JSC Bank of Georgia
Separate Financial Statements

31 December 2021
Together with Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

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

Opinion

We have audited the separate financial statements of JSC Bank of Georgia (the Bank), which comprise the separate statement of financial position as at 31 December 2021, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at 31 December 2021 and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

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Key audit matter	How our audit addressed it
Allowance for expected credit loss and application of IFRS 9 'Financial instruments'	
Given the significance of the allowance for expected credit loss on loans to customers to the Bank's financial position, the complexity and judgements related to the estimation of expected credit losses under IFRS 9 Financial instruments ("IFRS 9"), we considered this area as a key audit matter. The impairment for loan losses is calculated using a combination of a collective provisioning model and individual loan provisions based on discounted cash flow analyses and regression-based forward-looking estimates. Both collective and individual provisioning depend on a number of assumptions and judgments such as: ► Accounting interpretations and modelling assumptions used to build the models for calculating the expected credit loss (ECL); ► Allocation of loans to stage 1, 2, 3 or POCI using criteria set in accordance with IFRS 9 considering the impact of COVID-19 and related relief measures such as payment deferrals and the identification of significant increase in credit risk (SICR); ► Inputs and assumptions used to estimate the impact of multiple economic scenarios, particularly those influenced by COVID-19, including any changes to scenarios required through 31 December 2021; ► appropriateness, completeness and valuation of post model adjustments; ► Estimation of probability of default (PD), loss given default (LGD) and exposure at default (EAD), including the valuation of collateral; and ► Measurement of individually assessed provisions, including expected future cash flows and the valuation of collateral ► Accuracy and adequacy of financial statement disclosures. As a consequence of the judgment involved in establishing the allowance, the use of different modelling techniques, assumptions and forecasts could produce significantly different estimates of the allowance for expected credit losses.	We obtained an understanding of the expected credit loss process and assessed the design and operating effectiveness of key controls, which included controls over the identification of loans to be subject to the individual allowance assessment, classification of borrowers into their respective risk grades and impairment stages, credit monitoring, data accuracy and completeness. For testing automated controls, we involved our IT specialists. We focused on analysis of the following areas during our audit: • evaluating credit risk models and assumptions used to estimate key provisioning parameters, and determine expected credit losses on a portfolio basis; • assessing management's judgement in relation to the identification of significant increases in credit risk on an individual and collective basis based on quantitative and qualitative criteria; • testing allocation of loans to respective impairment stages based on predefined criteria; • testing estimated future cash flows, including collateral-sourced cash flows, in relation to significant credit-impaired loans and advances to customers; • Assessing management's judgment in relation to the evaluation of the effect of current economic situation related to COIVD-19 pandemic on ECL calculation. Our audit procedures included evaluation of expected credit loss methodology developed by the Bank to calculate the allowance for loans and advances to customers. We assessed the reasonableness of the credit risk factors and thresholds selected by the management to determine whether significant increase in credit risk has occurred on individual and collective basis. For a sample of loans, we independently assessed whether they had been allocated to the appropriate stage, considering potential indicators of significant increase in credit risk or default and challenged management as to the rationale for movements between stages. We evaluated consistency of application of the criteria selected by the management as of the reporting date and assessed the reasonableness of any changes made to the methodology.

Key audit matter	How our audit addressed it
Information on the impairment of loans to customers is included in Note 9, *Loans to Customers* and Note 27, *Risk Management*, to the separate financial statements.	To test allowance calculated on a collective basis, with the support of our internal modelling specialists, we evaluated underlying statistical models, key inputs and assumptions used and assessed incorporation of forward-looking information in the calculation of expected credit losses. We assessed the post-model adjustments which were applied in response to model ineffectiveness and risk event overlays as a result of COVID-19. With our modelling specialists, we considered the completeness and appropriateness of these adjustments by considering the judgment and methodology applied. For a sample of significant credit-impaired corporate exposures, we challenged assumptions on estimated future cash flows, including value of collateral and probabilities of expected outcomes. We focused on the calculation of ECL for those borrowers that were most affected by current economic deterioration caused by COVID-19 pandemic. We assessed the adequacy and appropriateness of disclosures on the impairment of loans to customers.
Valuation of investment properties	
The Bank applies the fair value model for investment properties. The Bank engaged a professional valuer to determine the fair value of its investment properties. Real estate valuations are inherently uncertain and subject to an estimation process. Furthermore, the Bank's real estate properties are located primarily in Georgia, where the secondary market is relatively illiquid, which increases the judgement involved in determining these valuations. The significance and subjectivity of these valuations make them a key audit matter. Information on the valuation of investment properties is included to Note 3, Summary *of Significant Accounting Policies*, Note 11, *Investment Properties*, and Note 28, *Fair Value Measurements*, to the separate financial statements.	We engaged our Real Estate specialists to evaluate a sample of the Bank's individually significant real estate valuations. The specialists' assessment included evaluation of the competence and objectivity of the external valuers engaged by the Bank, analysis of the methods and assumptions used and testing of the data provided by the valuers. In respect of properties, which were not subject to individual valuation by the external valuer, we assessed management's assumptions about changes in the prices of such properties for the reporting period. We corroborated these by reading the market overview reports prepared by external valuers, and by reference to our understanding of the Bank's real estate portfolio and observable market information. We assessed recognition of the results of the valuations and the Bank's disclosures in relation to the valuation of investment properties.

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Other information included in the Bank's 2021 Annual report

Other information consists of the information included in the Annual Report other than the separate financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit Committee for the separate financial statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Oleg Youshenkov.



Oleg Youshenkov

For and on behalf of EY LLC

Tbilisi, Georgia

4 May 2022

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Thousands of Georgian Lari)

	Notes	2021	2020	2019
Assets				
Cash and cash equivalents	6	1,274,067	1,828,236	1,933,646
Amounts due from credit institutions	7	1,892,402	1,986,555	1,600,387
Investment securities	8	2,494,167	2,419,013	1,679,450
Loans to customers and finance lease receivables	9	15,264,047	13,200,987	11,063,789
Accounts receivable and other loans		21,503	1,186	1,031
Prepayments		51,126	37,451	34,849
Inventories		6,092	5,795	5,719
Right-of-use assets	10	73,441	77,763	90,039
Investment properties	11	218,793	219,005	204,885
Property and equipment	10	327,243	330,269	322,576
Goodwill	12	33,453	33,453	33,453
Intangible assets		115,838	104,282	90,224
Investments in subsidiaries	13	151,311	151,311	151,311
Income tax assets	14	-	21,325	-
Other assets	15	207,456	272,568	102,622
Assets held for sale		46,324	60,859	36,285
Total assets		**22,177,263**	**20,750,058**	**17,350,266**
Liabilities				
Client deposits and notes	16	13,573,131	13,496,478	9,537,203
Amounts owed to credit institutions	17	3,760,484	2,830,706	3,479,369
Debt securities issued	18	1,373,095	1,450,598	1,998,803
Lease liability	10	81,776	89,812	88,535
Accruals and deferred income		71,861	46,318	44,070
Income tax liabilities	14	107,988	59,663	35,608
Other liabilities	15	171,258	301,287	97,957
Total liabilities		**19,139,593**	**18,274,862**	**15,281,545**
Equity	20			
Share capital		27,994	27,994	27,994
Additional paid-in capital		180,233	216,227	183,084
Treasury shares		(10)	(10)	(10)
Other reserves		1,272	60,848	(13,763)
Retained earnings		2,828,181	2,170,137	1,871,416
Total equity		**3,037,670**	**2,475,196**	**2,068,721**
Total liabilities and equity		**22,177,263**	**20,750,058**	**17,350,266**

Signed and authorised for release on behalf of the Management Board and the Supervisory Board:

Archil Gachechiladze — Chief Executive Officer

Sulkhan Gvalia — Chief Financial Officer

Hanna Loikkanen — Deputy Supervisory Board Chairman

4 May 2022

SEPARATE INCOME STATEMENT

For the year ended 31 December 2021

(Thousands of Georgian Lari)

	Notes	2021	2020	2019
Interest income calculated using EIR method		1,717,134	1,471,673	1,330,854
Other interest income		881	516	547
Interest income		1,718,015	1,472,189	1,331,401
Interest expense		(814,307)	(747,925)	(581,597)
Deposit insurance fees		(13,012)	(9,106)	(6,359)
Net interest income	21	890,696	715,158	743,445
Fee and commission income		364,199	255,224	263,734
Fee and commission expense		(181,609)	(124,895)	(118,902)
Net fee and commission income	22	182,590	130,329	144,832
Net foreign currency gain		96,857	96,551	98,370
Net other income		55,144	40,314	15,573
Operating income		1,225,287	982,352	1,002,220
Salaries and other employee benefits	23	(230,257)	(196,663)	(201,671)
Administrative expenses	23	(107,407)	(84,612)	(85,139)
Depreciation, amortisation and impairment	10	(78,008)	(70,775)	(68,826)
Other operating expenses		(3,176)	(3,942)	(3,949)
Operating expenses		(418,848)	(355,992)	(359,585)
Profit from associates		(3,781)	782	789
Operating income before cost of risk		802,658	627,142	643,424
Expected credit loss on loans to customers	24	(3,914)	(236,828)	(85,970)
Expected credit loss on finance lease receivables	24	(1,174)	(8)	7
Other expected credit (loss) / recovery	24	8,990	(22,748)	127
Impairment charge on other assets and provisions		(6,628)	(9,514)	(10,146)
Cost of risk		(2,726)	(269,098)	(95,982)
Net operating income before non-recurring items		799,932	358,044	547,442
Net non-recurring items	25	(78)	(41,291)	(12,279)
Profit before income tax expense		799,854	316,753	535,163
Income tax expense	14	(71,420)	(18,032)	(57,433)
Profit for the year		728,434	298,721	477,730
Basic and diluted earnings per share	20	26.0305	10.6747	17.0716

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Thousands of Georgian Lari)

	Notes	*2021*	*2020*	*2019*
Profit for the year		728,434	298,721	477,730
Other comprehensive income (loss)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent years:				
– Net change in fair value on investments in debt instruments measured at fair value through other comprehensive income (FVOCI)	8	(31,839)	78,224	(40,705)
– Realised (gain) loss on financial assets measured at FVOCI		(30,153)	(2,965)	(6,219)
–Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI reclassified to the consolidated income statement		(827)	(130)	(125)
Income tax impact	14	-	-	-
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent years		(62,819)	75,129	(47,049)
Other comprehensive loss not to be reclassified to profit or loss in subsequent years:				
– Revaluation of property and equipment reclassified to investment property		2,359	-	-
– Net loss on investments in equity instruments designated at FVOCI		884	(518)	(55)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent years		3,243	(518)	(55)
Other comprehensive income (loss) for the year, net of tax		(59,576)	74,611	(47,104)
Total comprehensive income for the year		668,858	373,332	430,626

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Other reserves*	*Retained earnings*	*Total equity*
31 December 2018	27,994	173,278	(9)	33,341	1,532,886	1,767,490
Profit for the year	-	-	-	-	477,730	477,730
Other comprehensive loss for the year	-	-	-	(47,104)	-	(47,104)
Total comprehensive income for the year	-	-	-	(47,104)	477,730	430,626
Increase in equity arising from share-based payments	-	61,114	-	-	-	61,114
Purchase of treasury shares	-	(106)	(1)	-	-	(107)
Dividends to shareholders of the Bank (Note 20)	-	-	-	-	(139,200)	(139,200)
Contributions under share-based payment plan (Note 26)	-	(51,202)	-	-	-	(51,202)
31 December 2019	27,994	183,084	(10)	(13,763)	1,871,416	2,068,721
Profit for the year	-	-	-	-	298,721	298,721
Other comprehensive income for the year	-	-	-	74,611	-	74,611
Total comprehensive income for the year	-	-	-	74,611	298,721	373,332
Increase in equity arising from share-based payments	-	54,200	-	-	-	54,200
Contributions under share-based payment plan (Note 26)	-	(21,057)	-	-	-	(21,057)
31 December 2020	27,994	216,227	(10)	60,848	2,170,137	2,475,196
Profit for the year	-	-	-	-	728,434	728,434
Other comprehensive income for the year	-	-	-	(59,576)	-	(59,576)
Total comprehensive income for the year	-	-	-	(59,576)	728,434	668,858
Increase in equity arising from share-based payments	-	44,336	-	-	-	44,336
Dividends to shareholders of the Bank (Note 20)	-	-	-	-	(70,390)	(70,390)
Contributions under share-based payment plan (Note 26)	-	(80,330)	-	-	-	(80,330)
31 December 2021	27,994	180,233	(10)	1,272	2,828,181	3,037,670

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

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(Thousands of Georgian Lari)

	Notes	2021	2020	2019
Cash flows from operating activities				
Interest received		1,719,146	1,331,561	1,301,682
Interest paid		(828,573)	(748,192)	(571,171)
Fees and commissions received		353,626	266,640	240,515
Fees and commissions paid		(181,609)	(124,895)	(118,902)
Net realised gain from foreign currencies		121,315	83,638	89,028
Recoveries of loans to customers previously written off	9	80,274	42,562	31,897
Cash received from (paid for) derivatives		61	1,601	(11,812)
Other income received		5,952	3,232	1,012
Salaries and other employee benefits paid		(185,921)	(142,463)	(145,039)
General and administrative and operating expenses paid		(111,907)	(86,520)	(66,019)
Cash flows from operating activities before changes in operating assets and liabilities		972,364	627,164	751,191
Net (increase) decrease in operating assets				
Amounts due from credit institutions		(14,846)	(138,730)	(203,247)
Loans to customers and finance lease receivables		(2,751,914)	(1,294,377)	(2,001,413)
Prepayments and other assets		(35,686)	8,858	27,918
Net increase (decrease) in operating liabilities				
Amounts due to credit institutions		1,007,357	(831,042)	831,010
Debt securities issued		27,095	(164,717)	(11,541)
Client deposits and notes		549,848	2,950,630	1,259,863
Other liabilities		33,962	(27,427)	22,057
Net cash flows from operating activities before income tax		(211,820)	1,130,359	675,838
Income tax paid		(1,770)	(15,302)	(26,125)
Net cash flows from operating activities		(213,590)	1,115,057	649,713
Cash flows (used in) from investing activities				
Net (purchases) sales of investment securities		(102,928)	(654,868)	135,718
Proceeds from sale of investment properties and assets held for sale		119,153	69,741	43,894
Proceeds from sale of property and equipment and intangible assets		(23)	390	5,163
Purchase of property and equipment and intangible assets		(79,411)	(91,849)	(90,326)
Dividends received		401	632	211
Net cash flows (used in) from investing activities		(62,808)	(675,954)	94,660
Cash flows (used in) from financing activities				
Repurchase of debt securities issued		(28,825)	(120,549)	-
Repayment of the principal portion of the debt securities issued		-	(440,410)	-
Proceeds from Additional Tier 1 debt securities issued		-	-	268,160
Cash payments for the principal portion of the lease liability		(25,068)	(8,691)	(5,959)
Dividends paid		(70,222)	(33)	(138,926)
Contributions under share-based payment plan (Note 26)		(80,330)	(21,057)	(51,202)
Purchase of treasury shares		-	-	(107)
Purchase of interests in existing subsidiaries		-	(604)	(1,088)
Issue of share capital (Note 20)		-	-	-
Net cash (used in) from financing activities		(204,445)	(591,344)	70,878
Effect of exchange rates changes on cash and cash equivalents		(73,377)	46,775	9,016
Effect of expected credit losses on cash and cash equivalents		51	56	(9)
Net (decrease) increase in cash and cash equivalents		(554,169)	(105,410)	824,258
Cash and cash equivalents, beginning of the year	6	1,828,236	1,933,646	1,109,388
Cash and cash equivalents, end of the year	6	1,274,067	1,828,236	1,933,646

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

1. Principal activities

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

Primary business activities include providing banking services to corporate and individual customers. The Bank accepts deposits from the public and extends credit, transfers payments in Georgia and internationally, and exchanges currencies. Its main office is in Tbilisi, Georgia. At 31 December 2021, the Bank has 211 operating outlets in all major cities of Georgia (31 December 2020: 211, 31 December 2019: 272). The Bank's registered legal address is 29a Gagarini Street, Tbilisi 0160, Georgia. The Bank's identification number is 204378869.

As at 31 December 2021 Bank of Georgia Group PLC represented the ultimate parent company of the Bank.

As at 31 December 2021, 31 December 2020 and 31 December 2019, JSC BGEO was the principal shareholder of the Bank:

Shareholder	*31 December 2021*	*31 December 2020*	*31 December 2019*
JSC BGEO Group	79.78%	79.78%	79.78%
Bank of Georgia Group PLC	19.78%	19.78%	19.78%
Others*	0.44%	0.44%	0.44%
Total	100.00%	100.00%	100.00%

** Shares listed on the Georgian Stock Exchange.*

2. Basis of preparation

General

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2021 reporting. These separate financial statements have been prepared in accordance with the requirements of the Order No. 6 of the Service for Accounting, Reporting and Auditing Supervision ("SARAS"), dated 4 May 2021.

On 14 April 2022, the Bank has prepared consolidated financial statements, for the year ended 31 December 2021, in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2021 reporting. These consolidated financial statements are available on the Bank's official website (www.bankofgeorgia.ge).

The Bank is required to maintain records and prepare financial statements for regulatory purposes in Georgian Lari. These financial statements are prepared under the historical cost convention except for:

- the measurement at fair value of financial assets and investment securities, derivative financial assets and liabilities and investment properties;
- the measurement of inventories at lower of cost and net realisable value; and
- the measurement of non-current assets classified as held for sale at lower of cost and fair value less costs to sell.

The financial statements are presented in thousands of Georgian Lari ("GEL"), except per-share amounts and unless otherwise indicated.

2. Basis of preparation (continued)

Going concern

In adopting the going concern basis for preparing the separate financial statements, the Management Board has considered the Bank's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance. The Management Board has performed a robust assessment of the Bank's financial forecasts across a range of scenarios over a 12 months period from the reporting date, by carrying out stress testing, incorporating extreme downside scenario and reverse stress testing, which involved examining the level of disruption that may cause the Bank to fail. The assessment specifically incorporated analysis of the COVID-19 pandemic and Russia Ukraine conflict impact implications on the Group's projected performance, liquidity, funding and capital positions. Based on this, the Management Board confirms that they have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the 12 months from the date the financial statements are authorised for issue. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

Subsidiaries, associates and corporate shares with shareholdings above 10%

The separate financial statements as at 31 December 2021, 31 December 2020 and 31 December 2019 include the following subsidiaries, associates and corporate shares with shareholdings above 10%:

	Proportion of voting rights and ordinary share capital held			*Investments*								
Subsidiaries	*31 December 2021*	*31 December 2020*	*31 December 2019*	*31 December 2021*	*31 December 2020*	*31 December 2019*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
Bank of Georgia Representative Office UK Limited	100.00%	100.00%	100.00%	-	-	-	United Kingdom	84 Brook Street, London W1K 5EH	Information Sharing and Market Research	17/8/2010	–	Limited Liability Company
Tree of Life Foundation NPO (formerly known as Bank of Georgia Future Foundation, NPO)	100.00%	100.00%	100.00%	-	-	-	Georgia	3 Pushkin Street, Tbilisi 0105	Charitable activities	25/8/2008	–	Non-profit Organization
Bank of Georgia Representative Office Hungary (a)	100.00%	100.00%	100.00%	6,886	6,886	6,282	Hungary	1054 Budapest, Szabadság tér 7; Bank Center	Representative Office	18/6/2012	–	Representative Office
Representative Office of JSC Bank of Georgia in Turkey	100.00%	100.00%	100.00%	-	-	-	Turkey	Süleyman Seba Caddesi No:48 A Blok Daire 82 Akaretler Beşiktaş 34357 Istanbul	Representative Office	25/12/2013	–	Representative Office
Georgia Financial Investments, LLC	100.00%	100.00%	100.00%	3,577	3,577	3,577	Israel	7 Menahem Begin, Ramat Gan 52681, Israel	Information Sharing and Market Research	9/2/2009	–	Limited Liability Company
Teaching University of Georgian Bank, LLC	(b)	(b)	(b)	-	-	-	Georgia	#29 Mitskevichi Street, Tbilisi, 0194	Education	15/10/2013	–	Limited Liability Company
Benderlock Investments Limited	100.00%	100.00%	100.00%	58,745	58,745	58,745	Cyprus	Arch. Makariou III 58, IRIS TOWER, 8th floor, Flat/ Office 702 P.C. 1075, Nicosia	Investments	12/5/2009	13/10/2009	Limited Liability Company
⇒ JSC Belarusky Narodny Bank (c) *	99.98%	99.98%	99.98%	110,218	110,744	105,231	Belarus	Nezavisimosty Ave. 87A, Minsk, 220012	Banking	16/4/1992	3/6/2008	Joint Stock Company
⇒ BNB Leasing, LLC	99.90%	99.90%	99.90%	11	11	11	Belarus	Nezavisimosty Ave. 87A, room 3, Minsk, 220012	Leasing	30/3/2006	3/6/2008	Limited Liability Company
Georgian Leasing Company, LLC	100.00%	100.00%	100.00%	22,414	22,414	22,414	Georgia	3-5 Kazbegi Str.,Tbilisi	Leasing	29/10/2001	31/12/2004	Limited Liability Company
⇒ Prime Leasing	100.00%	100.00%	100.00%	2	2	2	Georgia	Didube-Chughureti district, №114, Ak. Tsereteli Ave., Tbilisi	Leasing	27/1/2012	21/1/2015	Limited Liability Company

	Proportion of voting rights and ordinary share capital held			*Investments*								
Associates	*31 December 2021*	*31 December 2020*	*31 December 2019*	*31 December 2021*	*31 December 2020*	*31 December 2019*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
JSC Credit info (d)	21.08%	21.08%	21.08%	8,918	13,099	12,949	Georgia	2 Tarkhnishvili St., Tbilisi, Georgia	Financial intermediation	14/2/2005	14/2/2005	Joint Stock Company

	Proportion of voting rights and ordinary share capital held			*Investments*								
Investment securities, corporate shares	*31 December 2021*	*31 December 2020*	*31 December 2019*	*31 December 2021*	*31 December 2020*	*31 December 2019*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*	*Legal form / Status*
JSC United Clearing Center	16.67%	16.67%	16.67%	108	108	108	Georgia	5/1 Sulkhan-Saba St., Tbilisi, Georgia	Electronic payment services	22/07/2008	15/09/2008	Joint Stock Company

(a) The investment has been fully impaired in the separate financial statements as at 31 December 2021 and 31 December 2020.
(b) JSC Bank of Georgia sold its investment in Teaching University Georgian Bank in 2019.
(c) The presented amount is the total of investments made directly by JSC Bank of Georgia and Benderlock Investments Limited, at GEL 67,620 and GEL 42,598, respectively.
(d) JSC Credit info initial investment amounted to GEL 1,152, which has been increased to GEL 5,320 as a result of investment re-measurement to fair value, when an equity investment became an associate. The share of the investment's profits or losses has also been recognised in the income statement.

**Following Russia's aggression in Ukraine, US, EU and UK introduced sanctions, which also applied to Belarus. The Belarus related sanctions included designation of some key banks in Belarus either under sectoral sanctions or under asset freeze and prohibition of transactions. Some Belarusian banks have also been blocked from SWIFT. The scope of sanctions on Belarus is also evolving. In line with the Group's zero tolerance policies in respect of the 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.*

3. Summary of significant accounting policies

Mergers with subsidiaries and goodwill

The investment in the subsidiary is initially measured at cost. Giving up the shares for the underlying assets is essentially a change in perspective of the parent of its investment, from a 'direct equity interest' to 'the reported results and net assets.' Hence, at the date of legal merger the values recognised in the combined financial statements become the cost of these assets for the parent. The acquired assets (including investments in subsidiaries, associates, or joint ventures held by the merged subsidiary) and assumed liabilities are recognised at the carrying amounts in the combined financial statements as of the date of the legal merger. This includes any associated goodwill, intangible assets, or other adjustments arising from measurement at fair value upon acquisition that were recognised when the subsidiary was originally acquired, less the subsequent related amortisation, depreciation, impairment losses, as applicable.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Bank are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment as defined in IFRS 8 "Operating Segments".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses cannot be reversed in future periods.

Investments in subsidiaries

Investments in subsidiaries, including those acquired through common control transactions, are measured at acquisition cost less impairment losses, if any.

Investments in associates

Associates are entities in which the Bank generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Bank's share of net assets of the associate. The Bank's share of its associates' profits or losses is recognised in the separate income statement, and its share of movements in reserves is recognised in other comprehensive income. However, when the Bank's share of losses in an associate equals or exceeds its interest in the associate, the Bank does not recognise further losses, unless the Bank is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When an equity investment becomes an associate, the investment is re-measured to fair value and any gain or loss previously recognised in other comprehensive income is reclassified in profit or loss.

3. Summary of significant accounting policies (continued)

Fair value measurement

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

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

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

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Classification and measurement for financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- fair value through profit or loss (FVPL);
- fair value through other comprehensive income (FVOCI) with recycling to profit or loss upon disposal for debt instruments;
- fair value through other comprehensive income (FVOCI) without recycling to profit or loss for equity instruments; and
- amortised cost.

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Classification and measurement for financial assets and liabilities (continued)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL if they are held for trading.

Embedded derivatives are not separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.

All derivative instruments are measured at FVPL.

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Bank determines that the fair value at initial recognition differs from the transaction price, then:

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Bank recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Bank recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent measurement of financial instruments

- *Financial instruments measured at amortised cost*

The Bank measures due from credit institutions, loans to customers and other financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on the following observable factors:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- How financial assets held within particular business model are evaluated and reported to key management personnel.

There are three business models available under IFRS 9:
- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the counterparty.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- Other: all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Subsequent measurement of financial instruments (continued)

- *Financial instruments measured at amortised cost (continued)*

Solely Payments of Principal and Interest (SPPI)

If a financial asset is held in either to a 'hold to collect', or a 'hold to collect and sell' business model, then the Bank assesses whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition to determine the classification. The SPPI test is performed on an individual instrument basis.

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

In assessing whether the contractual cash flows are SPPI, the Bank considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument which could affect whether the instrument is considered to meet the SPPI test.

If the SPPI test is failed, such financial assets are measured at FVTPL with interest earned recognised in other interest income.

- *Debt instruments at FVOCI*

The Bank measures debt investment securities at FVOCI when both of the following categories are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows, selling financial assets and holding such financial instruments for liquidity management purposes.
- The contractual terms of the financial asset meet the SPPI test.

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

- *Equity instruments at FVOCI – option*

Upon initial recognition, the Bank may elect to classify irrevocably its equity instruments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument by instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss. Equity instruments at FVOCI are not subject to impairment assessment.

- *Financial assets at FVTPL*

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

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Subsequent measurement of financial instruments (continued)

- *Derivatives recorded at fair value through profit or loss*

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, Forwards and other similar instruments. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Net changes in the fair value of derivatives are included in net gain / loss from financial instruments measured at FVTPL, excluding gain/loss on foreign exchange derivatives which are presented in net foreign currency gain. From the beginning of 2019, the Bank enters into certain cross-currency swap agreements to match its funding costs in certain currencies with the income generated from lending activities in these currencies. As a result, the Bank economically hedges the interest rate risk, however no hedge accounting under IFRS 9 is applied. Net changes in the fair value of such derivative financial instruments, which are presented in net foreign currency gain, excludes unwinding of the locked-in interest differential which is presented as part of interest expense to reflect risk management objective of the Bank.

- *Financial guarantees, letters of credit and other financial commitments*

Financial guarantees, letters of credit and other financial commitments are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised, less cumulative amortisation recognised in the income statement and an ECL provision.

