively, of client deposits and notes had contractual maturities of one year or less, of which 58.6%, 56.1%, and 48.2%, respectively, were payable on demand. As of the same dates, the ratio of net loans to client deposits and notes was 107.9%, 115.2%, and 101.2%, respectively, and the ratio of net loans to client deposits and notes and DFIs was 95.5%, 100.0%, and 89.4% respectively.

The Bank has strong support from International Financial Institutions. The Bank signed a number of new local and foreign currency long-term borrowings during 2021 and the first half of 2022 – approximately US$ 400 million in total, part of which were drawn down during 2021 and 1H22. At 30 June 2022, the Group had around GEL 688 million undrawn long-term facilities from DFIs with maturity of up to twelve years, as well as a strong pipeline to secure resources needed for the next 12 months.

Capital risk

Capital risk is the risk of failure to deliver business objectives, meet regulatory requirements or market expectations due to insufficient capital.

Key drivers/ trends

Since December 2017, the Bank has been subject to the NBG's capital adequacy regulation, which is based on the Basel III guidelines of the Basel Committee of Banking Supervision, with regulatory discretion applied by the NBG due to the specifics of the local banking industry. Increased capital requirements are phased in gradually, with fully loaded capital adequacy requirements effective by the end of March 2023.

Our ability to comply with existing or amended NBG requirements may be affected by a number of factors, including those outside our control, such as an increase in risk-weighted assets, our ability to raise capital, losses resulting from the deterioration of asset quality and a reduction in income levels and/or an increase in expenses, local currency volatility, and the overall weakening of global and Georgian economies.

Although the Russia-Ukraine war has not yet affected the Bank's capital adequacy, if the conflict continues to disrupt economic activities globally and in Georgia, there may be an adverse impact on the Bank's capital adequacy position

Mitigation

The Group maintains an actively managed robust capital base to cover the risks inherent to its business. As part of our capital adequacy management framework, we continuously monitor market conditions and perform stress and scenario testing to test our position under adverse economic conditions and market and regulatory developments. The Bank's capital position is continuously monitored by the Management Board and by the Board of Directors, to ensure prudent management and timely actions, when necessary.

The Bank actively monitors early warning indicators, as part of the Risk Committee-approved Risk Appetite Framework as well as the regulatory Recovery Plan, which are designed to identify emerging capital concerns at an early stage, so that mitigating actions can be taken in a timely manner.

The Bank regularly undergoes capital optimisation exercises to strengthen the Bank's capital position and enable the realisation of potential upsides. In March 2019, the Bank issued inaugural US$ 100 million Additional Tier 1 Capital Notes – the first AT1 transaction in Georgia. The issuance has helped the Bank optimise its capital structure from a foreign currency perspective and provided a natural hedge against operating in a dollarised economy. Furthermore, in December 2019, the Bank signed a ten-year US$ 107 million subordinated syndicated loan agreement arranged by FMO – the Dutch entrepreneurial development bank in collaboration with other participating lenders, which qualified for the Tier 2 capital instrument under the NBG Basel III framework. In December 2020, the Bank signed an amendment to the syndicated Tier 2 facility on increasing the loan exposure by an additional US$ 20 million. In May 2022 the Bank signed US$ 50 million Additional Tier 1 Capital Perpetual Subordinated Syndicated Facility with EBRD and Swedfund International AB (Swedfund).

The Bank has delivered strong operating performance, with good operating income, well-managed costs, and robust asset quality, resulting in a consistent return on average equity above 20% (except for 1Q20) and maintained capital adequacy ratios comfortably above the minimum regulatory requirements. Given the Bank's solid financial performance and strong capital position, the Group paid a total dividend in respect of 2021 earnings of GEL 3.81 per share. In addition, on 30 June 2022, the Group's Board of Directors approved the commencement of a GEL 72.7 million share buyback and cancellation programme consistent with the Group's capital and distribution policy, announced in September 2021, to target a dividend/share buyback payout ratio in the range of 30-50% of annual profits.

The Group's capital position remains robust and comfortably above the minimum regulatory requirements.

At 30 June 2022, the Bank's Basel III Common Equity Tier 1, Tier 1 and Total capital adequacy ratios stood at 14.0%, 16.4% and 19.8% respectively, above the minimum required levels of 11.7%, 14.0% and 17.5% respectively.

Market risk

Market risk is the risk of financial loss due to fluctuations in fair value or future cash flows of financial instruments on the back of changes in market variables.

Market risk exposure arises from mismatches of maturity or currency between the assets and liabilities, all of which are exposed to market fluctuations.

Key drivers/ trends

The volatility of the Lari against foreign currencies may adversely affect the Bank's financial position. The Bank's currency exchange risk is calculated as an aggregate of open positions which is limited by the NBG to 20% of regulatory capital.

The Bank has exposure to interest rate risk as a result of lending at fixed and floating interest rates in amounts and for periods that differ from those of term borrowings at fixed and floating interest rates. Interest margins on assets and liabilities having different maturities may increase or decrease as a result of changes in market interest rates.

The Bank calculates a possible change of economic value of equity (EVE) and net interest income (NII) using a calculation method published by the NBG. This method is based on predefined shock and stress scenarios. The NBG has limited the maximum EVE change to 15% of Tier 1 capital.

Mitigation

The general principles of the Bank's market risk management policy are set by the ALCO. The Bank classifies exposures to market risk into either trading or non-trading positions. Trading and non-trading positions are managed and monitored using different sensitivity analyses. To address these risks, the ALCO specifically establishes Value at Risk (VaR) limits on possible losses for each type of operations, and the CFRM monitors compliance with such limits.

Currency exchange rate: The Bank's currency risk is calculated as an aggregate of open positions and is controlled by setting a VaR calculation with respect to the Bank's currency basket. The Bank uses the historical simulation method based on 400-business-day statistical data. The ALCO sets open currency position limits with respect to both overnight and intra-day positions. Currently, the Bank's proprietary trading position is limited by the Supervisory Board to a maximum of 7% of the Bank's total regulatory capital as defined by the NBG. In addition, open positions in all currencies except for Lari are limited to a maximum of 1% of the Bank's total regulatory capital as defined by the NBG. The open currency position is also limited by the ALCO to an annual VaR limit of GEL 50 million with a 98.0% "tolerance threshold".

The ALCO limits are more conservative than the NBG's requirements, which allow banks to keep open positions of up to 20.0% of regulatory capital.

Interest rate: The majority of the Bank's assets have floating interest rates and the majority of client deposits have fixed interest rates. To minimise interest rate risk, the Bank monitors its interest rate (re-pricing) gap and maintains an interest rate margin (net interest income before impairment of interest-earning assets divided by average interest earning assets) sufficient to cover operational expenses and risk premium.

Within limits approved by the Bank's Supervisory Board, the ALCO approves ranges of interest rates for different maturities at which the Bank may place assets and attract liabilities. As per a regulatory requirement, the Bank assesses the impact of interest rate shock scenarios on EVE and net interest income (NII) and sets limits with respect to regulatory capital. The Bank's EVE sensitivity with respect to Tier 1 capital remains comfortably below the maximum regulatory requirement. At 30 June 2022, the Bank's EVE ratio stood at 6.7%, below the maximum required limit of 15%.

Prepayments: The Bank reviews prior history of early repayments by calculating the weighted average effective rate of early repayments across each credit product, individually, applying the historical rates to the outstanding carrying amount of each loan product as of the reporting date and then multiplying the product by the weighted average effective annual interest rates for each product. This allows the Bank to calculate the expected amount of unforeseen losses in the case of early repayments.

Regulatory and legal risk

Regulatory and legal risk is the risk of financial loss, regulatory censure, criminal or civil enforcement action or damage to the reputation as a result of failure to identify, assess, correctly interpret, comply with, or manage regulatory and/or legal requirements.

Key drivers/ trends

The Group is subject to increasing regulatory requirements, and the competitive landscape in which we operate may change as a result of new regulations, the extent and impact of which may not be fully predicted.

Since the Group is listed on the London Stock Exchange's main market for listed securities, it is subject to the UK Financial Conduct Authority's regulations. The Group's core entity, JSC Bank of Georgia, is also subject to regulatory oversight of the NBG. Furthermore, the Group companies are also subject to relevant laws and regulations in Georgia, and the banking subsidiary in Belarus, BNB, is subject to regulatory oversight of the National Bank of the Republic of Belarus.

The Russia-Ukraine war has resulted in increased regulatory burden with respect to compliance with sanctions regimes introduced by the UK, US and EU against Russia. The NBG has instructed the Georgian financial sector to comply with the applicable requirements of the US, UK, and EU sanctions regimes.

Mitigation

The Group undertakes the following key mitigating actions to manage regulatory and legal risk:

Compliance policies: The Group maintains compliance policies and procedures that enable the integration of compliance risk management principles across the operations and are in line with relevant regulations. These policies set the principles and standards for managing compliance risks across the Group and define key roles and responsibilities of an independent compliance function. The adherence to the policies is mandatory for all employees. To increase employee awareness the Bank has requisite compliance online training module.

Regulatory change management: In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes during our formal risk identification and assessment processes. Our regulatory change management system ensures that changes in regulation are proactively identified by the Legal function and the AML and Compliance function. In addition, we maintain a standardised process to design and implement appropriate changes by generating workflows, assignments, tasks, and automated follow-ups. As part of the regulatory change management process, we engage in constructive dialogue with regulatory bodies, where possible, and seek external advice on potential changes in legislation. We have a formal link and a coordinated communication process with the NBG.

Treating customers fairly: The Bank has a Customer Protection Policy, which was updated in 2021, to reflect new local regulatory requirements. The Policy covers all stages of the product and services lifecycle and includes requirements related to transparent product offerings and clear and accurate communications to enable customers to make informed decisions. The Audit Committee receives quarterly information on any material reported incidents.

Related party transactions monitoring: In 2021 the Bank revised policies and processes to ensure that related party transactions are identified, assessed, and monitored in line with the requirements of the NBG. Controls are defined and the process is organised based on three lines of defence.

Significant regulatory and legal changes as well as material regulatory inspections are regularly discussed with the Group's Audit Committee. Our compliance risk management framework and policies are subject to review by the Bank's Internal Audit function.

Sanctions compliance: The Group has long adopted a zero tolerance policy with regard to sanctions risk that has been robustly followed. As sanctions have been imposed on Russia and Belarus, the Bank's sanctions compliance programme has been enhanced, and the applicable requirements of sanctions regimes have been swiftly incorporated into our systems. To add to mitigation mechanisms and limit the exposure to the sanctions against Russia and Belarus in the case of further extension of their scope, the Bank has designated Russia and Belarus as high-risk countries. The Bank has strict control mechanisms and clear Customer Acceptance Policy. An enhanced due diligence process is in place with regard to onboarding of residents of high-risk jurisdictions (subject to increased documentary scrutiny of source of funds and wealth), and Russia/Belarus-related transactions.

In addition, in line with the Group's zero tolerance policies with regard to sanctions risk, the Supervisory Board of BNB has instructed the management of BNB to close all relevant relationships with sanctioned entities within applicable international and local laws.

Financial crime risk

Financial crime risk is the risk of knowingly or unknowingly facilitating illegal activity, including money laundering, fraud, bribery and corruption, tax evasion, sanctions evasion, the financing of terrorism and proliferation, through the Group.

Key drivers/ trends

Financial crime risks continue to evolve globally. The Group faces stringent regulatory and supervisory requirements related to the management of financial crime risks. Failure to comply with these requirements may lead to enforcement action by the regulator, leading to financial loss and/or damage to the Group's reputation.

The main sources of financial crime risk are:

- an inherent risk related to providing products and services to customers that may expose the Group to financial crime;
- inadequate controls to detect risk and/or reduce the residual impact and likelihood of financial crime risk; and
- business activities with an unacceptable level of risk exposure that may not be adequately managed.

Globally, increased volume and speed of transactions together with increasing digital transformation in financial services are fuelling the following trends in financial crime risk management:

- as transactions are being executed more quickly, the Group needs to use more advanced detection techniques and data to mitigate risks;
- the number of identity frauds, account takeovers and fabricated customer accounts is expected to rise globally. The Group will need to combine the breadth of information with a more advanced data analytics and machine learning capabilities to be able to mitigate the risk;
- recent events around the Russia-Ukraine war have heightened sanctions compliance risks;
- diagnose products (new and non-traditional) for money laundering — criminals are more likely to shift their attention to more non-traditional products, including trade finance, securities and transaction laundering, and thus the Group will need to implement more advanced technological solutions and comprehensive policies to prevent and detect money laundering across;
- the financial crime risks related to the use of innovative fin-tech are not yet fully understood, while the changing sanctions regulatory landscape presents execution challenges.

Mitigation

The Group's financial crime risk management programme aims to ensure that all business units, support functions and subsidiaries consider the impact of their activities on the risk profile and take effective measures to ensure alignment with the Group's risk-taking approach for financial crime. We aim to prevent harm to customers and the economy caused by criminals and terrorists. We actively monitor our exposure to financial crime risks, report all issues in a timely manner and ensure that they are proactive.

Anti-money laundering: We have an anti-money laundering (AML)/counter-terrorist financing (CTF) framework that reflects a risk-based approach (RBA) towards ML/FT risks. The framework complies with the local legislation, international standards (Financial Action Task Force (FATF) recommendations) and international financial sanctions programmes. Annual training on ML/FT policies and procedures is mandatory for all relevant employees.

To mitigate risks related to ML/FT, we have established a risk governance structure based on the three lines of defence model. To strengthen our ability to detect and prevent financial crime, we continue to enhance our ML/FT risk management function. We have updated policies and procedures to make our ML/FT risk management activities more robust, and we have invested significant resources to improve our ML/FT risk management capabilities, including implementing screening and filtering tools supported by advanced analytics and transaction monitoring solutions. The Bank continues to improve customer due diligence practices and transaction monitoring capabilities, including monitoring supported by risk-based scenarios, handling alerts and reporting suspicious activities where required.

Bribery and corruption: We are committed to preventing bribery and corruption by implementing appropriate policies, processes and effective controls. We expect all our employees to adhere to our Code of Ethics and Code of Conduct. The Bank has zero tolerance towards anti-bribery and anti-corruption risks.

All employees receive annual mandatory training on anti-bribery and anti-corruption policies and procedures. Training includes information on how to use the Bank's anonymous whistleblowing channel, available to all employees.

Fraud risk: To mitigate fraud risk the Bank has implemented the following measures:

- Know Your Employee (KYE) procedures, which include screening requirements at recruitment, employment and departure stages of the employment, allow us to have a clear understanding of an employee's background and actual or potential conflicts of interest;

- Know Your Customer (KYC) procedures that define procedures for customer screening and transaction monitoring to ensure compliance with international economic sanctions regulations as well as procedures for verifying customer identity to protect the Bank against money laundering;
- mandatory training for all new employees to increase awareness regarding fraud risk;
- communication channels to inform our customers about fraud risk.

The Bank's Internal Audit function, on risk-based approach, provides assurance on the adequacy and effectiveness of our risk management, internal controls and systems. Financial crime risks are on the regular agenda of the Audit Committee.

In the first half of 2022, no bribery or corruption incidents were registered in the Bank, nor were any bribery or corruption fines imposed.

Information security and data protection risks

Information security risk is the risk of loss of confidentiality, integrity, or availability of information, data, or information systems and reflects the potential adverse impacts to operations.

In light of the ever-evolving hostile cyber threat environment, we understand the importance of continuously investing in administrative and technical controls that help prevent, detect, and respond to the existing and potential threats. Nevertheless, opportunities remain for malicious actors, particularly, with respect to:

- zero-day attacks, which exploit a previously unknown vulnerability;
- cases where we do not have direct control over the cybersecurity of the systems that cyberattack targets (e.g. our customers and third-party service providers), ultimately limiting our ability to effectively defend against certain threats; and
- failure by employees to adhere to our policies, procedures and technical controls.

Data protection risk is the risk presented by personal data processing, such as accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data stored or otherwise processed, which may result in financial loss, damage to the reputation, or other significant economic or social adverse impacts.

Key drivers/ trends

Information security risk is a top risk globally for organisations, especially in financial services. The Bank remains a subject of attempts to compromise its information security. The external threat profile is continuously changing, and we expect threats to increase. Alongside the human toll, the invasion of Ukraine is a salient reminder of the omnipresent danger of state-sponsored cyberattacks that aim to disrupt and disable IT systems.

On 1 January 2022, as a result of legislative amendments, the Bank was recognised as country's one of the critical information system subjects, which means that its uninterrupted operation of the information system is essential to the defence and/or economic security of the country, as well as to the maintenance of state authority and/or public life. Current legislation imposed a considerable amount of obligations on the Bank which led to the minor need of minor amendment to the existing procedural documents and established practices.

Mitigation

We have an integrated control framework and policies encompassing information security management, access management and vulnerability management. The Bank reviews and invests in its control environment to ensure it addresses the risks it faces.