- *Non-financial guarantees*

The Bank enters into non-financial guarantee contracts whereby it's required to compensate to the holder in case another party fails to meet its contractual obligations. Non-financial guarantees are initially recognised in the financial statements at fair value, being the premium received, amortized on a straight line basis over the life of the contract. Subsequent to initial recognition the Bank's liability under non-financial guarantee is measured at the amount that represents the best estimate of the expenditure required to settle the present obligation. The estimate takes into account the probability of another party defaulting on its obligations as well as available collateral under the guarantee contracts and is recognised in the separate income statement as part of other expected credit loss and provision for performance guarantees.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the separate statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from central banks, excluding obligatory reserves with central banks, and amounts due from credit institutions that mature within 90 days of the date of origination, and are free from contractual encumbrances and readily convertible to known amounts of cash.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions and amounts due to customers (including promissory notes issued). These are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost, using the effective interest method. Gains and losses are recognised in the separate income statement when the borrowings are derecognised as well as through the amortisation process.

Issued Additional Tier 1 instruments with perpetual maturity and discretionary interest payments are classified as financial liabilities when the instruments are not convertible into equity and the Bank does not have unconditional right to avoid delivering cash upon a predetermined trigger event. Such instruments are measured at amortised cost with respective interest presented as part of interest expense in the separate income statement.

If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the separate income statement.

3. Summary of significant accounting policies (continued)

Subordinated debt

Subordinated debt represents long-term funds attracted by the Bank on the international financial markets or domestic market. The holders of subordinated debt would be subordinate to all other creditors to receive repayment of debt in case of the Bank's liquidation. Subordinated debt is carried at amortised cost.

Leases (policy applicable as at 1 January 2019)

The Bank as a lessee

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank considers the commencement date of the lease the date on which the lessor makes an underlying asset available for use to the Bank. If the lease contract contains several lease components, the Bank allocates the consideration in the contact to each lease component on the basis of their relative standalone prices and accounts for them separately.

The Bank's main leasing activities include the leases of service centres and ATM spaces. A non-cancellable lease period is up to ten years. Lease payments are fixed in most cases. The contacts don't generally carry extension or termination options for the lease term and do not impose any covenants.

- *Recognition of right-of-use asset and lease liability*

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimated dismantling costs, if any. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. The Bank applies the cost model to right-of-use assets, except for those assets that would meet the definition of investment property, in which case the revaluation model would be applied.

The lease liability is initially measured at the present value of the future lease payments excluding payments for VAT, discounted using the Bank's incremental borrowing rate (IBR). The lease liability is subsequently measured at amortised cost using the IBR.

- *Recognition exemptions*

The Bank applies the recognition exemptions on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

- *Modifications of lease contracts*

If the lease contract is modified by either changing the scope of the lease, or the consideration for a lease that was not part of the original terms and conditions of the lease, the Bank determines whether the modification results in:

- a separate lease; or
- a change in the accounting for the existing lease.

The Bank accounts for a lease modification as a separate lease when both of the following conditions are met:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases commensurate with the standalone price for the increase in scope and any adjustments to that standalone price reflect the circumstances of the particular contract.

For the lease modifications that are not accounted as separate leases, the Bank re-measures the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Bank recognises in profit or loss any gain or loss relating to the partial or full termination of the lease; or
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

3. Summary of significant accounting policies (continued)

Leases (policy applicable as of 1 January 2019) (continued)

The Bank as a lessor

At the inception of the lease, the Bank classifies each of its leases as either an operating lease or a finance lease.

- *Finance lease*

Leases that transfer substantially all the risks and benefits incidental to ownership of the lease item to the lessee are classified as finance leases. All other leases are classified as operating leases. The Bank recognises finance lease receivables in the separate statement of financial Position at a value equal to the net investment in the lease, starting from the date of commencement of the lease term. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. Initial direct costs are included in the initial measurement of the finance lease receivables. Lease payments received are apportioned between the finance income and the reduction of the outstanding lease receivable. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

- *Operating lease*

The Bank presents assets subject to operating leases in the separate statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the separate income statement on a straight-line basis over the lease term as net other income. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset. Lease accounting policy applicable before 1 January 2019 can be found in the previous year separate financial statements.

Impairment of financial assets

Overview of the ECL principles

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial assets'. Equity instruments are not subject to impairment under IFRS 9.

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

The Bank applies the simplified approach for trade, lease and other receivables and contract assets and records lifetime expected losses on them.

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

Staged approach to the determination of expected credit losses

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

- Stage 1: The Bank recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition. For those financial assets with a remaining maturity of less than 12 months, a probability of default (PD) is used that corresponds to the remaining maturity.
- Stage 2: The Bank recognises a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those financial instruments which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the financial instrument. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared with 12 months in Stage 1. Financial Instruments in stage 2 are not yet deemed to be credit-impaired.

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

- Stage 3: If the financial instrument is credit-impaired, it is then moved to Stage 3. The Bank recognises a loss allowance at an amount equal to lifetime expected credit losses, reflecting a PD of 100% for those financial instruments that are credit-impaired.

Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit-impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

Purchased or originated credit-impaired (POCI) assets are financial instruments that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR (CAEIR). CAEIR takes into account all contractual terms of the financial asset and expected credit losses. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses where ECLs are calculated based on lifetime expected credit loss. Once the financial asset is recognised as POCI, it retains this status until derecognised.

Key judgements and estimates used under IFRS 9 are disclosed in Note 4.

Derecognition of financial assets and liabilities

Derecognition of financial assets

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

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

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition and modification of financial assets

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financial assets. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms, based on qualitative and quantitative criteria. The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, except for cases when renegotiation of contractual terms happens due to financial difficulties of the borrower. Once the financial asset is derecognised, the difference is recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a financial instrument, the Bank considers the following factors:

- change in currency of the loan;
- change in interest rate type;
- introduction of an equity feature;
- change in counterparty;
- if the modification is such that the instrument would no longer meet the SPPI criterion.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Derecognition and modification of financial assets (continued)

If the terms are not substantially different, or the renegotiation is due to the financial difficulties of the borrower, such renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in interest income. The new gross carrying amount is calculated by discounting the modified cash flows at the original effective interest rate.

Forbearance and modified loans

The Bank sometimes makes concessions or modifications to the original terms of the loans as a response to the borrower's financial difficulties, rather than taking possession or otherwise enforcing collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. Once the asset has been identified as forborne, the assets are classified in Stage 3. The decision as to how long the asset remains in the forborne category is determined on a case-by-case basis for commercial and SME loans, when a minimum six consecutive payments are required for the rest of the loans to exit from the forbearance category and transfer to Stage 2. Once the loan is transferred to Stage 2, the Bank continues to reassess whether there has been a significant increase in credit risk, however, such assets remain in Stage 2 for a minimum 12-month probation period before being transferred to Stage 1. Certain overlays to the above rules were introduced as a result of mass scale restructurings of loan contracts in 2020 triggered by COVID-19. For details see Note 4.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Non-current assets held for sale and discontinued operations

The Bank classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset is measured in accordance with applicable IFRSs.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.
Assets and liabilities classified as held for sale are presented separately from other assets and liabilities in the statement of financial position.

3. Summary of significant accounting policies (continued)

Non-current assets held for sale and discontinued operations (continued)

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or;
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Net cash flows attributable to the operating, investing and financing activities of discontinued operations are presented separately in the separate statement of cash flows.

Taxation

The current income tax expense is calculated in accordance with the regulations in force in the respective territories in Georgia.

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

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

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

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

Uncertain tax positions

The Bank reassesses uncertain tax positions at the end of each reporting period. The assessment is based on the interpretation of the tax laws that have been enacted or substantively enacted by the end of reporting period and any known court or other rulings on such issues. Liabilities are recorded for income tax positions that are determined as more likely than not to result in additional tax levied if the positions were to be challenged by the tax authorities. Liabilities for penalties, interest and taxes other than on income are recognised based on the best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Investment properties

Investment property is land or building or a part of a building held to earn rental income or for capital appreciation and which is not used by the Bank.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Bank's investment property is determined on the basis of various sources including reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. With regards to certain investment properties with repurchase option granted to previous owners, fair value of the property at the reporting date is capped at repurchase price.

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

If an investment property becomes owner-occupied, it is reclassified to property and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated. If an investment property satisfies asset held for sale criteria, it is reclassified to the assets held for sale category.

3. Summary of significant accounting policies (continued)

Investment properties (continued)

If an owner-occupied property becomes an investment property, the difference arising between the carrying amount of owner-occupied property at the date of transfer and the fair value is dealt with as a revaluation under IAS 16.

Property and equipment

Property and equipment is carried at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred if the recognition criteria are met.

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

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

	Years
Office buildings and service centres	Up to 100
Furniture and fixtures	3-20
Computers and equipment	5-10
Motor vehicles	2-7

The assets' residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Assets under construction are stated at cost and are not depreciated until the time they are available for use and reclassified to their respective group of property and equipment.

Leasehold improvements are depreciated over the shorter life of the related leased asset and the expected lease term.

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

Intangible assets

The Bank's intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The economic lives of intangible assets are assessed to be finite and amortised over four to 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Bank can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete the asset and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. Other research and software development costs are recognised as an expense as incurred.

Provisions

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

3. Summary of significant accounting policies (continued)

Share-based payment transactions

Employees (including senior executives) of the Bank receive share-based remuneration, whereby they render services and receive equity instruments of the Bank ("equity-settled transactions") as consideration for the services provided.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognised together with the corresponding increase in equity as part of additional paid-in capital, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The separate income statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for the awards that do not ultimately vest except for the awards where vesting is conditional upon market conditions which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance conditions are satisfied.

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

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

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

Equity

Share capital

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

Treasury shares

Where the Bank purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at par value, with adjustment of premiums against additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorised for issue. All expenses associated with dividend distribution are added to dividend amount and recorded directly through equity.

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation where an outflow of the economic resources is either not expected to occur or can not be measured reliably.

3. Summary of significant accounting policies (continued)

Contingencies (continued)

Contingent liabilities are not recognised in the separate statement of financial position but are disclosed, unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the separate statement of financial position but disclosed when an inflow of economic benefits is probable.

Income and expense recognition

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

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest-bearing securities, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts.
The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

For financial instruments in Stage 1 and Stage 2, the Bank calculates interest income by applying the effective interest rate (EIR) to the gross carrying amount. Interest income for financial assets in Stage 3 is calculated by applying the EIR to the amortised cost (i.e. the gross carrying amount less credit loss allowance). For financial instruments classified as POCI only, interest income is calculated by applying a credit adjusted EIR to the amortised cost of these POCI assets. The Bank presents interest revenue calculated using the EIR method separately in the income statement.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income is recognised when the Bank satisfies a performance obligation. Fee income can be divided into the following categories:

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

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

Customer loyalty programme

Customer loyalty programme points accumulated in the business are treated as deferred revenue and recognised in revenues gradually as they are earned. The Bank recognises gross revenue earned from customer loyalty programmes when the performance obligation is satisfied, i.e. when the customer redeems the points or the points expire, where the Bank acts as a principal. Conversely, the Bank measures its revenue as the net amount retained on its account representing the difference between the consideration allocated to the award credits and the amount payable to the third party for supplying the awards as soon as the award credits are granted, where the Bank acts as an agent. At each reporting date, the Bank estimates the portion of accumulated points that is expected to be utilised by customers based on statistical data. These points are treated as a liability in the statement of financial position and are only recognised in revenue when points are earned or expired.

3. Summary of significant accounting policies (continued)

Income and expense recognition (continued)

Performance obligations satisfied at a point in time

Fees and commissions earned from providing transaction-type services such as settlement, brokerage, cash and currency conversion operations are recognised when the service has been completed, provided such fees and commissions are not subject to refund or another contingency beyond the control of the Bank. Fees from currency conversion operations represent additional commission (other than currency dealing revenue recognised in net foreign currency gain) charged on currency conversion service provided to customers on cards used abroad.

Dividend income

Dividend revenue is recognised when the Bank's right to receive the payment is established.

Non-recurring items

The Bank separately classifies and discloses those income and expenses that are non-recurring by nature. The Bank defines non-recurring income or expense as an income or expense triggered by, or originated from, an economic, business or financial event that is not inherent to the regular and ordinary business course of the Bank and is caused by uncertain or unpredictable external factors that cannot be reasonably expected to occur in the future, and thus should not be taken into account when making projections of future results.

Functional, reporting currencies and foreign currency translation

The separate financial statements are presented in Georgian Lari, which is the Bank's presentation currency. The Bank's functional currency is Georgian Lari. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the separate income statement as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in the income statement.

Differences between the contractual exchange rate of a certain transaction and the NBG exchange rate on the date of the transaction are included in gains less losses from foreign currencies (dealing). The official NBG exchange rates at 31 December 2021, 31 December 2020 and 31 December 2019 were:

	Lari to GBP	*Lari to USD*	*Lari to EUR*	*Lari to BYN*
31 December 2021	4.1737	3.0976	3.504	1.2101
31 December 2020	4.4529	3.2766	4.0233	1.2647
31 December 2019	3.7593	2.8677	3.2095	1.3639

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

3. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations

Amendments effective from 1 January 2021

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

The UK's Financial Conduct Authority ('FCA') announced on 5 March 2021 that publication of main Libor currency interest rate benchmark settings including EUR LIBOR would cease at the end of 2021, while the publication of the most widely used US dollar Libor settings will be extended until 30 June 2023. As a result, the Bank's transition programme continued its efforts to provide near risk-free rate ('RFR') and alternative rate products and is currently focused on actively transitioning clients away from those contracts that reference Ibors demising at the end of 2021.

In August 2020 the IASB issued Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR. The amendments introduce a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. The amendments apply for annual periods beginning on or after 1 January 2021. Earlier application is permitted.

IBOR transition program is sponsored by the Chief Financial Officer of Bank of Georgia and has senior representation from each division, region and infrastructure functions. The program has been focused on identifying and quantifying exposures to various interest rate benchmarks, reviewing existing contracts that reference IBORs to make sure contractual fallback language is sufficient enough to ensure smooth transition. All new contracts are updated for more effective fallback language to facilitate and support later transition. While operational risks could be increased, contractual repapering and rebooking activities will be managed accordingly through bulk transition processes given majority of the loan contracts contain fallback clause. Greater emphasis is placed on engaging with clients who do not have contractual fallback provisions embedded within the loan agreements or are individually significant borrowers.

In addition, all major borrowing contracts are updated for fallback clause or the process is in place to facilitate untroubled transition. Bank of Georgia also continues to engage in Banking Association of Georgia-led working groups, which are discussing the mechanisms for an orderly transition of IBOR benchmark rates to chosen replacement rates.

Financial instruments impacted by Ibor reform:

For benchmarks demising in 2021, the Bank transitioned all viable legacy IBOR contracts with effective date commencing from 2022. As a result, all EUR LIBOR were replaced with EURIBOR on economically equivalent basis.

As USD Libor continues to exist for most widely used tenors until June 2023, the Bank plans to replace USD Libor with SOFR and adjustments spread in legacy loans after June 2023. Meanwhile, new financial instruments issued in 2022 and beyond will be referenced to SOFR instead of Libor.

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

Non-derivative contracts:

	Currency	*Balance at 31 December 2021*
Financial assets		
Loans to customers and finance lease receivables	USD	3,317,071
	EUR	2,711,457
Financial liabilities		
Amounts owed to credit institutions	USD	989,215

Although the Bank has significant exposure to IBORs predominantly in financial instruments, the amendments are not expected to have a material impact on transition on the Bank's separate financial statements.

3. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations (continued)

Amendments effective from 1 January 2021 (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16

In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective for annual periods beginning on or after 1 April 2021

The amendment did not have any material effect of the Bank's separate financial statements.

Standards issued but not yet effective

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

IAS 1 "Presentation of Financial Statements"
In January 2020 and July 2020, the IASB issued amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current". They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The amendments also clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments will be effective for annual periods beginning on or after January 1, 2023 with early adoption permitted. The Bank is assessing the potential effect of the amendment on its separate financial statements.

IFRS 17, Insurance Contracts
In May 2017, the IASB issued IFRS 17, Insurance Contracts, which sets out the accounting requirements for contractual rights and obligations that arise from insurance contracts issued and reinsurance contracts held. IFRS 17 is effective from 1 January 2023. The Bank is assessing the standard, but does not expect it to have a material effect on its separate financial statements.

Narrow-scope amendments

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" In May 2020, the IASB issued amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" to clarify what costs an entity considers in assessing whether a contract is onerous. 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 or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The amendments will not have a material impact on the Bank's separate financial statements.

Definition of Accounting Estimates - Amendments to IAS 8 In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.
The amendments are not expected to have a material impact on the Bank's separate financial statements.

3. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations (continued)

Standards issued but not yet effective (continued)

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

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted.

The Bank is assessing the potential effect of the amendment on its separate financial statements.

Amendments to IFRS 3,' Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The Bank does not expect that the above amendments will have any material effect on its separate financial statements.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its separate financial statements.

4. Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, the Board of Directors and management use their judgement and make estimates in determining the amounts recognised in the separate financial statements. The most significant judgements and estimates are as follows:

Measurement of fair value of investment properties

The fair value of investment properties is determined by independent, professionally qualified appraisers. Fair value is determined using a combination of the internal capitalisation method (also known as discounted future cash flow method) and the sales comparison method.

The Bank performs valuation of its investment properties with a sufficient regularity 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. Last valuation was performed in 2020. Results of this valuation are presented in Note 11, while valuation inputs and techniques are presented in Note 28. The Bank's properties are spread across the different parts of the country. While the secondary market in Georgia provides adequate market information for fair value measurements for small and medium sized

4. Significant accounting judgements and estimates (continued)

properties, valuation of large properties involves application of various observable and unobservable inputs to determine adjustments to the available comparable sale prices. These estimates and assumptions are based on the best available information, however, actual results could be different.

Allowance for financial assets

IFRS 9 requires management to make a number of judgements, assumptions and estimates based on management's knowledge and historical experience that affect the allowance for ECL. The Bank continues to apply number of management overlays to existing methodology to reflect impact of COVID-19 pandemic. A summary of the key judgements made by management is set out below.

Definition of default, credit-impaired and cure (Note 27)

The Bank's definition of default is based on quantitative and qualitative criteria. The definition may differ across products. The definition is consistent with the definition used for internal credit risk management purposes and it corresponds with internal financial instrument risk classification rules. A counterparty is classified as defaulted at the latest when payments of interest, principal or fees are overdue for more than 90 days or when bankruptcy, fraud, insolvency proceedings of enforced liquidation have commenced, or there is other evidence that the payment obligations will not be fully met. The determination of whether a financial instrument is credit-impaired focuses on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees.
An instrument is classified as credit-impaired if the counterparty is defaulted and/or the instrument is POCI.
Once the financial asset is classified as credit-impaired (except for POCIs) it remains as such unless all past due amounts have been rectified or there is general evidence of credit recovery. A minimum period of six consecutive months' payment is applied as exit criteria to financial assets restructured due to credit risk other than corporate loan portfolio and debt instruments measured at FVOCI, where exit criteria are determined as exit from bankruptcy or insolvency status, disappearance of liquidity problems or existence of other general evidence of credit recovery assessed on individual basis. For other credit-impaired financial instruments, exit criteria is determined as repayment of the entire overdue amount other than through refinancing or foreclosure.

Once a credit-impaired financial asset meets default exit criteria, it remains in Stage 2 at least for the next 12 consecutive months. In case no default status is assigned during the 12 consecutive months, it is transferred to Stage 1 if its credit risk is not significantly higher than at origination date.

Significant increase in credit risk (SICR)

A significant increase in credit risk is not a defined term per IFRS 9, and is determined by management, based on their experience and judgement. In assessing whether the credit risk has significantly increased, the Bank has identified a series of qualitative and quantitative criteria based on undertaking the holistic analysis of various factors including those which are specific to a particular financial instrument or to a borrower as well as those applicable to particular sub-portfolios. These criteria are:

- A significant increase in credit risk, expressed in the relative and/or absolute increase in the risk of default since initial recognition. SICR is determined based on comparison between credit risk ratings (internal or external) as of the origination date and credit risk ratings as of the reporting date for each financial asset individually. Thresholds are determined separately for corporate, retail and SME and other financial instrument portfolios, depending on initial grade assigned at origination.
- Existence of forecast of adverse changes in commercial, financial or economic conditions that adversely affect the creditworthiness of the borrower.
- Modification of the contractual terms due to financial problems of the borrower other than default
- The days past due on individual contract level breached the threshold of 30 days.
- Other qualitative indicators, such as external market indicators of credit risk or general economic conditions, which indicate that the level of risk has been increased significantly since origination.

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

4. Significant accounting judgements and estimates (continued)

Significant increase in credit risk (SICR) (continued)

Management Overlay to SICR

In assessing whether the credit risk of a loan has significantly increased as a result of COVID-19 related payment holiday initiative, the Bank continued to apply a series of qualitative and quantitative criteria based on undertaking the holistic analysis of various factors including those which are specific to a particular financial instrument or to a borrower as well as those applicable to particular sub-portfolios. Management continues to believe that such overlays to existing methodology remain relevant given that the time passed since COVID-19 restructurings is not sufficient to adequately capture all risk factors. Details of the overlays are disclosed below.

Retail and Micro portfolio:

Transfer to stage 2 or 3 was made based on analysis of payment-to-income (PTI) ratios or other financial information as available, overdue days, grace period granted and other relevant parameters. If the borrower has made at least three consecutive payments subsequent to the grace period, the loan was not transferred to stage 3 and remained within the same stage unless other stage transfer rules were applicable.

Further, for the borrowers for which the credit risk was considered as significantly increased, Probability of Default (PD) of 100% were assigned in the downside scenario and the ECL was calculated as a weighted average of the scenario results.

Commercial and SME portfolio:

The Bank applied individual approach to identify if SICR occurred since loan origination. The loan was transferred to stage 2 only when observable evidence of financial difficulties of the borrower indicated that the level of risk has increased significantly since loan origination

Measurement of expected credit losses

ECL reflects an unbiased, probability-weighted estimate based on a combination of the following principal factors: probability of default (PD), loss given default (LGD), and exposure at default (EAD), which are further explained below:

PD estimation: The Bank estimates PD based on a combination of rating model calibration results and a migration matrices approach which is further adjusted for macroeconomic expectations for a minimum three years onwards for all portfolios, to represent the forward-looking estimators of the PD parameters. The migration matrix is built in a way to reflect the weighted average yearly migration over the historical data period. The risk groups are determined in a way to ensure intra-group homogeneity and differentiation of expected PD levels. For loan portfolios other than corporate loans, PD is further adjusted considering time since financial instrument origination. The models incorporate both qualitative and quantitative information and, where practical, build on information from top rating agencies, Credit Bureau or internal credit rating systems. Since Stage 3 financial instruments are defaulted, the probability of default in this case is equal to 100%.

Exposure at default (EAD): The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial asset. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals discounted at the EIR. To calculate EAD for a Stage 1 financial instrument, the Bank assesses the possible default events within 12 months for the calculation of the 12 months ECL. For Stage 2, Stage 3 and POCI financial instruments, the exposure at default is considered for events over the lifetime of the instruments. The Bank determines EAD differently for products with the repayment schedules and those without repayment schedules. For financial instruments with repayment schedules, the Bank estimates forward-looking EAD using the contractual cash flow approach with further corrections for expected prepayments and overdue days. For products without the repayment schedules such as credit cards, credit lines and financial guarantees, the Bank estimates the forward-looking EAD using the limit utilisation approach. Under the above approach EAD is calculated using the expected utilization rate based on historical data of actual draw-down amounts.

4. Significant accounting judgements and estimates (continued)

Measurement of expected credit losses (continued)

Loss given default (LGD): LGD is defined as the likely loss in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. The determination of the LGD takes into account expected future cash flows from collateral and other credit enhancements, or expected payouts from bankruptcy proceedings for unsecured claims and where applicable time to realisation of collateral and the seniority of claims. The Bank segments its financial instruments into homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, wider range of collateral types). Based on this information, the Bank estimates the recovery rate (other than through collateral), cure rate and probability of re-default. Recovery through collateral is further considered in LGD calculations individually for each financial instrument.

Management Overlay to LGD

With the purpose to incorporate the uncertainties caused by the COVID-19 pandemic while determination of expected losses, the Bank further discounted recovery and cure rates by 20%.

Post-model adjustments

Limitations in the Bank's impairment model or input data may be identified through the on-going assessment and validation of the output of the models. If management considers that impairment models do not sufficiently capture all material risks, appropriate adjustments are made to the ECL. In order to incorporate the uncertainties related to the economic outlook caused by COVID-19 pandemic into ECL calculated as at the end of the reporting period, post-model adjustments in amount of GEL 30,202 were applied.

	As at 31 December 2021			
	Modelled ECL	*Post-model adjustments and management overlays*	*Total ECL*	*Adjustments as a % of total ECL*
Commercial loans	140,659	3,090	143,749	2.1%
Residential mortgage loans	28,054	4,970	33,024	15.0%
Micro and SME loans	60,565	5,786	66,351	8.7%
Consumer loans	118,842	16,291	135,133	12.1%
Gold – pawn loans	2,009	65	2,074	3.1%
Total	350,129	30,202	380,331	7.9%

	As at 31 December 2020			
	Modelled ECL	*Post-model adjustments and management overlays*	*Total ECL*	*Adjustments as a % of total ECL*
Commercial loans	151,743	3,572	155,315	2.3%
Residential mortgage loans	21,764	26,788	48,552	55.2%
Micro and SME loans	67,128	26,702	93,830	28.5%
Consumer loans	85,824	26,987	112,811	23.9%
Gold – pawn loans	173	54	227	23.8%
Total	326,632	84,103	410,735	20.5%

Assets considered in the ECL calculations

IFRS 9 requires cash flows expected from collateral and other credit enhancements to be reflected in the ECL calculation. The treatment and reflection of collateral for IFRS 9 purposes is in line with general risk management principles, policies and processes of the Bank. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and reassessed on an annual basis for all material exposures.

4. Significant accounting judgements and estimates (continued)

Forward-looking information

Under IFRS 9, the allowance for credit losses is based on reasonable and supportable forward-looking information obtainable without undue cost or effort, which takes into consideration past events, current conditions and forecasts of future economic conditions.

To incorporate forward-looking information into the Bank's allowance for credit losses, the Bank uses the macroeconomic forecasts provided by the National Bank of Georgia (NBG). Macroeconomic variables covered by these forecasts and which the Bank incorporated in its ECL assessment model include GDP growth, foreign exchange rate and inflation rate. These forward-looking macroeconomic variables are generally updated on a semi-annual basis.

The determination of the probability-weighted ECL requires evaluating a range of diverse and relevant future economic conditions. To accommodate this requirement, the Bank uses three different economic scenarios in the ECL calculation: an upside (weight 0.25), a base case (weight 0.50) and a downside (weight 0.25) scenario relevant for each respective portfolio. A weight is calculated for each scenario by using a probabilistic economic model that considers recent information as well as historical data provided by National Bank of Georgia.

The Bank considers these forecasts to represent its best estimate of the possible outcomes, based on reliable available information.

Forward-looking variable assumptions

The most significant period end assumptions used for ECL estimate as at 31 December 2021 per geographical segments are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

Georgia

Key drivers	ECL scenario	Assigned weight	As at 31 December 2021			Assigned weight	As at 31 December 2020			Assigned weight	As at 31 December 2019		
			2022	2023	2024		2021	2022	2023		2020	2021	2022
GDP growth in %													
	Upside	25%	6.00%	5.00%	4.50%	25%	-3.00%	6.00%	5.00%	25%	5.50%	6.00%	5.00%
	Base case	50%	5.00%	4.00%	4.50%	50%	-4.00%	4.50%	5.00%	50%	4.50%	5.00%	5.00%
	Downside	25%	2.00%	4.00%	5.00%	25%	-9.00%	2.50%	4.00%	25%	2.50%	3.50%	4.50%
GEL/USD exchange rate													
	Upside	25%	4.00%	2.00%	2.00%	25%	5.00%	5.00%	0.00%	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%	2.00%	3.00%	25%	-10.00%	-5.00%	5.00%	25%	-10.00%	-5.00%	5.00%
CPI inflation rate in %													
	Upside	25%	5.50%	3.00%	3.00%	25%	5.50%	4.00%	3.00%	25%	4.50%	3.50%	3.00%
	Base case	50%	7.00%	2.50%	3.00%	50%	4.50%	1.50%	2.50%	50%	4.50%	2.50%	3.00%
	Downside	25%	8.00%	4.00%	3.00%	25%	7.00%	2.00%	2.50%	25%	7.00%	5.00%	3.00%

The above information is based on the macroeconomic forecasts provided by the NBG as of May 2020.