We have established a rigorous information security and data protection programme, which is aligned with current business and regulatory requirements, and we continuously enhance the programme to effectively respond to an emerging threat landscape.

The following controls enable us to mitigate information security and data protection risks:

Zero-day attacks: To mitigate this risk, we regularly monitor zero-day vulnerability announcements that may affect our systems. If such vulnerability is detected, the designated team ensures that it is attended to as soon as possible. Moreover, we employ defence in depth approach. This means that we have multiple complementary security layers, and if one mechanism fails, another will be activated immediately to prevent an attack.

Customer-targeted phishing: Malicious actors may carry out successful customer-targeted phishing attacks by defrauding customers through fake websites, social network, email and other channels. To mitigate this risk, we focus on:

- improving our information security controls to detect unauthorised access to customers' accounts; and
- running awareness-raising campaigns to enable our customers and the wider public to recognise phishing and respond duly to avoid the negative impact.

Supply chain cyber attack: Malicious actors may gain unauthorised access to our third-party service providers' systems. The Bank focuses on mitigating this risk by:

- integrating information security and data protection due diligence in the third-party service provider's selection process to determine the level of risk posed by a potential third-party service provider;
- ensuring that necessary contractual and technical controls are implemented to mitigate identified risks, prior to engaging with third-party service providers; and
- monitoring existing third-party service providers at least annually to assess the fulfilment of agreed information security and data protection requirements. The termination of a relationship is subject to exit procedures to ensure the protection of the confidentiality, integrity and availability of the Bank's information.

Failure by employees to adhere to our policies, procedures and technical controls: Employee training is one of the key components of information security and data protection risk management across the Bank. We continuously focus on equipping our employees with relevant knowledge and the right tools to prevent, identify, mitigate and report information security incidents.

Annual information security and data protection training is mandatory for all relevant employees of the Bank. During the COVID-19 pandemic, we added a tailored course on mitigating information security risks while working remotely. The course is still part of mandatory training for all employees. We provide continuous and role-based data protection training to keep employees aware of data protection risks and to explain their role in mitigating those risks.

We initiate quarterly phishing campaigns to test the ability of our employees to detect phishing and respond appropriately. Periodically, we send awareness emails and share posts on current information security threats through internal communication channels. Although there have been phishing attempts against employees, there have been no major incidents.

Finally, we recognise that regardless of our efforts to enhance information security controls bank-wide, in limited cases, there may be a justified business need for the existing policies, procedures and technical controls to be inapplicable in a controlled manner. To this end, we have improved our approach to information security exception management, which allows noted flexibility, a holistic view of overall risks resulting from the exceptions and their proactive management.

Access management: We have role-based access control, which contributes to automation of employee onboarding and existing employee rotation processes, enables restricting network access based on the roles of individual users and thus is in line with the principle of least privilege, which the Bank follows. Moreover, the Bank has taken steps to raise information security risk awareness among privileged users, i.e. employees with privileged access rights by disseminating mandatory and tailored guidelines for among the relevant employees. We have also conducted semi-annual privileged user evaluation process.

The Bank does not allow the granting of privileged access rights to third-parties without a valid and justified business need. Even in case of such need, third parties with privileged access rights are required to use multi-factor authentication, and the Bank manages and monitors their activities through a privileged access management solution.

Information security incident response: To successfully mitigate the above-mentioned key risks we have further aligned our incident response plan with the industry standard and accepted best practices as provided by the National Institute of Standards and Technology (NIST) in its Computer Security Incident Handling Guide. We also conduct continuous breach and attack simulations, which allow us to see our network through the eyes of malicious actors, verify our defences and security configuration, and continuously monitor and improve our defensive posture. We are also in the process of refining our information security incident response plans. We use additional metrics such as mean time to detect, mean time to respond, and false positive ratio, to better track the performance of our Security Operations Centre. These metrics are tracked with respect to the entire Security Operations Centre and to each of its team members. Lastly, in 2022, we intend to engage a globally renowned vendor for conducting Red Teaming Assessment- a goal-based adversarial activity that requires a holistic view of the organisation from the adversary's perspective. The purpose of conducting a red teaming assessment is to measure how well an organisation can withstand an attack from real-life threat actors.

Russia-Ukraine war: In response to the ongoing Russia-Ukraine war, the Bank has increased its monitoring efforts with respect to the threats coming from Russia. While the intensity of attempts of compromise have increased, we do not expect them to lead to any significant negative impact on the Bank.

During 2022, we have enhanced our capabilities by implementing a vandal-protected backup storage. As a result, neither external nor malicious internal threat actors can harm the Bank's core database backup in any way.

Information security risk is measured against pre-defined risk appetite metrics and thresholds and performance is reported quarterly to the Risk Committee. The Bank's Internal Audit function, on a risk-based approach, provides assurance on the adequacy and effectiveness of our risk management, internal controls and systems. Information security is on the Risk Committee's regular agenda. We also engage external auditors to conduct a cybersecurity audit.

Data protection policies: We maintain a comprehensive set of data privacy policies and standards to ensure that we operate in compliance with applicable privacy regulations and state-of-the-art principles. These policies and procedures outline privacy principles and standards we observe while processing personal data and are:

- regularly revised to ensure that they reflect current legal, regulatory, best practice and internal policy requirements;
- annually reviewed and approved by relevant governance bodies;
- aligned with recognised industry standards.

Effective implementation of the privacy strategy requires a strong organisational structure. To this end, we have appointed the industry's pioneered Data Protection Officer (DPO) whose responsibilities include but are not limited to:

- providing recommendations to the Bank's employees to ensure compliance with the requirements of the applicable legislation;
- researching data processing procedures within the Bank and evaluating their compliance with the applicable legislation;

- advising and assisting business units on privacy matters, particularly when implementing a new process or a product;
- liaising with the supervisory authority regarding privacy matters;
- drafting and maintaining internal policies and procedures as well as awareness programs on privacy matters.

Privacy matters are considered in all new processes and projects. We are now increasingly seeing employees proactively engaging the DPO and undertaking data privacy impact assessments. These assessments ensure that our projects comply with data protection legislation at the time they go live.

Transparency: Transparency is a core element of our privacy programme. Our customers are informed in a simple language about our privacy practices, including how we collect, use, disclose, transfer and protect their personal information. Our privacy commitments are reflected in our Privacy Statement.

The DPO reports to the Audit Committee at least twice a year on the status of the Bank's privacy strategy implementation. As a result, the Bank's Executive Management and the Supervisory Board remain up-to-date on privacy matters at all times.

Operational risk

Operational risk is the risk of financial and non-financial loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk may result in losses emerging from following events, among others:

- Internal and external fraud;
- Business disruption and system failures;
- Employment practices;
- Clients, products and business practices;
- Damage to physical assets and infrastructure; and
- Execution, delivery and process management.

Key drivers/ trends

Deficiencies or ineffectiveness in operational risk management may result in inaccurate financial, regulatory or risk reporting, which may have an adverse effect on accurate and timely visibility of the Group's risk profile to our key stakeholders. The trends that are driving the need to transform, other than above-mentioned emerging risks, stem from multiple sources:

- Customer expectations of banking products and services will change with the emergence of new technologies and new service models that will force banks to rethink their business models and to deal with new operational risks;
- Accelerating digitalisation and automation will make IT and operational resilience more sophisticated. The speed of change and the need to innovate has spurred the introduction of technologies whose deployment needs careful management;
- The talent pool will need to shift to more IT, data-savvy profiles to catch up with the increased level of digitalisation and automation of processes.

Mitigation

To manage operational risk, the Group has implemented policies and procedures and has established an operational risk framework for anticipating, mitigating, controlling and communicating operational risks and the overall effectiveness of the internal control environment across the Group. Through effective alignment of roles and responsibilities related to operational risks among the three lines of defence, the Group identifies, monitors, measures, reports on and manages risks and related controls. The Group has implemented the risk and control self-assessment (RCSA) process through which operational risks and the effectiveness of controls are assessed and examined, providing reasonable assurance that all business objectives will be met.

Internal controls: We have designed internal controls that ensure the Bank has efficient and effective operations, safeguards its assets, produces reliable financial reports, and complies with applicable laws and regulations.

The following elements of the internal control framework enable us to mitigate operational risks:

- established clear authorities and processes for approval;
- close monitoring of key risk indicators and the alert system to ensure adherence to thresholds or limits;
- infrastructure security;
- appropriate employee recruitment, learning and development practices to maintain expertise;
- continuous processes to identify business lines or products that appear to under- or over-perform in comparison with reasonable expectations;
- regular verification and reconciliation of transactions and accounts; and
- vacation policy that ensures that employees are absent from their duties for a period of not less than ten working days.

Policies and standards: Operational risk management department develops and maintains framework and a comprehensive set of policies and standards. These policies and standards are reviewed and approved by the relevant governance bodies to ensure they are aligned with recognised industry standards, such as Basel and EBA, and are made available to all relevant employees through internal channels. The Operational Risk Management Committee is responsible for setting and overseeing qualitative and quantitative parameters of operational risk appetite and tolerance. The Bank's Management Board and the Risk Committee are also responsible for setting an overall risk appetite.

Segregation of duties: The existing risk and control frameworks require that the appropriate segregation of duties is in place, so that the conflicting duties that may result in the concealment of losses, errors or other inappropriate action are eliminated.

Business resilience and continuity: We are exposed to disruptive events, which could be severe and affect our inability to fulfil some or all of our business obligations. Incidents that damage the Bank's assets, including information technology infrastructure, may result in significant financial losses for the Group, as well as for the local industry. To ensure resilience against such risks, the Group has established a business continuity plan that is appropriate for the nature, size and complexity of our operations. The plan takes into account different types of scenarios to which the Group may be susceptible, including system and technology failures.

The Group continuously performs business impact analysis, testing, training and awareness programmes, communication and crisis management programmes and develops recovery strategies. We identify and reassess critical business operations, cyclically or as needed, key internal and external dependencies and appropriate resilience levels. The identified plausible disruptive scenarios are assessed for their financial, operational and reputational impact, and the resulting risk assessment is the foundation for recovery objectives and measures and ultimately a recovery plan.

Third-party relationships: The Group's policy ensures that third-party relationship initiatives follow a defined process, including due diligence, risk evaluation and ongoing assurance. The following aspects support effective monitoring and management of third-party risk:

- Standards that define whether and how activities can be outsourced;
- Due diligence standards to select potential service providers; and processes for identifying, managing and monitoring the associated risks, including the financial condition of the service provider; and
- Sound contracting of outsourcing arrangements.

Awareness programmes: We conduct awareness campaigns to enable our employees to identify existing and potential risks. The training is mandatory for all employees.

The Bank's Internal Audit function, on a risk-based approach, provides assurance on the adequacy and effectiveness of our risk management, internal controls and systems. Operational risks are reviewed quarterly by the Risk Committee.

Human capital risk

Human capital risk is the risk of failure to deliver on the Group's strategic objectives, operational disruption, financial loss and/or damage to reputation as a result of ineffective human capital management.

We are exposed to the following key risks:

- Failure to recruit, develop and retain employees, including failure to identify talent pipeline and put the right people in the right roles;
- Ineffective leadership, weak performance and inappropriate remuneration policies;
- Failure to meet all employee-related legal and regulatory requirements;
- Failure to effectively design people processes that ensure equal opportunity and diversity across the Group.

Key drivers/ trends

Employees are one of the key enablers of the success of our business. To be able to learn and innovate quickly, organisations globally have focused more on building rigorous talent management capabilities, including building a data analytics capability, to hire, develop, and retain the best employees and put the right people into the right roles. Demographic changes have also highlighted the need to think more deeply about what kind of experiences employees value and how best to align their values and motivations with the values and objectives of an organisation.

Increasing digitalisation and the growing focus on and importance of advanced data analytics and artificial intelligence in business processes across the organisation have made the recruitment, development, and retention of IT, computer and data science professionals one of our priorities. Globalisation and the shifting working patterns accelerated by the pandemic make it even more challenging to recruit top talent in these areas due to the scarcity of qualified candidates and availability of jobs both locally as well as globally.

Mitigation

The Group takes the following mitigating actions with respect to human capital risk:

- We attract young talent by participating in job fairs and running extensive internships and student development programs. We actively partner with leading Georgian business schools and universities to recruit top talent in different fields. We have a student development programme Leaderator that gives talented undergraduates the opportunity to have a 360° view of the Bank in action, work on real projects, and receive coaching and support from the Bank's executives and middle managers. The programme also helps us to attract IT, digital and data science and analytics students as it guarantees high qualification and fast professional growth within the one of the best tech teams in Georgia.

- We offer our employees learning opportunities to enhance their competencies and skills throughout their careers.

- We offer competitive remuneration and benefits packages and support work-life balance. We monitor employee pay trends via labour market compensation surveys in the financial sector. Our remuneration structure is based on employee performance reviews, part of our continual feedback process. We are fine-tuning our job architecture and grading structures by currently running job levelling project to ensure our remuneration system and practices are more clear and transparent for employees, allowing them to fairly plan their career moves and progression.

- We have forums and communication channels enabling employee voices to be heard across the organisation, like CEO vlog on Workplace – regular live sessions with employees on current developments, Employee Voice meetings with the Board of Directors, Town hall meetings and agile quarterly business reviews (QBRs).

- We ensure that human resources (HR) policies and practices are developed and implemented to support our business activities and are in line with Georgian legislation and relevant international standards. We regularly review our policies and procedures to ensure that they reflect best practices, organisational changes, and legal requirements. For further information on our HR policies please see page 111 in the Sustainable Business section.

- We have ensured safety in the workplace during the pandemic and introduced fully remote and hybrid work arrangements. We have launched "Health Club" – an online support group, to help employees during these challenging times and increase awareness of physical and mental health aspects.

- In 2022 we started to formalise hybrid working arrangements, giving majority of back office employees the flexibility to combine working from home with working from the office.

- We monitor human capital risk through a series of quantitative and qualitative indicators, such as ongoing deep interviews with each individual employee, eNPS, engagement scores, internal mobility, retention, and employee turnover. In addition we have Board Risk Committee approved risk appetite metrics and limits in place which we regularly monitor and performance of these are quarterly reported to the Risk Committee.

All violations of ethical principles and standards related to the Code of Ethics and Standards of Professional Conduct for Commercial Banks are reported quarterly to the Bank's Audit Committee.

COVID-19 pandemic risk

The COVID-19 pandemic risk is the risk of ongoing pandemic affecting lives and livelihoods in Georgia, resulting in further restrictions and negative impacts on our customers, employees, and on the overall business performance.

Key drivers/ trends

The global COVID-19 pandemic, which began full-scale in early 2020, is still ongoing. New COVID-19 variants and low vaccination rates may derail the recovery on the back of potential restrictions and reduced external demand. Although the Georgian economy is well-diversified, in terms of both sector and trading partners, a significant negative impact on the hospitality sector in Georgia is expected, if the pandemic is prolonged. This may also impact other areas of the Georgian economy, such as the real estate sector.

Economic activity in Georgia slowed down significantly in 2020 in the wake of the COVID-19 pandemic, resulting in a 6.8% real GDP contraction in 2020. The Government responded quickly by introducing support measures for businesses and households, including health-related spending, transfers for vulnerable households, and support to SMEs and businesses in hard-hit sectors.

During the first half of 2022, the COVID-19 cases in Georgia have dropped sharply, and most restrictions have been fully lifted. The mask mandate remains in place only at healthcare facilities. Currently, 45.5% of Georgia’s adult population is fully vaccinated.

Mitigation

The Group has introduced a number of resilience protocols and a comprehensive Business Continuity Plan (BCP) aimed to mitigate the pandemic negative impact on our business and the community. We started to develop the BCP at the end of January 2020 when the news of the COVID-19 outbreak emerged to ensure that we could promptly adapt our operations if such need arose, and ensure the health and safety of our employees and customers. The four main pillars of our BCP were: operational continuity, supporting the public health system and our communities, ensuring abundant liquidity and maintaining the strength of capital.

To better respond to uncertainties and maintain strong operational resilience during the ongoing COVID-19 pandemic, we have also developed a recovery plan that includes pre-determined and deliberate actions to enable us to deal with severe financial stress. The plan consists of capital adequacy, liquidity, profitability, macroeconomic and assets quality early warning indicators to ensure timely and effective identification of possible financial deterioration as a result of the materialisation of different risks.

We continue to monitor the developments related to the COVID-19 pandemic and assess their impacts on our business. We will continue to take necessary actions to proactively manage the evolving circumstances.

Model risk

Model risk is the risk of potential adverse consequences arising from decisions based on model results that may be incorrect due to the use of inaccurate assumptions, inappropriate variables, weak algorithms and low quality data. We recognise the importance of proper model risk management processes and controls to effectively address the above mentioned risks.