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

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.

4. Significant accounting judgements and estimates (continued)

Forward-looking variable assumptions (continued)

Sensitivity of ECL to forward looking assumptions

As at 31 December 2021

Key drivers	*Reported ECL*	*Reported ECL coverage*	*ECL coverage by scenarios*		
			Upside	*Base case*	*Downside*
Commercial loans	143,749	2.84%	2.83%	2.84%	2.86%
Residential mortgage loans	33,024	0.83%	0.81%	0.82%	0.86%
Micro and SME loans	66,351	1.85%	1.79%	1.81%	1.98%
Consumer loans	135,133	4.75%	4.66%	4.73%	4.88%
Gold – pawn loans	2,074	1.25%	1.25%	1.25%	1.26%

As at 31 December 2020

Key drivers	*Reported ECL*	*Reported ECL coverage*	*ECL coverage by scenarios*		
			Upside	*Base case*	*Downside*
Commercial loans	155,315	3.39%	3.36%	3.38%	3.43%
Residential mortgage loans	48,552	1.30%	1.07%	1.07%	1.97%
Micro and SME loans	93,830	3.00%	2.65%	2.69%	3.97%
Consumer loans	112,811	5.52%	5.12%	5.16%	6.62%
Gold – pawn loans	227	0.22%	0.21%	0.21%	0.23%

As at 31 December 2019

Key drivers	*Reported ECL*	*Reported ECL coverage*	*ECL coverage by scenarios*		
			Upside	*Base case*	*Downside*
Commercial loans	78,410	2.15%	2.14%	2.15%	2.17%
Residential mortgage loans	9,012	0.30%	0.29%	0.30%	0.30%
Micro and SME loans	37,944	1.50%	1.48%	1.49%	1.54%
Consumer loans	72,187	3.71%	3.67%	3.70%	3.77%
Gold – pawn loans	253	0.30%	0.30%	0.30%	0.30%

Aggregation of financial instruments for collective assessment

For the purpose of a collective evaluation of impairment, financial instruments are grouped within homogeneous pools as follows: corporate loan portfolio is grouped on the basis of loan repayment source type; and retail loan portfolio is grouped on the basis of credit risk characteristics such as an asset type, collateralisation level, repayment source type and other relevant factors. As for SME and Micro loan portfolios, financial instruments are grouped based on asset type, overdue buckets, collateralisation level and other relevant factors.

Determination of expected life for revolving facilities

For revolving products, the expected life of financial instruments is determined either with reference to the next renewal date or with reference to the behavioural expected life of the financial instrument estimated based on the empirical observation of the lifetime.

Write-offs

The Bank writes off financial assets when there is no reasonable expectation of recovery, which is materially unchanged for corporate and unsecured loan portfolios or for loans secured by collateral other than real estate. For mortgages and other loans secured by real estate, the number of overdue days after which the balances are considered to be irrecoverable and are to be written off after 1,460 days of being overdue. If the amount to be written off is greater than the accumulated loan loss allowance, the difference is first treated as an expected credit loss expense. Any subsequent recoveries are credited to expected credit loss expense.

Backtesting of ECL calculation model

In order to monitor the quality and reliability of the Bank's ECL calculation model, the Bank performs backtesting and benchmarking procedures, whereby model outcomes are compared with actual results, based on internal experience as well as externally observed results. For PD, the Bank uses statistical modelling to derive a predicted distribution of the number of defaults. The observed number of defaults is then compared with this distribution, allowing the Bank to derive a statistical level of confidence in the model. For LGD, the backtesting compares observed losses with predicted LGDs. If any statistically significant deviations or shortcomings in parameterizations are observed, the relevant models are redefined and recalibrated. Any changes in the model as a result of backtesting procedures are accounted as changes in accounting estimates with prospective application.

5. Segment information

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

Following structural changes in senior management, in 2021 Wealth Management business was reclassified from Corporate and Investment Banking to Retail Banking segment. The comparative periods have been restated accordingly.

In 2020 the Bank allocated holding company operation results to the respective segments, the comparative periods were not restated as the change was not material and the information is still comparable.

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

RB - Retail Banking - 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 emerging retail, mass retail and mass affluent segments, together with small and medium-sized enterprises, and micro businesses.

CB - Corporate Banking - 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.

IB - Investment Banking - principally provides private banking services to high net worth clients.

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 separate income statement.

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

The Bank's operations are primarily concentrated in Georgia.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's operating income in 2021, 2020 or 2019.

5. Segment information (continued)

The following table presents the income statement and certain asset and liability information regarding the Bank's operating segments as at and for the year ended 31 December 2021:

	Corporate Banking	*Retail Banking*	*Investment Banking*	*Total*
Net interest income	309,035	565,210	16,451	890,696
Net fee and commission income	40,966	139,973	1,651	182,590
Net foreign currency gain	38,973	54,497	3,387	96,857
Net other income	31,695	22,557	892	55,144
Operating income	420,669	782,237	22,381	1,225,287
Operating expenses	(66,703)	(339,548)	(12,597)	(418,848)
Profit from associates	-	(3,781)	-	(3,781)
Operating income before cost of risk	353,966	438,908	9,784	802,658
Cost of risk	68,635	(71,166)	(195)	(2,726)
Net operating income before non-recurring items	422,601	367,742	9,589	799,932
Net non-recurring expense/loss	(78)	-	-	(78)
Profit before income tax	422,523	367,742	9,589	799,854
Income tax expense	(37,728)	(32,836)	(856)	(71,420)
Profit for the year	384,795	334,906	8,733	728,434
Assets and liabilities				
Total assets	7,384,821	14,725,809	66,633	22,177,263
Total liabilities	6,081,775	13,011,387	46,431	19,139,593
Other segment information				
Property and equipment	2,864	43,343	1,160	47,367
Intangible assets	2,344	29,163	276	31,783
Capital expenditure	5,208	72,506	1,436	79,150
Depreciation, amortisation and impairment	(7,430)	(69,472)	(1,106)	(78,008)

5. Segment information (continued)

The following table presents the income statement and certain asset and liability information regarding the Bank's operating segments as at and for the year ended 31 December 2020:

	Corporate Banking	*Retail Banking*	*Investment Banking*	*Total*
Net interest income	219,600	471,907	23,651	715,158
Net fee and commission income	33,549	95,792	988	130,329
Net foreign currency gain	40,581	53,224	2,746	96,551
Net other income	18,353	20,651	1,310	40,314
Operating income	312,083	641,574	28,695	982,352
Operating expenses	(58,854)	(285,709)	(11,429)	(355,992)
Profit from associates	-	782	-	782
Operating income before cost of risk	253,229	356,647	17,266	627,142
Cost of risk	(81,543)	(187,099)	(456)	(269,098)
Net operating income before non-recurring items	171,686	169,548	16,810	358,044
Net non-recurring expense/loss	(1,278)	(39,924)	(89)	(41,291)
Profit before income tax	170,408	129,624	16,721	316,753
Income tax expense	(11,430)	(5,192)	(1,410)	(18,032)
Profit for the year	158,978	124,432	15,311	298,721
Assets and liabilities				
Total assets	7,371,914	13,325,710	52,434	20,750,058
Total liabilities	6,244,815	11,990,802	39,245	18,274,862
Other segment information				
Property and equipment	4,038	58,301	1,610	63,949
Intangible assets	2,391	28,848	277	31,516
Capital expenditure	6,429	87,149	1,887	95,465
Depreciation, amortisation and impairment	(7,501)	(62,242)	(1,032)	(70,775)

5. Segment information (continued)

The following table presents the income statement and certain asset and liability information regarding the Bank's operating segments as at and for the year ended 31 December 2019:

	Corporate Banking	*Retail Banking*	*Investment Banking*	*Total*
Net interest income	172,015	545,605	25,825	743,445
Net fee and commission income	30,353	113,114	1,365	144,832
Net foreign currency gain	43,864	49,900	4,606	98,370
Net other income	9,243	6,397	(67)	15,573
Operating income	255,475	715,016	31,729	1,002,220
Operating expenses	(71,457)	(275,588)	(12,540)	(359,585)
Profit from associates	-	789	-	789
Operating income before cost of risk	184,018	440,217	19,189	643,424
Cost of risk	(6,160)	(89,823)	1	(95,982)
Net operating income before non-recurring items	177,858	350,394	19,190	547,442
Net non-recurring expense/loss	(9,030)	(3,109)	(140)	(12,279)
Profit before income tax	168,828	347,285	19,050	535,163
Income tax expense	(21,543)	(34,024)	(1,866)	(57,433)
Profit for the year	147,285	313,261	17,184	477,730
Assets and liabilities				
Total assets	6,013,022	11,254,771	82,473	17,350,266
Total liabilities	5,096,659	10,115,833	69,053	15,281,545
Other segment information				
Property and equipment	7,503	70,684	809	78,996
Intangible assets	2,415	28,022	176	30,613
Capital expenditure	9,918	98,706	985	109,609
Depreciation, amortisation and impairment	(6,663)	(61,492)	(671)	(68,826)

6. Cash and cash equivalents

	2021	*2020*	*2019*
Cash on hand	738,958	683,147	650,552
Current accounts with central banks, excluding obligatory reserves	43,892	75,230	309,255
Current accounts with credit institutions	262,555	551,282	423,609
Time deposits with credit institutions with maturities of up to 90 days	228,685	518,648	550,357
Cash and cash equivalents, gross	1,274,090	1,828,307	1,933,773
Less – Allowance for expected credit loss	(23)	(71)	(127)
Cash and cash equivalents, net	1,274,067	1,828,236	1,933,646

As at 31 December 2021, GEL 409,875 (2020: GEL 946,463, 2019: GEL 832,879) was placed on current and time deposit accounts with internationally recognised OECD banks and central banks that are the counterparties of the Bank in performing international settlements. The Bank earned up to 0.07% interest per annum on these deposits (2020: up to 0.21%, 2019: up to 2.20%). 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

	2021	*2020*	*2019*
Obligatory reserves with central banks	1,892,514	1,986,931	1,570,265
Time deposits with maturities of more than 90 days	-	-	5
Deposits pledged as security for open commitments	155	-	-
Inter-bank loan receivables	-	-	30,414
Amounts due from credit institutions, gross	1,892,669	1,986,931	1,600,684
Less – Allowance for expected credit loss	(267)	(376)	(297)
Amounts due from credit institutions, net	1,892,402	1,986,555	1,600,387

Obligatory reserves with central banks represent amounts deposited with the NBG. Credit institutions are required to maintain cash deposits (obligatory reserve) with the NBG, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw these deposits is restricted by regulation. The Bank earned up to 0.00% interest on obligatory reserves with NBG for the year ended 31 December 2021 (2020: 1.25%, 2019: 1.25%).

As at 31 December 2021, inter-bank loan receivables include GEL Nil deposits placed with non-OECD banks (2020: GEL Nil, 2019: GEL Nil).

8. Investment securities

	2021	*2020*	*2019*
Investment securities measured at FVOCI - debt instruments	2,488,817	2,415,676	1,676,739
Investment securities designated as at FVOCI - equity investments	5,350	3,337	2,711
Investment securities	2,494,167	2,419,013	1,679,450

	2021	*2020*	*2019*
Ministry of Finance of Georgia treasury bonds*	1,312,001	1,344,404	647,886
Ministry of Finance of Georgia treasury bills**	82,196	36,879	120,519
Foreign treasury bonds	15,992	79,974	-
Certificates of deposit of central banks	39,410	-	-
Other debt instruments***	1,039,218	954,419	908,334
Investment securities measured at FVOCI - debt instruments	2,488,817	2,415,676	1,676,739

** Treasury bonds of GEL 490,592 was pledged for short-term loans from the NBG (2020: GEL 1,044,066, 2019: GEL 576,017), GEL 220,480 was pledged for deposits of Ministry of Finance of Georgia (2020: GEL Nil, 2019: GEL Nil) and GEL 14,720 was pledged as security for cash kept by the NBG at the Group's premises under the cash custodian services (2020: GEL 8,188, 2019: GEL Nil).*
*** No treasury bills were pledged for short-term loans from the NBG (2020: GEL Nil, 2019: GEL 74,564), and GEL Nil was pledged as security for cash kept by the NBG at the Bank's premises under the cash custodian services (2020: GEL 9,180, 2019: GEL Nil).*
**** Corporate bonds of GEL Nil was pledged for short-term loans from the NBG (2020: GEL 685,901, 2019: GEL 684,546) and GEL 109,109 was pledged for deposits of Ministry of Finance of Georgia (2020: GEL Nil, 2019: GEL Nil).*

8. Investment securities (continued)

Other debt instruments as at 31 December 2021 mainly comprises bonds issued by the European Bank for Reconstruction and Development of GEL 521,394 (2020: GEL 312,144, 2019: GEL 309,351), GEL-denominated bonds issued by International Finance Corporation of GEL 203,351 (2020: GEL 211,250, 2019: GEL 208,948), GEL-denominated bonds issued by The Netherlands Development Finance Company of GEL 163,593 (2020: GEL 162,949, 2019: GEL 156,494), GEL-denominated bonds issued by Black Sea Trade and Development Bank of GEL 65,407 (2020: GEL 151,592, 2019: GEL 150,865), and GEL-denominated bonds issued by Asian Development Bank of GEL 61,609 (2020: GEL 61,350, 2019: GEL 58,863).

Foreign treasury bonds comprise of US Treasury Notes in amount of GEL Nil (2020: GEL 52,992, 2019: GEL Nil), and Ministry of Finance of the Republic of Lithuania treasury bonds in amount of GEL 15,992 (2020: GEL 26,982, 2019: GEL Nil).

9. Loans to customers and finance lease receivables

	2021	*2020*	*2019*
Commercial loans	5,055,370	4,584,832	3,649,795
Residential mortgage loans	3,978,301	3,745,679	3,051,970
Micro and SME loans	3,591,514	3,128,671	2,526,253
Consumer loans	2,842,592	2,045,258	1,943,440
Gold – pawn loans	165,417	103,384	85,539
Loans to customers at amortised cost, gross	15,633,194	13,607,824	11,256,997
Less – Allowance for expected credit loss	(380,331)	(410,735)	(197,806)
Loans to customers at amortised cost, net	15,252,863	13,197,089	11,059,191
Finance lease receivables, gross	12,380	3,919	4,611
Less – Allowance for expected credit loss	(1,196)	(21)	(13)
Finance lease receivables, net	11,184	3,898	4,598
Total loans to customers and finance lease receivables	15,264,047	13,200,987	11,063,789

As at 31 December 2021, loans to customers carried at GEL 1,125,955 (2020: GEL 692,052, 2019: GEL 577,246) 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. Foreign exchange movement relates to foreign currency denominated loans issued by the Bank. 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.

In 2020 there were significant transfers of loans to stage 2 and 3 as compared to previous years. This was basically driven by the COVID-19 effect on the creditworthiness of borrowers in all sectors and the related ECL model overlays to identify SICR and default cases. For details on the model overlays see Note 4.

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	3,987,104	379,475	209,877	8,376	4,584,832
New financial asset originated or purchased	4,176,652	27,538	3,202	10,032	4,217,424
Transfer to Stage 1	227,725	(225,837)	(1,888)	-	-
Transfer to Stage 2	(368,553)	386,042	(17,489)	-	-
Transfer to Stage 3	(10,148)	(48,802)	58,950	-	-
Assets derecognised due to pass-through arrangement	(28,338)	(2,048)	(124)	-	(30,510)
Assets repaid	(3,314,385)	(156,721)	(94,662)	(144)	(3,565,912)
Resegmentation	109,367	35,325	2,164	-	146,856
Impact of modifications	255	276	152	(22)	661
Write-offs	-	-	(2,454)	-	(2,454)
Recoveries of amounts previously written off	-	-	46,698	69	46,767
Unwind of discount	-	-	5,621	4	5,625
Foreign exchange movement	(328,323)	(26,883)	(9,438)	(380)	(365,024)
Net other changes	15,284	(957)	2,699	79	17,105
Balance at 31 December 2021	4,466,640	367,408	203,308	18,014	5,055,370
Individually assessed	-	-	179,814	9,566	189,380
Collectively assessed	4,466,640	367,408	23,494	8,448	4,865,990
Balance at 31 December 2021	4,466,640	367,408	203,308	18,014	5,055,370

Commercial loans at amortised cost, ECL:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	25,251	8,069	121,988	7	155,315
New financial asset originated or purchased	18,446	282	312	3,481	22,521
Transfer to Stage 1	2,180	(2,178)	(2)	-	-
Transfer to Stage 2	(2,834)	11,046	(8,212)	-	-
Transfer to Stage 3	(1,769)	(374)	2,143	-	-
Impact on ECL of exposures transferred between stages during the year	(779)	(7,368)	10,153	-	2,006
Assets derecognised due to pass-through arrangement	(138)	(74)	(70)	-	(282)
Assets repaid	(7,472)	(3,398)	(65,498)	(80)	(76,448)
Resegmentation	192	298	-	-	490
Impact of modifications	1	1	12	(14)	-
Write-offs	-	-	(2,454)	-	(2,454)
Recoveries of amounts previously written off	-	-	46,698	69	46,767
Unwind of discount	-	-	5,621	4	5,625
Foreign exchange movement	(583)	(197)	(5,560)	10	(6,330)
Net other measurement of ECL	(21,851)	(936)	19,877	(551)	(3,461)
Balance at 31 December 2021	10,644	5,171	125,008	2,926	143,749
Individually assessed	-	-	116,671	2,837	119,508
Collectively assessed	10,644	5,171	8,337	89	24,241
Balance at 31 December 2021	10,644	5,171	125,008	2,926	143,749

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

Expected credit loss (continued)

Residential mortgage loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	3,237,683	313,914	168,233	25,849	3,745,679
New financial asset originated or purchased	1,548,505	238	103	13,615	1,562,461
Transfer to Stage 1	428,357	(407,359)	(20,998)	-	-
Transfer to Stage 2	(343,684)	587,107	(243,423)	-	-
Transfer to Stage 3	(158,330)	(129,603)	287,933	-	-
Assets repaid	(970,242)	(94,049)	(73,137)	(9,287)	(1,146,715)
Resegmentation	5,514	970	-	-	6,484
Impact of modifications	988	670	143	(283)	1,518
Write-offs	-	-	(5,750)	(561)	(6,311)
Recoveries of amounts previously written off	-	-	993	205	1,198
Unwind of discount	-	-	245	17	262
Foreign exchange movement	(155,793)	(11,366)	(9,238)	(1,648)	(178,045)
Net other changes	(6,437)	(1,492)	(599)	300	(8,228)
Balance at 31 December 2021	3,586,561	259,030	104,505	28,205	3,978,301
Individually assessed	-	-	268	-	268
Collectively assessed	3,586,561	259,030	104,237	28,205	3,978,033
Balance at 31 December 2021	3,586,561	259,030	104,505	28,205	3,978,301

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	8,606	11,404	25,231	3,311	48,552
New financial asset originated or purchased	29,064	3	4	887	29,958
Transfer to Stage 1	15,744	(12,956)	(2,788)	-	-
Transfer to Stage 2	(5,679)	46,602	(40,923)	-	-
Transfer to Stage 3	(18,908)	(5,710)	24,618	-	-
Impact on ECL of exposures transferred between stages during the year	(5,556)	(37,911)	22,308	-	(21,159)
Assets repaid	(2,588)	(2,674)	(12,789)	(1,763)	(19,814)
Resegmentation	21	1	-	-	22
Impact of modifications	-	-	438	(198)	240
Write-offs	-	-	(5,750)	(561)	(6,311)
Recoveries of amounts previously written off	-	-	993	205	1,198
Unwind of discount	-	-	245	17	262
Foreign exchange movement	(470)	101	(1,732)	(409)	(2,510)
Net other measurement of ECL	(10,545)	4,943	7,184	1,004	2,586
Balance at 31 December 2021	9,689	3,803	17,039	2,493	33,024
Individually assessed	-	-	7	-	7
Collectively assessed	9,689	3,803	17,032	2,493	33,017
Balance at 31 December 2021	9,689	3,803	17,039	2,493	33,024

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

Expected credit loss (continued)

Micro and SME loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	2,530,678	429,473	165,049	3,471	3,128,671
New financial asset originated or purchased	3,236,874	12,901	1,105	7,599	3,258,479
Transfer to Stage 1	382,620	(375,961)	(6,659)	-	-
Transfer to Stage 2	(565,219)	668,824	(103,605)	-	-
Transfer to Stage 3	(107,726)	(108,441)	216,167	-	-
Assets repaid	(1,941,589)	(275,120)	(92,357)	(4,718)	(2,313,784)
Resegmentation	(247,911)	(40,492)	(2,790)	(5)	(291,198)
Impact of modifications	202	181	(4,344)	(11)	(3,972)
Write-offs	-	-	(39,512)	(214)	(39,726)
Recoveries of amounts previously written off	-	-	12,212	686	12,898
Unwind of discount	-	-	625	23	648
Foreign exchange movement	(172,922)	(26,554)	(9,349)	(271)	(209,096)
Net other changes	44,088	(1,750)	6,181	73	48,592
Balance at 31 December 2021	3,159,095	283,061	142,723	6,635	3,591,514
Individually assessed	-	-	14,690	-	14,690
Collectively assessed	3,159,095	283,061	128,033	6,635	3,576,824
Balance at 31 December 2021	3,159,095	283,061	142,723	6,635	3,591,514

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	24,639	19,544	49,583	64	93,830
New financial asset originated or purchased	57,341	253	45	81	57,720
Transfer to Stage 1	19,953	(18,442)	(1,511)	-	-
Transfer to Stage 2	(14,127)	34,487	(20,360)	-	-
Transfer to Stage 3	(13,858)	(6,789)	20,647	-	-
Impact on ECL of exposures transferred between stages during the year	(4,042)	(18,309)	26,774	-	4,423
Assets repaid	(15,917)	(7,047)	(25,802)	(968)	(49,734)
Resegmentation	(1,280)	(476)	(182)	-	(1,938)
Impact of modifications	(1)	(7)	(2,140)	1	(2,147)
Write-offs	-	-	(39,512)	(214)	(39,726)
Recoveries of amounts previously written off	-	-	12,212	686	12,898
Unwind of discount	-	-	625	23	648
Foreign exchange movement	(935)	(128)	(2,520)	(79)	(3,662)
Net other measurement of ECL	(24,989)	2,691	15,807	530	(5,961)
Balance at 31 December 2021	26,784	5,777	33,666	124	66,351
Individually assessed	-	-	4,695	-	4,695
Collectively assessed	26,784	5,777	28,971	124	61,656
Balance at 31 December 2021	26,784	5,777	33,666	124	66,351

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

Expected credit loss (continued)

Consumer loans at amortised cost, gross:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	1,743,361	193,767	99,615	8,515	2,045,258
New financial asset originated or purchased	2,734,807	6,999	1,718	19,540	2,763,064
Transfer to Stage 1	269,978	(253,414)	(16,564)	-	-
Transfer to Stage 2	(366,560)	488,626	(122,066)	-	-
Transfer to Stage 3	(133,858)	(123,225)	257,083	-	-
Assets repaid	(1,820,217)	(100,163)	(64,661)	(4,297)	(1,989,338)
Resegmentation	110,449	3,487	706	5	114,647
Impact of modifications	246	82	(9,482)	(46)	(9,200)
Write-offs	-	-	(72,732)	(415)	(73,147)
Recoveries of amounts previously written off	-	-	19,260	148	19,408
Unwind of discount	-	-	408	345	753
Foreign exchange movement	(51,792)	(1,590)	(688)	(223)	(54,293)
Net other changes	12,467	(218)	13,564	(373)	25,440
Balance at 31 December 2021	2,498,881	214,351	106,161	23,199	2,842,592
Collectively assessed	2,498,881	214,351	106,161	23,199	2,842,592
Balance at 31 December 2021	2,498,881	214,351	106,161	23,199	2,842,592

Consumer loans at amortised cost, ECL:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	40,049	25,434	46,298	1,030	112,811
New financial asset originated or purchased	153,467	1,570	546	251	155,834
Transfer to Stage 1	33,872	(26,177)	(7,695)	-	-
Transfer to Stage 2	(26,668)	75,110	(48,442)	-	-
Transfer to Stage 3	(57,606)	(20,110)	77,716	-	-
Impact on ECL of exposures transferred between stages during the year	(12,182)	(40,390)	53,653	-	1,081
Assets repaid	(47,239)	(11,218)	(35,780)	(1,449)	(95,686)
Resegmentation	548	83	182	-	813
Impact of modifications	(2)	(1)	(5,036)	5	(5,034)
Write-offs	-	-	(72,732)	(415)	(73,147)
Recoveries of amounts previously written off	-	-	19,260	148	19,408
Unwind of discount	-	-	408	345	753
Foreign exchange movement	(153)	(37)	(643)	(29)	(862)
Net other measurement of ECL	(27,242)	15,068	30,399	925	19,150
Balance at 31 December 2021	56,844	19,332	58,146	811	135,133
Collectively assessed	56,844	19,332	58,146	811	135,133
Balance at 31 December 2021	56,844	19,332	58,146	811	135,133

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

Expected credit loss (continued)

Gold – pawn loans at amortised cost, gross:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	97,775	3,879	1,730	-	103,384
New financial asset originated or purchased	170,198	1,117	219	-	171,534
Transfer to Stage 1	10,556	(10,148)	(408)	-	-
Transfer to Stage 2	(21,129)	23,266	(2,137)	-	-
Transfer to Stage 3	(3,856)	(2,531)	6,387	-	-
Assets repaid	(123,964)	(6,222)	(3,071)	-	(133,257)
Resegmentation	22,581	710	(80)	-	23,211
Write-offs	-	-	(253)	-	(253)
Recoveries of amounts previously written off	-	-	3	-	3
Unwind of discount	-	-	(1)	-	(1)
Foreign exchange movement	(18)	(6)	(3)	-	(27)
Net other changes	644	51	128	-	823
Balance at 31 December 2021	152,787	10,116	2,514	-	165,417
Collectively assessed	152,787	10,116	2,514	-	165,417
Balance at 31 December 2021	152,787	10,116	2,514	-	165,417

Gold – pawn loans at amortised cost, ECL:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	39	16	172	-	227
New financial asset originated or purchased	497	138	-	-	635
Transfer to Stage 1	34	(10)	(24)	-	-
Transfer to Stage 2	-	85	(85)	-	-
Transfer to Stage 3	(2)	(4)	6	-	-
Impact on ECL of exposures transferred between stages during the year	(24)	-	-	-	(24)
Assets repaid	(177)	(27)	(24)	-	(228)
Resegmentation	519	94	-	-	613
Write-offs	-	-	(253)	-	(253)
Recoveries of amounts previously written off	-	-	3	-	3
Unwind of discount	-	-	(1)	-	(1)
Net other measurement of ECL	936	(281)	447	-	1,102
Balance at 31 December 2021	1,822	11	241	-	2,074
Collectively assessed	1,822	11	241	-	2,074
Balance at 31 December 2021	1,822	11	241	-	2,074

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

Expected credit loss (continued)