Key drivers/ trends

As banking operations become more complex and digital, models are becoming more prominent in decision-making. Increased adoption of statistical, machine learning models and artificial intelligence helps us improve decision-making and gain a competitive intelligence. To sustain the benefits of model use in banking operations it is crucial to have sound model risk assessment framework and validation practices in place. The Bank uses more than 100 data models, covering different business processes, including lending, sales, automation, and customer satisfaction.

In May 2022 NBG's updated regulation - Managing Risks for Data-based Statistical, Artificial Intelligence and Machine Learning Models - became effective. The Regulator has set additional requirements for model development, validation, monitoring, and application. All relevant (within the scope of the regulation) new and existing models must be in line with the new requirements by October 2022.

Mitigation

The Bank is actively enhancing the model risk management framework, which is continuously reviewed and refined to adequately address key model risks. The Bank's Model Risk Management policy further defines the following:

- Segregation of roles and responsibilities of those involved in model development lifecycle, including ownership of model development, independent oversight and approval; and
- Key controls with respect to data integrity, model development, validation, implementation, backtesting and monitoring.

The Bank's independent risk function validates that every new model is in line with regulatory requirements by focusing on the soundness of the algorithm used, the model's predictive ability and complexity, business objectives and assumptions, and data quality. Further, to ensure effective model performance, the Bank has implemented automated processes for the ongoing monitoring of model performance. Based on the significance of model risk, automated notifications are generated on a model's performance for relevant stakeholders cyclically (monthly, quarterly, ad-hoc).

The Bank maintains a structured model development lifecycle, including recalibration. All new models or changes within existing models should be authorised by Chief Risk Officer for further model implementation and use. Model issues are regularly reported to the Bank's Supervisory Board, and the Bank's senior management is aware of major model risks.

Climate-related risk

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

Key drivers/ trends

Key stakeholders, including investors and lenders, are increasingly demanding more climate-related disclosures, including climate risk assessment and greenhouse gas emissions reporting. With effect from 1 January 2021, the Group, as a premium-listed UK company, is required to make disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

In 2021, Georgia launched its updated Nationally Determined Contribution (NDC), published its Fourth National Communication under the United Nations Framework Convention on Climate Change (including updated Greenhouse Gas Inventory), adopted its Climate Change Strategy (2030) and Action Plan (2021-2023) and developed its National Energy and Climate Plan (2021-2030) and Long-Term Low Emission Strategy (LT-LEDS). These strategies and their implementation may drive change across the Georgian economy and increase the importance of climate change mitigation and adaptation.

We recognise climate change as an emerging risk and are working on integrating climate-related risks, both physical and transition, into the overall risk management framework and decision-making processes across the Bank.

Mitigation

During the first half of 2022, we continued to integrate climate-related risks into our risk management framework and business resilience assessments. We are working on each of the four TCFD pillars – Governance, Strategy, Risk Management, and Metrics and Targets. We have focused on mitigating climate-related risks by:

- Developing a process to identify and address sector- and location-specific climate risks for our business clients, to be implemented during loan appraisal and as part of our environmental and social risk management process;
- Collecting relevant data to calculate Scope 3 financed emissions for GHG-intensive corporate clients;
- Identifying opportunities for greening the Georgia's economy, to help the Bank understand where and how to offer green financing and to discuss transformational opportunities with clients and lenders;
- Raising climate awareness across the Bank by implementing trainings for bankers and risk managers from corporate and MSME departments.

Other initiatives to further embed climate risk and opportunity management into the Bank's operations include the establishment of Environmental and Social Impact Committee, comprising Management Board members and senior management of the Bank. The Committee is responsible for monitoring the Bank's climate, environmental and social risks and impacts, arising primarily as a result of our lending activities. The Committee reports to the full Supervisory Board of the Bank twice a year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We, the Directors, confirm that to the best of our knowledge:

- The interim condensed consolidated financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority and the International Accounting Standard 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB") and as adopted by the United Kingdom and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;

- This Results Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and a description of principal risks and uncertainties for the remaining six months of the year); and
- This Results Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

After considering the Group's financial and cash flow forecasts and all other available information and possible outcomes or responses to events, the Board is satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore, the Directors considered it appropriate to adopt the going concern basis in preparing this Results Report.

Signed on behalf of the Board by:

Archil Gachechiladze
Chief Executive Officer

15 August 2022

The Directors of the Group:

Mel Carvill
Archil Gachechiladze
Hanna Loikkanen
Alasdair Breach
Tamaz Georgadze
Jonathan Muir
Cecil Quillen
Véronique McCarroll
Mariam Megvinetukhutsesi

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

INDEPENDENT REVIEW REPORT

Interim condensed consolidated statement of financial position 48
Interim condensed consolidated income statement 49
Interim condensed consolidated statement of comprehensive income 50
Interim condensed consolidated statement of changes in equity 51
Interim condensed consolidated statement of cash flows 52

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activities .... **Error! Bookmark not defined.**
2. Basis of preparation .... **Error! Bookmark not defined.**
3. Summary of significant accounting policies .... **Error! Bookmark not defined.**
4. Significant accounting judgements and estimates .... **Error! Bookmark not defined.**
5. Segment information .... **Error! Bookmark not defined.**
6. Cash and cash equivalents .... **Error! Bookmark not defined.**
7. Amounts due from credit institutions .... **Error! Bookmark not defined.**
8. Investment securities .... **Error! Bookmark not defined.**
9. Loans to customers and finance lease receivables .... **Error! Bookmark not defined.**
10. Taxation .... **Error! Bookmark not defined.**
11. Other assets and other liabilities .... **Error! Bookmark not defined.**
12. Client deposits and notes .... **Error! Bookmark not defined.**
13. Amounts owed to credit institutions .... **Error! Bookmark not defined.**
14. Debt securities issued .... **Error! Bookmark not defined.**
15. Commitments and contingencies .... **Error! Bookmark not defined.**
16. Equity .... **Error! Bookmark not defined.**
17. Net interest income .... **Error! Bookmark not defined.**
18. Net fee and commission income .... **Error! Bookmark not defined.**
19. Expected credit loss and impairment charge on other assets and provisions .... **Error! Bookmark not defined.**
20. Risk management .... **Error! Bookmark not defined.**
21. Fair value measurements .... **Error! Bookmark not defined.**
22. Maturity analysis of financial assets and liabilities .... **Error! Bookmark not defined.**
23. Related party disclosures .... **Error! Bookmark not defined.**
24. Capital adequacy .... **Error! Bookmark not defined.**
25. Events after the reporting period .... **Error! Bookmark not defined.**

INDEPENDENT REVIEW REPORT TO BANK OF GEORGIA GROUP PLC

Conclusion

We have been engaged by Bank of Georgia Group Plc (“the Group”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises; Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Income Statement, Interim Condensed Consolidated Statement of Comprehensive Income, Interim Condensed Consolidated Statement of Changes in Equity, Interim Condensed Consolidated Statement of Cash flows and related notes 1 to 25**.** We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, “Interim Financial Reporting”.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.
This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Group a conclusion on the condensed consolidated set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Group in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
15 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Thousands of Georgian Lari)

	Notes	*30 June 2022 (unaudited)*	*31 December 2021*
Assets			
Cash and cash equivalents	6	2,834,950	1,520,562
Amounts due from credit institutions	7	1,766,529	1,931,390
Investment securities	8	3,213,917	2,595,664
Loans to customers and finance lease receivables	9	16,299,630	16,168,973
Accounts receivable and other loans		3,479	3,680
Prepayments		53,429	40,878
Inventories		10,940	11,514
Right-of-use assets		87,193	80,186
Investment properties		188,315	226,849
Property and equipment		389,855	378,808
Goodwill		33,351	33,351
Intangible assets		146,175	144,251
Income tax assets	10	816	292
Other assets	11	292,825	246,947
Assets held for sale		43,137	46,731
Total assets		**25,364,541**	**23,430,076**
Liabilities			
Client deposits and notes	12	15,100,061	14,038,002
Amounts owed to credit institutions	13	5,019,370	4,318,445
Debt securities issued	14	1,299,986	1,518,685
Lease liability		91,524	87,662
Accruals and deferred income		77,948	80,157
Income tax liabilities	10	50,420	110,868
Other liabilities	11	292,585	183,349
Total liabilities		**21,931,894**	**20,337,168**
Equity	16		
Share capital		1,618	1,618
Additional paid-in capital		485,723	492,243
Treasury shares		(62)	(75)
Other reserves		(48,922)	(3,223)
Retained earnings		2,979,248	2,588,463
Total equity attributable to shareholders of the Group		**3,417,605**	**3,079,026**
Non-controlling interests		15,042	13,882
Total equity		**3,432,647**	**3,092,908**
Total liabilities and equity		**25,364,541**	**23,430,076**

The financial statements on page 48 to 91 were approved by the Board of Directors on and signed on its behalf by:

Archil Gachechiladze

Chief Executive Officer

15 August 2022

Bank of Georgia Group PLC

Registered No. 10917019

The accompanying selected explanatory Notes on pages 53 to 91 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

(Thousands of Georgian Lari)

		For the six months ended	
	Notes	*30 June 2022 (unaudited)*	*30 June 2021 (unaudited)*
Interest income calculated using EIR method		1,063,198	861,073
Other interest income		11,405	14,143
Interest income		**1,074,603**	**875,216**
Interest expense		(513,682)	(427,472)
Deposit insurance fees		(8,301)	(7,163)
Net interest income	17	**552,620**	**440,581**
Fee and commission income		241,800	171,173
Fee and commission expense		(101,903)	(65,317)
Net fee and commission income	18	**139,897**	**105,856**
Net foreign currency gain		190,012	41,258
Net other income		8,070	50,920
Operating income		**890,599**	**638,615**
Salaries and other employee benefits		(173,680)	(129,035)
Administrative expenses		(71,122)	(53,631)
Depreciation, amortisation and impairment		(52,163)	(44,915)
Other operating expenses		(2,289)	(1,596)
Operating expenses		**(299,254)**	**(229,177)**
Profit/(loss) from associates		376	(4,132)
Operating income before cost of risk		**591,721**	**405,306**
Expected credit loss on loans to customers	19	(53,141)	(3,096)
Expected credit loss on finance lease receivables	19	(2,180)	(1,614)
Other expected credit loss	19	(5,251)	11,788
Impairment charge on other assets and provisions		42,228	(37,162)
Cost of risk		**(18,344)**	**(30,084)**
Net operating income before non-recurring items		**573,377**	**375,222**
Net non-recurring items		280	(50)
Profit before income tax expense		**573,657**	**375,172**
Income tax (expense) gain	10	(57,599)	(34,078)
Profit for the period		**516,058**	**341,094**
Total profit attributable to:			
– shareholders of the Group		513,983	339,454
– non-controlling interests		2,075	1,640
		516,058	**341,094**
Basic earnings per share:	16	10.8693	7.0809
Diluted earnings per share:	16	10.7918	7.0368

The accompanying selected explanatory Notes on pages 53 to 91 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

(Thousands of Georgian Lari)

		For the six months ended	
	Notes	*30 June 2022 (unaudited)*	*30 June 2021 (unaudited)*
Profit for the period		**516,058**	**341,094**
Other comprehensive income (loss)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	8	(41,702)	(32,345)
– Realised loss on financial assets measured at FVOCI		(817)	(25,338)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement		3,006	(1,306)
– (Loss) gain from currency translation differences		(17,162)	(2,511)
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods		**(56,675)**	**(61,500)**
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
– Revaluation of property and equipment reclassified to investment property		(26)	-
– Net loss on investments in equity instruments designated at FVOCI		(369)	1,185
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**(395)**	**1,185**
Other comprehensive (loss) income for the year, net of tax		**(57,070)**	**(60,315)**
Total comprehensive income for the period		**458,988**	**280,779**
Total comprehensive income attributable to:			
– shareholders of the Group		457,199	279,495
– non-controlling interests		1,789	1,284
		458,988	**280,779**

The accompanying selected explanatory Notes on pages 53 to 91 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Thousands of Georgian Lari)

	Attributable to shareholders of the Group							
	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
31 December 2020	**1,618**	**526,634**	**(54)**	**71,227**	**1,939,122**	**2,538,547**	**11,368**	**2,549,915**
Profit for the six months ended 30 June 2021 (unaudited)	-	-	-	-	339,454	339,454	1,640	341,094
Other comprehensive income for the six months ended 30 June 2021 (unaudited)	-	-	-	(59,239)	(720)	(59,959)	(356)	(60,315)
Total comprehensive income for the six months ended 30 June 2021 (unaudited)	**-**	**-**	**-**	**(59,239)**	**338,734**	**279,495**	**1,284**	**280,779**
Increase in equity arising from share-based payments	-	21,838	22	-	-	21,860	-	21,860
Purchase of treasury shares	-	(37,199)	(20)	-	-	(37,219)	-	(37,219)
Dividends to shareholders of the Group (Note 16)	-	-	-	-	(1,974)	(1,974)	-	(1,974)
Increase in share capital of subsidiaries	-	-	-	(13)	-	(13)	13	-
30 June 2021 (unaudited)	**1,618**	**511,273**	**(52)**	**11,975**	**2,275,882**	**2,800,696**	**12,665**	**2,813,361**
31 December 2021	**1,618**	**492,243**	**(75)**	**(3,223)**	**2,588,463**	**3,079,026**	**13,882**	**3,092,908**
Profit for the six months ended 30 June 2022 (unaudited)	-	-	-	-	513,983	513,983	2,075	516,058
Other comprehensive income for the six months ended 30 June 2022 (unaudited)	-	-	-	(45,682)	(11,102)	(56,784)	(286)	(57,070)
Total comprehensive income for the six months ended 30 June 2022 (unaudited)	**-**	**-**	**-**	**(45,682)**	**502,881**	**457,199**	**1,789**	**458,988**
Increase in equity arising from share-based payments	-	47,332	33	-	-	47,365	-	47,365
Purchase of treasury shares	-	(53,852)	(20)	-	-	(53,872)	-	(53,872)
Dividends to shareholders of the Group (Note 16)	-	-	-	-	(112,096)	(112,096)	-	(112,096)
Increase in share capital of subsidiaries	-	-	-	(17)	-	(17)	17	-
Dividends of subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(646)	(646)
30 June 2022 (unaudited)	**1,618**	**485,723**	**(62)**	**(48,922)**	**2,979,248**	**3,417,605**	**15,042**	**3,432,647**

.

The accompanying selected explanatory Notes on pages 53 to 91 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

(Thousands of Georgian Lari)

	Notes	*For the six months ended* *30 June 2022 (unaudited)*	 *30 June 2021 (unaudited)*
Cash flows from operating activities			
Interest received		1,031,290	884,965
Interest paid		(506,411)	(430,728)
Fees and commissions received		224,159	171,206
Fees and commissions paid		(101,903)	(65,317)
Net cash inflow from real estate		8,753	17,397
Net realised gain from foreign currencies		192,923	56,971
Recoveries of loans to customers previously written off	9	55,307	33,250
Other income (expense paid) received		5,305	3,059
Salaries and other employee benefits paid		(126,315)	(107,175)
General and administrative and operating expenses paid		(77,170)	(60,973)
Cash flows from operating activities before changes in operating assets and liabilities		**705,938**	**502,655**
Net (increase) decrease in operating assets			
Amounts due from credit institutions		63,881	(93,399)
Loans to customers and finance lease receivables		(875,298)	(1,037,324)
Prepayments and other assets		(24,724)	(6,528)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		647,503	(34,569)
Debt securities issued		(13,812)	16,893
Client deposits and notes		1,586,696	223,886
Other liabilities		77,605	(7,234)
Net cash flows from (used in) operating activities before income tax		**2,167,789**	**(435,620)**
Income tax paid		(118,571)	-
Net cash flows from (used in) operating activities		**2,049,218**	**(435,620)**
Cash flows (used in) from investing activities			
Net (purchases) sales of investment securities		(642,758)	356,559
Proceeds from sale of investment properties and assets held for sale		40,049	61,115
Proceeds from sale of property and equipment and intangible assets		7,878	508
Purchase of property and equipment and intangible assets		(71,693)	(53,804)
Dividends received		-	401
Net cash flows (used in) from investing activities		**(666,524)**	**364,779**
Cash flows (used in) from financing activities			
Repurchase of debt securities issued		(99,148)	(19,625)
Repayment of the principal portion of the debt securities issued		(31,397)	(15,614)
Proceeds from Additional Tier 1		148,120	-
Cash payments for the principal portion of the lease liability		(17,369)	(14,582)
Dividends paid		(2,522)	(1,980)
Purchase of treasury shares		(53,872)	(37,219)
Net cash (used in) from financing activities		**(56,188)**	**(89,020)**
Effect of exchange rates changes on cash and cash equivalents		(12,075)	(92,051)
Effect of expected credit losses on cash and cash equivalents		(43)	15
Net (decrease) increase in cash and cash equivalents		**1,314,388**	**(251,897)**
Cash and cash equivalents, beginning of the year	6	**1,520,562**	**1,970,955**
Cash and cash equivalents, end of the year	6	**2,834,950**	**1,719,058**

The accompanying selected explanatory Notes on pages 53 to 91 are an integral part of these interim condensed consolidated financial statements.