Commercial loans at amortised cost, gross:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	3,162,054	335,699	144,381	7,661	3,649,795
New financial asset originated or purchased	3,116,864	45,343	2,156	-	3,164,363
Transfer to Stage 1	366,839	(366,839)	-	-	-
Transfer to Stage 2	(569,236)	615,396	(46,160)	-	-
Transfer to Stage 3	(58,180)	(62,866)	121,046	-	-
Assets derecognised due to pass-through arrangement	(30,363)	(10,340)	(52)	-	(40,755)
Assets repaid	(2,538,373)	(213,839)	(53,791)	(575)	(2,806,578)
Resegmentation	21,133	-	-	-	21,133
Impact of modifications	(809)	94	(4)	(7)	(726)
Write-offs	-	-	(6,535)	-	(6,535)
Recoveries of amounts previously written off	-	-	13,492	127	13,619
Unwind of discount	-	-	8,723	6	8,729
Foreign exchange movement	487,551	35,956	24,329	928	548,764
Net other changes	29,624	871	2,292	236	33,023
Balance at 31 December 2020	3,987,104	379,475	209,877	8,376	4,584,832
Individually assessed	-	-	205,649	-	205,649
Collectively assessed	3,987,104	379,475	4,228	8,376	4,379,183
Balance at 31 December 2020	3,987,104	379,475	209,877	8,376	4,584,832

Commercial loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	5,443	2,461	70,205	301	78,410
New financial asset originated or purchased	2,014	1,249	572	-	3,835
Transfer to Stage 1	3,336	(3,336)	-	-	-
Transfer to Stage 2	(2,634)	7,374	(4,740)	-	-
Transfer to Stage 3	(539)	(9,749)	10,288	-	-
Impact on ECL of exposures transferred between stages during the year	(26,700)	(4,124)	23,089	-	(7,735)
Assets derecognised due to pass-through arrangement	(9)	(294)	(12)	-	(315)
Assets repaid	(5,640)	(9,559)	(27,069)	(304)	(42,572)
Resegmentation	140	-	-	-	140
Impact of modifications	1	8	(6)	-	3
Write-offs	-	-	(6,535)	-	(6,535)
Recoveries of amounts previously written off	-	-	13,492	127	13,619
Unwind of discount	-	-	8,723	6	8,729
Foreign exchange movement	967	(782)	12,544	20	12,749
Net other measurement of ECL	48,872	24,821	21,437	(143)	94,987
Balance at 31 December 2020	25,251	8,069	121,988	7	155,315
Individually assessed	-	-	119,840	-	119,840
Collectively assessed	25,251	8,069	2,148	7	35,475
Balance at 31 December 2020	25,251	8,069	121,988	7	155,315

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 2019	2,750,246	160,038	109,413	32,273	3,051,970
New financial asset originated or purchased	1,193,449	430	151	3,101	1,197,131
Transfer to Stage 1	460,610	(419,004)	(41,606)	-	-
Transfer to Stage 2	(541,211)	599,958	(58,747)	-	-
Transfer to Stage 3	(155,375)	(40,591)	195,966	-	-
Assets repaid	(779,867)	(37,503)	(51,741)	(13,696)	(882,807)
Resegmentation	(945)	-	-	-	(945)
Impact of modifications	(8,730)	954	(134)	(854)	(8,764)
Write-offs	-	-	(5,368)	(215)	(5,583)
Recoveries of amounts previously written off	-	-	734	767	1,501
Unwind of discount	1	-	292	91	384
Foreign exchange movement	287,057	23,746	12,847	3,604	327,254
Net other changes	32,448	25,886	6,426	778	65,538
Balance at 31 December 2020	3,237,683	313,914	168,233	25,849	3,745,679
Individually assessed	-	-	3,274	-	3,274
Collectively assessed	3,237,683	313,914	164,959	25,849	3,742,405
Balance at 31 December 2020	3,237,683	313,914	168,233	25,849	3,745,679

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	456	160	6,588	1,808	9,012
New financial asset originated or purchased	18	2	4	162	186
Transfer to Stage 1	14,010	(7,432)	(6,578)	-	-
Transfer to Stage 2	(2,419)	10,026	(7,607)	-	-
Transfer to Stage 3	(71)	(849)	920	-	-
Impact on ECL of exposures transferred between stages during the year	(19,477)	(6,079)	2,726	-	(22,830)
Assets repaid	(2,432)	(965)	(8,594)	(3,399)	(15,390)
Resegmentation	(17)	-	-	-	(17)
Impact of modifications	(15)	468	499	(213)	739
Write-offs	-	-	(5,368)	(215)	(5,583)
Recoveries of amounts previously written off	-	-	734	767	1,501
Unwind of discount	1	-	292	91	384
Foreign exchange movement	136	(63)	1,029	474	1,576
Net other measurement of ECL	18,416	16,136	40,586	3,836	78,974
Balance at 31 December 2020	8,606	11,404	25,231	3,311	48,552
Individually assessed	-	-	398	-	398
Collectively assessed	8,606	11,404	24,833	3,311	48,154
Balance at 31 December 2020	8,606	11,404	25,231	3,311	48,552

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 2019	2,318,749	95,682	110,073	1,749	2,526,253
New financial asset originated or purchased	2,049,139	4,652	887	2,928	2,057,606
Transfer to Stage 1	440,795	(428,390)	(12,405)	-	-
Transfer to Stage 2	(882,557)	916,156	(33,599)	-	-
Transfer to Stage 3	(55,889)	(98,426)	154,315	-	-
Assets repaid	(1,545,744)	(151,131)	(66,086)	(1,224)	(1,764,185)
Resegmentation	(19,958)	-	-	-	(19,958)
Impact of modifications	(6,109)	(786)	(2,560)	(1)	(9,456)
Write-offs	-	-	(29,092)	(976)	(30,068)
Recoveries of amounts previously written off	-	-	6,103	102	6,205
Unwind of discount	11	-	1,079	25	1,115
Foreign exchange movement	228,987	33,026	11,509	293	273,815
Net other changes	3,254	58,690	24,825	575	87,344
Balance at 31 December 2020	2,530,678	429,473	165,049	3,471	3,128,671
Individually assessed	-	-	13,478	-	13,478
Collectively assessed	2,530,678	429,473	151,571	3,471	3,115,193
Balance at 31 December 2020	2,530,678	429,473	165,049	3,471	3,128,671

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	11,283	3,460	22,325	876	37,944
New financial asset originated or purchased	673	84	24	50	831
Transfer to Stage 1	23,238	(20,153)	(3,085)	-	-
Transfer to Stage 2	(10,777)	17,680	(6,903)	-	-
Transfer to Stage 3	(312)	(8,062)	8,374	-	-
Impact on ECL of exposures transferred between stages during the year	(24,848)	(3,986)	6,095	-	(22,739)
Assets repaid	(11,553)	(8,290)	(19,706)	(270)	(39,819)
Resegmentation	(123)	-	-	-	(123)
Impact of modifications	(158)	(173)	(1,148)	-	(1,479)
Write-offs	-	-	(29,092)	(976)	(30,068)
Recoveries of amounts previously written off	-	-	6,103	102	6,205
Unwind of discount	11	-	1,079	25	1,115
Foreign exchange movement	661	37	2,140	76	2,914
Net other measurement of ECL	36,544	38,947	63,377	181	139,049
Balance at 31 December 2020	24,639	19,544	49,583	64	93,830
Individually assessed	-	-	6,999	-	6,999
Collectively assessed	24,639	19,544	42,584	64	86,831
Balance at 31 December 2020	24,639	19,544	49,583	64	93,830

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 2019	1,716,146	109,778	107,775	9,741	1,943,440
New financial asset originated or purchased	1,540,090	7,125	2,925	1,016	1,551,156
Transfer to Stage 1	291,495	(244,593)	(46,902)	-	-
Transfer to Stage 2	(393,312)	434,124	(40,812)	-	-
Transfer to Stage 3	(99,310)	(49,208)	148,518	-	-
Assets repaid	(1,371,138)	(80,432)	(69,508)	(3,242)	(1,524,320)
Resegmentation	(230)	-	263	-	33
Impact of modifications	(12,300)	(1,149)	(3,328)	(148)	(16,925)
Write-offs	-	-	(34,742)	(8)	(34,750)
Recoveries of amounts previously written off	-	-	21,166	65	21,231
Unwind of discount	(143)	-	424	18	299
Foreign exchange movement	16,413	3,656	3,549	419	24,037
Net other changes	55,650	14,466	10,287	654	81,057
Balance at 31 December 2020	1,743,361	193,767	99,615	8,515	2,045,258
Individually assessed	-	-	11	-	11
Collectively assessed	1,743,361	193,767	99,604	8,515	2,045,247
Balance at 31 December 2020	1,743,361	193,767	99,615	8,515	2,045,258

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	16,629	6,259	49,085	214	72,187
New financial asset originated or purchased	15,177	1,736	907	374	18,194
Transfer to Stage 1	45,215	(23,786)	(21,429)	-	-
Transfer to Stage 2	(17,722)	38,666	(20,944)	-	-
Transfer to Stage 3	(536)	(8,861)	9,397	-	-
Impact on ECL of exposures transferred between stages during the year	(39,334)	(13,741)	(6,052)	-	(59,127)
Assets repaid	(29,212)	(10,086)	(44,778)	(439)	(84,515)
Impact of modifications	(519)	(171)	(1,704)	(7)	(2,401)
Write-offs	-	-	(34,742)	(8)	(34,750)
Recoveries of amounts previously written off	-	-	21,166	65	21,231
Unwind of discount	(143)	-	424	18	299
Foreign exchange movement	138	46	744	21	949
Net other measurement of ECL	50,356	35,372	94,224	792	180,744
Balance at 31 December 2020	40,049	25,434	46,298	1,030	112,811
Individually assessed	-	-	11	-	11
Collectively assessed	40,049	25,434	46,287	1,030	112,800
Balance at 31 December 2020	40,049	25,434	46,298	1,030	112,811

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 2019	1,716,146	109,778	107,775	9,741	1,943,440
New financial asset originated or purchased	1,540,090	7,125	2,925	1,016	1,551,156
Transfer to Stage 1	291,495	(244,593)	(46,902)	-	-
Transfer to Stage 2	(393,312)	434,124	(40,812)	-	-
Transfer to Stage 3	(99,310)	(49,208)	148,518	-	-
Assets repaid	(1,371,138)	(80,432)	(69,508)	(3,242)	(1,524,320)
Resegmentation	(230)	-	263	-	33
Impact of modifications	(12,300)	(1,149)	(3,328)	(148)	(16,925)
Write-offs	-	-	(34,742)	(8)	(34,750)
Recoveries of amounts previously written off	-	-	21,166	65	21,231
Unwind of discount	(143)	-	424	18	299
Foreign exchange movement	16,413	3,656	3,549	419	24,037
Net other changes	55,650	14,466	10,287	654	81,057
Balance at 31 December 2020	1,743,361	193,767	99,615	8,515	2,045,258
Individually assessed	-	-	11	-	11
Collectively assessed	1,743,361	193,767	99,604	8,515	2,045,247
Balance at 31 December 2020	1,743,361	193,767	99,615	8,515	2,045,258

Consumer loans at amortised cost, ECL:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	16,629	6,259	49,085	214	72,187
New financial asset originated or purchased	15,177	1,736	907	374	18,194
Transfer to Stage 1	45,215	(23,786)	(21,429)	-	-
Transfer to Stage 2	(17,722)	38,666	(20,944)	-	-
Transfer to Stage 3	(536)	(8,861)	9,397	-	-
Impact on ECL of exposures transferred between stages during the year	(39,334)	(13,741)	(6,052)	-	(59,127)
Assets repaid	(29,212)	(10,086)	(44,778)	(439)	(84,515)
Impact of modifications	(519)	(171)	(1,704)	(7)	(2,401)
Write-offs	-	-	(34,742)	(8)	(34,750)
Recoveries of amounts previously written off	-	-	21,166	65	21,231
Unwind of discount	(143)	-	424	18	299
Foreign exchange movement	138	46	744	21	949
Net other measurement of ECL	50,356	35,372	94,224	792	180,744
Balance at 31 December 2020	40,049	25,434	46,298	1,030	112,811
Individually assessed	-	-	11	-	11
Collectively assessed	40,049	25,434	46,287	1,030	112,800
Balance at 31 December 2020	40,049	25,434	46,298	1,030	112,811

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 2019	1,716,146	109,778	107,775	9,741	1,943,440
New financial asset originated or purchased	1,540,090	7,125	2,925	1,016	1,551,156
Transfer to Stage 1	291,495	(244,593)	(46,902)	-	-
Transfer to Stage 2	(393,312)	434,124	(40,812)	-	-
Transfer to Stage 3	(99,310)	(49,208)	148,518	-	-
Assets repaid	(1,371,138)	(80,432)	(69,508)	(3,242)	(1,524,320)
Resegmentation	(230)	-	263	-	33
Impact of modifications	(12,300)	(1,149)	(3,328)	(148)	(16,925)
Write-offs	-	-	(34,742)	(8)	(34,750)
Recoveries of amounts previously written off	-	-	21,166	65	21,231
Unwind of discount	(143)	-	424	18	299
Foreign exchange movement	16,413	3,656	3,549	419	24,037
Net other changes	55,650	14,466	10,287	654	81,057
Balance at 31 December 2020	1,743,361	193,767	99,615	8,515	2,045,258
Individually assessed	-	-	11	-	11
Collectively assessed	1,743,361	193,767	99,604	8,515	2,045,247
Balance at 31 December 2020	1,743,361	193,767	99,615	8,515	2,045,258

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	16,629	6,259	49,085	214	72,187
New financial asset originated or purchased	15,177	1,736	907	374	18,194
Transfer to Stage 1	45,215	(23,786)	(21,429)	-	-
Transfer to Stage 2	(17,722)	38,666	(20,944)	-	-
Transfer to Stage 3	(536)	(8,861)	9,397	-	-
Impact on ECL of exposures transferred between stages during the year	(39,334)	(13,741)	(6,052)	-	(59,127)
Assets repaid	(29,212)	(10,086)	(44,778)	(439)	(84,515)
Impact of modifications	(519)	(171)	(1,704)	(7)	(2,401)
Write-offs	-	-	(34,742)	(8)	(34,750)
Recoveries of amounts previously written off	-	-	21,166	65	21,231
Unwind of discount	(143)	-	424	18	299
Foreign exchange movement	138	46	744	21	949
Net other measurement of ECL	50,356	35,372	94,224	792	180,744
Balance at 31 December 2020	40,049	25,434	46,298	1,030	112,811
Individually assessed	-	-	11	-	11
Collectively assessed	40,049	25,434	46,287	1,030	112,800
Balance at 31 December 2020	40,049	25,434	46,298	1,030	112,811

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 2018	2,350,397	86,809	88,249	23,188	2,548,643
New financial asset originated or purchased	1,410,680	472	7	23,136	1,434,295
Transfer to Stage 1	249,103	(216,701)	(32,402)	-	-
Transfer to Stage 2	(350,322)	378,751	(28,429)	-	-
Transfer to Stage 3	(110,097)	(62,530)	172,627	-	-
Assets repaid	(908,347)	(34,746)	(97,063)	(15,457)	(1,055,613)
Resegmentation	(9,538)	272	(4)	-	(9,270)
Impact of modifications	-	-	(1,372)	(389)	(1,761)
Write-offs	-	-	(4,646)	-	(4,646)
Recoveries of amounts previously written off	-	-	557	-	557
Unwind of discount	-	-	27	76	103
Foreign exchange movement	101,201	6,139	5,236	1,189	113,765
Net other changes	17,169	1,572	6,626	530	25,897
Balance at 31 December 2019	2,750,246	160,038	109,413	32,273	3,051,970
Individually assessed	-	-	1,374	-	1,374
Collectively assessed	2,750,246	160,038	108,039	32,273	3,050,596
Balance at 31 December 2019	2,750,246	160,038	109,413	32,273	3,051,970

Residential mortgage loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2018	237	31	5,383	1,089	6,740
New financial asset originated or purchased	1,922	-	1	320	2,243
Transfer to Stage 1	598	(254)	(344)	-	-
Transfer to Stage 2	(137)	795	(658)	-	-
Transfer to Stage 3	(1,706)	(60)	1,766	-	-
Impact on ECL of exposures transferred between stages during the year	(440)	(528)	2,005	-	1,037
Assets repaid	(156)	(37)	(3,294)	(1,005)	(4,492)
Impact of modifications	-	-	(43)	(1)	(44)
Write-offs	-	-	(4,646)	-	(4,646)
Recoveries of amounts previously written off	-	-	557	-	557
Unwind of discount	-	-	27	76	103
Foreign exchange movement	15	3	363	88	469
Net other measurement of ECL	123	210	5,471	1,241	7,045
Balance at 31 December 2019	456	160	6,588	1,808	9,012
Collectively assessed	456	160	6,588	1,808	9,012
Balance at 31 December 2019	456	160	6,588	1,808	9,012

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 2018	1,822,943	64,090	117,899	2,235	2,007,167
New financial asset originated or purchased	2,387,152	3,020	170	597	2,390,939
Transfer to Stage 1	130,258	(118,734)	(11,524)	-	-
Transfer to Stage 2	(253,672)	264,819	(11,147)	-	-
Transfer to Stage 3	(32,840)	(68,397)	101,237	-	-
Assets repaid	(1,632,259)	(48,577)	(68,922)	(1,715)	(1,751,473)
Resegmentation	(166,727)	(3,134)	(2,605)	-	(172,466)
Impact of modifications	-	(26)	(3,985)	(27)	(4,038)
Write-offs	-	-	(31,481)	-	(31,481)
Recoveries of amounts previously written off	-	-	3,611	-	3,611
Unwind of discount	-	-	1,309	32	1,341
Foreign exchange movement	55,605	2,011	4,971	190	62,777
Net other changes	8,289	610	10,540	437	19,876
Balance at 31 December 2019	2,318,749	95,682	110,073	1,749	2,526,253
Individually assessed	-	-	2,882	-	2,882
Collectively assessed	2,318,749	95,682	107,191	1,749	2,523,371
Balance at 31 December 2019	2,318,749	95,682	110,073	1,749	2,526,253

Micro and SME loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2018	7,492	2,372	22,635	70	32,569
New financial asset originated or purchased	13,902	1	-	-	13,903
Transfer to Stage 1	6,492	(4,202)	(2,290)	-	-
Transfer to Stage 2	(4,361)	7,187	(2,826)	-	-
Transfer to Stage 3	(2,097)	(4,323)	6,420	-	-
Impact on ECL of exposures transferred between stages during the year	(2,857)	(1,628)	(1,342)	-	(5,827)
Assets repaid	(8,772)	(1,402)	(11,797)	(358)	(22,329)
Resegmentation	(103)	(6)	-	-	(109)
Impact of modifications	-	-	(1,022)	(1)	(1,023)
Write-offs	-	-	(31,481)	-	(31,481)
Recoveries of amounts previously written off	-	-	3,611	-	3,611
Unwind of discount	-	-	1,309	32	1,341
Foreign exchange movement	57	18	560	55	690
Net other measurement of ECL	1,530	5,443	38,548	1,078	46,599
Balance at 31 December 2019	11,283	3,460	22,325	876	37,944
Individually assessed	-	-	1,243	-	1,243
Collectively assessed	11,283	3,460	21,082	876	36,701
Balance at 31 December 2019	11,283	3,460	22,325	876	37,944

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 2018	1,591,143	100,853	120,895	4,471	1,817,362
New financial asset originated or purchased	1,952,404	9,012	2,492	9,421	1,973,329
Transfer to Stage 1	225,420	(163,865)	(61,555)	-	-
Transfer to Stage 2	(320,982)	358,967	(37,985)	-	-
Transfer to Stage 3	(219,006)	(117,070)	336,076	-	-
Assets repaid	(1,535,569)	(77,789)	(199,110)	(4,323)	(1,816,791)
Resegmentation	(100)	(272)	138	-	(234)
Impact of modifications	-	-	(3,270)	(62)	(3,332)
Write-offs	-	-	(86,290)	-	(86,290)
Recoveries of amounts previously written off	-	-	17,753	-	17,753
Unwind of discount	-	-	3,859	15	3,874
Foreign exchange movement	16,513	1,232	1,566	86	19,397
Net other changes	6,323	(1,290)	13,206	133	18,372
Balance at 31 December 2019	1,716,146	109,778	107,775	9,741	1,943,440
Individually assessed	-	-	1,384	-	1,384
Collectively assessed	1,716,146	109,778	106,391	9,741	1,942,056
Balance at 31 December 2019	1,716,146	109,778	107,775	9,741	1,943,440

Consumer loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2018	19,461	9,250	62,061	389	91,161
New financial asset originated or purchased	64,766	1,384	1,295	42	67,487
Transfer to Stage 1	33,516	(9,919)	(23,597)	-	-
Transfer to Stage 2	(9,439)	26,960	(17,521)	-	-
Transfer to Stage 3	(55,573)	(9,593)	65,166	-	-
Impact on ECL of exposures transferred between stages during the year	(25,460)	(14,026)	38,434	-	(1,052)
Assets repaid	(11,637)	(6,521)	(64,359)	(311)	(82,828)
Impact of modifications	-	-	(895)	(5)	(900)
Write-offs	-	-	(86,290)	-	(86,290)
Recoveries of amounts previously written off	-	-	17,753	-	17,753
Unwind of discount	-	-	3,859	15	3,874
Foreign exchange movement	53	22	242	17	334
Net other measurement of ECL	942	8,702	52,937	67	62,648
Balance at 31 December 2019	16,629	6,259	49,085	214	72,187
Individually assessed	-	-	8	-	8
Collectively assessed	16,629	6,259	49,077	214	72,179
Balance at 31 December 2019	16,629	6,259	49,085	214	72,187

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 2018	75,483	541	4,747	-	80,771
New financial asset originated or purchased	106,339	-	154	-	106,493
Transfer to Stage 1	5,671	(1,307)	(4,364)	-	-
Transfer to Stage 2	(2,414)	3,825	(1,411)	-	-
Transfer to Stage 3	(10,459)	(1,333)	11,792	-	-
Assets repaid	(93,933)	(604)	(6,750)	-	(101,287)
Resegmentation	-	-	(137)	-	(137)
Write-offs	-	-	(292)	-	(292)
Recoveries of amounts previously written off	-	-	1	-	1
Unwind of discount	-	-	(2)	-	(2)
Foreign exchange movement	175	2	28	-	205
Net other changes	(68)	(10)	(135)	-	(213)
Balance at 31 December 2019	80,794	1,114	3,631	-	85,539
Collectively assessed	80,794	1,114	3,631	-	85,539
Balance at 31 December 2019	80,794	1,114	3,631	-	85,539

Gold – pawn loans at amortised cost, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2018	11	-	283	-	294
New financial asset originated or purchased	214	-	-	-	214
Transfer to Stage 1	36	-	(36)	-	-
Transfer to Stage 2	-	61	(61)	-	-
Transfer to Stage 3	(215)	-	215	-	-
Impact on ECL of exposures transferred between stages during the year	(36)	(61)	218	-	121
Assets repaid	(7)	-	(295)	-	(302)
Write-offs	-	-	(292)	-	(292)
Recoveries of amounts previously written off	-	-	1	-	1
Unwind of discount	-	-	(2)	-	(2)
Foreign exchange movement	-	-	2	-	2
Net other measurement of ECL	5	1	211	-	217
Balance at 31 December 2019	8	1	244	-	253
Collectively assessed	8	1	244	-	253
Balance at 31 December 2019	8	1	244	-	253

The contractual amounts outstanding on loans to customers that have been written off during the reporting period but are still subject to enforcement activity was GEL 92,566 (2020: GEL 48,700, 2019: GEL 58,627).

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

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, equipment and machinery, corporate shares, inventory, trade receivables, third-party corporate guarantees and personal guarantees of shareholders.
- For retail lending, mortgages over residential properties, cars, gold and jewellery, third-party corporate guarantees and personal guarantees of shareholders.

Management requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for expected credit loss/impairment of loans.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion or to hold them for capital appreciation or earning rentals, as appropriate in each case. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

Without taking into account the discounted value of collateral, the ECL for credit-impaired loans would be as follows::

- for commercial loans: GEL 210,708 as at 31 December 2021 (2020: GEL 211,235, 2019: GEL 145,323);
- for residential mortgage loans: GEL 93,804 as at 31 December 2021 (2020: GEL 146,803, 2019: GEL 101,542);
- for micro and SME: GEL 132,151 as at 31 December 2021 (2020: GEL148,438, 2019: GEL96,583);
- for consumer loans: GEL 86,726 as at 31 December 2021 (2020: GEL 84,698, 2019: GEL 85,551); and
- gold – pawn loans: GEL 1,805 as at 31 December 2021 (2020: GEL 1,430, 2019: GEL 2,561).

Without taking into account the discounted value of collateral, the allowance for expected credit loss/impairment of loans would be GEL 284,740 higher as at 31 December 2021 (2020: GEL 344,920 higher, 2019: GEL 279,914 higher).

Concentration of loans to customers

As at 31 December 2021, the concentration of loans granted by the Bank to the ten largest third-party borrowers comprised GEL 1,187,521 accounting for 8% of the gross loan portfolio of the Bank (2020: GEL 1,213,986 and 9% respectively, 2019: GEL 1,023,217 and 9% respectively). An allowance of GEL 1,424 (2020: GEL 7,970, 2019: GEL 1,634) was established against these loans.

As at 31 December 2021, the concentration of loans granted by the Bank to the ten largest third-party group of borrowers comprised GEL 1,976,154 accounting for 13% of the gross loan portfolio of the Bank (2020: GEL 1,849,423 and 14% respectively, 2019: GEL 1,602,923 and 14% respectively). An allowance of GEL 6,128 (2020: GEL 11,285, 2019: GEL 60,953) was established against these loans.

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

Concentration of loans to customers (continued)

As at 31 December 2021, 31 December 2020 and 31 December 2019, loans were principally issued within Georgia, and their distribution by industry sector was as follows:

	2021	*2020*	*2019*
Individuals	9,001,784	7,687,370	6,607,967
Manufacturing	1,123,104	1,064,942	792,431
Trade	1,018,861	923,157	796,681
Real estate	908,845	927,011	763,907
Hospitality	942,388	824,895	584,593
Transport & communication	213,759	147,983	120,918
Construction	372,796	262,294	184,385
Electricity, gas and water supply	378,769	251,370	187,788
Service	280,441	274,467	211,815
Mining and quarrying	183,249	199,397	194,810
Financial intermediation	219,835	176,826	141,402
Other	989,363	868,112	670,300
Loans to customers, gross	15,633,194	13,607,824	11,256,997
Less – Allowance for expected credit loss	(380,331)	(410,735)	(197,806)
Loans to customers, net	15,252,863	13,197,089	11,059,191

COVID-19 had affected many areas of the country's economy. However, some of the sectors, such as the hospitality sector, retail and micro businesses were more affected than others.

Loans have been extended to the following types of customers:

	2021	*2020*	*2019*
Individuals	9,001,784	7,687,370	6,607,967
Private companies	6,618,938	5,900,320	4,634,428
State-owned entities	12,472	20,134	14,602
Loans to customers, gross	15,633,194	13,607,824	11,256,997
Less – Allowance for expected credit loss	(380,331)	(410,735)	(197,806)
Loans to customers, net	15,252,863	13,197,089	11,059,191

Finance lease receivables

	2021	*2020*	*2019*
Minimum lease payments receivable	16,624	6,318	7,720
Less – Unearned finance lease income	(4,244)	(2,399)	(3,109)
	12,380	3,919	4,611
Less – Allowance for expected credit loss / impairment loss	(1,196)	(21)	(13)
Finance lease receivables, net	11,184	3,898	4,598

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

As at 31 December 2021, the concentration of investment in the five largest lease receivables comprised GEL 4,084 or 33% of total finance lease receivables (2020: GEL 3,919 or 100%, 2019: GEL 4,599 or 100%) and finance income received from them for the year ended 31 December 2021 comprised GEL 220 or 25% of total finance income from lease (2020: GEL 426 or 95%, 2019: GEL 511 or 93%).