1. Principal activities

Bank of Georgia Group PLC ("BOGG") is a public limited liability company incorporated in England and Wales with registered number 10917019. BOGG holds 99.55% of the share capital of JSC Bank of Georgia (the "Bank") as at 30 June 2022, representing the Bank's ultimate parent company. Together with the Bank and other subsidiaries, the Group makes up a group of companies (the "Group") and provides banking, leasing, brokerage and investment management services to corporate and individual customers. The shares of BOGG ("BOGG Shares") are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities, effective 21 May 2018. The Bank is the Group's main operating unit and accounts for most of the Group's activities.

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

The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally, and exchanges currencies. Its main office is in Tbilisi, Georgia. At 30 June 2022, the Bank has 212 operating outlets in all major cities of Georgia (31 December 2021: 211). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia.

BOGG's registered legal address is 42 Brook Street, London United Kingdom W1K 5DB.

As at 30 June 2022, 31 December 2021, the following shareholders owned more than 3% of the total outstanding shares of BOGG. Other shareholders individually owned less than 3% of the outstanding shares.

Shareholder	***30 June 2022 (unaudited)***	***31 December 2021***
JSC Georgia Capital**	19.90%	19.90%
Fidelity Investments	3.49%	4.00%
Harding Loevner LP	3.77%	4.48%
Van Eck Associates Corporation	3.54%	3.46%
Dimensional Fund Advisors (DFA) LP	3.42%	3.13%
JP Morgan Asset Management	3.17%	1.17%
Others	62.71%	63.86%
Total*	**100.00%**	**100.00%**

For the purposes of calculating percentage of shareholding, the denominator includes total number of issued shares, which includes shares held in the trust for the share-based compensation purposes of the Group.
*** JSC Georgia Capital will exercise its voting rights at the Group's general meetings in accordance with the votes cast by all other Group Shareholders, as long as JSC Georgia Capital's percentage holding in Bank of Georgia Group PLC is greater than 9.9%.***

2. Basis of preparation

General

The financial information set out in these interim condensed consolidated financial statements does not constitute Bank of Georgia Group PLC's statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory financial statements were prepared for the year ended 31 December 2021 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and reported on by BOGG's auditors and delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These interim condensed consolidated financial statements of Bank of Georgia Group PLC for the six months ended 30 June 2022 were prepared, in accordance with UK adopted International Accounting Standard 34 "Interim Financial Reporting" and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are based on management's best judgment at the date of the interim condensed consolidated financial statements, actual results may differ from these estimates.

Assumptions and significant estimates other than disclosed in these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2021, signed and authorized for release on 27 April 2022.

These interim condensed consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), except per share amounts, which are presented in Georgian Lari, and unless otherwise noted.

The interim condensed consolidated financial statements are unaudited, reviewed by the auditors and their review conclusion is included in this report.

Going concern

The Bank's Supervisory Board has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the interim condensed consolidated financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern for the foreseeable future. Therefore, the interim condensed consolidated financial statements continue to be prepared on the going concern basis.

3. Summary of significant accounting policies

Basis of consolidation

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2021.

Amendments effective from 1 January 2022

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard as summarised below:

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment did not have any effect on the Group's interim condensed consolidated financial statements.

Amendments to IAS 37 - Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendment did not have any effect on the Group's interim condensed consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020

IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The amendments did not have any material effect on the Group's interim condensed consolidated financial statements.

Change in Management Approach – Repossessed Assets (Land and Buildings)

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

Repossessed Assets are measured at lower of cost and net realisable value and are presented as part of Other Assets on the face of the Group's Consolidated Financial Statements.

The change in application of the accounting policy was applied prospectively commencing from 1 January 2022. As a result, assets repossessed during 2022 in amount of GEL 45.4 million were classified in Other Assets as at 30 June 2022.

3. Summary of significant accounting policies (continued)

Share-based payment transactions fixed in monetary terms

In 2022, the Group introduced the new remuneration policy for the Management Board and Key Material Risk Taker (MRT) Employees. Under the new policy, part of the fixed component of the remuneration is fixed in monetary terms at the date of the contract and shall be paid by award of the number of shares equivalent to the fixed monetary value as at the date of the award. Such awards vest immediately following the award year and are subject to up to 4 year retention/holding period. For CEO, annual remuneration paid in shares are fixed every three years, when for other members of the Management Board and MRTs the remuneration is set on annual basis. As for the variable share remuneration, it is awarded annually in the form of nil-cost options over the shares of BOGG PLC and is also fixed in monetary terms. Such awards are subject to vesting and retention/holding period.

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

4. Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, the Board of Directors and management use their judgement and make estimates in determining the amounts recognised in the interim condensed consolidated financial statements. Key judgments and estimates are summarized below.

Management Overlays and improvements to the ECL methodology

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

Forward-looking information

Forward-looking variable assumptions

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

The most significant period end assumptions used for ECL estimate as at 30 June 2022 per geographical segments are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

Georgia

Key drivers	ECL scenario	Assigned weight	As at 30 June 2022			Assigned weight	As at 31 December 2021			Assigned weight	As at 31 December 2020		
			2022	2023	2024		2022	2023	2024		2021	2022	2023
GDP growth in %													
	Upside	25%	6.00%	5.50%	5.00%	25%	6.00%	5.00%	4.50%	25%	-3.00%	6.00%	5.00%
	Base case	50%	4.50%	5.00%	5.50%	50%	5.00%	4.00%	4.50%	50%	-4.00%	4.50%	5.00%
	Downside	25%	3.00%	4.00%	5.50%	25%	2.00%	4.00%	5.00%	25%	-9.00%	2.50%	4.00%
GEL/USD exchange rate													
	Upside	25%	3.00%	2.00%	0.00%	25%	4.00%	2.00%	2.00%	25%	5.00%	5.00%	0.00%
	Base case	50%	0.00%	0.00%	0.00%	50%	0.00%	0.00%	0.00%	50%	0.00%	0.00%	0.00%
	Downside	25%	-10.00%	-3.00%	5.00%	25%	-10.00%	2.00%	3.00%	25%	-10.00%	-5.00%	5.00%
CPI inflation rate in %													
	Upside	25%	9.00%	3.00%	3.00%	25%	5.50%	3.00%	3.00%	25%	5.50%	4.00%	3.00%
	Base case	50%	9.50%	3.00%	2.50%	50%	7.00%	2.50%	3.00%	50%	4.50%	1.50%	2.50%
	Downside	25%	11.00%	5.50%	3.00%	25%	8.00%	4.00%	3.00%	25%	7.00%	2.00%	2.50%

The above information is based on the macroeconomic forecasts provided by the NBG as of June 2022.

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Belarus

The Group re-estimated probabilities applied to "base", "upside" and "downside" scenarios as a result of recent Russia-Ukraine conflict impact on Belarus economy. Higher probability was assigned to "downside" scenario to reflect uncertainties of Belarus economic environment.

Key drivers	ECL scenario	Assigned weight	As at 30 June 2022				Assigned weight	As at 31 December 2021				Assigned weight	As at 31 December 2020			
			2022Q3	2022Q4	2023Q1	2023Q2		2022Q1	2022Q2	2022Q3	2022Q4		2021Q1	2021Q2	2021Q3	2021Q4
GDP growth in %																
	Upside	10%	-7.28%	-6.72%	-5.82%	3.03%	25%	1.57%	1.38%	3.49%	5.25%	10%	-0.40%	3.30%	1.80%	4.40%
	Base case	50%	-8.59%	-8.81%	-8.51%	-0.57%	50%	0.22%	-0.63%	0.77%	1.88%	50%	-1.80%	1.30%	-0.95%	1.20%
	Downside	40%	-9.90%	-10.90%	-11.20%	-4.18%	25%	-1.13%	-2.64%	-1.95%	-1.49%	40%	-3.20%	-0.90%	-3.65%	-2.00%
BYN/USD exchange rate %																
	Upside	10%	2.40%	1.56%	2.31%	1.83%	25%	0.53%	0.21%	0.42%	1.06%	10%	-2.89%	1.95%	0.04%	-1.00%
	Base case	50%	4.91%	4.32%	3.79%	2.56%	50%	3.84%	2.14%	1.90%	1.87%	50%	1.07%	3.20%	1.12%	0.41%
	Downside	40%	7.14%	6.67%	5.00%	3.13%	25%	6.79%	3.94%	2.93%	2.51%	40%	5.04%	4.36%	2.10%	1.66%
CPI inflation rate in %																
	Upside	10%	15.21%	13.58%	9.70%	-0.04%	25%	1.31%	-0.03%	-0.90%	-0.66%	10%	0.48%	0.73%	0.10%	1.58%
	Base case	50%	18.81%	18.78%	16.50%	8.25%	50%	3.14%	1.74%	0.74%	1.70%	50%	2.02%	1.20%	0.48%	1.75%
	Downside	40%	22.41%	23.98%	23.30%	16.55%	25%	4.91%	3.40%	2.23%	3.97%	40%	3.56%	1.66%	0.85%	1.90%

The above information is based on the published macroeconomic forecasts as of June 2022.

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

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

Sensitivity of ECL to forward looking assumptions

	As at 30 June 2022				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	152,741	2.92%	2.73%	2.85%	2.98%
Residential mortgage loans	38,292	0.95%	0.94%	0.95%	0.97%
Micro and SME loans	75,164	1.92%	1.86%	1.91%	1.98%
Consumer loans	150,698	4.62%	4.52%	4.59%	4.72%
Gold – pawn loans	2,999	1.74%	1.74%	1.74%	1.74%

	As at 31 December 2021				
	Reported ECL	*Reported ECL coverage*	*ECL coverage by scenarios*		
Key drivers			*Upside*	*Base case*	*Downside*
Commercial loans	159,215	2.87%	2.82%	2.84%	2.86%
Residential mortgage loans	33,038	0.82%	0.80%	0.81%	0.85%
Micro and SME loans	74,441	1.99%	1.93%	1.96%	2.13%
Consumer loans	136,035	4.56%	4.46%	4.54%	4.70%
Gold – pawn loans	2,075	1.25%	1.25%	1.25%	1.26%

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the interim condensed consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values (Note 21).

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Measurement of fair value of investment properties

The Group performs valuation of its investment properties with a sufficient regularity (at least in every three years) to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The last date of valuation of investment properties was 31 December 2020.

In order to identify whether there was any significant change in the real estate market since last revaluation that could indicate that investment properties are not stated at fair value as at the reporting date, the Group hired an independent valuator to perform real estate market research. The research results revealed upward trend in USD terms in property prices that was offset by appreciation of GEL towards USD. As a result no material change in GEL equivalent terms was noted on the real estate market since year ended 2020. Therefore, no revaluation was applied as at the reporting date.

5. Segment information

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

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

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

CIB - Corporate Investment Banking - comprises Corporate Banking and Investment Management operations in Georgia. Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and handles saving and term deposits for corporate and institutional customers. The Investment Management business principally provides brokerage services through Galt & Taggart.

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

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's operating income in 6 months of 2022 or 2021.

5. Segment information (continued)

The following table presents the income statement and certain asset and liability information regarding the Group's operating segments as at and for the six months period ended 30 June 2022:

	Retail Banking	*Corporate Investment Banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	354,612	176,864	21,098	46	552,620
Net fee and commission income	112,204	23,728	3,896	69	139,897
Net foreign currency gain	109,154	48,324	32,534	-	190,012
Net other income	4,824	5,548	(1,808)	(494)	8,070
Operating income	**580,794**	**254,464**	**55,720**	**(379)**	**890,599**
Operating expenses	(225,865)	(48,930)	(24,838)	379	(299,254)
Profit from associates	376	-	-	-	376
Operating income before cost of risk	**355,305**	**205,534**	**30,882**	**-**	**591,721**
Cost of risk	(84,116)	89,933	(24,161)	-	(18,344)
Net operating income before non-recurring items	**271,189**	**295,467**	**6,721**	**-**	**573,377**
Net non-recurring expense/loss	309	-	(29)	-	280
Profit before income tax	**271,498**	**295,467**	**6,692**	**-**	**573,657**
Income tax expense	(29,330)	(26,981)	(1,288)	-	(57,599)
Profit for the year	**242,168**	**268,486**	**5,404**	**-**	**516,058**
Assets and liabilities					
Total assets	16,802,779	7,782,427	985,687	(206,352)	25,364,541
Total liabilities	14,920,058	6,347,943	870,245	(206,352)	21,931,894
Other segment information					
Property and equipment	51,158	1,293	727	-	53,178
Intangible assets	15,590	907	2,081	-	18,578
Capital expenditure	**66,748**	**2,200**	**2,808**	**-**	**71,756**
Depreciation, amortisation and impairment	(47,192)	(2,355)	(2,616)	-	(52,163)

5. Segment information (continued)

The following table presents the income statement information regarding the Group's operating segments for the six months period ended 30 June 2021 and certain asset and liability information as at 31 December 2021:

	Retail Banking	*Corporate Investment Banking*	*BNB*	*Eliminations*	*Group Total*
Net interest income	274,209	148,262	18,099	11	440,581
Net fee and commission income	82,128	20,457	3,192	79	105,856
Net foreign currency gain	22,100	12,583	6,575	-	41,258
Net other income	18,864	32,620	(184)	(380)	50,920
Operating income	**397,301**	**213,922**	**27,682**	**(290)**	**638,615**
Operating expenses	(174,280)	(37,189)	(17,998)	290	(229,177)
Profit from associates	(4,132)	-	-	-	(4,132)
Operating income before cost of risk	**218,889**	**176,733**	**9,684**	**-**	**405,306**
Cost of risk	(41,760)	11,370	306	-	(30,084)
Net operating income before non-recurring items	**177,129**	**188,103**	**9,990**	**-**	**375,222**
Net non-recurring expense/loss	367	(74)	(343)	-	(50)
Profit before income tax	**177,496**	**188,029**	**9,647**	**-**	**375,172**
Income tax expense	(14,685)	(17,445)	(1,948)	-	(34,078)
Profit for the period	**162,811**	**170,584**	**7,699**	**-**	**341,094**
Assets and liabilities					
Total assets	14,865,640	7,683,923	980,920	(100,407)	23,430,076
Total liabilities	13,017,394	6,573,918	846,263	(100,407)	20,337,168
Other segment information					
Property and equipment	48,095	3,103	2,031	-	53,229
Intangible assets	37,144	2,921	4,992	-	45,057
Capital expenditure	**85,239**	**6,024**	**7,023**	**-**	**98,286**
Depreciation, amortisation and impairment	(38,581)	(3,942)	(2,392)	-	(44,915)

6. Cash and cash equivalents

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Cash on hand	810,029	751,063
Current accounts with central banks, excluding obligatory reserves	188,185	126,627
Current accounts with credit institutions	1,047,234	414,214
Time deposits with credit institutions with maturities of up to 90 days	789,571	228,683
Cash and cash equivalents, gross	**2,835,019**	**1,520,587**
Less – Allowance for expected credit loss	(69)	(25)
Cash and cash equivalents, net	**2,834,950**	**1,520,562**

Of the above cash and cash equivalents as at 30 June 2022, GEL 1,614,908 (31 December 2021: GEL 419,324) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Group in performing international settlements. The Group earned up to 1.73% interest per annum on these deposits (31 December 2021: up to 0.07%). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

7. Amounts due from credit institutions

	30 June 2022 (unaudited)	*31 December 2021*
Obligatory reserves with central banks	1,740,551	1,898,052
Time deposits with maturities of more than 90 days	22,060	28,939
Deposits pledged as security for open commitments	4,420	4,730
Amounts due from credit institutions, gross	**1,767,031**	**1,931,721**
Less – Allowance for expected credit loss	(502)	(331)
Amounts due from credit institutions, net	**1,766,529**	**1,931,390**

Obligatory reserves with central banks represent amounts deposited with the NBG and National Bank of the Republic of Belarus (the "NBRB"). Credit institutions are required to maintain cash deposits (obligatory reserve) with the NBG and with the NBRB, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw these deposits is restricted by regulation. The Group did not earn interest on obligatory reserves with NBG and NBRB for the period ended 30 June 2022 and 31 December 2021.

8. Investment securities

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Investment securities measured at FVOCI - debt instruments	3,093,931	2,586,083
Investment securities designated as at FVOCI - equity investments	8,184	9,581
Investment securities at FVOCI	**3,102,115**	**2,595,664**

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Investment securities measured at amortized cost	111,909	-
Less: allowance for credit losses	(107)	-
Investment securities measured at amortized cost, net	**111,802**	**-**

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Ministry of Finance of Georgia treasury bonds*	1,711,420	1,312,001
Ministry of Finance of Georgia treasury bills	150,410	82,196
Foreign treasury bonds	111,476	79,156
Certificates of deposit of central banks	87,008	39,410
Other debt instruments**	1,033,617	1,073,320
Investment securities measured at FVOCI - debt instruments	**3,093,931**	**2,586,083**

** Treasury bonds of GEL 1,075,366 was pledged for short-term loans from the NBG (31 December 2021: GEL 490,592), GEL 251,216 was pledged for deposits of Ministry of Finance of Georgia (31 December 2021: GEL 220,480) and 75,499 was pledged as security for cash kept by the NBG at the Group's premises under cash custodian services (31 December 2021: GEL 14,720).*
*** Corporate bonds of GEL 251,840 was pledged for short-term loans from the NBG (31 December 2021: GEL Nil) and GEL 288,568 was pledged for deposits of Ministry of Finance of Georgia (31 December 2021: GEL 109,109).*

Other debt instruments as at 30 June 2022 mainly comprises bonds issued by the European Bank for Reconstruction and Development of GEL 517,146 (31 December 2021: GEL 521,394), GEL-denominated bonds issued by International Finance Corporation of GEL 199,685 (31 December 2021: GEL 203,351), GEL-denominated bonds issued by The Netherlands Development Finance Company of GEL 263,730 (31 December 2021: GEL 163,593), GEL-denominated bonds issued by Black Sea Trade and Development Bank of GEL 50,222 (31 December 2021: GEL 65,407), and GEL-denominated bonds issued by Asian Development Bank of GEL 61,620 (31 December 2021: GEL 61,609).

Foreign treasury bonds comprise of Ministry of Finance of the Republic of Lithuania treasury bonds in amount of GEL Nil (31 December 2021: GEL 15,992), Ministry of Finance of the Republic of Belarus treasury bonds in amount of GEL 40,423 (31 December 2021: GEL 63,164) and United Kingdom Treasury Notes in amount of GEL 71,053 (31 December 2021: GEL Nil).

9. Loans to customers and finance lease receivables

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Commercial loans	5,239,557	5,554,184
Residential mortgage loans	4,020,974	4,022,058
Micro and SME loans	3,914,718	3,731,756
Consumer loans	3,264,026	2,981,305
Gold – pawn loans	172,119	165,417
Loans to customers at amortised cost, gross	**16,611,394**	**16,454,720**
Less – Allowance for expected credit loss	(419,894)	(404,804)
Loans to customers at amortised cost, net	**16,191,500**	**16,049,916**
Finance lease receivables, gross	**115,812**	**124,952**
Less – Allowance for expected credit loss	(7,682)	(5,895)
Finance lease receivables, net	**108,130**	**119,057**
Total loans to customers and finance lease receivables	**16,299,630**	**16,168,973**

As at 30 June 2022, loans to customers carried at GEL 1,180,461 (31 December 2021: GEL 1,125,955) were pledged for short-term loans from the NBG.

Expected credit loss

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

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

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**4,934,312**	**374,933**	**226,925**	**18,014**	**5,554,184**
New financial asset originated or purchased	2,261,009	8,249	637	2,739	2,272,634
Transfer to Stage 1	67,899	(67,899)	-	-	-
Transfer to Stage 2	(490,151)	496,088	(5,937)	-	-
Transfer to Stage 3	(4,405)	(24,475)	28,880	-	-
Assets derecognised due to pass-through arrangement	(3,205)	(5)	-	-	(3,210)
Assets repaid	(2,202,014)	(56,705)	(61,982)	(6,366)	(2,327,067)
Resegmentation	86,614	1,037	(5,664)	-	81,987
Impact of modifications	1,662	702	290	(4)	2,650
Write-offs	-	-	(728)	-	(728)
Recoveries of amounts previously written off	-	-	39,217	-	39,217
Unwind of discount	-	-	(395)	116	(279)
Currency translation differences	(34,688)	(1,510)	(2,282)	-	(38,480)
Foreign exchange movement	(318,879)	(48,597)	(12,405)	(769)	(380,650)
Net other changes	33,958	3,106	2,637	(402)	39,299
Balance at 30 June 2022	**4,332,112**	**684,924**	**209,193**	**13,328**	**5,239,557**
Individually assessed	-	-	188,282	10,630	198,912
Collectively assessed	4,332,112	684,924	20,911	2,698	5,040,645
Balance at 30 June 2022	**4,332,112**	**684,924**	**209,193**	**13,328**	**5,239,557**

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**14,338**	**6,893**	**135,061**	**2,923**	**159,215**
New financial asset originated or purchased	8,435	58	399	963	9,855
Transfer to Stage 1	651	(651)	-	-	-
Transfer to Stage 2	(2,547)	6,695	(4,148)	-	-
Transfer to Stage 3	(196)	(1,128)	1,324	-	-
Impact on ECL of exposures transferred between stages during the year	(214)	(2,198)	2,495	-	83
Assets derecognised due to pass-through arrangement	(55)	-	-	-	(55)
Assets repaid	(5,177)	(2,196)	(47,181)	(9)	(54,563)
Resegmentation	857	(360)	(740)	-	(243)
Impact of modifications	32	(33)	3	-	2
Write-offs	-	-	(728)	-	(728)
Recoveries of amounts previously written off	-	-	39,217	-	39,217
Unwind of discount	-	-	(395)	116	(279)
Currency translation differences	(1,215)	(1,513)	(2,724)	-	(5,452)
Foreign exchange movement	(369)	(717)	(4,785)	(668)	(6,539)
Net other measurement of ECL	(417)	15,123	(4,845)	2,367	12,228
Balance at 30 June 2022	**14,123**	**19,973**	**112,953**	**5,692**	**152,741**
Individually assessed	-	-	103,066	5,570	108,636
Collectively assessed	14,123	19,973	9,887	122	44,105
Balance at 30 June 2022	**14,123**	**19,973**	**112,953**	**5,692**	**152,741**

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**3,629,369**	**259,970**	**104,514**	**28,205**	**4,022,058**
New financial asset originated or purchased	676,203	-	-	6,698	682,901
Transfer to Stage 1	188,388	(188,243)	(145)	-	-
Transfer to Stage 2	(223,557)	247,473	(23,916)	-	-
Transfer to Stage 3	(30,196)	(24,471)	54,667	-	-
Assets repaid	(450,026)	(32,561)	(29,424)	(7,620)	(519,631)
Resegmentation	-	-	-	-	-
Impact of modifications	54	27	(1,425)	(52)	(1,396)
Write-offs	-	-	(1,904)	(394)	(2,298)
Recoveries of amounts previously written off	-	-	2,420	175	2,595
Unwind of discount	-	-	216	20	236
Currency translation differences	(4,913)	(158)	(18)	-	(5,089)
Foreign exchange movement	(140,035)	(10,853)	(6,743)	(1,431)	(159,062)
Net other changes	1,053	(272)	(414)	293	660
Balance at 30 June 2022	**3,646,340**	**250,912**	**97,828**	**25,894**	**4,020,974**
Individually assessed	-	-	515	-	515
Collectively assessed	3,646,340	250,912	97,313	25,894	4,020,459
Balance at 30 June 2022	**3,646,340**	**250,912**	**97,828**	**25,894**	**4,020,974**

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**9,703**	**3,803**	**17,039**	**2,493**	**33,038**
New financial asset originated or purchased	7,307	-	-	690	7,997
Transfer to Stage 1	2,659	(2,593)	(66)	-	-
Transfer to Stage 2	(1,690)	4,610	(2,920)	-	-
Transfer to Stage 3	(4,208)	(661)	4,869	-	-
Impact on ECL of exposures transferred between stages during the year	(879)	(1,964)	3,670	-	827
Assets repaid	(853)	(550)	(7,009)	(1,090)	(9,502)
Impact of modifications	1	1	408	61	471
Write-offs	-	-	(1,904)	(394)	(2,298)
Recoveries of amounts previously written off	-	-	2,420	175	2,595
Unwind of discount	-	-	216	20	236
Foreign exchange movement	(165)	(82)	(1,069)	(311)	(1,627)
Net other measurement of ECL	(2,835)	872	5,957	2,566	6,560
Balance at 30 June 2022	**9,038**	**3,434**	**21,610**	**4,210**	**38,292**
Individually assessed	-	-	28	-	28
Collectively assessed	9,038	3,434	21,582	4,210	38,264
Balance at 30 June 2022	**9,038**	**3,434**	**21,610**	**4,210**	**38,292**

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**3,280,149**	**293,473**	**151,499**	**6,635**	**3,731,756**
New financial asset originated or purchased	1,508,867	3,980	1,469	2,266	1,516,582
Transfer to Stage 1	170,742	(170,742)	-	-	-
Transfer to Stage 2	(256,916)	284,269	(27,353)	-	-
Transfer to Stage 3	(22,954)	(53,011)	75,965	-	-
Assets repaid	(996,535)	(63,157)	(29,009)	(5,633)	(1,094,334)
Resegmentation	(86,613)	(1,037)	5,372	-	(82,278)
Impact of modifications	142	37	(629)	(10)	(460)
Write-offs	-	-	(12,193)	(62)	(12,255)
Recoveries of amounts previously written off	-	-	5,261	49	5,310
Unwind of discount	-	-	687	25	712
Currency translation differences	(9,703)	(1,171)	(1,649)	-	(12,523)
Foreign exchange movement	(152,434)	(17,161)	(11,117)	(245)	(180,957)
Net other changes	37,096	2,318	3,697	54	43,165
Balance at 30 June 2022	**3,471,841**	**277,798**	**162,000**	**3,079**	**3,914,718**
Individually assessed	-	-	33,359	-	33,359
Collectively assessed	3,471,841	277,798	128,641	3,079	3,881,359
Balance at 30 June 2022	**3,471,841**	**277,798**	**162,000**	**3,079**	**3,914,718**

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**28,177**	**6,556**	**39,584**	**124**	**74,441**
New financial asset originated or purchased	24,623	68	97	161	24,949
Transfer to Stage 1	4,523	(4,523)	-	-	-
Transfer to Stage 2	(5,195)	9,994	(4,799)	-	-
Transfer to Stage 3	(5,786)	(3,428)	9,214	-	-
Impact on ECL of exposures transferred between stages during the year	(538)	(3,750)	13,958	-	9,670
Assets repaid	(7,663)	(1,377)	(10,007)	(392)	(19,439)
Resegmentation	(857)	360	740	-	243
Impact of modifications	6	(13)	(297)	20	(284)
Write-offs	-	-	(12,193)	(62)	(12,255)
Recoveries of amounts previously written off	-	-	5,261	49	5,310
Unwind of discount	-	-	687	25	712
Currency translation differences	(121)	(134)	(987)	-	(1,242)
Foreign exchange movement	(814)	(130)	(2,153)	(45)	(3,142)
Net other measurement of ECL	(13,046)	2,737	5,721	789	(3,799)
Balance at 30 June 2022	**23,309**	**6,360**	**44,826**	**669**	**75,164**
Individually assessed	-	-	14,112	-	14,112
Collectively assessed	23,309	6,360	30,714	669	61,052
Balance at 30 June 2022	**23,309**	**6,360**	**44,826**	**669**	**75,164**

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**2,635,438**	**215,026**	**107,642**	**23,199**	**2,981,305**
New financial asset originated or purchased	1,629,314	4,216	609	5,218	1,639,357
Transfer to Stage 1	173,740	(173,550)	(190)	-	-
Transfer to Stage 2	(302,713)	333,342	(30,629)	-	-
Transfer to Stage 3	(75,752)	(75,922)	151,674	-	-
Assets repaid	(1,162,331)	(51,256)	(29,621)	(9,310)	(1,252,518)
Resegmentation	(1)	-	316	-	315
Impact of modifications	316	(77)	(8,898)	(854)	(9,513)
Write-offs	-	-	(68,790)	(3,225)	(72,015)
Recoveries of amounts previously written off	-	-	7,866	327	8,193
Unwind of discount	-	-	3,100	577	3,677
Currency translation differences	(15,464)	(95)	(163)	-	(15,722)
Foreign exchange movement	(43,174)	(1,925)	(819)	(338)	(46,256)
Net other changes	15,537	631	10,370	665	27,203
Balance at 30 June 2022	**2,854,910**	**250,390**	**142,467**	**16,259**	**3,264,026**
Individually assessed	-	-	1,076	-	1,076
Collectively assessed	2,854,910	250,390	141,391	16,259	3,262,950
Balance at 30 June 2022	**2,854,910**	**250,390**	**142,467**	**16,259**	**3,264,026**

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**57,083**	**19,410**	**58,731**	**811**	**136,035**
New financial asset originated or purchased	74,787	747	288	595	76,417
Transfer to Stage 1	15,692	(15,679)	(13)	-	-
Transfer to Stage 2	(21,544)	34,134	(12,590)	-	-
Transfer to Stage 3	(35,152)	(17,496)	52,648	-	-
Impact on ECL of exposures transferred between stages during the year	(2,331)	(9,833)	27,468	-	15,304
Assets repaid	(24,571)	(4,738)	(16,783)	(2,262)	(48,354)
Impact of modifications	38	(8)	(4,241)	58	(4,153)
Write-offs	-	-	(68,790)	(3,225)	(72,015)
Recoveries of amounts previously written off	-	-	7,866	327	8,193
Unwind of discount	-	-	3,100	577	3,677
Currency translation differences	(135)	(17)	(70)	-	(222)
Foreign exchange movement	(136)	(33)	(464)	(33)	(666)
Net other measurement of ECL	(20,261)	16,038	32,499	8,206	36,482
Balance at 30 June 2022	**43,470**	**22,525**	**79,649**	**5,054**	**150,698**
Individually assessed	-	-	509	-	509
Collectively assessed	43,470	22,525	79,140	5,054	150,189
Balance at 30 June 2022	**43,470**	**22,525**	**79,649**	**5,054**	**150,698**

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**152,787**	**10,116**	**2,514**	**-**	**165,417**
New financial asset originated or purchased	72,716	1	31	-	72,748
Transfer to Stage 1	8,206	(8,206)	-	-	-
Transfer to Stage 2	(13,849)	14,634	(785)	-	-
Transfer to Stage 3	(1,697)	(1,576)	3,273	-	-
Assets repaid	(60,253)	(4,838)	(2,309)	-	(67,400)
Resegmentation	-	-	(24)	-	(24)
Write-offs	-	-	(187)	-	(187)
Recoveries of amounts previously written off	-	-	(8)	-	(8)
Foreign exchange movement	(19)	(2)	5	-	(16)
Net other changes	174	(9)	1,424	-	1,589
Balance at 30 June 2022	**158,065**	**10,120**	**3,934**	**-**	**172,119**
Collectively assessed	158,065	10,120	3,934	-	172,119
Balance at 30 June 2022	**158,065**	**10,120**	**3,934**	**-**	**172,119**

Gold – pawn loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**1,823**	**11**	**241**	**-**	**2,075**
New financial asset originated or purchased	-	-	-	-	-
Transfer to Stage 1	8	(8)	-	-	-
Transfer to Stage 2	(6)	41	(35)	-	-
Transfer to Stage 3	(1)	(3)	4	-	-
Assets repaid	(7)	(1)	(40)	-	(48)
Write-offs	-	-	(187)	-	(187)
Recoveries of amounts previously written off	-	-	(8)	-	(8)
Unwind of discount	-	-	-	-	-
Net other measurement of ECL	715	(22)	474	-	1,167
Balance at 30 June 2022	**2,532**	**18**	**449**	**-**	**2,999**
Collectively assessed	2,532	18	449	-	2,999
Balance at 30 June 2022	**2,532**	**18**	**449**	**-**	**2,999**

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	*As at 30 June 2021*				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**4,491,078**	**382,118**	**241,821**	**8,376**	**5,123,393**
New financial asset originated or purchased	2,130,157	23,968	440	-	2,154,565
Transfer to Stage 1	74,143	(74,143)	-	-	-
Transfer to Stage 2	(116,171)	136,286	(20,115)	-	-
Transfer to Stage 3	(4,319)	(26,133)	30,452	-	-
Assets derecognised due to pass-through arrangement	(25,034)	(1,582)	(124)	-	(26,740)
Assets repaid	(1,868,503)	(54,959)	(43,838)	(66)	(1,967,366)
Resegmentation	98,411	36,294	-	-	134,705
Impact of modifications	106	(2)	2	(2)	104
Write-offs	-	-	(3,991)	-	(3,991)
Recoveries of amounts previously written off	-	-	18,656	66	18,722
Unwind of discount	-	-	1,371	(8)	1,363
Currency translation differences	(2,966)	(298)	69	-	(3,195)
Foreign exchange movement	(212,789)	(13,481)	(7,744)	(264)	(234,278)
Net other changes	27,186	1,065	4,058	190	32,499
Balance at 30 June 2021	**4,591,299**	**409,133**	**221,057**	**8,292**	**5,229,781**
Individually assessed	3,441	-	210,666	-	214,107
Collectively assessed	4,587,858	409,133	10,391	8,292	5,015,674
Balance at 30 June 2021	**4,591,299**	**409,133**	**221,057**	**8,292**	**5,229,781**