Future minimum lease payments to be received after 31 December 2021, 31 December 2020 and 31 December 2019 are as follows:

	2021	*2020*	*2019*
Within 1 year	7,044	3,783	3,992
From 1 to 5 years	488	2,535	2,862
More than 5 years	9,092	-	866
Minimum lease payment receivables	16,624	6,318	7,720

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

Finance lease receivables (continued)

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 2020	3,919	-	-	-	3,919
New financial asset originated or purchased	3,034	-	-	3,107	6,141
Assets repaid	(4,616)	-	-	(122)	(4,738)
Unwind of discount	-	-	-	13	13
Foreign exchange movement	(47)	-	-	(249)	(296)
Net other changes	509	-	-	6,832	7,341
Balance at 31 December 2021	2,799	-	-	9,581	12,380
Collectively assessed	2,799	-	-	9,581	12,380
Balance at 31 December 2021	2,799	-	-	9,581	12,380

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2020	21	-	-	-	21
Assets repaid	(8)	-	-	-	(8)
Unwind of discount	-	-	-	13	13
Net other measurement of ECL	(13)	-	-	1,195	1,182
Balance at 31 December 2021	-	-	-	1,196	1,196
Collectively assessed	-	-	-	1,196	1,196
Balance at 31 December 2021	-	-	-	1,196	1,196

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	4,611	-	-	-	4,611
Assets repaid	(1,161)	-	-	-	(1,161)
Foreign exchange movement	8	-	-	-	8
Net other changes	461	-	-	-	461
Balance at 31 December 2020	3,919	-	-	-	3,919
Collectively assessed	3,919	-	-	-	3,919
Balance at 31 December 2020	3,919	-	-	-	3,919

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2019	13	-	-	-	13
Assets repaid	(3)	-	-	-	(3)
Net other measurement of ECL	11	-	-	-	11
Balance at 31 December 2020	21	-	-	-	21
Collectively assessed	21	-	-	-	21
Balance at 31 December 2020	21	-	-	-	21

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

Finance lease receivables (continued)

Finance lease receivables, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2018	6,176	-	-	-	6,176
New financial asset originated or purchased	34	-	-	-	34
Assets repaid	(2,246)	-	-	-	(2,246)
Foreign exchange movement	15	-	-	-	15
Net other changes	632	-	-	-	632
Balance at 31 December 2019	4,611	-	-	-	4,611
Collectively assessed	4,611	-	-	-	4,611
Balance at 31 December 2019	4,611	-	-	-	4,611

Finance lease receivables, ECL:	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2018	20	-	-	-	20
Assets repaid	(7)	-	-	-	(7)
Balance at 31 December 2019	13	-	-	-	13
Collectively assessed	13	-	-	-	13
Balance at 31 December 2019	13	-	-	-	13

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

	2021	*2020*	*2019*
Right-of-use assets	73,441	77,763	90,039
Lease liability	81,776	89,812	88,535

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

	2021	*2020*	*2019*
Short-term leases	(2,777)	(2,853)	(5,404)
Leases of low-value assets	(1,549)	(1,161)	(484)
	(4,326)	(4,014)	(5,888)

Changes in liabilities arising from financing activities

	Changes in liabilities arising from financing activities
Carrying amount at 01 January 2019	75,865
Cash payments for the principal portion of the lease liability	(5,959)
Other movements	18,629
Carrying amount at 31 December 2019	88,535
Cash payments for the principal portion of the lease liability	(8,691)
Other movements	9,968
Carrying amount at 31 December 2020	89,812
Cash payments for the principal portion of the lease liability	(25,068)
Other movements	17,032
Carrying amount at 31 December 2021	81,776

10. Right-of-use assets, lease liabilities, and property and equipment (continued)

The movements in right-of-use assets were as follows:

	Office buildings & service centres	*Total*
Cost		
31 December 2020	110,159	110,159
Additions	38,068	38,068
Disposals	(28,892)	(28,892)
31 December 2021	119,335	119,335
Accumulated impairment		
31 December 2020	-	-
31 December 2021	-	-
Accumulated depreciation		
31 December 2020	32,396	32,396
Depreciation charge	18,985	18,985
Disposals	(5,487)	(5,487)
31 December 2021	45,894	45,894
Net book value		
31 December 2020	77,763	77,763
31 December 2021	73,441	73,441

	Office buildings & service centres	*Total*
Cost		
31 December 2019	107,038	107,038
Additions	9,778	9,778
Disposals	(6,657)	(6,657)
31 December 2020	110,159	110,159
Accumulated impairment		
31 December 2019	-	-
31 December 2020	-	-
Accumulated depreciation		
31 December 2019	16,999	16,999
Depreciation charge	16,395	16,395
Disposals	(998)	(998)
31 December 2020	32,396	32,396
Net book value		
31 December 2019	90,039	90,039
31 December 2020	77,763	77,763

10. Right-of-use assets, lease liabilities, and property and equipment (continued)

The movements in property and equipment were as follows:

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improve-ments*	*Assets under construction*	*Total*
Cost							
31 December 2020	191,167	173,846	169,917	4,677	30,795	3,122	573,524
Additions	1,985	11,718	26,284	398	-	6,982	47,367
Transfers	6,416	-	-	-	2,491	(8,907)	-
Revaluation	2,359	-	-	-	-	-	2,359
Transfers to investment properties	(11,320)	-	-	-	-	-	(11,320)
Transfers to assets held for sale	2,245	-	-	-	-	-	2,245
Transfers to other assets	-	(998)	(8,647)	-	-	(183)	(9,828)
Write-offs	-	(43)	-	(602)	(7,416)	-	(8,061)
31 December 2021	192,852	184,523	187,554	4,473	25,870	1,014	596,286
Accumulated impairment							
31 December 2020	1,359	-	-	-	-	-	1,359
31 December 2021	1,359	-	-	-	-	-	1,359
Accumulated depreciation							
31 December 2020	19,526	99,260	105,361	3,122	14,627	-	241,896
Depreciation charge	3,855	12,420	17,944	569	4,008	-	38,796
Transfers to investment properties	(1,118)	-	-	(1)	-	-	(1,119)
Transfers to other assets	-	(1,225)	(2,639)	-	-	-	(3,864)
Write-offs	-	(25)	-	(584)	(7,416)	-	(8,025)
31 December 2021	22,263	110,430	120,666	3,106	11,219	-	267,684
Net book value							
31 December 2020	170,282	74,586	64,556	1,555	16,168	3,122	330,269
31 December 2021	169,230	74,093	66,888	1,367	14,651	1,014	327,243

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improve-ments*	*Assets under construction*	*Total*
Cost							
31 December 2019	179,447	173,128	154,269	3,900	27,531	5,834	544,109
Additions	249	8,742	27,939	1,057	-	25,962	63,949
Transfers	21,600	-	-	-	6,254	(27,854)	-
Transfers to investment properties	(11,068)	-	-	(22)	-	-	(11,090)
Transfers to other assets	(101)	(4,930)	(8,895)	-	-	(820)	(14,746)
Disposals	-	(90)	-	(84)	-	-	(174)
Write-offs	(293)	(3,004)	(3,396)	(174)	(2,990)	-	(9,857)
31 December 2020	191,167	173,846	169,917	4,677	30,795	3,122	573,524
Accumulated impairment							
31 December 2019	1,359	-	-	-	-	-	1,359
31 December 2020	1,359	-	-	-	-	-	1,359
Accumulated depreciation							
31 December 2019	18,190	91,169	95,451	2,494	12,870	-	220,174
Depreciation charge	3,761	11,819	16,377	782	4,614	-	37,353
Transfers to investment properties	(2,160)	-	-	(20)	-	-	(2,180)
Transfers to other assets	-	(1,111)	(3,077)	-	-	-	(4,188)
Write-offs	(265)	(2,617)	(3,390)	(134)	(2,857)	-	(9,263)
31 December 2020	19,526	99,260	105,361	3,122	14,627	-	241,896
Net book value							
31 December 2019	159,898	81,959	58,818	1,406	14,661	5,834	322,576
31 December 2020	170,282	74,586	64,556	1,555	16,168	3,122	330,269

10. Right-of-use assets, lease liabilities, and property and equipment (continued)

	Office buildings & service centres	*Furniture & fixtures*	*Computers & equipment*	*Motor vehicles*	*Leasehold improve-ments*	*Assets under construction*	*Total*
Cost							
31 December 2018	176,890	202,721	80,891	4,234	23,433	2,999	491,168
Additions	1,469	25,816	28,560	558	-	22,593	78,996
Transfers	13,000	(51,830)	51,830	-	5,306	(18,306)	-
Transfers to investment properties	(3,211)	(3)	-	(47)	-	-	(3,261)
Transfers to other assets	-	(1,994)	(6,359)	-	-	(1,451)	(9,804)
Disposals	(4,100)	(76)	(170)	(845)	-	(1)	(5,192)
31 December 2019	179,447	173,128	154,269	3,900	27,531	5,834	544,109
Accumulated impairment							
31 December 2018	1,359	-	-	-	-	-	1,359
31 December 2019	1,359	-	-	-	-	-	1,359
Accumulated depreciation							
31 December 2018	15,117	113,740	54,359	2,194	9,752	-	195,162
Depreciation charge	4,445	10,551	13,350	687	4,326	-	33,359
Transfers	-	(31,200)	31,200	-	-	-	-
Transfers to investment properties	(331)	-	-	(36)	-	-	(367)
Transfers to other assets	-	(1,883)	(3,290)	-	-	-	(5,173)
Disposals	(80)	(39)	(38)	(351)	-	-	(508)
Write-offs	(961)	-	(130)	-	(1,208)	-	(2,299)
31 December 2019	18,190	91,169	95,451	2,494	12,870	-	220,174
Net book value							
31 December 2018	160,414	88,981	26,532	2,040	13,681	2,999	294,647
31 December 2019	159,898	81,959	58,818	1,406	14,661	5,834	322,576

11. Investment properties

	2021	*2020*	*2019*
At 1 January	219,005	204,885	132,327
Additions	81,781	79,761	107,988
Disposals	(64,241)	(39,388)	(36,578)
Net gains (losses) from revaluation of investment property	437	19,425	12,685
Transfers from (to) assets held for sale	(28,390)	(55,120)	(14,402)
Transfers from (to) property and equipment	10,201	8,910	2,894
Transfers from (to) finance lease receivables	-	532	(29)
Transfers from (to) other assets - inventories	-	-	-
At 31 December	218,793	219,005	204,885

Investment properties are stated at fair value. The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As at 31 December 2021, the fair values of the properties are based on valuations performed by accredited independent valuers. Refer to Note 28 for details on fair value measurements of investment properties.

12. Goodwill

Movements in goodwill were as follows:

	2021	*2020*	*2019*
Cost			
1 January	33,453	33,453	33,453
At 31 December	33,453	33,453	33,453
Accumulated impairment			
1 January	-	-	-
At 31 December	-	-	-
Net book value:			
1 January	33,453	33,453	33,453
At 31 December	33,453	33,453	33,453

Impairment test for goodwill

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

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

	2021	*2020*	*2019*
Retail Banking	23,488	23,488	23,488
Corporate Banking	9,965	9,965	9,965
Total	33,453	33,453	33,453

Key assumptions used in value-in-use calculations

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

The following discount rates were used by the Bank for Corporate Banking and Retail Banking:

	Corporate Banking			*Retail Banking*		
	2021, %	*2020, %*	*2019, %*	*2021, %*	*2020, %*	*2019, %*
Discount rate	3.9%	4.4%	5.0%	8.1%	7.7%	6.7%

Discount rates

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

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

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

Sensitivity to changes in assumptions

Management believes that reasonable possible changes to key assumptions used to determine the recoverable amount for each CGU will not result in an impairment of goodwill. The excess of value-in-use over carrying value is determined by reference to the net book value as at 31 December 2021. Possible change was taken as +/-1% in discount rate and growth rate.

13. Investments in subsidiaries

Cost of shares of the investments in subsidiaries are as follows:

	2021	*2020*	*2019*
Bank of Georgia Representative Office UK Limited	-	-	-
Tree of Life Foundation NPO	-	-	-
Bank of Georgia Representative Office Hungary	-	-	-
Representative Office of JSC Bank of Georgia in Turkey	-	-	-
Georgia Financial Investments, LLC	3,577	3,577	3,577
Teaching University of Georgian Bank, LLC	-	-	-
Benderlock Investments Limited	58,745	58,745	58,745
JSC Belarusky Narodny Bank	66,575	66,575	66,575
Georgian Leasing Company, LLC	22,414	22,414	22,414
Investments in subsidiaries	151,311	151,311	151,311

The Bank assessed impairment indicators for all the subsidiaries. No such impairment indicators have been identified as at 31 December 2021, 31 December 2020 and 31 December 2019, except for Bank of Georgia Representative Office in Hungary, which has been fully impaired since 31 December 2019.

The key combined financial figures of Benderlock Investments Limited and JSC Belarusky Narodny Bank as at 31 December 2021, 31 December 2020 and 31 December 2019 are as follows:

	2021	*2020*	*2019*
Total assets	1,021,879	1,062,029	990,802
Total equity	175,569	175,880	156,928
Total comprehensive income	(312)	18,952	30,105
Cash paid	125,320	125,320	125,320
Cost of acquisition	125,320	125,320	125,320

The key consolidated financial figures of Georgian Leasing Company, LLC as at 31 December 2021, 31 December 2020 and 31 December 2019 are as follows:

	2021	*2020*	*2019*
Total assets	158,293	179,536	192,133
Total equity	20,082	21,905	26,634
Total comprehensive income	(1,843)	(4,746)	6,007
Cost of acquisition	22,414	22,414	22,414

14. Taxation

The corporate income tax expense in income statement comprises:

	2021	*2020*	*2019*
Current income benefit (expense)	(108,365)	6,626	(45,887)
Deferred income tax expense	36,945	(24,658)	(11,546)
Income tax expense	(71,420)	(18,032)	(57,433)

The income tax rate applicable to the Bank's income is 15% (2020: 15%, 2019: 15%).

14. Taxation (continued)

On 12 June 2018, an amendment to the current corporate taxation model applicable to financial institutions, including banks and insurance businesses, became effective. The change implies a zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings starting from 1 January 2023, instead of 1 January 2019 as previously enacted in 2016. The change had an immediate impact on deferred tax asset and deferred tax liability balances attributable to previously recognised temporary differences arising from prior periods. As at 30 June 2018, deferred tax assets and liabilities balances have been re-measured, in line with the new date for the change to be implemented. The Bank has calculated the portion of deferred taxes that is expected to be realised before 1 January 2023 for financial businesses and has recognised the respective portion of deferred tax assets and liabilities. During the transitional period, the Bank will only continue to recognise the portion of deferred tax assets and liabilities arising on items charged or credited to the income statement during the same period, which it expects to be realised before 1 January 2023.

The effective income tax rate differs from the statutory income tax rates. As at 31 December 2021, 31 December 2020 and 31 December 2019, a reconciliation of the income tax expense based on statutory rates with the actual expense is as follows:

	2021	*2020*	*2019*
Profit before income tax expense	799,854	316,753	535,163
Average tax rate	15%	15%	15%
Theoretical income tax expense at average tax rate	(119,978)	(47,513)	(80,274)
Non-taxable income	49,960	35,825	24,093
Non-deductible expenses	(1,683)	(3,321)	(1,504)
Correction of prior year declarations	(15)	(3,343)	-
Other	296	320	252
Income tax expense	(71,420)	(18,032)	(57,433)

Applicable taxes in Georgia include corporate income tax (profit tax), individuals' withholding taxes, property tax and value added tax, among others. However, regulations are often unclear or non-existent and few precedents have been established. This creates tax risks in Georgia, substantially more significant than typically found in countries with more developed tax systems. Management believes that the Bank is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

As at 31 December 2021, 31 December 2020 and 31 December 2019, income tax assets and liabilities consist of the following:

	2021	*2020*	*2019*
Current income tax assets	-	21,325	-
Income tax assets	-	21,325	-
Current income tax liabilities	85,270	-	603
Deferred income tax liabilities	22,718	59,663	35,005
Income tax liabilities	107,988	59,663	35,608

14. Taxation (continued)

Deferred tax assets and liabilities as at 31 December 2021, 31 December 2020 and 31 December 2019, and their movements for the respective years, are as follows:

		Origination and reversal of temporary differences		*Origination and reversal of temporary differences*		*Origination and reversal of temporary differences*	
	2018	*In the income statement*	*2019*	*In the income statement*	*2020*	*In the income statement*	*2021*
Tax effect of deductible temporary differences:							
Cash and cash equivalents	18	1	19	(19)	-	-	-
Amounts due from credit institutions	81	(37)	44	(44)	-	-	-
Investment securities	-	66	66	(66)	-	-	-
Investment properties	-	-	-	59	59	-	59
Intangible assets	174	25	199	(199)	-	-	-
Lease liability	-	7,022	7,022	(2,120)	4,902	(1,829)	3,073
Accruals and deferred income	-	2,009	2,009	5,514	7,523	12,539	20,062
Other assets and liabilities	5,874	(4,234)	1,640	(1,573)	67	13	80
Deferred tax assets	6,147	4,852	10,999	1,552	12,551	10,723	23,274
Tax effect of taxable temporary differences:							
Amounts due to credit institutions	2,553	(654)	1,899	213	2,112	131	2,243
Debt securities issued	2,722	(411)	2,311	(687)	1,624	(932)	692
Investment securities	114	(114)	-	-	-	-	-
Loans to customers and finance lease	16,489	7,538	24,027	26,715	50,742	(24,538)	26,204
Property and equipment	6,042	3,118	9,160	(301)	8,859	(3,187)	5,672
Right-of-use assets	-	7,152	7,152	(2,688)	4,464	(2,181)	2,283
Investment properties	584	(356)	228	(228)	-	965	965
Assets held for sale	1,102	125	1,227	313	1,540	(1,055)	485
Other assets and liabilities	-	-	-	2,873	2,873	4,575	7,448
Deferred tax liabilities	29,606	16,398	46,004	26,210	72,214	(26,222)	45,992
Net deferred tax liabilities	(23,459)	(11,546)	(35,005)	(24,658)	(59,663)	36,945	(22,718)

15. Other assets and other liabilities

Other assets comprise:

	2021	*2020*	*2019*
Derivatives margin	18,586	210,816	2,093
Assets purchased for finance lease purposes	25	-	-
Receivables from remittance operations	34,996	25,992	33,909
Other receivables	18,422	15,157	11,939
Investments in associates	8,917	13,099	12,949
Derivative financial assets	125,679	10,270	31,920
Foreclosed assets	2,488	5,082	5,663
Operating tax assets	2,230	2,934	5,911
Other	10,479	4,197	4,882
Other assets, gross	221,822	287,547	109,266
Less – Allowance for impairment of other assets	(14,366)	(14,979)	(6,644)
Other assets, net	207,456	272,568	102,622

15. Other assets and other liabilities (continued)

Other liabilities comprise:

	2021	*2020*	*2019*
Derivative financial liabilities	6,605	231,888	10,748
Creditors	30,569	33,680	25,464
Provisions	5,188	14,359	5,269
Payables for remittance operations	8,457	8,597	19,331
Other taxes payable	8,402	6,537	11,762
Dividends payable	1,713	1,545	1,578
Derivatives margin	98,844	-	12,532
Advances received	-	-	5,072
Other	11,480	4,681	6,201
Other liabilities	171,258	301,287	97,957

In 2020, the Bank's derivative financial liabilities comprised mainly of USD-EUR contracts, the balance on which has significantly increased as a result of an apparent devaluation of USD as compared to EUR. The Bank was also required to provide respective collateral for the exposure in the form of a derivatives margin.

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.

	2021		
	Notional amount	*Fair value*	
		Asset	*Liability*
Foreign exchange contracts			
Forwards and swaps – domestic	1,065,639	931	3,141
Forwards and swaps – foreign	5,393,757	122,217	2,079
Interest rate contracts			
Options - foreign (IR)	7,434	2,531	1,385
Total derivative assets / liabilities	6,466,830	125,679	6,605

	2020			*2019*		
	Notional amount	*Fair value*		*Notional amount*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Foreign exchange contracts						
Forwards and swaps – domestic	600,120	8,091	2,908	783,400	5,620	1,202
Forwards and swaps – foreign	6,836,950	630	227,878	5,237,095	23,734	7,632
Interest rate contracts						
Options - foreign (IR)	7,864	1,549	1,102	8,351	2,566	1,914
Total derivative assets / liabilities	7,444,934	10,270	231,888	6,028,846	31,920	10,748

16. Client deposits and notes

The amounts due to customers include the following:

	2021	*2020*	*2019*
Time deposits	6,720,972	7,584,777	4,571,710
Current accounts	6,852,159	5,911,701	4,965,493
Client deposits and notes	13,573,131	13,496,478	9,537,203

At 31 December 2021, amounts due to customers of GEL 1,953,107 (14%) were due to the ten largest customers (2020: GEL 2,951,893 (22%), 2019: GEL 828,952 (9%)).

16. Client deposits and notes (continued)

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

	2021	*2020*	*2019*
Individuals	8,153,720	7,441,060	6,104,253
Private enterprises	4,797,275	4,139,873	3,070,941
State and state-owned entities	622,136	1,915,545	362,009
Client deposits and notes	13,573,131	13,496,478	9,537,203

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

	2021	*2020*	*2019*
Individuals	8,153,720	7,441,060	6,104,253
Government services	613,710	1,866,342	320,445
Financial intermediation	1,409,110	824,290	562,536
Trade	774,477	756,939	448,186
Construction	632,199	561,778	596,925
Transport & communication	368,859	493,687	387,699
Service	361,913	419,734	296,683
Manufacturing	376,210	271,840	222,202
Real estate	189,339	145,828	95,464
Electricity, gas and water supply	112,244	75,188	93,750
Hospitality	70,375	65,042	60,672
Other	510,975	574,750	348,388
Client deposits and notes	13,573,131	13,496,478	9,537,203

17. Amounts owed to credit institutions

Amounts due to credit institutions comprise:

	2021	*2019*	*2019*
Borrowings from international credit institutions	1,415,003	1,260,060	1,123,657
Short-term loans from National Bank of Georgia	1,413,333	590,293	1,551,953
Time deposits and inter-bank loans	92,287	75,813	78,156
Correspondent accounts	171,095	196,892	264,122
	3,091,718	2,123,058	3,017,888
Non-convertible subordinated debt	668,766	707,648	461,481
Amounts due to credit institutions	3,760,484	2,830,706	3,479,369

During the year ended 31 December 2021, the Bank paid up to 4.18% on US$ borrowings from international credit institutions (2020: up to 5.49%, 2019: up to 6.50%). During the year ended 31 December 2021, the Bank paid up to 7.75% on Dollar subordinated debt (2020: up to 9.39%, 2019: up to 11.13%).

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants") that the Bank maintains different limits for capital adequacy, liquidity, currency positions, credit exposures, leverage and others. At 31 December 2021, 31 December 2020 and 31 December 2019, the Bank complied with all the Lender Covenants of the significant borrowings from international credit institutions.

17. Amounts owed to credit institutions (continued)

In May 2015, the Bank entered into a USD 90 million subordinated loan agreement with the International Finance Corporation ("IFC"). The loan facility, which includes USD 20 million participation from the European Fund for Southeast Europe ("EFSE"), has a maturity of ten years. The loan facility has been approved as the Bank's Tier 2 capital by the NBG under Basel II framework and has been grandfathered by the NBG until its maturity to serve as the Bank's Tier 2 capital in light of new Basel III framework. The loan contains certain information and financial covenants customary in a contract with a development financial institution, and the early repayment options in cases of customary events of default (except for insolvency and/or liquidation events per applicable regulations) are available only (1) after expiry of the 5 years of the term of the facility; and (ii) only after the NBG's prior approval towards such acceleration.

In June 2019, the Bank and the European Fund for Southeast Europe ("EFSE") have entered into a USD 10 million subordinated loan agreement with a maturity of ten years. The subordinated loan facility qualifies for Tier II capital under the Basel III framework recently introduced in Georgia.

In September 2019, the Bank and responsAbility Micro and SME Finance Fund have entered into a USD 10 million subordinated loan agreement with a maturity of ten years. The subordinated loan facility qualifies for Tier II capital under the Basel III framework recently introduced in Georgia.

In December 2019, the Bank signed a ten-year USD 107 million subordinated syndicated loan agreement arranged by FMO - Dutch entrepreneurial development bank in collaboration with other participating lenders. The disbursed portion of the facility has been included into the Bank's Tier 2 capital by approval of the National Bank of Georgia under the Basel III framework in the amount of USD 52 million for which the regulatory approval on classification was received in December 2019. The remaining undrawn portions are similarly expected to be included into the Bank's Tier 2 Capital subject to the relevant NBG approvals. In accordance with applicable Tier 2 rules, the facility provides for the possibilities of acceleration by the lenders only in case of insolvency or liquidation events as defined in NBG regulations. The other possibilities of early repayment include (i) failure of the facility or its portion to be qualified as Tier 2 Capital by NBG within 45 days of the relevant disbursement; and (ii) repayment with the NBG's specific prior approval in limited cases of illegality or change of control after expiry of 5 years of the term of the facility.

On 2 April 2020, the Bank drew-down the second tranche of the US$107 million subordinated syndicated loan facility signed in December 2019, in the amount of US$55 million. The Bank received the NBG's approval on classification of the facility as a Bank Tier 2 capital instrument under the Basel III regulation since April 2020 and will further improve the overall capitalisation of the Bank.

On 13 March 2020, the Bank drew-down EUR 15 million of total EUR 50 million loan facility from European Investment Bank ("EIB") signed in December, 2019. The loan was drawn in Georgian Lari with maturity of five years. Up to 50% of the total facility can be drawn in Georgian Lari, while the remaining amount will be denominated in Euros or US Dollars. The local currency tranche is also supported by the Neighbourhood Investment Facility of the European Union. The purpose of the credit is to finance investment projects promoted by micro, small and medium-sized and mid capitalisation enterprises in Georgia and support the implementation of projects important for the local private sector development.

On 14 April 2020, the Bank drew-down GEL 100 million loan facility from International Finance Corporation ("IFC"), signed in January 2020, with maturity of five years. The facility will support the local currency needs of Georgian micro, small and medium-sized enterprises.

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

Facility provider	Commencement date	Maturity date	Interest rate	Currency	Original contractual value	Carrying value as at 31 December 2021	Carrying value as at 31 December 2020
International Finance Corporation	29-Jun-15	15-Jun-25	libor+7.5	USD	70,000	215,732	293,964
FMO - Dutch entrepreneurial development bank	20-Dec-19	20-Dec-29	libor+5.65	USD	127,000	390,058	347,087

18. Debt securities issued

Debt securities issued comprise:

	2021	*2020*	*2019*
Eurobonds and notes issued	938,372	1,020,428	1,442,298
Additional Tier 1 capital notes issued	306,239	323,320	282,407
Certificates of deposit	128,484	106,850	274,098
Debt securities issued	1,373,095	1,450,598	1,998,803

On 21 March 2019, JSC Bank of Georgia successfully issued an inaugural US$ 100 million offering of 11.125% Additional Tier 1 Capital Perpetual Subordinated Notes callable after 5.25 years and on every subsequent interest payment date, subject to prior consent of the National Bank of Georgia (the "Notes"). The Notes have been issued in accordance with Regulation S as adopted by the United States SEC and sold at an issue price of 100.00%. The notes qualify as the Bank's Additional Tier 1 Capital under Basel III framework, with the NBG's approval.

On 1 June 2020 the Bank repaid GEL 500 million GEL-denominated 11.00% notes.

Changes in liabilities arising from financing activities

	Eurobonds and notes issued	Additional Tier 1 capital notes issued
Carrying amount at 31 December 2018	1,350,921	-
Proceeds from debt securities issued	-	268,160
Other movements	91,377	14,247
Carrying amount at 31 December 2019	1,442,298	282,407
Repurchase of debt securities issued	(120,549)	-
Repayment of the principal portion of the debt securities issued	(440,410)	-
Other movements	139,089	40,913
Carrying amount at 31 December 2020	1,020,428	323,320
Repurchase of debt securities issued	(28,825)	-
Repayment of the principal portion of the debt securities issued	-	-
Other movements	(53,231)	(17,081)
Carrying amount at 31 December 2021	938,372	306,239

19. Commitments and contingencies

Legal

Sai-invest

As at 31 December 2021, 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.