Commercial loans at amortised cost, ECL:	*As at 30 June 2021*				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**33,823**	**8,157**	**136,572**	**4**	**178,556**
New financial asset originated or purchased	2,719	1,378	150	(12)	4,235
Transfer to Stage 1	821	(821)	-	-	-
Transfer to Stage 2	(566)	8,910	(8,344)	-	-
Transfer to Stage 3	(46)	(75)	121	-	-
Impact on ECL of exposures transferred between stages during the year	(275)	(8,179)	2,401	-	(6,053)
Assets derecognised due to pass-through arrangement	(132)	(11)	(70)	-	(213)
Assets repaid	(5,920)	(467)	(28,721)	(66)	(35,174)
Resegmentation	193	298	-	-	491
Impact of modifications	1	1	2	-	4
Write-offs	-	-	(3,991)	-	(3,991)
Recoveries of amounts previously written off	-	-	18,656	66	18,722
Unwind of discount	-	-	1,371	(8)	1,363
Currency translation differences	(197)	(50)	(351)	12	(586)
Foreign exchange movement	(1,220)	(127)	(3,616)	-	(4,963)
Net other measurement of ECL	(9,201)	(1,810)	16,993	45	6,027
Balance at 30 June 2021	**20,000**	**7,204**	**131,173**	**41**	**158,418**
Individually assessed	-	-	126,790	-	126,790
Collectively assessed	20,000	7,204	4,383	41	31,628
Balance at 30 June 2021	**20,000**	**7,204**	**131,173**	**41**	**158,418**

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost,			*As at 30 June 2021*		
gross:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**3,287,844**	**314,215**	**168,476**	**25,849**	**3,796,384**
New financial asset originated or purchased	693,876	17	102	3,967	697,962
Transfer to Stage 1	288,606	(267,608)	(20,998)	-	-
Transfer to Stage 2	(175,439)	305,798	(130,359)	-	-
Transfer to Stage 3	(109,280)	(69,801)	179,081	-	-
Assets repaid	(454,609)	(56,060)	(37,834)	(4,739)	(553,242)
Resegmentation	(2)	-	-	-	(2)
Impact of modifications	995	666	621	12	2,294
Write-offs	-	-	(2,853)	(413)	(3,266)
Recoveries of amounts previously written off	-	-	584	92	676
Unwind of discount	-	-	49	(6)	43
Currency translation differences	(544)	(35)	(6)	-	(585)
Foreign exchange movement	(87,070)	(4,359)	(5,696)	(879)	(98,004)
Net other changes	(1,691)	(1,569)	246	42	(2,972)
Balance at 30 June 2021	**3,442,686**	**221,264**	**151,413**	**23,925**	**3,839,288**
Individually assessed	-	-	420	-	420
Collectively assessed	3,442,686	221,264	150,993	23,925	3,838,868
Balance at 30 June 2021	**3,442,686**	**221,264**	**151,413**	**23,925**	**3,839,288**

Residential mortgage loans at amortised cost,			*As at 30 June 2021*		
ECL:	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**8,652**	**11,410**	**25,236**	**3,311**	**48,609**
New financial asset originated or purchased	11	1	7	101	120
Transfer to Stage 1	12,885	(10,097)	(2,788)	-	-
Transfer to Stage 2	(1,898)	19,640	(17,742)	-	-
Transfer to Stage 3	(708)	(3,492)	4,200	-	-
Impact on ECL of exposures transferred between stages during the year	(4,905)	(15,759)	11,312	-	(9,352)
Assets repaid	(1,016)	(2,021)	(5,618)	(776)	(9,431)
Resegmentation	2	-	-	-	2
Impact of modifications	-	-	11	10	21
Write-offs	-	-	(2,853)	(413)	(3,266)
Recoveries of amounts previously written off	-	-	584	92	676
Unwind of discount	-	-	49	(6)	43
Currency translation differences	-	(1)	(1)	-	(2)
Foreign exchange movement	(251)	211	(1,027)	(217)	(1,284)
Net other measurement of ECL	840	5,103	19,307	1,068	26,318
Balance at 30 June 2021	**13,612**	**4,995**	**30,677**	**3,170**	**52,454**
Individually assessed	-	-	31	-	31
Collectively assessed	13,612	4,995	30,646	3,170	52,423
Balance at 30 June 2021	**13,612**	**4,995**	**30,677**	**3,170**	**52,454**

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:			As at 30 June 2021		
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**2,649,107**	**439,405**	**177,471**	**3,471**	**3,269,454**
New financial asset originated or purchased	1,526,045	9,209	549	2,677	1,538,480
Transfer to Stage 1	233,956	(227,297)	(6,659)	-	-
Transfer to Stage 2	(351,408)	413,106	(61,698)	-	-
Transfer to Stage 3	(68,830)	(64,838)	133,668	-	-
Assets repaid	(886,873)	(167,344)	(48,730)	(2,540)	(1,105,487)
Resegmentation	(120,747)	(37,004)	(11)	-	(157,762)
Impact of modifications	43	115	(2,419)	(3)	(2,264)
Write-offs	-	-	(23,853)	(171)	(24,024)
Recoveries of amounts previously written off	-	-	4,692	8	4,700
Unwind of discount	-	-	213	(9)	204
Currency translation differences	(1,246)	(68)	(230)	-	(1,544)
Foreign exchange movement	(95,255)	(14,790)	(5,296)	(101)	(115,442)
Net other changes	27,724	(1,515)	4,204	35	30,448
Balance at 30 June 2021	**2,912,516**	**348,979**	**171,901**	**3,367**	**3,436,763**
Individually assessed	-	-	26,501	-	26,501
Collectively assessed	2,912,516	348,979	145,400	3,367	3,410,262
Balance at 30 June 2021	**2,912,516**	**348,979**	**171,901**	**3,367**	**3,436,763**

Micro and SME loans at amortised cost, ECL:			As at 30 June 2021		
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**26,157**	**20,571**	**55,560**	**64**	**102,352**
New financial asset originated or purchased	1,304	144	66	81	1,595
Transfer to Stage 1	15,886	(14,375)	(1,511)	-	-
Transfer to Stage 2	(5,885)	18,807	(12,922)	-	-
Transfer to Stage 3	(287)	(5,512)	5,799	-	-
Impact on ECL of exposures transferred between stages during the year	(3,756)	(11,044)	16,155	-	1,355
Assets repaid	(8,027)	(5,453)	(11,319)	(184)	(24,983)
Resegmentation	(709)	(392)	-	-	(1,101)
Impact of modifications	-	(7)	(1,736)	-	(1,743)
Write-offs	-	-	(23,853)	(171)	(24,024)
Recoveries of amounts previously written off	-	-	4,692	8	4,700
Unwind of discount	-	-	213	(9)	204
Currency translation differences	(49)	(22)	(301)	-	(372)
Foreign exchange movement	(553)	(43)	(1,415)	(44)	(2,055)
Net other measurement of ECL	2,173	7,349	21,207	596	31,325
Balance at 30 June 2021	**26,254**	**10,023**	**50,635**	**341**	**87,253**
Individually assessed	-	-	13,961	-	13,961
Collectively assessed	26,254	10,023	36,674	341	73,292
Balance at 30 June 2021	**26,254**	**10,023**	**50,635**	**341**	**87,253**

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:			**As at 30 June 2021**		
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**1,904,182**	**194,366**	**100,950**	**8,515**	**2,208,013**
New financial asset originated or purchased	1,111,694	3,303	1,119	3,776	1,119,892
Transfer to Stage 1	156,377	(139,780)	(16,597)	-	-
Transfer to Stage 2	(135,297)	194,062	(58,765)	-	-
Transfer to Stage 3	(80,098)	(64,516)	144,614	-	-
Assets repaid	(779,012)	(50,191)	(31,552)	(1,806)	(862,561)
Resegmentation	(31)	-	80	-	49
Impact of modifications	240	83	(4,585)	-	(4,262)
Write-offs	-	-	(38,438)	-	(38,438)
Recoveries of amounts previously written off	-	-	9,131	20	9,151
Unwind of discount	-	-	(346)	26	(320)
Currency translation differences	(1,720)	(7)	(31)	-	(1,758)
Foreign exchange movement	(22,213)	(653)	(402)	(97)	(23,365)
Net other changes	1,151	(1,148)	7,330	(380)	6,953
Balance at 30 June 2021	**2,155,273**	**135,519**	**112,508**	**10,054**	**2,413,354**
Individually assessed	-	-	1,688	-	1,688
Collectively assessed	2,155,273	135,519	110,820	10,054	2,411,666
Balance at 30 June 2021	**2,155,273**	**135,519**	**112,508**	**10,054**	**2,413,354**

Consumer loans at amortised cost, ECL:			**As at 30 June 2021**		
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**40,597**	**25,533**	**46,641**	**1,030**	**113,801**
New financial asset originated or purchased	7,026	799	268	182	8,275
Transfer to Stage 1	23,441	(15,755)	(7,686)	-	-
Transfer to Stage 2	(8,875)	32,333	(23,458)	-	-
Transfer to Stage 3	(1,305)	(11,406)	12,711	-	-
Impact on ECL of exposures transferred between stages during the year	(10,661)	(20,106)	26,143	-	(4,624)
Assets repaid	(20,301)	(6,827)	(16,603)	(291)	(44,022)
Impact of modifications	(2)	(1)	(2,586)	-	(2,589)
Write-offs	-	-	(38,438)	-	(38,438)
Recoveries of amounts previously written off	-	-	9,131	20	9,151
Unwind of discount	-	-	(346)	26	(320)
Currency translation differences	(3)	-	(11)	(15)	(29)
Foreign exchange movement	(73)	(10)	(373)	(15)	(471)
Net other measurement of ECL	16,224	8,266	46,426	(125)	70,791
Balance at 30 June 2021	**46,068**	**12,826**	**51,819**	**812**	**111,525**
Individually assessed	-	-	556	-	556
Collectively assessed	46,068	12,826	51,263	812	110,969
Balance at 30 June 2021	**46,068**	**12,826**	**51,819**	**812**	**111,525**

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:	As at 30 June 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2021	**97,775**	**3,879**	**1,730**	**-**	**103,384**
New financial asset originated or purchased	93,365	622	130	-	94,117
Transfer to Stage 1	4,139	(3,731)	(408)	-	-
Transfer to Stage 2	(8,977)	9,747	(770)	-	-
Transfer to Stage 3	(2,186)	(1,043)	3,229	-	-
Assets repaid	(63,081)	(3,020)	(1,834)	-	(67,935)
Resegmentation	22,369	710	(69)	-	23,010
Write-offs	-	-	(100)	-	(100)
Recoveries of amounts previously written off	-	-	1	-	1
Unwind of discount	-	-	(1)	-	(1)
Foreign exchange movement	(10)	(5)	(5)	-	(20)
Net other changes	321	18	41	-	380
Balance at 30 June 2021	**143,715**	**7,177**	**1,944**	**-**	**152,836**
Collectively assessed	143,715	7,177	1,944	-	152,836
Balance at 30 June 2021	**143,715**	**7,177**	**1,944**	**-**	**152,836**

Gold – pawn loans at amortised cost, ECL:	As at 30 June 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2021	**40**	**16**	**172**	**-**	**228**
Transfer to Stage 1	29	(5)	(24)	-	-
Transfer to Stage 2	-	30	(30)	-	-
Transfer to Stage 3	(1)	(3)	4	-	-
Impact on ECL of exposures transferred between stages during the year	(24)	-	-	-	(24)
Assets repaid	(8)	(1)	(33)	-	(42)
Write-offs	-	-	(100)	-	(100)
Recoveries of amounts previously written off	-	-	1	-	1
Unwind of discount	-	-	(1)	-	(1)
Net other measurement of ECL	(495)	61	138	-	(296)
Balance at 30 June 2021	**329**	**266**	**127**	**-**	**722**
Collectively assessed	329	266	127	-	722
Balance at 30 June 2021	**329**	**266**	**127**	**-**	**722**

Concentration of loans to customers

As at 30 June 2022, the concentration of loans granted by the Group to the ten largest third-party borrowers comprised GEL 1,053,899 accounting for 6% of the gross loan portfolio of the Group (31 December 2021: GEL 1,375,536 and 8% respectively). An allowance of GEL 5,209 (31 December 2021: GEL 2,770) was established against these loans.

As at 30 June 2022, the concentration of loans granted by the Group to the ten largest third-party group of borrowers (borrower and its related parties) comprised GEL 1,812,766 accounting for 11% of the gross loan portfolio of the Group (31 December 2021: GEL 2,136,228 and 13% respectively). An allowance of GEL 10,251 (31 December 2021: GEL 7,386) was established against these loans.

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

Concentration of loans to customers (continued)

As at 30 June 2022 and 31 December 2021 loans were principally issued within Georgia, and their distribution by industry sector was as follows:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Individuals	9,641,999	9,184,255
Manufacturing	1,088,910	1,377,023
Trade	1,147,300	1,189,036
Real estate	1,072,417	1,025,298
Hospitality	921,600	946,224
Electricity, gas and water supply	408,635	384,554
Construction	403,481	379,813
Service	288,595	307,602
Financial intermediation	240,258	244,215
Transport & communication	215,118	234,512
Mining and quarrying	164,715	183,270
Other	1,018,366	998,918
Loans to customers, gross	**16,611,394**	**16,454,720**
Less – Allowance for expected credit loss	(419,894)	(404,804)
Loans to customers, net	**16,191,500**	**16,049,916**

Loans have been extended to the following types of customers:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Individuals	9,641,999	9,184,255
Private companies	6,961,335	7,257,993
State-owned entities	8,060	12,472
Loans to customers, gross	**16,611,394**	**16,454,720**
Less – Allowance for expected credit loss	(419,894)	(404,804)
Loans to customers, net	**16,191,500**	**16,049,916**

Finance lease receivables

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Minimum lease payments receivable	151,835	168,508
Less – Unearned finance lease income	(36,023)	(43,556)
	115,812	**124,952**
Less – Allowance for expected credit loss / impairment loss	(7,682)	(5,895)
Finance lease receivables, net	**108,130**	**119,057**

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

As at 30 June 2022**,** finance lease receivables carried at GEL 45,171 were pledged for inter-bank loans received from several credit institutions (31 December 2021: GEL 67,556).

As at 30 June 2022, the concentration of investment in the five largest lease receivables comprised GEL 22,423 or 19% of total finance lease receivables (31 December 2021: GEL 22,417 or 18%) and finance income received from them for the period ended 30 June 2022 comprised GEL 1,027 or 9% of total finance income from lease (31 December 2021: GEL 1,706 or 6%).

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

Finance lease receivables (continued)

Future minimum lease payments to be received after 30 June 2022 and 31 December 2021 are as follows:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Within 1 year	38,426	76,407
From 1 to 5 years	99,972	78,474
More than 5 years	13,437	13,627
Minimum lease payment receivables	**151,835**	**168,508**

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

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**81,174**	**17,584**	**16,612**	**9,582**	**124,952**
New financial asset originated or purchased	28,943	-	-	3,611	32,554
Transfer to Stage 1	18,381	(13,634)	(4,747)	-	-
Transfer to Stage 2	(16,921)	23,863	(6,942)	-	-
Transfer to Stage 3	(2,871)	(9,468)	12,339	-	-
Assets repaid	(35,163)	(6,837)	(4,686)	(2,524)	(49,210)
Impact of modifications	50	-	-	-	50
Write-offs	-	-	(2,246)	-	(2,246)
Unwind of discount	-	-	3	40	43
Currency translation differences	(5,340)	(957)	383	-	(5,914)
Foreign exchange movement	29	(77)	10	(299)	(337)
Net other changes	191	(1)	35	472	697
Balance at 30 June 2022	**78,043**	**14,303**	**12,584**	**10,882**	**115,812**
Individually assessed	-	-	2,750	-	2,750
Collectively assessed	78,043	14,303	9,834	10,882	113,062
Balance at 30 June 2022	**78,043**	**14,303**	**12,584**	**10,882**	**115,812**

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**1,126**	**763**	**2,810**	**1,196**	**5,895**
New financial asset originated or purchased	1,166	-	-	-	1,166
Transfer to Stage 1	1,060	(460)	(600)	-	-
Transfer to Stage 2	(1,073)	1,819	(746)	-	-
Transfer to Stage 3	(123)	(1,017)	1,140	-	-
Impact on ECL of exposures transferred between stages during the year	(986)	436	1,418	-	868
Assets repaid	(267)	(1,010)	(964)	(484)	(2,725)
Write-offs	-	-	(925)	-	(925)
Unwind of discount	-	-	3	40	43
Currency translation differences	(55)	(40)	584	-	489
Net other measurement of ECL	151	(515)	488	1,245	1,369
Balance at 30 June 2022	**1,018**	**831**	**3,836**	**1,997**	**7,682**
Individually assessed	-	-	1,345	-	1,345
Collectively assessed	1,018	831	2,491	1,997	6,337
Balance at 30 June 2022	**1,018**	**831**	**3,836**	**1,997**	**7,682**

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

Finance lease receivables (continued)

Finance lease receivables, gross	As at 30 June 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2021	**67,346**	**53,276**	**18,750**	**-**	**139,372**
New financial asset originated or purchased	46,350	-	468	2,021	48,839
Transfer to Stage 1	22,359	(22,338)	(21)	-	-
Transfer to Stage 2	(18,512)	29,840	(11,328)	-	-
Transfer to Stage 3	(710)	(10,697)	11,407	-	-
Assets repaid	(28,270)	(18,865)	(4,767)	(78)	(51,980)
Impact of modifications	-	-	-	-	-
Write-offs	-	-	(4,818)	-	(4,818)
Unwind of discount	-	-	3	-	3
Currency translation differences	(270)	-	(46)	-	(316)
Foreign exchange movement	811	1,591	(528)	(98)	1,776
Net other changes	(835)	(7)	(2)	151	(693)
Balance at 30 June 2021	**88,269**	**32,800**	**9,118**	**1,996**	**132,183**
Individually assessed	-	-	3,564	-	3,564
Collectively assessed	88,269	32,800	5,554	1,996	128,619
Balance at 30 June 2021	**88,269**	**32,800**	**9,118**	**1,996**	**132,183**

Finance lease receivables, ECL:	As at 30 June 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2021	**649**	**1,109**	**2,618**	**-**	**4,376**
New financial asset originated or purchased	748	-	258	-	1,006
Transfer to Stage 1	384	(384)	-	-	-
Transfer to Stage 2	(370)	1,478	(1,108)	-	-
Transfer to Stage 3	(5)	(476)	481	-	-
Impact on ECL of exposures transferred between stages during the year	(209)	(140)	1,718	-	1,369
Assets repaid	(227)	(337)	(345)	-	(909)
Write-offs	-	-	(1,488)	-	(1,488)
Unwind of discount	-	-	3	-	3
Currency translation differences	(10)	-	(33)	-	(43)
Foreign exchange movement	(6)	(83)	(94)	-	(183)
Net other measurement of ECL	(1)	-	332	-	331
Balance at 30 June 2021	**953**	**1,167**	**2,342**	**-**	**4,462**
Individually assessed	-	-	1,706	-	1,706
Collectively assessed	953	1,167	636	-	2,756
Balance at 30 June 2021	**953**	**1,167**	**2,342**	**-**	**4,462**

10. Taxation

The corporate income tax expense in income statement comprises:

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Current income benefit (expense)	(60,853)	(50,964)
Deferred income tax benefit (expense)	3,254	16,886
Income tax expense	**(57,599)**	**(34,078)**

The income tax rate applicable to most of the Group's income is the income tax rate applicable to subsidiaries' income, which ranges from 15% to 25% (30 June 2021: from 15% to 25%).

As at 30 June 2022 and 31 December 2021 income tax assets and liabilities consist of the following:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Current income tax assets	-	109
Deferred income tax assets	816	183
Income tax assets	**816**	**292**
Current income tax liabilities	27,688	85,270
Deferred income tax liabilities	22,732	25,598
Income tax liabilities	**50,420**	**110,868**

11. Other assets and other liabilities

Other assets comprise:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Derivative financial assets	131,139	135,079
Foreclosed assets	52,481	3,216
Receivables from remittance operations	50,642	35,041
Other receivables	20,010	17,534
Operating tax assets	13,381	8,169
Investments in associates	9,968	10,079
Assets purchased for finance lease purposes	8,917	13,093
Investment securities at fair value through profit or loss	2,737	2,146
Derivatives margin	1,406	18,586
Other	17,180	18,487
Other assets, gross	**307,861**	**261,430**
Less – Allowance for impairment of other assets	(15,036)	(14,483)
Other assets, net	**292,825**	**246,947**

11. Other assets and other liabilities (continued)

Other liabilities comprise:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Dividends payable	111,966	1,746
Derivatives margin	72,432	98,844
Payables for remittance operations	39,155	8,457
Creditors	28,432	25,814
Accounts payable	6,860	7,708
Other taxes payable	6,689	12,498
Derivative financial liabilities	5,098	7,865
Provisions	5,027	6,993
Advances received	1,466	268
Other	15,460	13,156
Other liabilities	**292,585**	**183,349**

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

	As at 30 June 2022 (unaudited)			*As at 31 December 2021*		
	Notional	*Fair value*		*Notional*	*Fair value*	
	amount	*Asset*	*Liability*	*amount*	*Asset*	*Liability*
Foreign exchange contracts						
Forwards and swaps – domestic	1,008,293	4,038	1,958	1,065,639	931	3,141
Forwards and swaps – foreign	5,494,853	126,764	3,140	5,678,727	131,321	3,339
Interest rate contracts						
Forwards and swaps – foreign	1,123	337	-	1,129	296	-
Options - foreign (IR)	-	-	-	7,434	2,531	1,385
Total derivative assets / liabilities	**6,504,269**	**131,139**	**5,098**	**6,752,929**	**135,079**	**7,865**

12. Client deposits and notes

The amounts due to customers include the following:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Current accounts	7,963,318	6,997,946
Time deposits	7,136,743	7,040,056
Client deposits and notes	**15,100,061**	**14,038,002**

At 30 June 2022, amounts due to customers of GEL 2,007,758 (13%) were due to the ten largest customers (31 December 2021: GEL 1,953,107 (14%)).

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

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Individuals	9,197,602	8,501,021
Private enterprises	5,024,419	4,914,845
State and state-owned entities	878,040	622,136
Client deposits and notes	**15,100,061**	**14,038,002**

12. Client deposits and notes (continued)

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

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Individuals	9,197,602	8,501,021
Financial intermediation	1,098,678	1,280,955
Trade	956,886	853,307
Government services	869,614	613,710
Construction	635,772	664,695
Transport & communication	518,199	418,243
Manufacturing	482,853	444,095
Service	403,626	345,130
Real estate	191,324	214,082
Electricity, gas and water supply	112,691	112,244
Hospitality	101,938	70,375
Other	530,878	520,145
Client deposits and notes	**15,100,061**	**14,038,002**

13. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Short-term loans from National Bank of Georgia	2,242,322	1,413,333
Borrowings from international credit institutions	1,541,165	1,839,921
Correspondent accounts	392,312	170,410
Additional Tier 1	147,161	
Time deposits and inter-bank loans	118,581	226,015
	4,441,541	**3,649,679**
Non-convertible subordinated debt	577,829	668,766
Amounts due to credit institutions	**5,019,370**	**4,318,445**

During the period ended 30 June 2022, the Group paid up to 4.18% on US$ borrowings from international credit institutions (31 December 2021: up to 4.18%). During the period ended 30 June 2022, the Group paid up to 7.80% on Dollar subordinated debt (31 December 2021: up to 7.75%).

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants") that the Group maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 30 June 2022 and 31 December 2021, the Group complied with all the Lender Covenants of the significant borrowings from international credit institutions.

On 31 May 2022, the Bank signed a USD 50 million Additional Tier 1 Capital Perpetual Subordinated Syndicated Facility with the European Bank for Reconstruction and Development and Swedfund International AB as lenders with maturity of five years. The amount was fully utilised as at 30 June 2022.

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

14. Debt securities issued

Debt securities issued comprise:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Eurobonds and notes issued	798,019	932,260
Additional Tier 1 capital notes issued	289,718	306,239
Local bonds	45,312	151,703
Certificates of deposit	166,937	128,483
Debt securities issued	**1,299,986**	**1,518,685**

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	**Additional Tier 1 capital notes issued**
Carrying amount at 31 December 2020	**1,019,120**	**323,320**
Repurchase of debt securities issued	(19,625)	-
Repayment of the principal portion of the debt securities issued	(15,614)	-
Other movements	(24,974)	(11,343)
Carrying amount at 30 June 2021 (unaudited)	**958,907**	**311,977**
Carrying amount at 31 December 2021	**932,260**	**306,239**
Repurchase of debt securities issued	(99,148)	-
Repayment of the principal portion of the debt securities issued	(31,397)	-
Other movements	(3,696)	(16,521)
Carrying amount at 30 June 2022 (unaudited)	**798,019**	**289,718**

15. Commitments and contingencies

Legal

Sai-invest

As at 30 June 2022, the Bank was engaged in litigation with Sai-Invest LLC ("Sai-Invest") in relation to a deposit pledge in the amount of EUR 7 million for the benefit LTD Sport Invest's loans owing to JSC Bank of Georgia. Sai-Invest LLC has challenged the validity of the deposit pledge in the Georgian courts, and its challenge has been substantially sustained in the Court of Appeal, a determination which the Bank believes to be erroneous and without merit, and which the Bank has appealed to the Supreme Court. The matter is currently under review by the Supreme Court, and a decision is expected during 2022. The Bank's management is of the opinion that the probability of incurring material losses on this claim is low, and, accordingly, no provision has been made in these consolidated financial statements.

Financial commitments and contingencies

As at 30 June 2022 and 31 December 2021**,** the Group's financial commitments and contingencies comprised the following:

	As at	
	30 June 2022 (unaudited)	*31 December 2021*
Credit-related commitments		
Financial and performance guarantees issued*	1,567,143	1,686,913
Letters of credit	83,130	71,676
Undrawn loan facilities	691,055	809,481
	2,341,328	**2,568,070**
Less – Cash held as security against letters of credit and guarantees	(121,365)	(117,379)
Less – Provisions	(5,027)	(6,993)
Operating lease commitments		
Not later than 1 year	1,625	1,875
Later than 1 year but not later than 5 years	2,471	2,486
Later than 5 years	718	986
	4,814	**5,347**
Capital expenditure commitments	**9,690**	**4,539**

** Out of total guarantees issued as at 30 June 2022 financial and performance guarantees of the Group comprised GEL 679,438 (31 December 2021: GEL 1,030,122) and GEL 887,705 (31 December 2021: GEL 656,791), respectively.*

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

16. Equity

Share capital

As at 30 June 2022 and 31 December 2021 issued share capital comprised 49,169,428 common shares of BOGG, all of which were fully paid. Each share has a nominal value of one (1) British penny. Shares issued and outstanding as at 30 June 2022 and 30 June 2021 are described below:

	Number of ordinary shares	*Amount of ordinary shares*
30 June 2021	**49,169,428**	**1,618**
30 June 2022	**49,169,428**	**1,618**

16. Equity (continued)

Share capital (continued)

Treasury shares

Treasury shares are held by the Group solely for the purpose of future employee share-based compensation.

The number of treasury shares held by the Group as at 30 June 2022, comprised 2,185,856 (31 December 2021: 2,268,446), with nominal amount of GEL 62 (31 December 2021: GEL 75).

Dividends

Shareholders are entitled to dividends in Pounds Sterling.

On 20 June 2022, the shareholders of Bank of Georgia Group PLC declared a final dividend for 2021 of Georgian Lari 2.33 per share. The currency conversion period was set to be for the period 27 June to 1 July 2022, with the official GEL:GBP exchange rate of 3.5858, resulting in a GBP-denominated final dividend of 0.6498 per share. Payment of the total GEL 112,096 final dividends was received by shareholders on 11 July 2022.

On 17 August 2021, the Board of Bank of Georgia Group PLC declared an interim dividend for 2021 of Georgian Lari 1.48 per share. The currency conversion period was set to be 18 to 22 October 2021, with the official GEL:GBP exchange rate of 4.3219, resulting in a GBP-denominated final dividend of 0.3424 per share. Payment of the total GEL 145,066 interim dividends was received by shareholders on 5 November 2021.

Nature and purpose of other reserves

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

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

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

Movements on this account during the periods ended 30 June 2022 and 30 June 2021, are presented in the statements of other comprehensive income.

Earnings per share

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Basic earnings per share		
Profit for the period attributable to ordinary shareholders of the Group	513,983	339,454
Weighted average number of ordinary shares outstanding during the period	47,287,496	47,939,475
Basic earnings per share	10.8693	7.0809

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Diluted earnings per share		
Effect of dilution on weighted average number of ordinary shares:		
Dilutive unvested share options	339,512	300,582
Weighted average number of ordinary shares adjusted for the effect of dilution	47,627,008	48,240,057
Diluted earnings per share	10.7918	7.0368

17. Net interest income

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Interest income calculated using EIR method	**1,063,198**	**861,073**
From loans to customers	922,338	760,303
From investment securities	135,541	95,949
From amounts due from credit institutions	13,988	8,949
Net gain (loss) on modification of financial assets	(8,669)	(4,128)
Other interest income	**11,405**	**14,143**
From finance lease receivable	11,405	14,133
From other assets	-	10
Interest income	**1,074,603**	**875,216**
On client deposits and notes	(266,599)	(255,385)
On amounts owed to credit institutions	(206,603)	(129,317)
On debt securities issued	(50,216)	(57,842)
Interest element of cross-currency swaps	12,093	18,016
On lease liability	(2,357)	(2,944)
Interest expense	**(513,682)**	**(427,472)**
Deposit insurance fees	(8,301)	(7,163)
Net interest income	**552,620**	**440,581**

18. Net fee and commission income

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Settlements operations	190,615	135,202
Guarantees and letters of credit	17,382	17,043
Currency conversion operations	13,671	5,374
Cash operations	13,129	6,336
Brokerage service fees	3,954	3,728
Advisory	959	536
Other	2,090	2,954
Fee and commission income	**241,800**	**171,173**
Settlements operations	(84,942)	(54,170)
Currency conversion operations	(2,036)	(1,122)
Guarantees and letters of credit	(219)	(351)
Cash operations	(9,573)	(4,237)
Insurance brokerage service fees	(2,856)	(2,410)
Advisory	(74)	(33)
Other	(2,203)	(2,994)
Fee and commission expense	**(101,903)**	**(65,317)**
Net fee and commission income	**139,897**	**105,856**

19. Expected credit loss and impairment charge on other assets and provisions

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

	Stage 1	Stage 2	Stage 3			
	Collective	**Collective**	**Individual**	**Collective**	**POCI**	**Total**
Cash and cash equivalents	(43)	-	-	-	-	(43)
Amounts due from credit institutions	(192)	-	-	-	-	(192)
Investment securities measured at amortised cost - debt instruments	(344)	-	-	-	-	(344)
Investment securities measured at FVOCI - debt instruments	(3,006)	-	-	-	-	(3,006)
Loans to customers at amortised cost	17,179	(17,303)	16,118	(57,469)	(11,666)	(53,141)
Finance lease receivables	53	(108)	(274)	(1,090)	(761)	(2,180)
Accounts receivable and other loans	-	-	(160)	-	-	(160)
Other financial assets	(1,908)	-	-	-	-	(1,908)
Financial and performance guarantees	117	10	22	5	-	154
Letter of credit to customers	(7)	-	65	-	-	58
Other financial commitments	33	157	-	-	-	190
For the year ended 30 June 2022	**11,882**	**(17,244)**	**15,771**	**(58,554)**	**(12,427)**	**(60,572)**

	Stage 1	Stage 2	Stage 3			
	Collective	**Collective**	**Individual**	**Collective**	**POCI**	**Total**
Cash and cash equivalents	15	-	-	-	-	15
Amounts due from credit institutions	23	-	-	-	-	23
Investment securities measured at FVOCI - debt instruments	1,306	-	-	-	-	1,306
Loans to customers at amortised cost	2,756	30,300	3,852	(39,651)	(353)	(3,096)
Finance lease receivables	(314)	(58)	(714)	(528)	-	(1,614)
Financial and performance guarantees	6,623	63	3,746	(8)	-	10,424
Letter of credit to customers	1,515	-	315	-	-	1,830
Other financial commitments	(1,085)	(356)	-	-	-	(1,441)
For the period ended 30 June 2021	**10,470**	**29,949**	**7,199**	**(40,187)**	**(353)**	**7,078**

The table below shows impairment charge on other assets and provisions in the income statement:

	For the six months ended	
	30 June 2022 (unaudited)	*30 June 2021 (unaudited)*
Legal fees	(47,446)	31,677
Impairment charge on other non-financial assets	4,024	2,505
Impairment charge on assets held for sale	1,194	1,558
Provision charge on legal claims	-	1,422
	(42,228)	**37,162**

Impairment charge on other assets and provisions for the period ended 30 June 2022 includes a GEL 44.3 million recovery of some previously paid legal fees.

20. Risk management

Liquidity risk and funding management

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

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

The liquidity position is assessed and managed by the Group primarily on a standalone Bank basis, based on certain liquidity ratios established by the NBG. The banks are required to maintain a liquidity coverage ratio, which is defined as the ratio of high-quality liquid assets to net cash outflow over the next 30 days. The order requires that, absent a stress-period, the value of the ratio be no lower than 100%. The liquidity coverage ratio as at 30 June 2022 was 113.5% (31 December 2021: 124.0%).