19. Commitments and contingencies (continued)

Financial commitments and contingencies

As at 31 December 2021, 31 December 2020 and 31 December 2019, the Bank's financial commitments and contingencies comprised the following:

	2021	*2020*	*2019*
Credit-related commitments			
Financial and performance guarantees issued	1,655,639	1,460,511	1,321,380
Letters of credit	71,540	124,911	54,815
Undrawn loan facilities	758,984	624,386	221,187
	2,486,163	2,209,808	1,597,382
Less – Cash held as security against letters of credit and guarantees (Note 16)	(117,379)	(131,946)	(90,227)
Less – Provisions	(5,188)	(14,359)	(5,269)
Operating lease commitments			
Not later than 1 year	1,764	1,949	1,494
Later than 1 year but not later than 5 years	2,480	2,827	877
Later than 5 years	986	1,657	146
	5,230	6,433	2,517
Capital expenditure commitments	4,362	2,561	4,275

** Out of total guarantees issued as at 31 December 2021 financial and performance guarantees of the Group comprised GEL 1,015,412 (31 December 2020: GEL 878,400, 31 December 2019: GEL 790,580) and GEL 640,227 (31 December 2020: GEL 582,111, 31 December 2019: GEL 530,800), respectively.*

The Bank 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 Bank has an established practice of disbursing undrawn amounts without any subsequent approval. In 2020 the Bank has modified its disbursement practice in regards to certain revolving credit facilities resulting in increased commitment balances.

20. Equity

Share capital

As at 31 December 2021, 31 December 2020 and 31 December 2019, authorised common capital comprised 43,308,125 common shares. As at 31 December 2021, 31 December 2020 and 31 December 2019, issued share capital comprised 27,993,660 common shares, all of which were fully paid. Each share has a nominal value of one (1) Georgian Lari. Shares issued and outstanding as at 31 December 2021 are described below:

	Number of ordinary shares	*Amount of ordinary shares*
31 December 2018	27,993,660	27,994
31 December 2019	27,993,660	27,994
31 December 2020	27,993,660	27,994
31 December 2021	27,993,660	27,994

Treasury shares

The number of treasury shares held by the Bank as at 31 December 2021, comprised 10,173 (31 December 2020: 10,173, 31 December 2019: 10,173), with nominal amount of GEL 10 (31 December 2020: GEL 10, 31 December 2019: GEL 10).

20. Equity (continued)

Dividends

Shareholders are entitled to dividends in Georgian Lari.

On 17 August 2021, the Board of JSC Bank of Georgia declared an interim dividend for 2021 of Georgian Lari 2.52 per share. Payment of the total GEL 70,390 interim dividends was received by shareholders on 5 November 2021.

No dividends have been declared by Bank of Georgia Group PLC in 2020.

On 14 May 2019, the annual general meeting of shareholders' of JSC Bank of Georgia declared an interim dividend for 2018 of Georgian Lari 4.97 per share. Payment of the total GEL 139,200 interim dividends was received by shareholders on 17 June 2019.

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.

Earnings per share

	2021	*2020*	*2019*
Basic and diluted earnings per share			
Profit for the year attributable to ordinary shareholders of the Bank	728,434	298,721	477,730
Weighted average number of ordinary shares outstanding during the year	27,983,855	27,984,000	27,983,827
Earnings per share	26.0305	10.6747	17.0716

21. Net interest income

	2021	*2020*	*2019*
Interest income calculated using EIR method	1,717,134	1,471,673	1,330,854
From loans to customers	1,520,737	1,285,904	1,183,946
From investment securities	192,898	164,436	130,669
From amounts due from credit institutions	14,492	17,474	25,599
Net gain (loss) on modification of financial assets	(10,993)	3,859	(9,360)
Other interest income	881	516	547
From finance lease receivable	871	450	547
From other assets	10	66	-
Interest income	1,718,015	1,472,189	1,331,401
On client deposits and notes	(476,146)	(421,212)	(273,536)
On amounts owed to credit institutions	(260,150)	(236,810)	(191,672)
On debt securities issued	(102,338)	(132,292)	(154,654)
Interest element of cross-currency swaps	29,053	47,582	43,048
On lease liability	(4,726)	(5,193)	(4,783)
Interest expense	(814,307)	(747,925)	(581,597)
Deposit insurance fees	(13,012)	(9,106)	(6,359)
Net interest income	890,696	715,158	743,445

In 2020, a GEL 39,730 net one-off loss on modification of financial assets was recorded in relation to the three-month payment holidays on principal and interest offered to our Retail Banking clients, as an immediate response to COVID-19 pandemic outbreak, in order to reduce the requirement for customers to physically visit Bank branches and reduce the risk of the virus spread. The net loss incurred as a result of these modifications has been classified as a non-recurring item in the income statement.

22. Net fee and commission income

	2021	*2020*	*2019*
Settlements operations	290,634	201,550	204,339
Guarantees and letters of credit	33,138	27,458	24,898
Cash operations	17,870	14,135	18,351
Currency conversion operations	15,783	8,438	10,870
Brokerage service fees	460	48	38
Other	6,314	3,595	5,238
Fee and commission income	364,199	255,224	263,734
Settlements operations	(167,636)	(113,927)	(106,077)
Guarantees and letters of credit	(112)	(126)	(1,092)
Cash operations	(5,527)	(5,398)	(5,947)
Currency conversion operations	(1,598)	(1,468)	(1,256)
Insurance brokerage service fees	(1,208)	(963)	(1,007)
Other	(5,528)	(3,013)	(3,523)
Fee and commission expense	(181,609)	(124,895)	(118,902)
Net fee and commission income	182,590	130,329	144,832

Revenue from customers

In 2021, the Bank recognised GEL 323,772 revenue from contracts with customers in the income statement, including fee and commission as well as net other income (2020: GEL 229,008, 2019: GEL 272,828).

Contract assets and liabilities

As at 31 December 2021, the Bank has recognised GEL 38,294 revenue-related contract liabilities (2020: GEL 33,699, 2019: GEL 25,709). Accounts receivable are recognised when the right to consideration becomes unconditional. Deferred revenue is recognised as revenue as we perform under the contract.

The Bank does not adjust the promised amount of consideration for the effects of a significant financing component if the Bank expects, at contract inception, that the period between when the Bank transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

In 2021, the Bank recognised GEL 8,266 revenue (2020: GEL 8,639, 2019: GEL 7,222) that relates to carried-forward contract liabilities and is included in the deferred income.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date:

	In 1 year	In 2 years	In 3 years	In 3 to 5 years	In 5 to 10 years	Total
As at 31 December 2021	36,708	1,119	388	76	3	38,294
As at 31 December 2020	9,951	1,544	1,303	2,198	18,703	33,699
As at 31 December 2019	27,071	13,913	8,299	5,025	2,690	56,998

The Bank applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

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

Salaries and other employee benefits

	2021	*2020*	*2019*
Salaries and bonuses	(226,643)	(193,755)	(199,044)
Pension costs	(3,614)	(2,908)	(2,627)
Salaries and other employee benefits	(230,257)	(196,663)	(201,671)

In 2021, salaries and bonuses include GEL 44,334 of the Equity Compensation Plan costs (2020: GEL 54,200, 2019: GEL 57,129), associated with the existing share-based compensation scheme approved in the Bank (Note 26).

The average number of staff employed by the Bank for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, comprised:

Average number of employees for the year:	*2021*	*2020*	*2019*
Permanent employment:			
Top management	11	13	13
Middle management	52	49	43
Other employees	5,889	5,697	5,729
	5,952	5,759	5,785
Temporary employment:			
Other employees	59	24	21
	59	24	21
Total	6,011	5,783	5,806

General and administrative expenses

	2021	*2020*	*2019*
Repairs and maintenance	(33,612)	(18,180)	(10,665)
Marketing and advertising	(24,269)	(18,958)	(16,608)
Operating taxes	(10,504)	(11,031)	(8,500)
Legal and other professional services	(8,455)	(8,810)	(10,795)
Office supplies	(5,613)	(5,509)	(5,166)
Communication	(4,690)	(4,681)	(4,525)
Occupancy and rent	(4,326)	(4,014)	(5,888)
Insurance	(3,389)	(3,057)	(2,769)
Travel expenses	(3,552)	(3,051)	(3,820)
Security	(3,174)	(2,502)	(1,392)
Personnel training and recruitment	(1,848)	(1,694)	(3,195)
Corporate hospitality and entertainment	(1,853)	(1,275)	(9,254)
Other	(2,122)	(1,850)	(2,562)
General and administrative expenses	(107,407)	(84,612)	(85,139)

Auditor remuneration

Auditor remuneration is included within legal and other professional services expenses above and comprises:

	2021	*2020*	*2019*
Fees for the audit of the Bank's annual financial statements	592	578	521
Expenditures for other assurance services	235	491	487
Total fees	827	1,069	1,008

The figures shown in the above table relate to fees paid to EY LLC ("EY") and its associates. No assurance or other services have been provided for the Bank by any other auditor during the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

24. Expected credit loss

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

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	51	-	-	-	-	51
Amounts due from credit institutions	109	-	-	-	-	109
Investment securities measured at FVOCI - debt instruments	966	-	-	-	-	966
Loans to customers at amortised cost	(7,199)	30,373	5,838	(31,291)	(1,635)	(3,914)
Finance lease receivables	21	-	-	-	(1,195)	(1,174)
Other financial assets	(2,621)	-	-	-	-	(2,621)
Financial guarantees	6,601	53	3,722	(7)	-	10,369
Letter of credit to customers	1,543	-	328	-	-	1,871
For the year ended 31 December 2021	(1,825)	29,967	9,888	(31,298)	(2,830)	3,902

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	56	-	-	-	-	56
Amounts due from credit institutions	(79)	-	-	-	-	(79)
Investment securities measured at FVOCI - debt instruments	130	-	-	-	-	130
Loans to customers at amortised cost	(64,896)	(52,126)	(56,156)	(62,439)	(1,211)	(236,828)
Finance lease receivables	(8)	-	-	-	-	(8)
Financial guarantees	(4,086)	(33)	(3,091)	-	-	(7,210)
Letter of credit to customers	(1,317)	-	(380)	-	-	(1,697)
For the year ended 31 December 2020	(84,148)	(52,159)	(59,627)	(62,439)	(1,211)	(259,584)

	Stage 1	Stage 2	Stage 3			
	Collective	Collective	Individual	Collective	POCI	Total
Cash and cash equivalents	(9)	-	-	-	-	(9)
Amounts due from credit institutions	244	-	-	-	-	244
Investment securities measured at FVOCI - debt instruments	125	-	-	-	-	125
Loans to customers at amortised cost	(4,058)	2,813	76,280	(159,859)	(1,146)	(85,970)
Finance lease receivables	7	-	-	-	-	7
Financial guarantees	(396)	(17)	145	138	-	(130)
Letter of credit to customers	(207)	117	(13)	-	-	(103)
For the year ended 31 December 2019	(4,294)	2,913	76,412	(159,721)	(1,146)	(85,836)

25. Net non-recurring items

	2021	*2020*	*2019*
Modification loss of financial assets*	-	(39,730)	-
Corporate social responsibility expense**	-	(1,454)	-
Termination benefits	-	-	(3,985)
Loss from sale of subsidiary	-	-	(2,828)
Other	(78)	(107)	(5,466)
Net non-recurring expense / loss	(78)	(41,291)	(12,279)

** Modification loss of financial assets: in response to the COVID-19 outbreak, the Bank implemented an initiative to grant a three-month grace period to its borrowers with the interest accrued for grace period being deferred and either allocated over the original repayment schedule till maturity on a straight line basis (i.e. no compounding applied) or in some cases beyond maturity (i.e., maturity extended by 3 months). The payment holiday was intended to reduce customer traffic to branches and thus reduce chances of the rapid spread of the virus in the country. The noted immediate social response to COVID-19 pandemic resulted in modification loss in amount of GEL 39,730. Given the initiative was driven by high social responsibility motives and was similar to a CSR cost with high degree of abnormality and extraordinary nature, such modification losses were presented as non-recurring item in the Bank's separate financial statements.*

*** In 2020, corporate social responsibly expense: in order to assist in the fight against the COVID-19 the Bank purchased and donated laboratory tests, respiratory equipment, etc. to the Government of Georgia on a one-off basis.*

26. Share-based payments

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

In 2015, the Bank set up Executive Equity Compensation Trustee - Sanne Fiduciary Services Limited (the "Trustee") which acts as the trustee of the Bank's Executives' Equity Compensation Plan ("EECP"). The Bank makes contributions to the Trustee in respect of the awards granted within EECP. JSC BGEO Group has the legal obligation to settle the awards. In granting the awards, the Bank acts as the agent of the parent and the ultimate parent.

In 2019, the Bank set up Employee Equity Compensation Trustee - Sanne Fiduciary Services Limited (the "Trustee") which acts as the trustee of the Bank's Employees' Equity Compensation Plan ("EECP").

In 2021, the Group contributed GEL 80,449 (2020: GEL 21,262, 2019: GEL 51,302) as intra-group recharge under share-based compensation schemes described above.

In March 2021, BOGG's Remuneration Committee resolved to award 20,100 ordinary shares of Bank of Georgia Group PLC to the members of the Management Board and 176,218 ordinary shares of Bank of Georgia Group PLC to the Group's 46 executives. Shares awarded to the Management Board and other 46 executives are subject to three-year vesting with continuous employment being the only vesting condition for both awards. The Group considers 11 March 2021 as the grant date. The Group estimates that the fair value of the shares awarded on 11 March 2021 was Georgian Lari 50.12 per share.

In January 2020, BOGG's Remuneration Committee resolved to award 271,460 ordinary shares of Bank of Georgia Group PLC to the members of the Management Board and 315,869 ordinary shares of Bank of Georgia Group PLC to the Bank's 49 executives. Shares awarded to the Management Board are subject to two-year vesting and two-year holding periods, while those awarded to the other 49 executives are subject to three-year vesting with continuous employment being the only vesting condition for both awards. The Bank considers 31 January 2020 as the grant date. The Bank estimates that the fair value of the shares awarded on 31 January 2020 was Georgian Lari 56.98 per share.

In March 2019, BOGG's Remuneration Committee resolved to award 344,000 ordinary shares of Bank of Georgia Group PLC to the members of the Management Board and 185,670 ordinary shares of Bank of Georgia Group PLC to the Bank's 33 executives. Shares awarded to the Management Board and the other 33 executives are subject to three-year vesting with continuous employment being the only vesting condition for both awards. The Bank considers 10 and 20 March 2019 as the grant date. The Bank estimates that the fair value of the shares awarded on 10 and 20 March 2019 was Georgian Lari 56.51 and 59.04 per share, respectively.

26. Share-based payments (continued)

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

In 2021, key executive member signed fixed contingent share-based compensation agreements with the total of 10,000 ordinary shares of BOGG. The award will be subject to a three-year vesting period. The Group considers 1 March 2021 as the grant dates for the awards. The Group estimates that the fair value of the shares on 1 March 2021 were Georgian Lari 45.89.

In 2021, key executive members signed fixed contingent share-based compensation agreements, with fixed contract value of GEL 2,065. The Group considers 1 May 2021 and 1 October 2021 as the grant dates for the awards. The Group estimated the value of the shares were Georgian Lari 51.57 and 66.12, respectively, based on five working day average share price before the grant dates of 1 May 2021 and 1 October 2021, respectively. The award will be subject to a one-year vesting and three-year holding periods.

In 2020, new Management Board members and one key executive signed new three-year fixed contingent share-based compensation agreements with the total of 120,000 and 30,000 ordinary shares of BOGG, respectively. The total amount of shares fixed to each executive will be awarded in three equal instalments during the three consecutive years, of which each award will be subject to a three-year vesting period. The Bank considers 3 June 2020 and 29 December 2020 as the grant dates for the awards. The Bank estimates that the fair value of the shares on 3 June 2020 and 29 December 2020 were Georgian Lari 39.91 and 54.61, respectively.

In 2020, existing Management Board members' share-based compensation agreements were amended with the total effect of 33,333 ordinary shares of BOGG. The Bank considers 23 December 2020 as the grant date for the awards. The Bank estimates that the fair value of the shares on 23 December 2020 was Georgian Lari 53.48.

In 2019, the Management Board members signed new three and five-year fixed contingent share-based compensation agreements with the total of 915,000 ordinary shares of BOGG. The total amount of shares fixed to each executive will be awarded in three and five equal instalments during the three and five consecutive years, of which each award will be subject to a four-year vesting period. The Bank considers 9 Jan 2019, 1 May 2019 and 3 May 2019 as the grant dates for the awards. The Bank estimates that the fair value of the shares on 9 Jan 2019, 1 May 2019 and 3 May 2019 were Georgian Lari 52.04, 60.57 and 60.14, respectively.

The Bank grants share compensation to its non-executive employees. In March 2021, January 2020 and March 2019, the Supervisory Board of the Bank resolved to award 169,605, 231,914 and 256,436 ordinary shares, respectively, to its certain non-executive employees. All these awards are subject to three-year vesting, with continuous employment being the only vesting condition for all awards. The Group considers 11 March 2021, 31 January 2020 and 10 March 2019 as the grant dates of these awards, respectively. The Group estimates that the fair values of the shares awarded on 11 March 2021, 31 January 2020 and 10 March 2019 were Georgian Lari 50.12, 56.98 and 56.51 per share, respectively.

Summary

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

The weighted average fair value of share-based awards at the grant date comprised Georgian Lari 50.70 per share in year ended 31 December 2021 (31 December 2020: Georgian Lari 55.89 per share, 31 December 2019: Georgian Lari 56.92).

The Bank's total share-based payment expenses for the year ended 31 December 2021 comprised GEL 44,334 (31 December 2020: GEL 54,200, 31 December 2019: GEL 61,114) and are included in "salaries and other employee benefits", as "salaries and bonuses". Below is the summary of the share-based payments-related data:

	2021	*2020*	*2019*
Total number of equity instruments awarded	415,681	1,002,576	1,701,106
– Among them, to Management Board	*30,100*	*424,793*	*1,259,000*
Weighted average value at grant date, per share (GEL in full amount)	50.70	55.89	56.92
Value at grant date, total (GEL)	21,074	56,031	96,832
Total expense recognised during the year (GEL)*	(44,334)	(54,200)	(61,114)

** 2019 Expense recognised during the year includes GEL 3,985 recorded in non-recurring expenses.*

27. Risk management

Introduction

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk Management structure

In 2019, the Bank commenced the implementation of its new Risk Management Framework and Risk Appetite Framework policies, which are based on Enterprise Risk Management's three lines of defence model and mirror the requirement of the Corporate Governance Code adopted by the NBG. The new framework and policies were fully implemented by the end of 2020. The three lines of defence model enhances the understanding of risk management and control by clarifying roles and duties within the Bank of different risk management bodies and units in order to increase the effective management of risk and control.

Committees operating under the Supervisory Board:

Audit and Corporate Governance Committee
The Audit Committee assists the Supervisory Board in relation to the oversight of the Bank's financial and reporting processes. It monitors the integrity of the financial statements and is responsible for governance around both the Internal Audit function and external auditor, reporting back to the Supervisory Board. It reviews the effectiveness of the policies, procedures and systems in place related to, among other operational risks, compliance, IT and Internal Security (including cyber-security), and works closely with the Risk Committee in connection with assessing the effectiveness of the risk management and internal control framework.

Risk Committee
The Risk Committee assists the Supervisory Board in relation to the oversight of risk. It reviews the Bank's risk appetite in line with strategy, identifies and monitors risk exposure and the risk management infrastructure, oversees the implementation of strategy to address risk, and in conjunction with the Audit Committee, assesses the strength and effectiveness of the risk management and internal control framework.

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

Other risk management bodies:

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

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

Internal Audit
The Internal Audit department is responsible for the annual audit of the Bank's Risk Management, internal control and corporate governance processes, with the aim of reducing the levels of operational and other risks, auditing the Bank's internal control systems and detecting any infringements or errors on the part of the Bank's departments and divisions. It examines both the adequacy and the Bank's compliance with those procedures. The Bank's Internal Audit department discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

27. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects the expected loss likely to arise in both normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on different forecasting models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank runs three different basic scenarios, of which one is base case (forecast under normal business conditions) and the other two are troubled and distressed scenarios, which are worse and worst case scenarios, respectively, that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, and the head of each business division. The reports include aggregate credit exposures and their limits, exceptions to those limits, liquidity ratios and liquidity limits, market risk ratios and their limits, and changes to the risk profile. Senior management assesses the appropriateness of the expected credit loss on a monthly basis. The Management Board receives a comprehensive credit risk report and ALCO report. These reports are designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, relevant and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall Risk Management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. While these are intended for hedging, they do not qualify for hedge accounting.

The Bank actively uses collateral to reduce its credit risks (see below for more detail).

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or these counterparties represent related parties to each other, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations also involve combined, aggregate exposures of large and significant credits compared with the total outstanding balance of the respective financial instrument. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on, maintaining a diversified portfolio of financial assets. Identified concentrations of credit risks or liquidity / repayment risks are controlled and managed accordingly.

27. Risk management (continued)

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical, industry, product and currency concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision.

The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action. The maximum credit exposure is limited to the carrying value of respective instruments and notional amounts of guarantees and commitments provided.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of the financial position.

Credit-related commitment risks

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

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank through internal and external credit ratings used in ECL calculations.

For corporate loan portfolios, the Bank runs an internal rating model in which its customers are rated from 1 to 7 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to each borrower, utilising supplemental external information that could affect the borrower's behaviour. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. Attributable risk ratings are assessed and updated regularly.

For Retail, Micro and SME loans, the Bank uses external ratings provided by Credit Bureau.

The Bank's treasury, trading and inter-bank relationships and counterparties comprise financial services institutions, banks and broker-dealers. For these, where external ratings provided by rating agencies are available, the Bank Credit Risk department uses such external ratings. For those where external ratings are not available internal ratings are assigned.

27. Risk management (continued)

Credit risk (continued)

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

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

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

27. Risk management (continued)

Credit risk (continued)

The table below shows the credit quality by class of asset in the statement of financial position, presented in gross amounts, based on the Bank's credit rating system.

A defaulted financial asset that is past due more than 90 days is assessed as a non-performing loan or as determined on individual basis based on other available information regarding financial difficulties of the borrower.

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Total*
High grade	480,889	480,889
Standard grade	54,111	54,111
Low grade	132	132
Not rated	-	-
Balance at 31 December 2021	535,132	535,132

Amounts due from credit institutions	*Stage 1*	*Total*
High grade	-	-
Standard grade	1,892,669	1,892,669
Low grade	-	-
Not rated	-	-
Balance at 31 December 2021	1,892,669	1,892,669

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
High grade	1,031,369	1,031,369
Standard grade	1,435,747	1,435,747
Low grade	13,804	13,804
Not rated	10,223	10,223
Balance at 31 December 2021	2,491,143	2,491,143

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,815,718	11,769	-	-	2,827,487
Standard grade	1,133,827	166,392	-	-	1,300,219
Low grade	369,056	176,236	-	7,131	552,423
Not rated	148,039	13,011	-	-	161,050
Defaulted					
Non-performing	-	-	203,308	10,883	214,191
Other	-	-	-	-	-
Balance at 31 December 2021	4,466,640	367,408	203,308	18,014	5,055,370

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,751,165	67,134	-	2,163	2,820,462
Standard grade	616,665	84,564	-	4,284	705,513
Low grade	112,440	106,454	-	5,083	223,977
Not rated	106,291	878	-	-	107,169
Defaulted					
Non-performing	-	-	31,131	3,767	34,898
Other	-	-	73,374	12,908	86,282
Balance at 31 December 2021	3,586,561	259,030	104,505	28,205	3,978,301

27. Risk management (continued)

Credit risk (continued)

Micro and SME loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,733,636	103,160	-	308	1,837,104
Standard grade	932,109	90,631	-	1,588	1,024,328
Low grade	108,045	69,942	-	561	178,548
Not rated	385,305	19,328	11	-	404,644
Defaulted					
Non-performing	-	-	112,079	2,125	114,204
Other	-	-	30,633	2,053	32,686
Balance at 31 December 2021	3,159,095	283,061	142,723	6,635	3,591,514

Consumer loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,415,629	23,339	-	858	1,439,826
Standard grade	758,684	54,826	-	1,640	815,150
Low grade	272,104	135,897	-	2,259	410,260
Not rated	52,464	289	267	-	53,020
Defaulted					
Non-performing	-	-	41,017	1,141	42,158
Other	-	-	64,877	17,301	82,178
Balance at 31 December 2021	2,498,881	214,351	106,161	23,199	2,842,592

Gold – pawn loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	58,481	295	-	-	58,776
Standard grade	41,990	2,606	-	-	44,596
Low grade	19,639	7,215	-	-	26,854
Not rated	32,677	-	-	-	32,677
Defaulted					
Non-performing	-	-	1,003	-	1,003
Other	-	-	1,511	-	1,511
Balance at 31 December 2021	152,787	10,116	2,514	-	165,417

Finance lease receivables	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	-	-	-	-	-
Standard grade	-	-	-	-	-
Low grade	-	-	-	-	-
Not rated	2,799	-	-	-	2,799
Defaulted					
Non-performing	-	-	-	-	-
Other	-	-	-	9,581	9,581
Balance at 31 December 2021	2,799	-	-	9,581	12,380

Accounts receivable	*Stage 1*	*Total*
Not rated	21,503	21,503
Balance at 31 December 2021	21,503	21,503

Other financial assets	*Stage 1*	*Total*
Not rated	53,418	53,418
Balance at 31 December 2021	53,418	53,418

27. Risk management (continued)

Credit risk (continued)

Guarantees issued	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	307,607	24,337	-	331,944
Standard grade	91,528	7,799	-	99,327
Low grade	58,376	3,334	-	61,710
Not rated	1,161,923	-	-	1,161,923
Defaulted				
Other	-	-	735	735
Balance at 31 December 2021	1,619,434	35,470	735	1,655,639

Letters of credit	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	67,925	-	-	67,925
Standard grade	1,743	-	-	1,743
Low grade	410	-	-	410
Not rated	1,462	-	-	1,462
Defaulted				
Other	-	-	-	-
Balance at 31 December 2021	71,540	-	-	71,540

Undrawn loan facilities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	581,310	1,415	-	582,725
Standard grade	121,376	3,011	-	124,387
Low grade	12,986	4,561	-	17,547
Not rated	33,620	37	9	33,666
Defaulted				
Other	-	-	648	654
Balance at 31 December 2021	749,292	9,024	662	758,984

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Total*
High grade	1,053,231	1,053,231
Standard grade	91,025	91,025
Low grade	739	904
Not rated	-	-
Balance at 31 December 2020	1,144,995	1,145,160

Amounts due from credit institutions	*Stage 1*	*Total*
High grade	-	-
Standard grade	1,986,931	1,986,931
Low grade	-	-
Not rated	-	-
Balance at 31 December 2020	1,986,931	1,986,931

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
High grade	1,010,178	1,010,178
Standard grade	1,384,245	1,384,245
Low grade	11,003	11,003
Not rated	13,542	13,542
Balance at 31 December 2020	2,418,968	2,418,968

27. Risk management (continued)

Credit risk (continued)

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,801,002	41,693	-	-	1,842,695
Standard grade	1,145,486	110,608	-	-	1,256,094
Low grade	361,573	194,295	-	7,402	563,270
Not rated	679,043	32,879	-	-	711,922
Defaulted					
Non-performing	-	-	209,877	974	210,851
Other	-	-	-	-	-
Balance at 31 December 2020	3,987,104	379,475	209,877	8,376	4,584,832

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,521,205	108,883	-	1,283	2,631,371
Standard grade	534,592	102,058	-	4,390	641,040
Low grade	111,250	101,843	-	4,968	218,061
Not rated	70,636	1,130	-	-	71,766
Defaulted					
Non-performing	-	-	110,378	6,056	116,434
Other	-	-	57,855	9,152	67,007
Balance at 31 December 2020	3,237,683	313,914	168,233	25,849	3,745,679

Micro and SME loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,278,944	151,938	-	409	1,431,291
Standard grade	834,885	135,345	-	309	970,539
Low grade	96,053	86,728	-	1,987	184,768
Not rated	320,796	55,462	-	11	376,269
Defaulted					
Non-performing	-	-	136,014	706	136,720
Other	-	-	29,035	49	29,084
Balance at 31 December 2020	2,530,678	429,473	165,049	3,471	3,128,671

Consumer loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,041,103	31,976	-	412	1,073,491
Standard grade	514,395	51,890	-	965	567,250
Low grade	150,067	109,522	-	2,388	261,977
Not rated	37,796	379	-	-	38,175
Defaulted					
Non-performing	-	-	66,073	1,619	67,692
Other	-	-	33,542	3,131	36,673
Balance at 31 December 2020	1,743,361	193,767	99,615	8,515	2,045,258

Gold – pawn loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	31,764	262	-	-	32,026
Standard grade	42,352	703	-	-	43,055
Low grade	21,929	2,914	-	-	24,843
Not rated	1,730	-	-	-	1,730
Defaulted					
Non-performing	-	-	406	-	406
Other	-	-	1,324	-	1,324
Balance at 31 December 2020	97,775	3,879	1,730	-	103,384

Finance lease receivables	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	-	-	-	-	-
Standard grade	-	-	-	-	-
Low grade	-	-	-	-	-
Not rated	3,919	-	-	-	3,919
Defaulted					
Non-performing	-	-	-	-	-
Other	-	-	-	-	-
Balance at 31 December 2020	3,919	-	-	-	3,919

27. Risk management (continued)

Credit risk (continued)

Accounts receivable	*Stage 1*	*Total*
Not rated	1,186	1,186
Balance at 31 December 2020	1,186	1,186

Other financial assets	*Stage 1*	*Total*
Not rated	41,149	41,149
Balance at 31 December 2020	41,149	41,149

Guarantees issued	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	160,612	7,628	-	168,240
Standard grade	40,554	7,414	-	47,968
Low grade	39,485	5,250	-	44,735
Not rated	1,168,545	6	-	1,168,551
Defaulted				
Other	-	-	31,017	31,017
Balance at 31 December 2020	1,409,196	20,298	31,017	1,460,511

Letters of credit	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	49,162	-	-	49,162
Standard grade	10,970	-	-	10,970
Low grade	261	-	-	261
Not rated	58,578	-	-	58,578
Defaulted				
Other	-	-	5,940	5,940
Balance at 31 December 2020	118,971	-	5,940	124,911

Undrawn loan facilities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	450,119	2,683	-	452,802
Standard grade	62,708	878	-	63,586
Low grade	15,682	14,740	-	30,422
Not rated	76,182	287	-	76,469
Defaulted				
Other	-	-	1,107	1,107
Balance at 31 December 2020	604,691	18,588	1,107	624,386

Cash and cash equivalents, excluding cash on hand	*Stage 1*	*Total*
High grade	912,625	912,625
Standard grade	369,748	369,748
Low grade	848	848
Not rated	-	-
Balance at 31 December 2019	1,283,221	1,283,221

Amounts due from credit institutions	*Stage 1*	*Total*
High grade	30,414	30,414
Standard grade	1,570,270	1,570,270
Low grade	-	-
Not rated	-	-
Balance at 31 December 2019	1,600,684	1,600,684

27. Risk management (continued)

Credit risk (continued)

Investment securities measured at FVOCI - debt instruments	*Stage 1*	*Total*
High grade	884,564	884,564
Standard grade	771,422	771,422
Low grade	11,040	11,040
Not rated	13,134	13,134
Balance at 31 December 2019	1,680,160	1,680,160

Commercial loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,639,444	31,717	-	-	1,671,161
Standard grade	602,612	175,331	-	-	777,943
Low grade	334,032	116,850	-	6,583	457,465
Not rated	585,966	11,801	-	-	597,767
Defaulted					
Non-performing	-	-	126,559	-	126,559
Other	-	-	17,822	1,078	18,900
Balance at 31 December 2019	3,162,054	335,699	144,381	7,661	3,649,795

Residential mortgage loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	2,130,691	52,274	-	731	2,183,696
Standard grade	481,063	33,680	-	1,968	516,711
Low grade	101,978	73,922	-	3,050	178,950
Not rated	36,514	162	-	-	36,676
Defaulted					
Non-performing	-	-	21,005	3,399	24,404
Other	-	-	88,408	23,125	111,533
Balance at 31 December 2019	2,750,246	160,038	109,413	32,273	3,051,970

Micro and SME loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	1,361,742	13,919	-	-	1,375,661
Standard grade	645,784	31,867	-	9	677,660
Low grade	91,539	45,411	-	99	137,049
Not rated	219,684	4,485	-	-	224,169
Defaulted					
Non-performing	-	-	65,652	950	66,602
Other	-	-	44,421	691	45,112
Balance at 31 December 2019	2,318,749	95,682	110,073	1,749	2,526,253

Consumer loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	963,489	11,884	-	471	975,844
Standard grade	569,722	15,113	-	206	585,041
Low grade	155,999	82,621	-	1,673	240,293
Not rated	26,936	160	-	-	27,096
Defaulted					
Non-performing	-	-	24,954	548	25,502
Other	-	-	82,821	6,843	89,664
Balance at 31 December 2019	1,716,146	109,778	107,775	9,741	1,943,440

Gold – pawn loans at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	-	-	-	-	-
Standard grade	-	-	-	-	-
Low grade	-	-	-	-	-
Not rated	80,794	1,114	-	-	81,908
Defaulted					
Non-performing	-	-	101	-	101
Other	-	-	3,530	-	3,530
Balance at 31 December 2019	80,794	1,114	3,631	-	85,539

27. Risk management (continued)

Credit risk (continued)

Finance lease receivables	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
High grade	-	-	-	-	-
Standard grade	-	-	-	-	-
Low grade	-	-	-	-	-
Not rated	4,611	-	-	-	4,611
Defaulted					
Non-performing	-	-	-	-	-
Other	-	-	-	-	-
Balance at 31 December 2019	4,611	-	-	-	4,611

Accounts receivable	*Stage 1*	*Total*
Not rated	1,031	1,031
Balance at 31 December 2019	1,031	1,031

Other financial assets	*Stage 1*	*Total*
Not rated	45,848	45,848
Balance at 31 December 2019	45,848	45,848

Guarantees issued	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	178,025	-	-	178,025
Standard grade	36,410	6,220	-	42,630
Low grade	50,215	9,580	-	59,795
Not rated	1,039,915	6	-	1,039,921
Defaulted				
Other	-	-	1,009	1,009
Balance at 31 December 2019	1,304,565	15,806	1,009	1,321,380

Letters of credit	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	24,503	-	-	24,503
Standard grade	21,388	-	-	21,388
Low grade	1,147	-	-	1,147
Not rated	7,165	-	-	7,165
Defaulted				
Other	-	-	612	612
Balance at 31 December 2019	54,203	-	612	54,815

Undrawn loan facilities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	180,375	201	-	180,576
Standard grade	24,818	372	-	25,190
Low grade	6,496	3,438	-	9,934
Not rated	4,188	11	-	4,199
Defaulted				
Other	-	-	1,288	1,288
Balance at 31 December 2019	215,877	4,022	1,288	221,187

27. Risk management (continued)

Credit risk (continued)

Types of collateral the Bank accepts include real estate, movable properties as well as financial assets (deposits, shares and guarantees) and other registered liens. Measurement and processing of collateral is governed by generally acceptable standards and collateral-specific instructions. These transactions are structured under legally verified standard agreements where the pledges are secured through public registry where eligible. The following table shows the ratio of the loan portfolio to the market value of collateral held by the Bank in respect of the portfolio. As at 31 December 2021, up to 76.0% of the collateral held has been re-valued within the last two years (2020: 76.2%, 2019: 72.9%). For residential mortgage loans, in cases where the collateral for a loan may not be officially registered until its construction is complete, respective loan is shown as unsecured, even though it is usually secured by the corporate guarantee of the construction company.

As at 31 December 2021

			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	5,055,370	647,651	442,637	1,318,905	115,959	336,119	1,121,705	497,927	189,518	384,949
Commercial loans - ECL	143,749	9,573	5,127	9,439	1,497	6,506	20,274	83,254	3,563	4,516
Residential mortgage loans	3,978,301	82,061	708,492	1,540,724	643,589	518,607	439,737	11,085	4,739	29,267
Residential mortgage loans - ECL	33,024	3,943	131	1,345	4,276	6,201	15,029	1,024	102	973
Micro and SME loans	3,591,514	412,142	709,566	899,653	257,160	317,246	809,562	84,584	30,665	70,936
Micro and SME loans - ECL	66,351	23,938	714	2,237	1,664	4,985	23,289	3,262	752	5,510
Consumer loans	2,842,592	1,556,624	424,893	458,223	156,465	122,280	115,721	3,634	731	4,021
Consumer loans - ECL	135,133	125,404	285	1,720	1,761	1,982	3,428	408	19	126
Gold – pawn loans	165,417	1	4,182	37,427	118,095	4,568	1,128	-	-	16
Gold – pawn loans - ECL	2,074	2	1	1,807	111	113	28	-	-	12
Loans to customers at amortised cost, gross	15,633,194	2,698,479	2,289,770	4,254,932	1,291,268	1,298,820	2,487,853	597,230	225,653	489,189

As at 31 December 2020

			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	4,584,832	572,992	602,524	1,057,709	87,797	124,255	1,052,751	131,764	314,779	640,261
Commercial loans - ECL	155,315	14,679	2,802	12,332	155	11,962	91,684	7,560	8,904	5,237
Residential mortgage loans	3,745,679	64,018	968,053	1,885,175	431,607	199,633	127,956	9,315	2,236	57,686
Residential mortgage loans - ECL	48,552	2,838	245	14,665	11,368	7,109	10,172	432	74	1,649
Micro and SME loans	3,128,671	341,997	899,928	915,699	251,957	205,996	460,139	29,963	3,654	19,338
Micro and SME loans - ECL	93,830	36,947	900	9,752	5,358	11,641	24,107	1,949	526	2,650
Consumer loans	2,045,258	1,111,529	443,882	383,889	62,457	23,479	16,216	1,055	640	2,111
Consumer loans - ECL	112,811	104,324	593	4,311	2,051	261	1,169	51	11	40
Gold – pawn loans	103,384	-	3,338	23,313	72,392	1,748	2,576	2	-	15
Gold – pawn loans - ECL	227	-	1	14	145	36	20	-	-	11
Loans to customers at amortised cost, gross	13,607,824	2,090,536	2,917,725	4,265,785	906,210	555,111	1,659,638	172,099	321,309	719,411

As at 31 December 2019

			Loan-to-value %							
	Total gross carrying amount	*Unsecured*	*Less than 50%*	*50%-80%*	*80% - 90%*	*90%-100%*	*100%-200%*	*200%-300%*	*300%-400%*	*More than 400%*
Commercial loans	3,649,795	305,268	556,822	813,724	140,655	171,156	595,527	165,872	227,889	672,882
Commercial loans - ECL	78,410	3,706	2,570	16	1	373	63,503	537	1,000	6,704
Residential mortgage loans	3,051,970	37,861	765,845	1,598,531	478,601	86,573	65,803	8,766	821	9,169
Residential mortgage loans - ECL	9,012	1,431	404	653	931	1,455	3,310	638	15	175
Micro and SME loans	2,526,253	315,832	737,905	773,048	170,420	147,257	343,450	22,747	9,281	6,313
Micro and SME loans - ECL	37,944	23,617	1,455	1,397	799	997	8,017	685	691	286
Consumer loans	1,943,440	1,147,871	369,958	287,083	74,451	24,655	37,134	547	359	1,382
Consumer loans - ECL	72,187	70,364	69	479	344	277	552	79	2	21
Gold – pawn loans	85,539	-	2,810	20,994	52,695	2,700	6,284	1	10	45
Gold – pawn loans - ECL	253	-	-	6	150	21	32	-	8	36
Loans to customers at amortised cost, gross	11,256,997	1,806,832	2,433,340	3,493,380	916,822	432,341	1,048,198	197,933	238,360	689,791

27. Risk management (continued)

Carrying amount per class of financial assets whose terms have been renegotiated

During the year, the Bank modified the contractual cash flows on certain loans and advances to customers. All such loans had previously been transferred to at least Stage 2, with a loss allowance measured at an amount equal to lifetime expected credit losses.

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL:

Financial assets modified during 2021:	Amortised cost before modification	Net gain (loss) arising from modification
Commercial loans	127,456	406
Residential mortgage loans	88,881	530
Micro and SME loans	102,964	(4,174)
Consumer loans	133,183	(9,446)
Gold – pawn loans	-	-
Loans to customers	452,484	(12,684)
Total loans to customers and finance lease receivables	452,484	(12,684)

Financial assets modified during 2020:	Amortised cost before modification	Net gain (loss) arising from modification
Commercial loans	117,119	83
Residential mortgage loans	364,619	(34)
Micro and SME loans	347,449	(3,347)
Consumer loans	347,562	(4,625)
Gold – pawn loans	-	-
Loans to customers	1,176,749	(7,923)
Total loans to customers and finance lease receivables	1,176,749	(7,923)

Financial assets modified during 2019:	Amortised cost before modification	Net gain (loss) arising from modification
Commercial loans	35,186	(229)
Residential mortgage loans	51,776	(1,761)
Micro and SME loans	77,075	(4,038)
Consumer loans	33,470	(3,332)
Gold – pawn loans	-	-
Loans to customers	197,507	(9,360)
Total loans to customers and finance lease receivables	197,507	(9,360)

27. Risk management (continued)

Credit risk (continued)

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

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

Financial assets modified since initial recognition, as at 31 December 2020	Gross Carrying Amount	Corresponding ECL
Commercial loans	14,952	(1)
Residential mortgage loans	100,079	(444)
Micro and SME loans	68,748	(1,023)
Consumer loans	42,408	(1,962)
Gold – pawn loans	-	-
Loans to customers	226,187	(3,430)
Finance lease receivables	-	-
Total loans to customers and finance lease receivables	226,187	(3,430)

Financial assets modified since initial recognition, as at 31 December 2019	Gross Carrying Amount	Corresponding ECL
Commercial loans	-	-
Residential mortgage loans	8	-
Micro and SME loans	27	-
Consumer loans	-	-
Gold – pawn loans	-	-
Loans to customers	35	-
Finance lease receivables	-	-
Total loans to customers and finance lease receivables	35	-

27. Risk management (continued)

Credit risk (continued)

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

	2021			
	Georgia	*OECD*	*CIS and other foreign countries*	*Total*
Assets:				
Cash and cash equivalents	777,831	409,875	86,361	1,274,067
Amounts due from credit institutions	1,892,402	-	-	1,892,402
Investment securities	1,462,826	953,739	77,602	2,494,167
Loans to customers and finance lease receivables	15,264,047	-	-	15,264,047
All other assets	1,077,726	171,915	2,939	1,252,580
	20,474,832	1,535,529	166,902	22,177,263
Liabilities:				
Client deposits and notes	11,227,587	892,927	1,452,617	13,573,131
Amounts owed to credit institutions	1,532,540	2,176,888	51,056	3,760,484
Debt securities issued	306,238	1,066,857	-	1,373,095
Lease Liability	81,776	-	-	81,776
All other liabilities	300,264	50,561	282	351,107
	13,448,405	4,187,233	1,503,955	19,139,593
Net balance sheet position	7,026,427	(2,651,704)	(1,337,053)	3,037,670

	2020				2019			
	Georgia	*OECD*	*CIS and other foreign countries*	*Total*	*Georgia*	*OECD*	*CIS and other foreign countries*	*Total*
Assets:								
Cash and cash equivalents	776,754	946,463	105,019	1,828,236	1,008,882	832,879	91,885	1,933,646
Amounts due from credit institutions	1,986,555	-	-	1,986,555	1,569,954	30,433	-	1,600,387
Investment securities	1,408,604	922,077	88,332	2,419,013	792,613	827,974	58,863	1,679,450
Loans to customers and finance lease receivables	13,200,987	-	-	13,200,987	11,063,789	-	-	11,063,789
All other assets	1,077,287	235,989	1,991	1,315,267	1,045,493	27,332	169	1,072,994
	18,450,187	2,104,529	195,342	20,750,058	15,480,731	1,718,618	150,917	17,350,266
Liabilities:								
Client deposits and notes	11,287,812	857,028	1,351,638	13,496,478	7,486,614	805,466	1,245,123	9,537,203
Amounts owed to credit institutions	742,831	2,044,365	43,510	2,830,706	1,767,156	1,649,486	62,727	3,479,369
Debt securities issued	-	1,450,598	-	1,450,598	-	1,998,803	-	1,998,803
Lease Liability	89,812	-	-	89,812	88,535	-	-	88,535
All other liabilities	169,744	237,112	412	407,268	168,350	9,280	5	177,635
	12,290,199	4,589,103	1,395,560	18,274,862	9,510,655	4,463,035	1,307,855	15,281,545
Net balance sheet position	6,159,988	(2,484,574)	(1,200,218)	2,475,196	5,970,076	(2,744,417)	(1,156,938)	2,068,721

Liquidity risk and funding management

Liquidity risk is the risk that the Bank 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 Bank 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 Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank 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 Bank primarily on a standalone Bank basis, based on certain liquidity ratios established by the NBG. The banks are required to maintain a liquidity coverage ratio, which is defined as the ratio of high-quality liquid assets to net cash outflow over the next 30 days. The order requires that, absent a stress-period, the value of the ratio be no lower than 100%. The liquidity coverage ratio as at 31 December 2021 was 124.0% (2020: 138.6%, 2019: 136.7%).

The Bank holds a comfortable buffer on top of Net Stable Funding Ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. NSFR as at 31 December 2021 was 132.5%, (2020: 137.5%, 2019: 132.5%), all comfortably above the NBG's minimum regulatory requirements.

The Bank 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.

27. Risk management (continued)

Liquidity risk and funding management (continued)

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay, and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial liabilities As at 31 December 2021	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	4,944,882	7,231,618	1,630,960	352,206	14,159,666
Amounts owed to credit institutions	1,764,481	370,532	1,600,571	598,105	4,333,689
Debt securities issued	34,360	160,392	1,430,684	-	1,625,436
Lease liability	5,552	14,872	63,228	10,992	94,644
Derivative financial liabilities	3,195	2,131	1,279	-	6,605
Other liabilities	164,087	220	328	18	164,653
Total undiscounted financial liabilities	6,916,557	7,779,765	4,727,050	961,321	20,384,693

Financial liabilities As at 31 December 2020	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	5,629,379	6,456,283	1,604,516	352,292	14,042,470
Amounts owed to credit institutions	930,296	592,559	1,307,342	547,335	3,377,532
Debt securities issued	43,320	66,512	1,368,293	345,886	1,824,011
Lease liability	5,659	17,051	65,309	21,497	109,516
Derivative financial liabilities	84,837	127,785	19,266	-	231,888
Other liabilities	60,116	2,525	6,656	102	69,399
Total undiscounted financial liabilities	6,753,607	7,262,715	4,371,382	1,267,112	19,654,816

Financial liabilities As at 31 December 2019	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Client deposits and notes	3,650,821	5,133,204	874,815	105,994	9,764,834
Amounts owed to credit institutions	1,967,803	400,603	1,095,778	783,227	4,247,411
Debt securities issued	43,943	699,436	1,388,813	334,625	2,466,817
Lease liability	5,376	15,310	61,735	26,675	109,096
Derivative financial liabilities	4,772	5,789	187	-	10,748
Other liabilities	82,612	2,213	2,061	323	87,209
Total undiscounted financial liabilities	5,755,327	6,256,555	3,423,389	1,250,844	16,686,115

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies.

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
31 December 2021	993,711	640,788	843,710	17,546	2,495,755
31 December 2020	790,782	480,438	926,151	21,431	2,218,802
31 December 2019	440,748	242,684	782,161	138,581	1,604,174

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above. Perpetual Tier 1 capital notes are presented in "Over 5 years" bucket given the fact that the management does not consider them to be covered earlier than that.

27. Risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The Bank classifies exposures to market risk into either trading or non-trading portfolios. Trading and non-trading positions are managed and monitored using sensitivity analysis.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Bank's separate income statement.

The sensitivity of the separate income statement is the effect of the assumed changes in interest rates on the net interest income for the year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2021. Changes in basis points are calculated as standard deviations of daily changes in floating rates over the last month multiplied by respective floating rates. During the years ended 31 December 2021, 2020 and 2019, sensitivity analysis did not reveal any significant potential effect on the Bank's equity.

Currency	*Increase in basis points 2021*	*Sensitivity of net interest income 2021*	*Sensitivity of other comprehensive income 2021*
GEL	53	6,733	5,516
EUR	2	238	-
USD	5	355	-

Currency	*Decrease in basis points 2021*	*Sensitivity of net interest income 2021*	*Sensitivity of other comprehensive income 2021*
GEL	53	(6,733)	(5,516)
EUR	2	(238)	-
USD	5	(355)	-

Currency	*Increase in basis points 2020*	*Sensitivity of net interest income 2020*	*Sensitivity of other comprehensive income 2020*
GEL	15	1,427	1,452
EUR	2	242	-
USD	3	13	-

Currency	*Decrease in basis points 2020*	*Sensitivity of net interest income 2020*	*Sensitivity of other comprehensive income 2020*
GEL	15	(1,427)	(1,452)
EUR	2	(242)	-
USD	3	(13)	-

Currency	*Increase in basis points 2019*	*Sensitivity of net interest income 2019*	*Sensitivity of other comprehensive income 2019*
GEL	64	4,207	5,806
EUR	2	168	-
USD	7	94	-

Currency	*Decrease in basis points 2019*	*Sensitivity of net interest income 2019*	*Sensitivity of other comprehensive income 2019*
GEL	64	(4,207)	(5,806)
EUR	2	(168)	-
USD	7	(94)	-

27. Risk management (continued)

Market risk (continued)

Currency risk

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

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2021 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian Lari, with all other variables held constant on the income statement. The reasonably possible movement of the currency rate against the Georgian Lari is calculated as a standard deviation of daily changes in exchange rates over the 12 months. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. During the year ended 31 December 2021, year ended 31 December 2020 and year ended 31 December 2019, sensitivity analysis did not reveal any significant potential effect on the Bank's equity.

Currency	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
	2021		*2020*		*2019*	
EUR	8.6%	80	15.1%	148	7.9%	(308)
USD	6.4%	498	13.0%	1,340	6.4%	(2,915)

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate mortgages when interest rates fall, or other credit facilities, for similar reasons.

The Bank calculates the effect of early repayments by calculating the weighted average rates of early repayments across each loan product individually, applying these historical rates to the outstanding carrying amount of respective products as at the reporting date and multiplying by the weighted average effective annual interest rates for each product. The model does not make a distinction between different reasons for repayment (e.g. relocation, refinancing and renegotiation) and takes into account the effect of any prepayment penalties on the Bank's income.

The estimated effect of prepayment risk on net interest income of the Bank for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, is as follows:

	Effect on net interest income
2021	(52,552)
2020	(40,748)
2019	(40,014)

27. Risk management (continued)

Operational risk

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

Cyber risk, AML and compliance risk

Information-security threats have continued to increase over the past few years and the Bank has seen a number of major organisations subject to cyber-attacks. Fortunately, the Bank's operations have not been materially affected and the Bank has not suffered a data breach. Over the past few years, as the Bank's operations have expanded and the focus has been directed towards more digitalisation of banking products and services, there has been seen an increase in electronic crimes, including fraud, although losses have not been significant. Money laundering (ML) and Terrorism financing (FT) risks, which the Bank has measures in place to guard against, continue to evolve globally. The Bank continues to face stringent regulatory and supervisory requirements related to the fight against ML/TF. Failure to comply with these requirements may lead to enforcement action by the regulator, which can result in a pecuniary penalty and negatively impact the Bank's reputation.

The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Operating environment

Most of the Bank's business is concentrated in Georgia. As an emerging market, Georgia does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets (including the risk that the Georgian Lari is not freely convertible outside the country, and undeveloped debt and equity markets). However, over the last few years the Georgian Government has made a number of developments that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation (including new tax code and procedural laws). In the view of the Board, these steps contribute to mitigating the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments, and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

Regional instability

The Georgian economy is well-diversified and there is no significant dependency on a single country. However, it is dependent on economies of the region, in particular Russia, Turkey, Azerbaijan and Armenia, which are key trading partners. There has been ongoing geopolitical tension, political and economic instability and military conflict in the region, which may have an adverse effect on our business and financial position.

The Bank actively monitors regional and local market conditions and risks related to political instability, and the Georgian Government's response thereto. It performs stress and scenario tests in order to assess the impact on its financial position, and develops responsive strategies and action plans. While financial market turbulences and geopolitical tensions affect regional trading partners, Georgia's preferential trading regimes and well-diversified economy in terms of dependency on a single country, support the country to enhance resilience to regional external shocks.

27. Risk management (continued)

Emerging risks

Information compiled from all the businesses is examined and processed in order to analyse, control and identify emerging risks.

The Bank has identified Climate Risk as an emerging risk. Climate-related risk is the risk of financial loss and/or damage to the Bank's reputation as a result of accelerating transition to a lower-carbon economy as well as the materialisation of actual physical damage that may materialise as a result of acute or chronic weather events from changing climate.

During 2021, the Bank have started to develop a Climate Action Strategy and integrate climate-related risks into the risk management framework and business resilience assessments. The Bank have focused on mitigating climate-related risks by:

- Raising climate awareness across the Bank and deepening the understanding of climate-related risks and opportunities, including identifying how transition and physical risks of climate change can drive credit, liquidity, market, capital, operational and reputational risks for the Bank over short-to long-term time horizons;
- Conducting a preliminary assessment of portfolio-level credit risk for a broad range of sectors for the purpose of integrating climate-related risks into the credit risk framework. This includes Scope 3 emissions calculation for selected parts of the portfolio using the PCAF Standard where possible and own methodologies for granular portfolio segments;
- We have started preliminary works on updating the Environmental & Social Policy and Risk Management System to address climate-related issues and to identify and manage climate-related risks with high-risk customers
- Monitoring Scope 1 and 2 GHG emissions and as well as relevant Scope 3 emissions from the Bank's own operations; and
- Identifying metrics and data needs for the assessment, management and disclosure of climate-related risks and opportunities

The potential impacts of the climate-related risks are subject to further analysis and as a result there is no sufficient certainty to be included in the financial statement. However with the high level assessment that the Bank has carried out, the climate related credit risk on loan portfolio is relatively low

Climate-related risk might have adverse impact borrowers' probability of default and the extent of losses incurred by the bank in the event of default. From a credit risk perspective, these climate-related risks could impact:

- Probability of default (PD)
- Loss given default (LGD)
- Macro-economic scenarios analysis

The Bank commits to ensuring that its actions support the achievement of Georgia's climate-related goals, including those specified in its updated Nationally Determined Contribution (2021). As plans are updated, the Bank will also update its targets and policies with more detail.