The Bank holds a comfortable buffer on top of Net Stable Funding Ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. NSFR as at 30 June 2022 was 130.6%, (31 December 2021: 132.5%), all comfortably above the NBG's minimum regulatory requirements.

The Group also matches the maturity of financial assets and financial liabilities and regularly monitors negative gaps compared with the Bank's standalone total regulatory capital calculated per NBG regulation. The ratios are assessed and monitored monthly and compared against set limits. In the case of deviations, amendment strategies / actions are discussed and approved by ALCO.

21. Fair value measurements

Fair value hierarchy

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

At 30 June 2022	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	188,315	188,315
Land	-	-	*9,914*	*9,914*
Residential properties	-	-	*129,516*	*129,516*
Non-residential properties	-	-	*48,885*	*48,885*
Investment securities	4,867	3,093,991	3,257	3,102,115
Other assets – derivative financial assets	-	131,139	-	131,139
Other assets – investment securities at fair value through profit or loss	2,737	-	-	2,737
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	1,766,529	-	1,766,529
Investment securities		111,802		111,802
Loans to customers and finance lease receivables	-	-	15,566,738	15,566,738
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	5,098	-	5,098
Liabilities for which fair values are disclosed				
Client deposits and notes	-	15,073,250	-	15,073,250
Amounts owed to credit institutions	-	3,813,210	1,206,160	5,019,370
Debt securities issued	-	1,067,529	214,150	1,281,679
Lease liability	-	2,016	93,884	95,900

At 31 December 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	226,849	226,849
Land	-	-	*11,762*	*11,762*
Residential properties	-	-	*152,167*	*152,167*
Non-residential properties	-	-	*62,920*	*62,920*
Investment securities	5,823	2,586,152	3,689	2,595,664
Other assets – derivative financial assets	-	135,079	-	135,079
Other assets – investment securities at fair value through profit or loss	2,146	-	-	2,146
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	1,931,390	-	1,931,390
Loans to customers and finance lease receivables	-	-	15,787,725	15,787,725
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	7,865	-	7,865
Liabilities for which fair values are disclosed				
Client deposits and notes	-	14,013,500	-	14,013,500
Amounts owed to credit institutions	-	3,635,353	683,092	4,318,445
Debt securities issued	-	1,310,806	280,109	1,590,915
Lease liability	35	3,574	90,760	94,369

21. Fair value measurements (continued)

Fair value hierarchy (continued)

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

Derivative financial instruments

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

Trading securities and investment securities

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

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

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

Fair value of financial assets and liabilities not carried at fair value	*At 30 June 2022*			*At 31 December 2021*		
	Carrying value 2022	*Fair value 2022*	*Unrecognised gain (loss) 2022*	*Carrying value 2021*	*Fair value 2021*	*Unrecognised gain (loss) 2021*
Financial assets						
Amounts due from credit institutions	1,766,529	1,766,529	-	1,931,390	1,931,390	-
Loans to customers and finance lease receivables	16,299,630	15,566,738	(732,892)	16,168,973	15,787,725	(381,248)
Financial liabilities						
Client deposits and notes	15,100,061	15,073,250	26,811	14,038,002	14,013,500	24,502
Amounts owed to credit institutions	5,019,370	5,019,370	-	4,318,445	4,318,445	-
Debt securities issued	1,299,986	1,281,679	18,307	1,518,685	1,590,915	(72,230)
Lease liability	91,524	95,900	(4,376)	87,662	94,369	(6,707)
Total unrecognised change in unrealised fair value			**(692,150)**			**(435,683)**

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

22. Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities according to their contractual maturities, except for current accounts and credit card loans as described below.

	At 30 June 2022							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	2,045,463	789,487	-	-	-	-	-	2,834,950
Amounts due from credit institutions	1,735,406	8,681	524	2,800	7,557	2,487	9,074	1,766,529
Investment securities	1,566,212	1,471,475	16,099	45,101	48,920	65,837	273	3,213,917
Loans to customers and finance lease	4,222	2,872,247	1,196,934	2,096,750	4,104,683	2,220,615	3,804,179	16,299,630
Total	**5,351,303**	**5,141,890**	**1,213,557**	**2,144,651**	**4,161,160**	**2,288,939**	**3,813,526**	**24,115,026**
Financial liabilities								
Client deposits and notes	3,098,770	3,065,356	996,366	6,424,764	1,039,961	210,744	264,100	15,100,061
Amounts owed to credit institutions	392,312	2,445,176	225,079	316,001	850,343	397,996	392,463	5,019,370
Debt securities issued	-	150,448	18,207	66,498	850,979	213,854	-	1,299,986
Lease liability	589	6,089	5,908	11,275	38,503	22,713	6,447	91,524
Total	**3,491,671**	**5,667,069**	**1,245,560**	**6,818,538**	**2,779,786**	**845,307**	**663,010**	**21,510,941**
Net	**1,859,632**	**(525,179)**	**(32,003)**	**(4,673,887)**	**1,381,374**	**1,443,632**	**3,150,516**	**2,604,085**
Accumulated gap	**1,859,632**	**1,334,453**	**1,302,450**	**(3,371,437)**	**(1,990,063)**	**(546,431)**	**2,604,085**	

	At 31 December 2021							
	On demand	*Up to 3 months*	*Up to 6 months*	*Up to 1 year*	*Up to 3 years*	*Up to 5 years*	*Over 5 years*	*Total*
Financial assets								
Cash and cash equivalents	1,291,890	228,672	-	-	-	-	-	1,520,562
Amounts due from credit institutions	1,893,732	8,003	7,744	-	9,652	3,540	8,719	1,931,390
Investment securities	1,162,051	1,282,493	7,478	12,486	39,734	88,776	2,646	2,595,664
Loans to customers and finance lease	2,966	3,046,387	926,061	1,976,611	4,005,985	2,281,105	3,929,858	16,168,973
Total	**4,350,639**	**4,565,555**	**941,283**	**1,989,097**	**4,055,371**	**2,373,421**	**3,941,223**	**22,216,589**
Financial liabilities								
Client deposits and notes	2,455,123	2,783,998	1,177,931	6,048,073	852,196	454,304	266,377	14,038,002
Amounts owed to credit institutions	170,410	1,638,683	221,013	355,637	996,956	526,697	409,049	4,318,445
Debt securities issued	-	37,515	16,364	233,824	1,008,104	222,878	-	1,518,685
Lease liability	-	6,198	5,782	10,355	35,238	22,808	7,281	87,662
Total	**2,625,533**	**4,466,394**	**1,421,090**	**6,647,889**	**2,892,494**	**1,226,687**	**682,707**	**19,962,794**
Net	**1,725,106**	**99,161**	**(479,807)**	**(4,658,792)**	**1,162,877**	**1,146,734**	**3,258,516**	**2,253,795**
Accumulated gap	**1,725,106**	**1,824,267**	**1,344,460**	**(3,314,332)**	**(2,151,455)**	**(1,004,721)**	**2,253,795**	

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

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

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

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

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

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled, except for current accounts which are included in up to 1 year time bucket:

	At 30 June 2022			*At 31 December 2021*		
	Less than 1 year	*More than 1 year*	*Total*	*Less than 1 year*	*More than 1 year*	*Total*
Cash and cash equivalents	2,834,950	-	2,834,950	1,520,562	-	1,520,562
Amounts due from credit institutions	1,747,411	19,118	1,766,529	1,909,479	21,911	1,931,390
Investment securities	3,098,887	115,030	3,213,917	2,464,508	131,156	2,595,664
Loans to customers and finance lease	6,170,153	10,129,477	16,299,630	5,952,025	10,216,948	16,168,973
Accounts receivable and other loans	3,479	-	3,479	3,680	-	3,680
Prepayments	42,083	11,346	53,429	39,276	1,602	40,878
Inventories	10,940	-	10,940	11,514	-	11,514
Right-of-use assets	-	87,193	87,193	-	80,186	80,186
Investment properties	-	188,315	188,315	-	226,849	226,849
Property and equipment	-	389,855	389,855	-	378,808	378,808
Goodwill	-	33,351	33,351	-	33,351	33,351
Intangible assets	-	146,175	146,175	-	144,251	144,251
Income tax assets	-	816	816	109	183	292
Other assets	236,397	56,428	292,825	235,049	11,898	246,947
Assets held for sale	43,137	-	43,137	46,731	-	46,731
Total assets	**14,187,437**	**11,177,104**	**25,364,541**	**12,182,933**	**11,247,143**	**23,430,076**
Client deposits and notes	13,585,256	1,514,805	15,100,061	12,465,125	1,572,877	14,038,002
Amounts owed to credit institutions	3,378,568	1,640,802	5,019,370	2,385,743	1,932,702	4,318,445
Debt securities issued	235,153	1,064,833	1,299,986	287,703	1,230,982	1,518,685
Lease liability	23,861	67,663	91,524	22,335	65,327	87,662
Accruals and deferred income	47,864	30,084	77,948	53,346	26,811	80,157
Income tax liabilities	27,688	22,732	50,420	85,270	25,598	110,868
Other liabilities	292,585	-	292,585	182,070	1,279	183,349
Total liabilities	**17,590,975**	**4,340,919**	**21,931,894**	**15,481,592**	**4,855,576**	**20,337,168**
Net	**(3,403,538)**	**6,836,185**	**3,432,647**	**(3,298,659)**	**6,391,567**	**3,092,908**

23. Related party disclosures

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

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

The volumes of related party transactions, outstanding balances at 30 June 2022 and 30 June 2021, and related expenses and income for the period are as follows:

	At 30 June 2022 (unaudited)		*At 30 June 2021 (unaudited)*	
	Associates	*Key management personnel**	*Associates*	*Key management personnel**
Loans outstanding at 1 January, gross	**-**	**12,050**	**-**	**10,646**
Loans issued during the year	-	4,234	-	2,618
Loan repayments during the year	-	(5,234)	-	(3,394)
Other movements	-	(890)	-	(932)
Loans outstanding at 30 June, gross	**-**	**10,160**	**-**	**8,938**
Less: allowance for impairment at 30 June	-	-	-	-
Loans outstanding at 30 June, net	**-**	**10,160**	**-**	**8,938**
Interest income on loans	-	410	-	283
Expected credit loss	-	-	-	-
Deposits at 1 January	**202**	**31,127**	**166**	**32,619**
Deposits received during the year	18	6,639	-	17,948
Deposits repaid during the year	-	(10,435)	-	(21,347)
Other movements	18	(8,591)	-	(429)
Deposits at 30 June	**238**	**18,740**	**166**	**28,791**
Interest expense on deposits	-	(567)	-	(555)

** Key management personnel includes members of BOGG's Board of Directors and key executives of the Group.*

Compensation of key management personnel comprised the following:

	For the six months ended	
	30 June 2022 (unaudited)	**30 June 2021 (unaudited)**
Salaries and other benefits	5,514	6,671
Share-based payments compensation*	38,596	13,345
Total key management compensation	**44,110**	**20,016**

** Share-based payments compensation increased in 2022 as a result of termination costs of the former executive management and change in share-based payments scheme.*

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 30 June 2022 was 22 (31 December 2021: 21).

24. Capital adequacy

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

During the period ended 30 June 2022, the Bank and the Group complied in full with all its externally imposed capital requirements.

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

NBG (Basel III) capital adequacy ratio

In December 2017, the NBG adopted amendments to the regulations relating to capital adequacy requirements, including amendments to the regulation on capital adequacy requirements for commercial banks, and introduced new requirements on the determination of the countercyclical buffer rate, on the identification of systematically important banks, on determining systemic buffer requirements and on additional capital buffer requirements for commercial banks within Pillar 2. The NBG requires the Bank to maintain a minimum total capital adequacy ratio of risk-weighted assets, computed based on the Bank's standalone special-purpose financial statements prepared in accordance with NBG regulations and pronouncements, based on Basel III requirements. As at 30 June 2022 and 31 December 2021, the Bank's capital adequacy ratio on this basis was as follows:

NBG (Basel III) capital adequacy ratio	*As at*	
	30 June 2022 (unaudited)	*31 December 2021*
Tier 1 capital	3,032,913	2,691,000
Tier 2 capital	635,197	784,800
Total capital	**3,668,110**	**3,475,800**
Risk-weighted assets	**18,482,319**	**17,977,949**
Tier 1 capital ratio	**16.4%**	**15.0%**
Total capital ratio	**19.8%**	**19.3%**
Min. requirement for Tier 1 capital ratio	**14.0%**	**13.6%**
Min. requirement for Total capital ratio	**17.5%**	**17.7%**

25. Events after the reporting period

On 30 June 2022, the Group's Board of Directors approved GEL 72.7 million share buyback and cancellation programme which will commence from July 2022. The shares will be purchased in the open market. The purpose of the buyback is to reduce the share capital, and the cancellation of the treasury shares will be executed on a monthly basis.

GLOSSARY

- **Alternative performance measures (APMs)** In this announcement the management uses various APMs, which they believe provide additional useful information for understanding the financial performance of the Group. These APMs are not defined by International Financial Reporting Standards, and may not be directly comparable with other companies who use similar measures. We believe that these APMs provide the best representation of our financial performance as these measures are used by management to evaluate the Group's operating performance and make day-to-day operating decisions
- **Basic earnings per share** Profit for the period attributable to shareholders of the Group divided by the weighted average number of outstanding ordinary shares over the same year
- **Book value per share** Total equity attributable to shareholders of the Group divided by ordinary shares outstanding at period-end; Ordinary shares outstanding at period-end equals number of ordinary shares at period-end less number of treasury shares at period-end
- **Cost of credit risk** Expected loss on loans to customers and finance lease receivables for the period divided by monthly average gross loans to customers and finance lease receivables over the same period
- **Cost of deposits** Interest expense on client deposits and notes of the period divided by monthly average client deposits and notes
- **Cost of funds** Interest expense of the period divided by monthly average interest bearing liabilities
- **Cost to income ratio** Operating expenses divided by operating income
- **Interest-bearing liabilities** Amounts owed to credit institutions, client deposits and notes, and debt securities issued
- **Interest-earning assets (excluding cash)** Amounts due from credit institutions, investment securities (but excluding corporate shares) and net loans to customers and finance lease receivables
- **Leverage (times)** Total liabilities divided by total equity
- **Liquid assets** Cash and cash equivalents, amounts due from credit institutions and investment securities
- **Liquidity coverage ratio (LCR)** High quality liquid assets (as defined by the NBG) divided by net cash outflows over the next 30 days (as defined by the NBG)
- **Loan yield** Interest income from loans to customers and finance lease receivables divided by monthly average gross loans to customers and finance lease receivables
- **NBG (Basel III) Common Equity Tier I (CET1) capital adequacy ratio** Common Equity Tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the NBG
- **NBG (Basel III) Tier I capital adequacy ratio** Tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the NBG
- **NBG (Basel III) Total capital adequacy ratio** Total regulatory capital divided by total risk weighted assets, both calculated in accordance with the requirements of the NBG
- **Net interest margin (NIM)** Net interest income of the period divided by monthly average interest earning assets excluding cash for the same period
- **Net stable funding ratio (NSFR)** Available amount of stable funding (as defined by the NBG) divided by the required amount of stable funding (as defined by the NBG)
- **Non-performing loans (NPLs)** The principal and interest on loans overdue for more than 90 days and any additional potential losses estimated by management
- **NPL coverage ratio** Allowance for expected credit loss of loans and finance lease receivables divided by NPLs
- **NPL coverage ratio adjusted for discounted value of collateral** Allowance for expected credit loss of loans and finance lease receivables divided by NPLs (discounted value of collateral is added back to allowance for expected credit loss)
- **Operating leverage** Percentage change in operating income less percentage change in operating expenses
- **Return on average total assets (ROAA)** Profit for the period divided by monthly average total assets for the same period
- **Return on average total equity (ROAE)** Profit for the period attributable to shareholders of the Group divided by monthly average equity attributable to shareholders of the Group for the same period
- **NMF** Not meaningful

COMPANY INFORMATION

Bank of Georgia Group PLC

Registered Address

42 Brook Street
London W1K 5DB
United Kingdom
www.bankofgeorgiagroup.com
Registered under number 10917019 in England and Wales

Secretary

Link Company Matters Limited
65 Gresham Street
London EC2V 7NQ
United Kingdom

Stock Listing

London Stock Exchange PLC's Main Market for listed securities
Ticker: "BGEO.LN"

Contact Information

Bank of Georgia Group PLC Investor Relations
Telephone: +44(0) 203 178 4052; +995 322 444444 (7515)
E-mail: ir@bog.ge

Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY
United Kingdom

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.
Investor Centre Web Address - www.investorcentre.co.uk.
Investor Centre Shareholder Helpline - +44 (0)370 873 5866

Share price information

Shareholders can access both the latest and historical prices via the website
www.bankofgeorgiagroup.com