28. Fair value measurements

Fair value hierarchy

For the purpose of fair value disclosures, the Bank 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 31 December 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	218,793	218,793
Land	-	-	*11,762*	*11,762*
Residential properties	-	-	*152,167*	*152,167*
Non-residential properties	-	-	*54,864*	*54,864*
Investment securities	5,242	2,488,817	108	2,494,167
Other assets – derivative financial assets	-	125,679	-	125,679
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	1,892,402	-	1,892,402
Loans to customers and finance lease receivables	-	-	14,931,421	14,931,421
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	6,605	-	6,605
Liabilities for which fair values are disclosed				
Client deposits and notes	-	13,548,458	-	13,548,458
Amounts owed to credit institutions	-	3,388,792	371,692	3,760,484
Debt securities issued	-	1,316,918	128,484	1,445,402
Lease liability	-	-	88,483	88,483

At 31 December 2020	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	219,005	219,005
Land	-	-	*10,981*	*10,981*
Residential properties	-	-	*146,112*	*146,112*
Non-residential properties	-	-	*61,912*	*61,912*
Investment securities	3,229	2,415,676	108	2,419,013
Other assets – derivative financial assets	-	10,270	-	10,270
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	1,986,555	-	1,986,555
Loans to customers and finance lease receivables	-	-	12,911,712	12,911,712
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	231,888	-	231,888
Liabilities for which fair values are disclosed				
Client deposits and notes	-	13,483,208	-	13,483,208
Amounts owed to credit institutions	-	2,655,217	175,489	2,830,706
Debt securities issued	-	1,404,266	106,850	1,511,116
Lease liability	-	-	97,189	97,189

28. Fair value measurements (continued)

Fair value hierarchy (continued)

At 31 December 2019	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	*204,885*	204,885
Land	-	-	*56,909*	*56,909*
Residential properties	-	-	*75,328*	*75,328*
Non-residential properties	-	-	*72,648*	*72,648*
Investment securities	2,316	1,676,739	395	1,679,450
Other assets – derivative financial assets	-	31,920	-	31,920
Other assets – trading securities owned	-	-	-	-
Loans to customers and finance lease receivables				
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	1,600,387	-	1,600,387
Loans to customers and finance lease receivables	-	-	11,165,686	11,165,686
Liabilities measured at fair value				
Other liabilities – derivative financial liabilities	-	10,748	-	10,748
Liabilities for which fair values are disclosed				
Client deposits and notes	-	9,532,366	-	9,532,366
Amounts owed to credit institutions	-	3,341,563	137,806	3,479,369
Debt securities issued	-	1,782,277	274,098	2,056,375
Lease liability	-	-	89,406	89,406

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 Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments

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

Trading securities and investment securities

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

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

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

Movements in Level 3 financial instruments measured at fair value

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

	At 31 December 2018	*At 31 December 2019*	*Purchase of securities*	*At 31 December 2020*	*Sale of investment securities*	*At 31 December 2021*
Level 3 financial assets						
Equity investment securities	395	395	(287)	108	-	108

28. Fair value measurements (continued)

Fair value hierarchy (continued)

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

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

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

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

	Carrying amount	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*
	2021		*2020*		*2019*	
Level 3 financial assets						
Equity investment securities	108	+/- 16	108	+/- 16	395	+/- 59

In order to determine reasonably possible alternative assumptions, the Bank's adjusted key unobservable model inputs are as follows:

For equities, the Bank adjusted the price-over-book-value multiple by increasing and decreasing the ratio by 10%, which is considered by the Bank to be within a range of reasonably possible alternatives based on the price-over-book-value multiples used across peers within the same geographic area of the same industry.

Description of significant unobservable inputs to valuations of non-financial assets

The following tables show descriptions of significant unobservable inputs to Level 3 valuations of investment properties:

	2021	Valuation technique	Significant unobservable inputs	MIN	MAX	Weighted average	Other key information	MIN	MAX	Weighted Average
Investment property	218,793									
Land	11,762	Market approach	Price per square metre	0.001	2.639	0.742	Square metres, land	32	360,001	8,162
Residential properties	152,167	Market approach	Price per square metre	0.062	3.252	0.983	Square metres, building	15	782	186
Non-residential properties	54,864									
	47,621	Market approach	Price	34.582	2,190.655	885.635	Square metres, land	70	40,000	3,306
							Square metres, building	30	7,059	1,543
	6,786	Income approach	Rent per square metre	0.004	0.051	0.018	Square metres, building	103	2,021	685
			Occupancy rate	50%	85%	77%				
			Land price per square metre	0.638	1.379	1.051	Square metres, land	209	357	274
	457	Cost approach	Depreciated Replacement cost per square metre	0.763	0.901	0.840	Square metres, building	298	320	310

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

28. Fair value measurements (continued)

Financial instruments overview

Set out below is an overview of all financial instruments, other than cash and short-term deposits, held by the Bank as at 31 December 2021, 31 December 2020 and 31 December 2019:

	At 31 December 2021		
	Amortised cost	*Fair value through OCI*	*Fair value through profit or loss*
Financial assets			
Amounts due from credit institutions	1,892,402	-	-
Loans to customers and finance lease receivables	15,264,047	-	-
Accounts receivable and other loans	21,503	-	-
Equity instruments	-	5,350	-
Debt instruments	-	2,488,817	-
Interest rate contracts	-	-	2,531
Foreign currency derivative financial instruments	-	-	123,148
Total	17,177,952	2,494,167	125,679
Financial liabilities			
Client deposits and notes	13,573,131	-	-
Amounts owed to credit institutions	3,760,484	-	-
Debt securities issued	1,373,095	-	-
Lease liability	81,776	-	-
Trade and other payables (in other liabilities)	49,141	-	-
Interest rate contracts	-	-	1,385
Foreign currency derivative financial instruments	-	-	5,220
Total	18,837,627	-	6,605

	At 31 December 2020			*At 31 December 2019*		
	Amortised cost	*Fair value through OCI*	*Fair value through profit or loss*	*Loans and receivables*	*Available-for-sale*	*Fair value through profit or loss*
Financial assets						
Amounts due from credit institutions	1,986,555	-	-	1,600,387	-	-
Loans to customers and finance lease receivables	13,200,987	-	-	11,063,789	-	-
Accounts receivable and other loans	1,186	-	-	1,031	-	-
Equity instruments	-	3,337	-	-	2,711	-
Debt instruments	-	2,415,676	-	-	1,676,739	-
Interest rate contracts	-	-	1,549	-	-	2,566
Foreign currency derivative financial instruments	-	-	8,721	-	-	29,354
Total	15,188,728	2,419,013	10,270	12,665,207	1,679,450	31,920
Financial liabilities						
Client deposits and notes	13,496,478	-	-	9,537,203	-	-
Amounts owed to credit institutions	2,830,706	-	-	3,479,369	-	-
Debt securities issued	1,450,598	-	-	1,998,803	-	-
Lease liability	89,812	-	-	88,535	-	-
Trade and other payables (in other liabilities)	41,762	-	-	38,804	-	-
Interest rate contracts	-	-	1,102	-	-	1,914
Foreign currency derivative financial instruments	-	-	230,786	-	-	8,834
Total	17,909,356	-	231,888	15,142,714	-	10,748

28. Fair value measurements (continued)

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

Set out below is a comparison by class of the carrying amounts and fair values of the Bank'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.

	Carrying value 2021	*Fair value 2021*	*Unrecognised gain (loss) 2021*
Financial assets			
Amounts due from credit institutions	1,892,402	1,892,402	-
Loans to customers and finance lease receivables	15,264,047	14,931,421	(332,626)
Financial liabilities			
Client deposits and notes	13,573,131	13,548,458	24,673
Amounts owed to credit institutions	3,760,484	3,760,484	-
Debt securities issued	1,373,095	1,445,402	(72,307)
Lease liability	81,776	88,483	(6,707)
Total unrecognised change in unrealised fair value			(386,967)

	Carrying value 2020	*Fair value 2020*	*Unrecognised gain (loss) 2020*	*Carrying value 2019*	*Fair value 2019*	*Unrecognised gain (loss) 2019*
Financial assets						
Amounts due from credit institutions	1,986,555	1,986,555	-	1,600,387	1,600,387	-
Loans to customers and finance lease receivables	13,200,987	12,911,712	(289,275)	11,063,789	11,165,686	101,897
Financial liabilities						
Client deposits and notes	13,496,478	13,483,208	13,270	9,537,203	9,532,366	4,837
Amounts owed to credit institutions	2,830,706	2,830,706	-	3,479,369	3,479,369	-
Debt securities issued	1,450,598	1,511,116	(60,518)	1,998,803	2,056,375	(57,572)
Lease liability	89,812	97,189	(7,377)	88,535	89,406	(871)
Total unrecognised change in unrealised fair value			(343,900)			48,291

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 separate 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.

29. Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities according to their contractual maturities, except for current accounts and credit card loans as described below. See Note 27 "Risk management" for the Bank's contractual undiscounted repayment obligations.

	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	1,045,395	228,672	-	-	-	-	-	1,274,067
Amounts due from credit institutions	1,892,402	-	-	-	-	-	-	1,892,402
Investment securities	1,157,820	1,276,700	6,843	12,486	10,367	27,305	2,646	2,494,167
Loans to customers and finance lease	35	2,937,632	854,662	1,897,701	3,806,868	2,162,916	3,604,233	15,264,047
Total	4,095,652	4,443,004	861,505	1,910,187	3,817,235	2,190,221	3,606,879	20,924,683
Financial liabilities								
Client deposits and notes	2,309,336	2,576,776	1,130,388	6,012,049	830,913	447,869	265,800	13,573,131
Amounts owed to credit institutions	171,095	1,586,489	89,091	260,130	746,187	509,173	398,319	3,760,484
Debt securities issued	-	34,237	16,313	137,969	963,841	220,735	-	1,373,095
Lease liability	-	5,596	5,200	9,270	32,530	21,899	7,281	81,776
Total	2,480,431	4,203,098	1,240,992	6,419,418	2,573,471	1,199,676	671,400	18,788,486
Net	1,615,221	239,906	(379,487)	(4,509,231)	1,243,764	990,545	2,935,479	2,136,197
Accumulated gap	1,615,221	1,855,127	1,475,640	(3,033,591)	(1,789,827)	(799,282)	2,136,197	

	At 31 December 2020							
	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	1,309,660	518,576	-	-	-	-	-	1,828,236
Amounts due from credit institutions	1,986,555	-	-	-	-	-	-	1,986,555
Investment securities	307,194	2,091,667	5,027	889	8,799	3,079	2,358	2,419,013
Loans to customers and finance lease	-	2,526,630	765,369	1,440,642	3,327,029	1,883,402	3,257,915	13,200,987
Total	3,603,409	5,136,873	770,396	1,441,531	3,335,828	1,886,481	3,260,273	19,434,791
Financial liabilities								
Client deposits and notes	2,083,695	3,515,473	1,077,347	5,299,307	918,471	343,453	258,732	13,496,478
Amounts owed to credit institutions	196,892	730,227	157,096	419,373	490,488	496,216	340,414	2,830,706
Debt securities issued	-	43,171	17,258	45,341	1,111,923	45,499	187,406	1,450,598
Lease liability	-	5,611	5,650	10,725	32,204	21,938	13,684	89,812
Total	2,280,587	4,294,482	1,257,351	5,774,746	2,553,086	907,106	800,236	17,867,594
Net	1,322,822	842,391	(486,955)	(4,333,215)	782,742	979,375	2,460,037	1,567,197
Accumulated gap	1,322,822	2,165,213	1,678,258	(2,654,957)	(1,872,215)	(892,840)	1,567,197	

	At 31 December 2019							
	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	1,383,326	550,320	-	-	-	-	-	1,933,646
Amounts due from credit institutions	1,569,954	30,433	-	-	-	-	-	1,600,387
Investment securities	299,163	1,220,311	4,584	464	46,849	105,190	2,889	1,679,450
Loans to customers and finance lease	-	1,539,973	715,242	1,489,690	3,104,969	1,600,616	2,613,299	11,063,789
Total	3,252,443	3,341,037	719,826	1,490,154	3,151,818	1,705,806	2,616,188	16,277,272
Financial liabilities								
Client deposits and notes	2,014,598	1,610,177	770,127	4,293,858	716,718	84,975	46,750	9,537,203
Amounts owed to credit institutions	264,122	1,698,024	97,838	267,486	423,000	383,386	345,513	3,479,369
Debt securities issued	-	43,778	627,132	42,801	244,973	876,535	163,584	1,998,803
Lease liability	-	5,350	5,175	9,588	31,502	20,096	16,824	88,535
Total	2,278,720	3,357,329	1,500,272	4,613,733	1,416,193	1,364,992	572,671	15,103,910
Net	973,723	(16,292)	(780,446)	(3,123,579)	1,735,625	340,814	2,043,517	1,173,362
Accumulated gap	973,723	957,431	176,985	(2,946,594)	(1,210,969)	(870,155)	1,173,362	

The Bank'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 Bank'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 Bank 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.

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

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

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

As at 31 December 2021, client deposits and notes amounted to GEL 13,573,131 (2020: GEL 13,496,478, 2019: GEL 9,537,203) and represented 71% (2020: 74%, 2019: 62%) of the Bank's total liabilities. These funds continue to provide a majority of the Bank's funding and represent a diversified and stable source of funds. As at 31 December 2021, amounts owed to credit institutions amounted to GEL 3,760,484 (2020: GEL 2,830,706, 2019: GEL 3,479,369) and represented 20% (2020: 15%, 2019: 23%) of total liabilities. As at 31 December 2021, debt securities issued amounted to GEL 1,373,095 (2020: GEL 1,450,598, 2019: GEL 1,998,803) and represented 7% (2020: 8%, 2019: 13%) of total liabilities.

In the Board's opinion, liquidity is sufficient to meet the Bank'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, noting that respective contractual maturity may expand over significantly longer periods:

	At 31 December 2021		
	Less than 1 year	*More than 1 year*	*Total*
Cash and cash equivalents	1,274,067	-	1,274,067
Amounts due from credit institutions	1,892,402	-	1,892,402
Investment securities	2,453,849	40,318	2,494,167
Loans to customers and finance lease	5,690,030	9,574,017	15,264,047
Accounts receivable and other loans	21,503	-	21,503
Prepayments	43,200	7,926	51,126
Inventories	6,092	-	6,092
Right-of-use assets	-	73,441	73,441
Investment properties	-	218,793	218,793
Property and equipment	-	327,243	327,243
Goodwill	-	33,453	33,453
Intangible assets	-	115,838	115,838
Investments in subsidiaries	-	151,311	151,311
Income tax assets	-	-	-
Other assets	196,961	10,495	207,456
Assets held for sale	46,324	-	46,324
Total assets	11,624,428	10,552,835	22,177,263
Client deposits and notes	12,028,549	1,544,582	13,573,131
Amounts owed to credit institutions	2,106,805	1,653,679	3,760,484
Debt securities issued	188,519	1,184,576	1,373,095
Lease liability	20,066	61,710	81,776
Accruals and deferred income	45,066	26,795	71,861
Income tax liabilities	85,270	22,718	107,988
Other liabilities	169,979	1,279	171,258
Total liabilities	14,644,254	4,495,339	19,139,593
Net	(3,019,826)	6,057,496	3,037,670

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

	At 31 December 2020			*At 31 December 2019*		
	Less than 1 year	*More than 1 year*	*Total*	*Less than 1 year*	*More than 1 year*	*Total*
Cash and cash equivalents	1,828,236	-	1,828,236	1,933,646	-	1,933,646
Amounts due from credit institutions	1,986,555	-	1,986,555	1,600,387	-	1,600,387
Investment securities	2,404,777	14,236	2,419,013	1,524,522	154,928	1,679,450
Loans to customers and finance lease	4,732,641	8,468,346	13,200,987	3,744,905	7,318,884	11,063,789
Accounts receivable and other loans	1,186	-	1,186	1,031	-	1,031
Prepayments	22,323	15,128	37,451	20,873	13,976	34,849
Inventories	5,795	-	5,795	5,719	-	5,719
Right-of-use assets	-	77,763	77,763	-	90,039	90,039
Investment properties	-	219,005	219,005	-	204,885	204,885
Property and equipment	-	330,269	330,269	-	322,576	322,576
Goodwill	-	33,453	33,453	-	33,453	33,453
Intangible assets	-	104,282	104,282	-	90,224	90,224
Investments in subsidiaries	-	151,311	151,311	-	151,311	151,311
Income tax assets	21,325	-	21,325	-	-	-
Other assets	241,329	31,239	272,568	89,673	12,949	102,622
Assets held for sale	60,859	-	60,859	36,285	-	36,285
Total assets	11,305,026	9,445,032	20,750,058	8,957,041	8,393,225	17,350,266
Client deposits and notes	11,975,822	1,520,656	13,496,478	8,688,760	848,443	9,537,203
Amounts owed to credit institutions	1,503,588	1,327,118	2,830,706	2,327,470	1,151,899	3,479,369
Debt securities issued	105,770	1,344,828	1,450,598	713,711	1,285,092	1,998,803
Lease liability	21,986	67,826	89,812	20,113	68,422	88,535
Accruals and deferred income	23,351	22,967	46,318	33,833	10,237	44,070
Income tax liabilities	-	59,663	59,663	603	35,005	35,608
Other liabilities	275,264	26,023	301,287	97,957	-	97,957
Total liabilities	13,905,781	4,369,081	18,274,862	11,882,447	3,399,098	15,281,545
Net	(2,600,755)	5,075,951	2,475,196	(2,925,406)	4,994,127	2,068,721

30. Related party disclosures

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

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

The Bank has re-designed its policies and processes for identifying, assessing, and monitoring the related party transactions. The Bank's risk compliance risk management framework, at all levels, is subject to regular review by the Bank's Internal Audit department and external assurance service providers.

30. Related party disclosures (continued)

The volumes of related party transactions, outstanding balances at the year-end, and related expenses and income for the year are as follows:

	At 31 December 2021				
	The parent	*Entities under common control*	*Subsidiaries*	*Associates*	*Key management personnel**
Cash and cash equivalents at 31 December	-	69,503	219	-	-
Interest income on amounts due from credit institutions	-	-	-	-	-
Loans outstanding at 1 January, gross	-	-	3,230	-	10,649
Loans issued during the year	-	-	-	-	8,944
Loan repayments during the year	-	-	-	-	(6,531)
Other movements**	-	-	(3)	-	(1,009)
Loans outstanding at 31 December, gross	-	-	3,227	-	12,053
Less: allowance for impairment at 31 December	-	-	(9)	-	(27)
Loans outstanding at 31 December, net	-	-	3,218	-	12,026
Interest income on loans	-	-	368	-	(644)
Expected credit loss	-	-	80	-	-
Deposits at 1 January	7,098	69,354	33,151	166	32,620
Deposits received during the year	22,715	100,714	1,958	36	21,490
Deposits repaid during the year	-	(27,415)	(26,902)	-	(32,337)
Other movements**	-	34,043	118	-	9,355
Deposits at 31 December	29,813	176,696	8,325	202	31,128
Interest expense on deposits	547	1,669	(1,589)	-	1,368
Borrowings at 1 January	-	-	843	-	-
Borrowings received during the year	-	-	-	-	-
Borrowings repaid during the year	-	-	-	-	-
Other movements**	-	-	(169)	-	-
Borrowings at 31 December	-	-	674	-	-
Interest expense on borrowings	-	-	-	-	-
Debt securities at 1 January	708	-	-	-	-
Debt securities received during the period	5,038	-	-	-	-
Debt securities repaid during the period	-	-	-	-	-
Other movements**	(708)	-	-	-	-
Debt securities at 31 December	5,038	-	-	-	-
Interest expense on debt securities issued	(163)	-	-	-	-
Commitments and guarantees issued	-	-	-	-	21

30. Related party disclosures (continued)

	At 31 December 2020					At 31 December 2019				
	The parent	*Entities under common control*	*Subsidiaries*	*Associates*	*Key management personnel**	*The parent*	*Entities under common control*	*Subsidiaries*	*Associates*	*Key management personnel**
Cash and cash equivalents at 31 December	-	54,871	99	-	-	-	36,397	18	-	-
Interest income on amounts due from credit institutions	-	-	6	-	-	-	-	-	-	-
Loans outstanding at 1 January, gross	-	-	13,832	-	6,721	-	-	17,224	-	1,654
Loans issued during the year	-	-	7,729	-	7,798	-	380	9,891	-	6,347
Loan repayments during the year	-	-	(19,190)	-	(5,322)	-	(380)	(13,816)	-	(3,500)
Other movements**	-	-	859	-	1,452	-	-	533	-	2,220
Loans outstanding at 31 December, gross	-	-	3,230	-	10,649	-	-	13,832	-	6,721
Less: allowance for impairment at 31 December	-	-	(89)	-	(8)	-	-	(23)	-	(12)
Loans outstanding at 31 December, net	-	-	3,141	-	10,641	-	-	13,809	-	6,709
Interest income on loans	-	-	1,541	-	424	-	3	1,928	-	304
Expected credit loss	-	-	(66)	-	(69)	-	-	129	-	(30)
Deposits at 1 January	39,504	50,673	9,241	3	30,476	46,012	31,628	4,175	327	14,472
Deposits received during the year	252	20,391	24,628	163	23,211	16,533	29,666	6,110	-	21,222
Deposits repaid during the year	(25,431)	(2,565)	(573)	-	(19,565)	(22,816)	(9,952)	(917)	(103)	(14,402)
Other movements**	(7,227)	855	(145)	-	(1,502)	(225)	(669)	(127)	(221)	9,184
Deposits at 31 December	7,098	69,354	33,151	166	32,620	39,504	50,673	9,241	3	30,476
Interest expense on deposits	(1,777)	(809)	(1,973)	-	(1,249)	(1,761)	(849)	(1,057)	-	(1,117)
Borrowings at 1 January	-	-	232	-	-	-	-	309	-	-
Borrowings received during the year	-	-	-	-	-	-	-	-	-	-
Borrowings repaid during the year	-	-	-	-	-	-	-	-	-	-
Other movements**	-	-	611	-	-	-	-	(77)	-	-
Borrowings at 31 December	-	-	843	-	-	-	-	232	-	-
Interest expense on borrowings	-	-	-	-	-	-	-	-	-	-
Debt securities at 1 January	37,237	-	-	-	-	-	-	-	-	-
Debt securities received during the period	708	-	-	-	-	34,424	-	-	-	-
Debt securities repaid during the period	(37,298)	-	-	-	-	-	-	-	-	-
Other movements**	61	-	-	-	-	2,813	-	-	-	-
Debt securities at 31 December	708	-	-	-	-	37,237	-	-	-	-
Interest expense on debt securities issued	(1,619)	-	-	-	-	(1,150)	-	-	-	-
Commitments and guarantees issued	-	-	-	-	176	-	-	-	-	-

** Key management personnel includes members of BOG's Supervisory Board, BOG's Management Board and key executives of the Bank.*
*** In 2019, other movements for the key management personnel accounts mainly relate to the net effect of the change of the key management members.*

Compensation of key management comprised the following:

	2021	2020	2019
Salaries and other benefits	11,197	9,197	13,041
Share-based payments compensation *	25,048	27,188	39,553
Social security costs	-	-	-
Total key management compensation	36,245	36,385	52,594

** In 2019 share-based compensation included GEL 3,985 for key management personnel reflected in the non-recurring items.*

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The major part of the total compensation is share-based (Note 26). The number of key management personnel at 31 December 2021 was 21 (31 December 2020: 20, 31 December 2019: 22).

31. Capital adequacy

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

During the year ended 31 December 2021, the Bank complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The Bank 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 Bank 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.

At the end of March 2020, NBG introduced an updated supervisory plan for the Georgian banking sector, aimed at alleviating the negative financial and economic challenges created by the global COVID-19 pandemic in Georgia.

Following capital adequacy initiatives were introduced:

- Combined buffer - the conservation buffer requirement of 2.5% of risk-weighted assets has been reduced to 0%.
- Pillar 2 requirements:
    - Currency induced credit risk buffer (CICR) requirement reduced by two-thirds.
    - The phase-in of additional credit portfolio concentration risk buffer (HHI) and net GRAPE buffer requirements on Common Equity Tier 1 (CET1) and Tier 1 capital, planned at the end of March 2020, has been postponed indefinitely; however, the phase-in of additional HHI and GRAPE buffer requirements were postponed till end of March 2021 as subsequently instructed by the NBG.
    - The possibility of fully or partially releasing the remaining requirements of Pillar 2 buffers (HHI, CICR, net GRAPE), if necessary, remains open.
- During the period the banks are allowed to partially or fully use the Pillar 2 and conservation buffers, the banks are restricted to make capital distribution in any form.

NBG requested the Georgian banks to create general provisions under the local accounting basis in the first quarter of 2020, the accounting basis is that used for calculation of capital adequacy ratios. The specific quantum of the provision reflects the NBG's current expectation of estimated credit losses on the lending book of the banking system for the entire economic cycle, given current economic expectations. The NBG considers the banking system capital ratios to be sufficiently in excess of the expected minimum capital requirements, to be able to absorb this upfront general provision, whilst maintaining sufficiently comfortable buffers over the required minimum capital ratios.

Subsequently, the NBG has announced a released capital buffers rebuild plan and has updated the timeline for the phasein of additional Basel III capital requirements for the banking sector. As a result, considering the Bank's strong capital position, to ensure flexibility on capital distribution to shareholders, the Bank has confirmed to the NBG that it is no longer utilising, or expect to utilise, any of the Pillar 2 or conservation buffers that were waived in 2020.

31. Capital adequacy (continued)

NBG (Basel III) capital adequacy ratio (continued)

As at 31 December 2021, 31 December 2020 and 31 December 2019, the Bank's capital adequacy ratio on this basis was as follows:

	2021	*2020*	*2019*
Tier 1 capital	2,691,000	1,989,190	1,887,571
Tier 2 capital	784,800	830,145	616,113
Total capital	3,475,800	2,819,335	2,503,684
Risk-weighted assets	17,977,949	16,040,094	13,868,169
Tier 1 capital ratio	15.0%	12.4%	13.6%
Total capital ratio	19.3%	17.6%	18.1%
Min. requirement for Tier 1 capital ratio	13.6%	9.2%	12.2%
Min. requirement for Total capital ratio	17.7%	13.8%	17.1%

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio based on the separate statement of financial position and computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 31 December 2021, 31 December 2020 and 31 December 2019, was as follows:

	2021	*2020*	*2019*
Tier 1 capital	3,036,408	2,414,358	2,056,986
Less: Deductions - Goodwill	(33,453)	(33,453)	(33,453)
Tier 2 capital	1,220,513	1,309,028	947,794
Less: Deductions from capital	(10)	(10)	(10)
Total capital	4,223,458	3,689,923	2,971,317
Risk-weighted assets	19,257,218	17,029,786	14,428,008
Total capital ratio	21.9%	21.7%	20.6%
Tier 1 capital ratio	15.6%	14.0%	14.0%
Minimum capital adequacy ratio	8.0%	8.0%	8.0%

32. Events after the reporting period

On 24 February 2022 Russia invaded Ukraine. In response to the Russia-Ukraine war, International sanctions have been imposed against Russia, including blocking some key Russian banks' access to the SWIFT international payment system. The National Bank of Georgia (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 rapidly, impacting strategic sectors of the Russian economy and being particularly robust on the financial sector. The Group has long adopted a zero tolerance policy with regard to sanctions compliance risk, which has been robustly followed.

As at 31 December 2021, the Group owned 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 the 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. The Group is currently assessing a need for potential impairment of its assets in BNB. As at 28 February 2022, net assets of BNB stood at GEL 117.8 mln, which is maximum estimated impairment amount.

As at 31 December 2021, our exposures to wine producer clients in the Corporate Banking segment as well as individual borrowers in the Retail Banking segment who had significant income streams from Russia and Ukraine were GEL 367.3 mln and GEL 32.1 mln, respectively (7.0% of total Corporate Banking gross loan book and 0.3% of total Retail Banking gross loan book). The expected credit losses on these exposures were GEL 1 mln and GEL 0.5 mln, respectively, at 31 December 2021.

32. Events after the reporting period (continued)

Currently, the Bank has insignificant exposure to Russian banks. As at 2 May, exposure (stemming from pre-sanctions period correspondent banking accounts) to the Russian banks impacted by the US, UK or EU sanctions amounted GEL 0.8 mln. In addition, we had a total exposure of GEL 42.3 mln to the Russian financial institutions that were not directly impacted by the sanctions.

Customer deposits or other assets under management (AUM) of the Wealth Management clients who are Russian residents stood at GEL 72 mln as at 2 May 2022, accounting for 4% in total WM AUM.

The Bank has not experienced a significant deposit outflow in the subsequent events period and complies with the applicable requirements of the sanctions regimes. The Bank's capital, liquidity and funding positions have remained robust, comfortably above the minimum regulatory requirements.